

# MAINE STATE LEGISLATURE

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# STATE OF MAINE



## SINGLE AUDIT REPORT

### Uniform Guidance

Fiscal Year Ending June 30, 2019

Office of the State Auditor  
Pola A. Buckley, CPA, CISA  
State Auditor

**In order to read audit findings by Federal Program, or by State Agency and Federal Compliance Area, or by Finding Type, we recommend that the reader refer to the indexes listed at E-28.**

# STATE OF MAINE

## SINGLE AUDIT REPORT

### FOR THE YEAR ENDED JUNE 30, 2019

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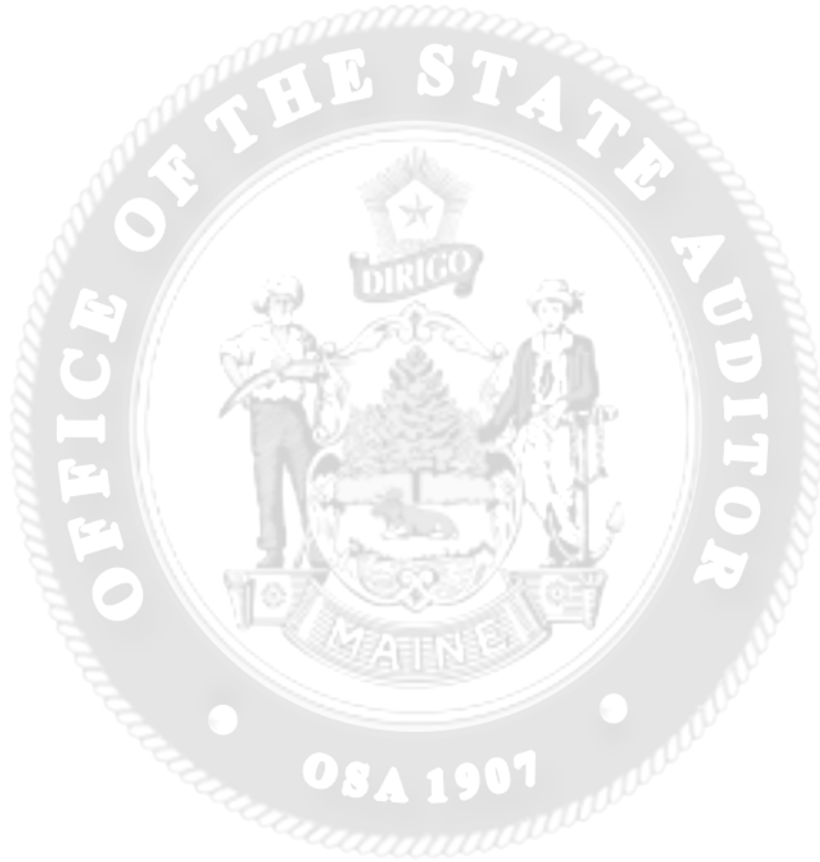
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# STATE OF MAINE

## OFFICE OF THE STATE AUDITOR

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Pola A. Buckley, CPA, CISA  
State Auditor

B. Melissa Perkins, CPA  
Deputy State Auditor

In order to read audit findings by Federal Program, or by State Agency and Federal Compliance Area, or by Finding Type, we recommend that the reader refer to the indexes listed at E-28.

### Letter of Transmittal

Honorable Troy D. Jackson  
President of the Senate

Honorable Sara Gideon  
Speaker of the House of Representatives

The Honorable Janet T. Mills  
Governor of Maine

I am pleased to submit the Single Audit of the State of Maine for the fiscal year ended June 30, 2019. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; the requirements of the Single Audit Act Amendments of 1996; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our audit complies with 5 MRSA §243 and is also a prerequisite for the receipt of Federal financial assistance. During fiscal year 2019, \$3.2 billion in Federal financial assistance was received by the State of Maine.

This document contains the following reports and schedules:

- Independent Auditor's Report
- Basic Financial Statements, Management's Discussion and Analysis, Notes to Financial Statements, and Required Supplementary Information
- 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
- Schedule of Expenditures of Federal Awards
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- Federal Findings and Questioned Costs
- Corrective Action Plan
- Summary Schedule of Prior Audit Findings

On behalf of the Office of the State Auditor, I thank employees throughout Maine Government who assisted us during the audit.

Please contact me if you have questions or comments about the 2019 Single Audit of the State of Maine.

Respectfully submitted,

A handwritten signature in black ink that reads "Pola Buckley". The script is cursive and fluid, with the first name "Pola" and last name "Buckley" clearly distinguishable.

Pola A. Buckley  
State Auditor

March 31, 2020

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**STATE OF MAINE  
EXECUTIVE SUMMARY  
FOR THE YEAR ENDED JUNE 30, 2019**

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# **STATE OF MAINE SINGLE AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2019**

## **EXECUTIVE SUMMARY**

The Office of the State Auditor (OSA) performs the Single Audit of the State of Maine, an annual financial and compliance audit, to meet Federal and State requirements. OSA's audit for fiscal year 2019 includes fourteen major Federal programs that represent 80 percent of the \$3.2 billion in Federal expenditures for the 2019 fiscal year. This Single Audit Report actually consists of various audit reports, the related financial statements, and Federal audit findings and recommendations.

### **Independent Auditor's Report**

OSA's opinion on the State's basic financial statements was unmodified. This means that OSA provides reasonable assurance that the State of Maine's financial statements are presented fairly in all material respects in accordance with accounting principles generally accepted in the United States of America. This report includes an opinion on the Schedule of Expenditures of Federal Awards in relation to the basic financial statements taken as a whole.

### **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***

OSA reported on internal control over financial reporting and did not identify any deficiencies in internal control that we considered to be a material weakness. A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct financial statement misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the State's financial statements would not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified ten significant deficiencies in this report.

As part of obtaining reasonable assurance regarding whether the State's financial statements were not materially misstated, OSA performed tests of compliance with certain provisions of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs. The results of OSA's tests disclosed no instances of noncompliance that were required to be reported under *Government Auditing Standards*.

## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

### *Compliance with program requirements*

OSA qualified the opinion on compliance with program requirements for the Children's Health Insurance Program, Continuum of Care Program, Disaster Grants – Public Assistance (Presidentially Declared Disasters), Immunization Cooperative Agreements, Medicaid Cluster, Rehabilitation Services – Vocational Rehabilitation Grants to States, SNAP Cluster, Special Supplemental Nutrition Program for Women, Infants, and Children, TANF Cluster, and Unemployment Insurance because of material noncompliance. The remaining four Federal programs complied in all material respects with program requirements.

### *Internal control over compliance*

OSA identified fifty-six deficiencies in internal control over compliance. A *deficiency* exists when the operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program, on a timely basis.

Twenty-eight deficiencies were considered to be *material weaknesses* in internal control. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Another twenty-eight deficiencies were considered to be *significant deficiencies* in internal control over compliance. A *significant deficiency* exists when there is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

## **Schedule of Findings and Questioned Costs**

The Schedule of Findings and Questioned Costs includes management's responses to the audit findings. OSA's Single Audit Report also identified \$9.0 million of *known questioned costs*. *Questioned costs* are amounts of Federal financial assistance that OSA believes were not spent in accordance with program requirements. The Federal government may or may not disallow these costs which could result in reimbursements from the State to the Federal government.

## **Corrective Action Plan**

The Corrective Action Plan is a document separate from the audit findings that includes information identifying the name of the person responsible for corrective action, the planned corrective action, and the anticipated completion date.

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**STATE OF MAINE  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

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For the Fiscal Year Ended June 30, 2019

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# STATE OF MAINE

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State Auditor

B. Melissa Perkins, CPA  
Deputy State Auditor

### INDEPENDENT AUDITOR'S REPORT

Honorable Troy Jackson  
President of the Senate

Honorable Sara Gideon  
Speaker of the House of Representatives

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2019, and the related notes to the financial statements. We did not audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the State of Maine's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, and the University of Maine System. The financial statements of these named component units comprise 100 percent of the assets, net position, and revenue of the aggregate discretely presented component units; 93 percent of assets, 96 percent of fund balance/net position, and 63 percent of revenue of the aggregate remaining fund information (Maine Public Employees Retirement System and Maine Governmental Facilities Authority); and 3 percent of the assets, and less than 1 percent of the net position and revenue of the governmental activities (Maine Governmental Facilities Authority). The financial statements of these named component units were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in



*Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages B-7 to B-17, and Budgetary Comparison Information, State Retirement Plans, Other Post-Employment Benefit Plans, and Information about Infrastructure Assets Reported Using the Modified Approach on pages B-118 to B-151, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic

financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, our report dated November 27, 2019, on our consideration of the State of Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will be issued under separate cover. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Maine's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Pola A. Buckley". The signature is written in dark ink on a light-colored background.

Pola A. Buckley, CPA, CISA  
State Auditor  
Office of the State Auditor

Augusta, Maine  
November 27, 2019



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of Maine's annual financial report presents the State's discussion and analysis of financial performance during the year ended June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

#### Government-wide:

- The net position of Governmental Activities increased by \$335.7 million, while net position of Business-Type Activities increased by \$57.6 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by \$1.1 billion at the close of fiscal year 2019. Of this amount \$3.2 billion was reported as negative "Unrestricted" net position. A negative balance means that it would be necessary to convert restricted assets (e.g., capital assets) to unrestricted assets if all ongoing obligations were immediately due and payable. Component units reported net position of \$3.1 billion, an increase of \$175.7 million (5.9 percent) from the previous year.

#### Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$1.5 billion, an increase of \$358.0 million from the previous year. The General Fund's total fund balance was a \$367.5 million, an increase of \$37.3 million from the previous year. The Highway Fund total fund balance was \$34.9 million, an increase of \$31.6 million from the prior year.
- The proprietary funds reported net position at year-end of \$825.0 million, an increase of \$127.3 million from the previous year. The increase is primarily the result of an increase in the Employment Security Fund of \$42.1 million and an increase in four Internal Service Funds; Retiree Health Insurance of \$24.7 million, Employee Health Insurance of \$38.3 million, Transportation Facilities of \$2.4 million and Workers' Compensation of \$2.5 million.

#### Long-term Debt:

- The State's liability for general obligation bonds increased by \$196.1 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued \$286.6 million in bonds and made principal payments of \$90.5 million.

Additional information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 10.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State of Maine's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

## Government-wide Statements

The government-wide statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position presents all of the State's assets, deferred outflows, liabilities and deferred inflows with the difference between the two reported as net position. Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both government-wide statements report three activities:

*Governmental activities* - Most basic services, such as health and human services, education, governmental support and operations, justice and protection, and transportation are included in this category. The Legislature, Judiciary and the general operations of the Executive departments fall within the Governmental Activities. Income taxes, sales and use taxes, and State and federal grants finance most of these activities.

*Business-type activities* - The State charges fees to customers to help cover all, or most of, the costs of certain services it provides. Operating costs not covered by customer fees are subsidized by the General Fund. Lottery tickets, Ferry Services, and the State's unemployment compensation services are examples of business-type activities.

*Component units* - Although legally separate, component units are important because the State is financially accountable for these entities. The State has one "blended" component unit, the Maine Governmental Facilities Authority (MGFA) with Governmental Activities as described above. Maine reports 12 other component units (7 major and 5 non-major) as discretely presented component units of the State, and one component unit is reported with the State's fiduciary funds. Complete financial statements of the individual component units may be obtained directly from their respective administrative offices as shown in Note 1 A to the financial statements.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting. The following summarizes the impact of the transition from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements but are included on government-wide statements.
- Certain tax revenues that are earned, but not available, are reported as revenues in the Governmental Activities, but are reported as deferred inflows on the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are recorded as deferred outflows in governmental fund statements, but not deferred on the government-wide statements.
- Internal service funds are reported as Governmental Activities in the government-wide statements, but reported as proprietary funds in the fund financial statements.
- Governmental fund long-term liabilities, such as certificates of participation, net pension liabilities, compensated absences, bonds and notes payable, and others appear as liabilities only in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is recorded as expenditures on the governmental fund statements.
- Proceeds from bonds, notes and other long-term financing arrangements result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.

- Net position balances are allocated as follows:
  - *Net Investment in Capital Assets* are capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction or improvement of those assets.
  - *Restricted Net Position* are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation.
  - *Unrestricted Net Position* is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet any of the above restrictions.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the State's most significant funds. Funds are fiscal and accounting entities with self-balancing sets of accounts that the State uses to keep track of specific revenue sources and spending for particular purposes. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different measurement focuses and bases of accounting.

*Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the State. The governmental fund statements focus primarily on the sources, uses, and balance of current financial resources and often have a budgetary orientation. These funds are reported using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Because this information does not encompass the additional long-term focus of the government-wide statements, a separate reconciliation provides additional information that explains the relationship (or differences) between them. The governmental funds consist of the General Fund, special revenue, capital projects, and permanent funds.

*Proprietary funds:* When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) apply the accrual basis of accounting utilized by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services to the State's other programs and activities – such as the State's Postal, Printing and Supply Fund. Internal service funds are reported as Governmental Activities on the government-wide statements.

*Fiduciary funds:* The State is the trustee or fiduciary for assets that belong to others. The State is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These funds include pension and other employee benefit trusts administered by the Maine Public Employees Retirement System, a component unit, private-purpose trusts, and agency funds. Fiduciary funds are reported using the accrual basis of accounting, except for Agency funds which have no measurement focus. The State excludes these activities from the government-wide financial statements because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

## **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements.

## **Required Supplementary Information**

The required supplementary information includes budgetary comparison schedules for the General Fund and major special revenue funds. Also included are notes and a reconciliation of fund balance from the budgetary basis to fund balance determined according to generally accepted accounting principles. This section also includes schedules of funding progress for certain pension and other post-employment benefit trust funds and condition and maintenance data regarding certain portions of the State's infrastructure.

## Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements. Budgetary comparison schedules by agency are also included for the general fund, the highway fund, federal funds, and other special revenue fund.

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net position increased to \$1.1 billion over the course of fiscal year ended June 30, 2019, as detailed in Tables A-1 and A-2. The increase is primarily due to a decrease in total liabilities and an increase in net revenue for governmental and business-type activities.

**TABLE A-1: CONDENSED STATEMENT OF NET POSITION**  
(Expressed in Thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2019</b>	<b>2018*</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018*</b>
Current and other noncurrent assets	\$ 3,221,439	\$ 2,567,112	\$ 558,389	\$ 519,249	\$ 3,779,828	\$ 3,086,361
Total capital assets net of accum depr	4,322,196	4,277,998	32,690	33,521	4,354,886	4,311,519
Total Assets	<u>7,543,635</u>	<u>6,845,110</u>	<u>591,079</u>	<u>552,770</u>	<u>8,134,714</u>	<u>7,397,880</u>
Deferred Outflows of Resources	<u>643,665</u>	<u>540,136</u>	<u>4,137</u>	<u>5,579</u>	<u>647,802</u>	<u>545,715</u>
Current liabilities	1,366,107	1,204,436	36,583	40,341	1,402,690	1,244,777
Non-current liabilities	5,780,957	5,711,822	27,060	44,818	5,808,017	5,756,640
Total Liabilities	<u>7,147,064</u>	<u>6,916,258</u>	<u>63,643</u>	<u>85,159</u>	<u>7,210,707</u>	<u>7,001,417</u>
Deferred Inflows of Resources	<u>459,341</u>	<u>223,785</u>	<u>1,283</u>	<u>493</u>	<u>460,624</u>	<u>224,278</u>
Net Position (Deficit)						
Net Investment in Capital Assets	3,559,387	3,580,547	32,690	33,521	3,592,077	3,614,068
Restricted	176,632	156,595	513,319	471,256	689,951	627,851
Unrestricted (deficit)	<u>(3,155,124)</u>	<u>(3,491,939)</u>	<u>(15,719)</u>	<u>(32,080)</u>	<u>(3,170,843)</u>	<u>(3,524,019)</u>
Total Net Position	<u>\$ 580,895</u>	<u>\$ 245,203</u>	<u>\$ 530,290</u>	<u>\$ 472,697</u>	<u>\$ 1,111,185</u>	<u>\$ 717,900</u>

\* As Restated

The State's fiscal year 2019 revenues totaled \$8.9 billion. (See Table A-2) Taxes and Operating grants and contributions accounted for most of the State's revenue by contributing 49.0 percent and 34.8 percent, respectively. The remainder came from charges for services and other miscellaneous sources.

The total cost of all programs and services totaled \$8.5 billion for the year 2019. (See Table A-2) These expenses are predominantly (69.5 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 5.6 percent of total costs. Total net position increased by \$393.3 million, primarily due to an increase in tax revenue and Operating grants and contributions.

**TABLE A-2: CHANGES IN NET POSITION**  
(Expressed in Thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2019</b>	<b>2018*</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018*</b>
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 571,632	\$ 564,220	\$ 641,371	\$ 623,684	\$ 1,213,003	\$ 1,187,904
Operating grants and contributions	3,074,939	3,002,173	10,921	9,510	3,085,860	3,011,683
General Revenues:						
Taxes	4,351,358	4,083,891	-	-	4,351,358	4,083,891
Other	223,558	194,927	-	-	223,558	194,927
Total Revenues	<u>8,221,487</u>	<u>7,845,211</u>	<u>652,292</u>	<u>633,194</u>	<u>8,873,779</u>	<u>8,478,405</u>
<b>Expenses:</b>						
Governmental Activities:						
Governmental Support	475,715	433,132	-	-	475,715	433,132
Education	1,845,272	1,774,309	-	-	1,845,272	1,774,309
Health & Human Services	4,054,201	3,804,516	-	-	4,054,201	3,804,516
Justice & Protection	484,735	433,728	-	-	484,735	433,728
Transportation Safety	613,171	627,901	-	-	613,171	627,901
Other	474,394	482,392	-	-	474,394	482,392
Interest Expense	51,140	51,788	-	-	51,140	51,788
Business-type Activities:						
Employment Security	-	-	82,683	83,159	82,683	83,159
Lottery	-	-	242,619	230,678	242,619	230,678
Alcoholic Beverages	-	-	144,600	137,426	144,600	137,426
Military Equipment Maintenance	-	-	1,104	10,895	1,104	10,895
Other	-	-	21,008	21,495	21,008	21,495
Total Expenses	<u>7,998,628</u>	<u>7,607,766</u>	<u>492,014</u>	<u>483,653</u>	<u>8,490,642</u>	<u>8,091,419</u>
Excess (Deficiency) before Special Items, Gain (Loss) on Sale of Assets and Transfers	222,859	237,445	160,278	149,541	383,137	386,986
Special Items	-	-	15,761	-	15,761	-
Gain (Loss) on Sale of Assets	-	-	(5,613)	-	(5,613)	-
Transfers	<u>112,833</u>	<u>108,620</u>	<u>(112,833)</u>	<u>(108,620)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	335,692	346,065	57,593	40,921	393,285	386,986
Net Position, beginning of year	<u>245,203</u>	<u>(100,862)</u>	<u>472,697</u>	<u>431,776</u>	<u>717,900</u>	<u>330,914</u>
Ending Net Position	<u>\$ 580,895</u>	<u>\$ 245,203</u>	<u>\$ 530,290</u>	<u>\$ 472,697</u>	<u>\$ 1,111,185</u>	<u>\$ 717,900</u>

\* As Restated

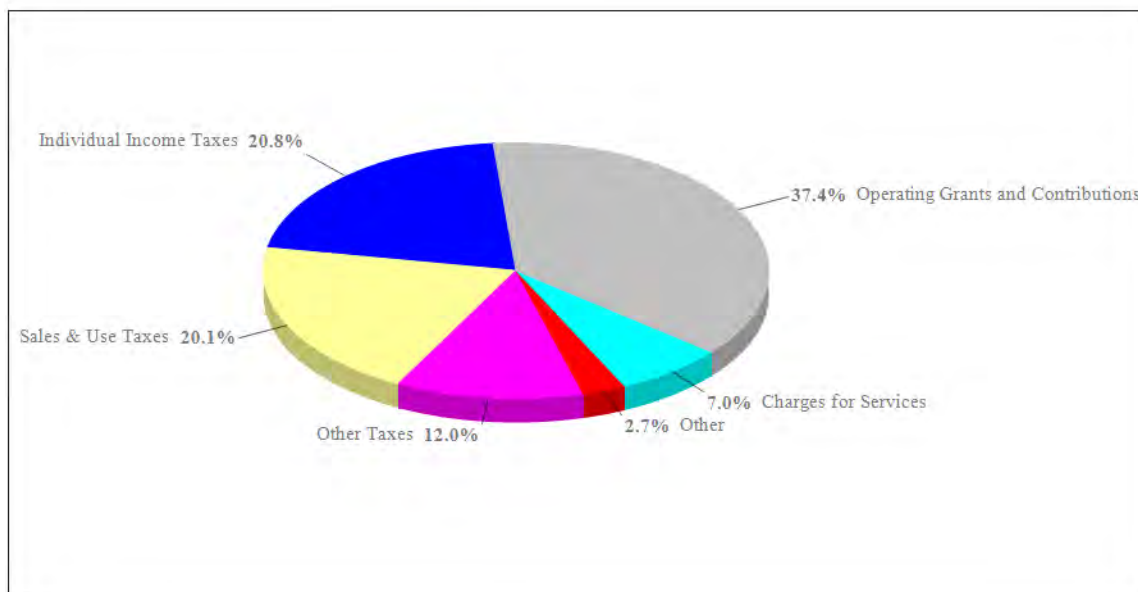


## Governmental Activities

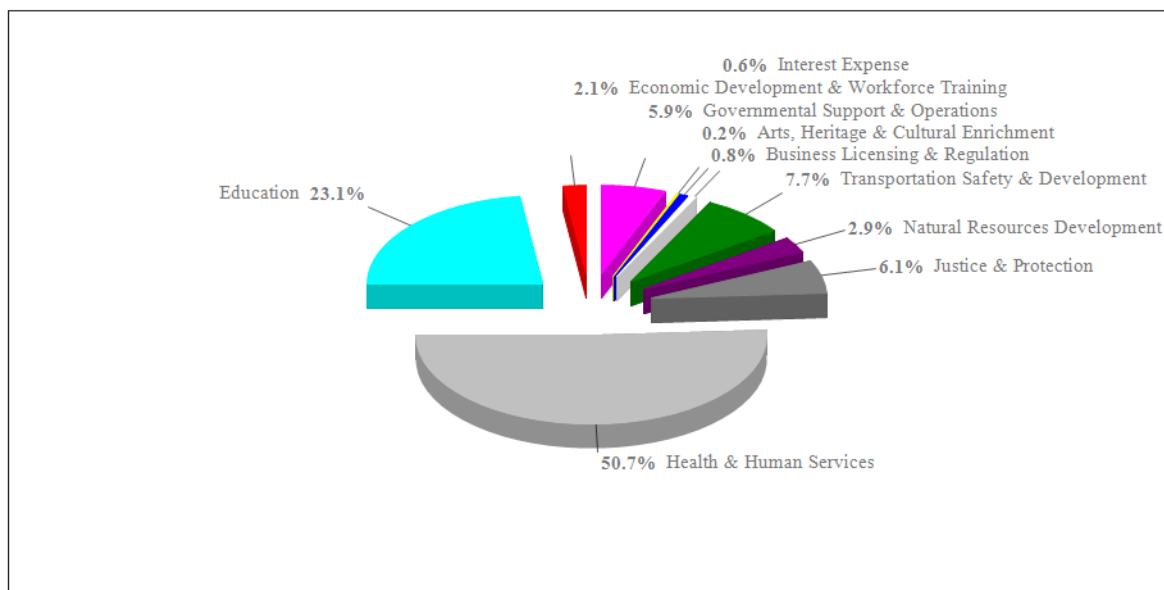
Revenues for the State's Governmental Activities totaled \$8.2 billion while total expenses equaled \$8.0 billion. The increase in net position for Governmental Activities was \$335.7 million in 2019, which was primarily the result of an increase in tax revenue of \$267.5 million and current year transfers from the State's Business-Type Activities of \$112.8 million. The State's Business-Type Activities transfers of \$112.8 million (net) to the Governmental Activities, included statutorily required profit transfers, capital contributions, and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds. These transfers are discussed further on page 13.

The users of the State's programs financed \$571.6 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of \$3.1 billion. \$4.6 billion of the State's net costs were financed by taxes and other miscellaneous revenue.

**TABLE A-3: TOTAL SOURCES OF REVENUES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2019**



**TABLE A-4: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2019**



## Business-Type Activities

Revenues for the State's Business-Type Activities totaled \$652.3 million while expenses totaled \$492.0 million. The increase in net position for Business-Type Activities was \$57.6 million in 2019, due primarily to the increase in revenue over expenses for Employment Security of \$45.7 million and a change in the accounting estimate related to Pension and Other Postemployment Benefit costs of \$15.8 million for Military Equipment Maintenance.

Table A-5 presents the cost of State Business-Type Activities: Employment Security, Alcoholic Beverages, Lottery, Ferry Services, Military Equipment Maintenance, Consolidated Emergency Communications and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the State's taxpayers by each of these functions.

**TABLE A-5: NET COST OF BUSINESS-TYPE ACTIVITIES**  
(Expressed in Thousands)

	Total Cost		Net (Cost) Revenue	
	2019	2018	2019	2018
Employment Security	\$ 82,683	\$ 83,159	\$ 45,745	\$ 42,404
Alcoholic Beverages	144,600	137,426	58,330	51,837
Lottery	242,619	230,678	61,703	63,081
Ferry Services	13,632	12,950	(8,402)	(7,894)
Military Equipment Maintenance	1,104	10,895	1,626	333
Consolidated Emergency Communications	5,950	6,952	727	(674)
Other	1,426	1,593	549	454
Total	<u>\$ 492,014</u>	<u>\$ 483,653</u>	<u>\$ 160,278</u>	<u>\$ 149,541</u>

The cost of all Business-Type Activities this year was \$492.0 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was \$160.3 million, with Alcoholic Beverages and Lottery making up \$58.3 and \$61.7 million of the total, respectively. The \$112.8 million (net) of State's Business-Type Activities transferred to the Governmental Activities, included statutorily required profit transfers and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds.

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

**TABLE A-6: GOVERNMENTAL FUND BALANCES**  
(Expressed in Thousands)

	2019	2018*	Change
General	\$ 367,487	\$ 330,177	\$ 37,310
Highway	34,859	3,280	31,579
Federal	15,367	18,789	(3,422)
Other Special Revenue	774,858	628,115	146,743
Other Governmental Funds	263,648	117,868	145,780
Total	<u>\$ 1,456,219</u>	<u>\$ 1,098,229</u>	<u>\$ 357,990</u>

\* As Restated

As of the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$1.5 billion, an increase of \$358.0 million in comparison with the prior year. Of this total, \$63.7 million (4.4 percent) is classified as non-spendable, either due to its form or legal constraints, and \$797.1 million (54.7 percent) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds and revenue restricted for transportation, natural resources or other programs are included in restricted fund balance. At the end of fiscal year 2019, the unassigned fund balance of the General Fund was \$237.1 million, an increase of \$67.5 million.

General Fund revenues and other sources surpassed General Fund expenditures and other uses resulting in an increase in the fund balance of \$37.3 million. Revenues and other sources of the General Fund increased by approximately \$230.5 million (6.0 percent), as compared to fiscal year end 2018, which is mainly attributed to an increase in tax revenue of \$264.8 million. General Fund expenditures and other financing uses increased by \$352.0 million (9.6 percent), as compared to fiscal year 2018. This is due, primarily, to an increase in expenditures for health and human services of \$168.0 million and education of \$92.1 million.

The fund balance of the Highway Fund increased \$31.6 million, due mainly to the decrease in the Highway Fund's expenditures and other financing uses of \$62.6 million, of which \$56.6 million relates to transportation safety & development expenditures.

## Budgetary Highlights

For the 2019 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to \$3.88 billion, an increase of about \$297 million from the original legally adopted budget of approximately \$3.58 billion. Actual expenditures on a budgetary basis amounted to approximately \$204.7 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2019, including the budgeted starting balance for fiscal year 2019, there were funds remaining of \$28.2 million to distribute in fiscal year 2019. Actual revenues exceeded final budget forecasts by \$14.5 million. At year end, the State transferred \$18.1 million to the Budget Stabilization Fund. Interest earnings along with legislatively and statutorily approved transfers increased the balance in the Budget Stabilization Fund to \$297.2 million as of June 30, 2019. This item is further explained in Note 2 of the Financial Statements.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of fiscal year 2019, the State had roughly \$4.4 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2019, the State acquired or constructed more than \$123.5 million of capital assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 17 to the financial statements.

**TABLE A-7: CAPITAL ASSETS**  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 644,484	\$ 641,049	\$ 2,389	\$ 2,389	\$ 646,873	\$ 643,438
Buildings	866,161	845,476	4,655	4,655	870,816	850,131
Equipment	311,748	307,118	24,666	32,701	336,414	339,819
Improvements other than buildings	113,590	113,492	42,757	42,757	156,347	156,249
Software	118,777	76,243	-	-	118,777	76,243
Infrastructure	2,931,726	2,901,466	-	-	2,931,726	2,901,466
Construction in Progress	58,088	58,946	5,674	971	63,762	59,917
Total Capital Assets	5,044,574	4,943,790	80,141	83,473	5,124,715	5,027,263
Accumulated Depreciation	722,378	665,792	47,451	49,952	769,829	715,744
Capital Assets, net	<u>\$ 4,322,196</u>	<u>\$ 4,277,998</u>	<u>\$ 32,690</u>	<u>\$ 33,521</u>	<u>\$ 4,354,886</u>	<u>\$ 4,311,519</u>

### Modified Approach for Infrastructure

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets – highways and bridges. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Utilization of this approach requires the State to: 1) maintain an asset management system that includes an up-to-date inventory of infrastructure assets; 2) perform condition assessments that use a measurement scale and document that the infrastructure assets are being preserved at or above the condition level established; and 3) estimate the annual amounts that must be expended to preserve and maintain the infrastructure at the condition level established by the State. As long as the State meets these requirements, any additions or improvements to infrastructure are capitalized and all other maintenance and preservation costs are expensed.

Highways and bridges are included in the State's infrastructure. There are 8,808 highway miles or 17,891 lane miles within the State. Bridges have a deck area of 12.3 million square feet among 2,971 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2019, the actual average condition was 70.0. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 74.0 at June 30, 2019. Preservation costs for fiscal year 2019 totaled \$132.8 million compared to estimated preservation costs of \$125.5 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 467, PL 2017, \$40 million in General Fund bonds were spent during fiscal year 2019. Of the amount authorized by Chapter 299, PL 2017, \$70 million in General Fund bonds were spent during fiscal year 2019.

Additional information on infrastructure assets can be found in Required Supplementary Information (RSI).

## Long-Term Debt

The State Constitution authorizes general obligation long-term borrowing, with 2/3 approval of the Legislature and ratification by a majority of the voters, and general obligation short-term notes, of which the principal may not exceed an amount greater than 10 percent of all moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, or greater than 1 percent of the total valuation of the State of Maine, whichever is the lesser.

At year-end, the State had \$1.4 billion in general obligation and other long-term debt outstanding. More detailed information about the State's long-term liabilities is presented in Note 11 to the financial statements.

**TABLE A-8: OUTSTANDING LONG-TERM DEBT**  
(Expressed in Thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>General Obligation</b>						
Bonds	\$ 543,400	\$ 376,115	\$ -	\$ -	\$ 543,400	\$ 376,115
Unmatured Premiums	60,378	31,631	-	-	60,378	31,631
Other Long-Term Obligations	840,527	877,487	779	806	841,306	878,293
<b>Total</b>	<b>\$ 1,444,305</b>	<b>\$ 1,285,233</b>	<b>\$ 779</b>	<b>\$ 806</b>	<b>\$ 1,445,084</b>	<b>\$ 1,286,039</b>

During the year, the State reduced outstanding long-term obligations by \$90.5 million for general obligation bonds and \$287.2 million for other long-term debt. Also during fiscal year 2019, the State incurred \$581.3 million of additional long-term obligations.

## Credit Ratings

The State's credit was rated during fiscal year 2019 by Moody's Investors Service as Aa2 with a stable outlook and by Standard & Poor's as AA with a stable outlook.

## **FACTORS BEARING ON THE FUTURE OF STATE AND NEXT YEAR'S BUDGETS**

Both the national and state economies had a good year in 2018 with annual data indicating that both the U.S. economy and Maine economy continue to grow. Since the last Consensus Economic Forecasting Commission (CEFC) meeting in late March 2019, the U.S. Bureau of Economic Analysis (BEA) has released considerable revisions to state personal income data, as anticipated by the CEFC in their April 2019 forecast, with the 2018 total personal income growth for Maine being revised up from 4.0% to 5.3%.

Maine's real GDP grew 2.6% in the first quarter of 2019. Personal income in Maine grew 5.3% from 2017 to 2018, while wage and salary income, which is the largest component of total personal income, grew 4.4% over the same period. The debt-to-income level for Maine businesses and households has increased slightly in the end of 2018, although it seems to have stabilized since its peak in the second quarter of 2017. The Consumer Price Index was up 1.8% in August 2019 from a year ago.

Nationwide, sentiment is becoming less optimistic for both consumers and small businesses. The Consumer Sentiment Index in September 2019 was down 6.9% from a year ago but up 3.8% from the previous month. The Small Business Optimism Index has fallen both month-over-month and since last year, by 1.5% and 5.9%, respectively.

The price of crude oil has fallen recently quarter-over-quarter, and by 17% since this time last year. Heating oil prices for the winter of 2018-2019 were higher than the previous winter, but prices for the first week of the 2019-2020 season were over 70 cents lower than last year, and New England's price of \$2.66 per gallon was the lowest on the East coast. Gasoline is currently averaging \$2.60 per gallon.

Existing single-family home sales in Maine were up 11% in September 2019 compared to the same month last year and average monthly housing permits for the September 2018-August 2019 period were 9.4% higher than the previous 12-month period. The median home price in Cumberland County increased by 7.2%, year-over-year, and increased by 3.2% for Maine as a whole. Mortgage delinquency rates in Maine have seen an uptick in recent quarters to 2.9% in the second quarter of 2019 and remain higher than the national rate of 2.6%. The foreclosure rate in Maine was 0.39% in the second quarter of 2019.

Overall, the primary sources of concern for the CEFC were uncertainty regarding possible changes in national trade, fiscal, and regulatory policies, and an awareness that unexpected events flowing from the current election cycle could negatively impact consumer confidence. Barring such surprises, the CEFC remains cautiously optimistic for the near term.

There were few explicit key assumptions made by the CEFC for this forecast. They noted that national policy concerns, including trade policies, pose uncertainty for the year heading into 2020, and that they remain cautiously optimistic in awaiting new data to answer questions about this uncertainty. The key assumptions made by the CEFC follow.

- As assumed in their previous forecast, the Federal Reserve will continue to target the 2.0 percent inflation rate going forward.
- Medicaid expansion will continue to have an impact in the upcoming years, but not more than already realized in the April 2019 forecast. This is reflected in the growth forecast for personal current transfer receipts.

Maine has seen modest employment growth thus far in 2019 and will likely see continued growth in 2020 before leveling off. The employment growth rate was increased modestly by 0.3 percentage points in 2019 to 0.8% and 0.2 percentage points in 2020 to 0.4%, with growth rates left unchanged for the remaining years of the forecast. This reflects data for the first half of 2019 showing estimated growth of 0.8%. Employment reaches a peak level of 636,200 in 2020 and stays at that level throughout the rest of the forecast period.

Wage and salary income also increased modestly for all years. The forecasts for both 2019 and 2020 were raised by 0.3 percentage points, given new data showing recent gains in average annual wages. The forecast for wage and salary income was also revised upwards in 2021, 2022, and 2023 by 0.1, 0.3, and 0.1 percentage points, respectively. The forecast for supplements to wages and salaries was revised upwards for 2019, 2020, and 2021, to follow the trend in wage and salary income growth. The forecast for 2019 was raised 0.6 percentage points to 4.0%, followed by upward revisions of 0.5 percentage points in 2020 and 0.2 percentage points in 2021. The forecasts for 2022 and 2023 were left unchanged. Growth rates for nonfarm proprietors' income; dividends, interest and rent; and personal current transfer receipts were left unchanged for all years. The overall result for total personal income was a 0.1 percentage point increase in 2020, 2022, and 2023.

The CEFC made no revisions to CPI, with the assumption that inflation will continue to move towards the Federal Reserve's inflation target rate. There was no other evidence to suggest changes to the CPI forecast were necessary.

The forecast for corporate profits was left unchanged for all years as well.

The Revenue Forecasting Committee (RFC) will meet to review and update the current revenue forecast to comply with the statutory reporting date in December 2019. Based on the CEFC forecast, the RFC will consider its revenue projections through the fiscal year ending June 30, 2021 for the General Fund, Highway Fund, Fund for a Healthy Maine and Medicaid/MaineCare Dedicated Revenue Taxes.

At June 30, 2019, the State of Maine reported an ending fund balance of \$367.5 million in the General Fund on a GAAP basis, an increase of more than \$35.2 million since the end of fiscal year 2018. The "unassigned" component of fund balance was \$237.1 million, an increase of more than \$67.4 million since the end of fiscal year 2018.

There are factors that adversely affect our General Fund Balance Sheet that we should continue to strive to improve over the next several years. The primary factors that have a significant impact on the State's Financial Statements compiled and issued in accordance with Generally Accepted Accounting Principles as applicable to governments include such items as accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes and the demand from appropriations whose balances carry from year to year, which results in lower amounts accruing to the Unassigned Fund Balance of the General Fund. The State has eliminated the smaller tax line accruals on a budgetary basis and has made contributions to General Fund reserves a higher priority in the budget.

These actions, along with sound budgeting and fiscal management policies, have resulted in significant increases in the equity and cash positions of the General Fund. Consequently, the State has seen record levels in its Treasurer's Cash Pool and Budget Stabilization Fund and has not required external borrowing in the form of TANs or BANs for cash flow purposes.

## **CONTACTING THE STATE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the State and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

State of Maine  
Office of the State Controller  
14 State House Station  
Augusta, ME 04333-0014  
(207)-626-8420  
[financialreporting@maine.gov](mailto:financialreporting@maine.gov)



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# BASIC FINANCIAL STATEMENTS

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BASIC FINANCIAL STATEMENTS  
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**STATE OF MAINE**  
**STATEMENT OF NET POSITION**

June 30, 2019  
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 1,108,559	\$ 10,101	\$ 1,118,660	\$ 36,330
Cash and Cash Equivalents	217	2,382	2,599	72,425
Cash with Fiscal Agent	177,845	-	177,845	-
Investments	144,165	-	144,165	721,530
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	91,755	-	91,755	-
Restricted Deposits and Investments	4,706	488,125	492,831	627,661
Inventories	11,014	3,612	14,626	2,214
Receivables, Net of Allowances for Uncollectibles:				
Taxes Receivable	453,846	-	453,846	-
Loans & Notes Receivable	4,467	-	4,467	107,345
Other Receivables	306,200	61,702	367,902	77,330
Internal Balances	11,330	(11,330)	-	-
Due from Other Governments	329,136	-	329,136	170,285
Due from Primary Government	-	-	-	30,222
Loans Receivable from Primary Government	-	-	-	54,971
Due from Component Units	108,630	-	108,630	-
Other Current Assets	6,064	533	6,597	35,835
Total Current Assets	2,757,934	555,125	3,313,059	1,936,148
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	358,179	3,264	361,443	11,738
Investments	-	-	-	578,320
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	29,646	-	29,646	-
Restricted Deposits and Investments	-	-	-	385,393
Pension Assets	7,138	-	7,138	-
Receivables, Net of Current Portion:				
Taxes Receivable	64,009	-	64,009	-
Loans & Notes Receivable	-	-	-	1,846,453
Other Receivables	465	-	465	13,511
Due from Other Governments	4,068	-	4,068	1,531,946
Loans Receivable from Primary Government	-	-	-	320,192
Due from Primary Government	-	-	-	901
Other Noncurrent Assets	-	-	-	11,742
Capital Assets:				
Land, Infrastructure, & Other Non-Depreciable Assets	3,634,298	8,063	3,642,361	696,404
Buildings, Equipment & Other Depreciable Assets	687,898	24,627	712,525	1,009,538
Total Noncurrent Assets	4,785,701	35,954	4,821,655	6,406,138
Total Assets	7,543,635	591,079	8,134,714	8,342,286
Deferred Outflows of Resources	\$ 643,665	\$ 4,137	\$ 647,802	\$ 87,618

The accompanying notes are an integral part of the financial statements.

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 576,093	\$ 12,864	\$ 588,957	\$ 63,546
Accrued Payroll	51,718	679	52,397	4,856
Tax Refunds Payable	239,900	-	239,900	-
Due to Component Units	32,222	-	32,222	-
Due to Primary Government	-	-	-	108,630
Current Portion of Long-Term Obligations:				
Compensated Absences	7,769	103	7,872	3,096
Due to Other Governments	170,832	-	170,832	990
Amounts Held under State & Federal Loan Programs	-	-	-	21,203
Claims Payable	23,427	-	23,427	-
Bonds & Notes Payable	93,279	-	93,279	243,160
Revenue Bonds Payable	23,759	-	23,759	35,000
Obligations under Capital Leases	6,228	-	6,228	917
Certificates of Participation & Other Financing Arrangements	24,883	-	24,883	-
Loans Payable to Component Unit	54,971	-	54,971	-
Accrued Interest Payable	6,624	-	6,624	30,913
Unearned Revenue	4,091	154	4,245	39,936
Other Post-Employment Benefits	33,580	-	33,580	-
Other Current Liabilities	16,731	22,783	39,514	67,829
Total Current Liabilities	1,366,107	36,583	1,402,690	620,076
Long-Term Liabilities:				
Compensated Absences	43,530	676	44,206	-
Due to Component Units	901	-	901	-
Due to Other Governments	-	-	-	4,981
Amounts Held under State & Federal Loan Program	-	-	-	49,994
Claims Payable	44,093	-	44,093	-
Bonds & Notes Payable	510,499	-	510,499	3,796,197
Revenue Bonds Payable	212,940	-	212,940	441,209
Obligations under Capital Leases	52,349	-	52,349	3,585
Certificates of Participation & Other Financing Arrangements	26,386	-	26,386	-
Loans Payable to Component Unit	320,192	-	320,192	-
Unearned Revenue	10,904	-	10,904	-
Net Pension Liability	2,266,709	12,726	2,279,435	66,958
Other Post-Employment Benefits	2,249,395	13,658	2,263,053	115,396
Pollution Remediation & Landfill Obligations	43,059	-	43,059	-
Other Noncurrent Liabilities	-	-	-	119,178
Total Long-Term Liabilities	5,780,957	27,060	5,808,017	4,597,498
Total Liabilities	7,147,064	63,643	7,210,707	5,217,574
<b>Deferred Inflows of Resources</b>	459,341	1,283	460,624	72,275
<b>Net Position</b>				
Net Investment in Capital Assets	3,559,387	32,690	3,592,077	1,154,547
Restricted:				
Business Licensing & Regulation	14,314	-	14,314	-
Governmental Support & Operations	14,873	-	14,873	-
Justice & Protection	2,942	-	2,942	-
Employment Security	-	513,319	513,319	-
Other Purposes	-	-	-	1,440,452
Funds Held for Permanent Investments:				
Expendable	88,617	-	88,617	-
Nonexpendable	55,886	-	55,886	275,258
Unrestricted	(3,155,124)	(15,719)	(3,170,843)	269,798
Total Net Position	\$ 580,895	\$ 530,290	\$ 1,111,185	\$ 3,140,055

**STATE OF MAINE**  
**STATEMENT OF ACTIVITIES**

Fiscal Year Ended June 30, 2019  
(Expressed in Thousands)

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Governmental Support & Operations	\$ 475,715	\$ 114,597	\$ 5,254	\$ -
Arts, Heritage & Cultural Enrichment	12,447	1,131	2,833	-
Business Licensing & Regulation	60,616	70,383	565	-
Economic Development & Workforce Training	168,963	8,625	60,984	-
Education	1,845,272	34,859	216,854	-
Health & Human Services	4,054,201	9,058	2,460,588	-
Justice & Protection	484,735	87,266	55,088	-
Natural Resources Development & Protection	232,368	98,042	48,352	-
Transportation Safety & Development	613,171	147,671	224,421	-
Interest Expense	51,140	-	-	-
Total Governmental Activities	<u>7,998,628</u>	<u>571,632</u>	<u>3,074,939</u>	<u>-</u>
Business-Type Activities:				
Employment Security	82,683	117,507	10,921	-
Alcoholic Beverages	144,600	202,930	-	-
Lottery	242,619	304,322	-	-
Ferry Services	13,632	5,230	-	-
Military Equipment Maintenance	1,104	2,730	-	-
Consolidated Emergency Communications	5,950	6,677	-	-
Other	1,426	1,975	-	-
Total Business-Type Activities	<u>492,014</u>	<u>641,371</u>	<u>10,921</u>	<u>-</u>
Total Primary Government	<u>8,490,642</u>	<u>1,213,003</u>	<u>3,085,860</u>	<u>-</u>
<b>Component Units:</b>				
Finance Authority of Maine	46,455	24,820	20,604	-
Maine Community College System	133,503	15,128	53,483	1,260
Maine Health & Higher Education Facilities Authority	24,514	21,201	4,317	-
Maine Municipal Bond Bank	66,956	49,527	22,815	46,237
Maine State Housing Authority	228,435	69,083	172,115	-
Maine Turnpike Authority	107,462	138,432	-	-
University of Maine System	746,841	320,622	189,669	4,209
All Other Non-Major Component Units	170,408	42,579	113,021	17,793
Total Component Units	<u>\$ 1,524,574</u>	<u>\$ 681,392</u>	<u>\$ 576,024</u>	<u>\$ 69,499</u>

The accompanying notes are an integral part of the financial statements.

**Net (Expenses) Revenues and  
Changes in Net Position  
Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (355,864)	\$ -	\$ (355,864)	\$ -
(8,483)	-	(8,483)	-
10,332	-	10,332	-
(99,354)	-	(99,354)	-
(1,593,559)	-	(1,593,559)	-
(1,584,555)	-	(1,584,555)	-
(342,381)	-	(342,381)	-
(85,974)	-	(85,974)	-
(241,079)	-	(241,079)	-
(51,140)	-	(51,140)	-
<u>(4,352,057)</u>	<u>-</u>	<u>(4,352,057)</u>	<u>-</u>
-	45,745	45,745	-
-	58,330	58,330	-
-	61,703	61,703	-
-	(8,402)	(8,402)	-
-	1,626	1,626	-
-	727	727	-
-	549	549	-
-	<u>160,278</u>	<u>160,278</u>	<u>-</u>
<u>(4,352,057)</u>	<u>160,278</u>	<u>(4,191,779)</u>	<u>-</u>
-	-	-	(1,031)
-	-	-	(63,632)
-	-	-	1,004
-	-	-	51,623
-	-	-	12,763
-	-	-	30,970
-	-	-	(232,341)
-	-	-	2,985
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (197,659)</u>

**General Revenues:**

Taxes:				
Corporate Taxes	262,459	-	262,459	-
Individual Income Taxes	1,712,301	-	1,712,301	-
Fuel Taxes	253,924	-	253,924	-
Property Taxes	69,902	-	69,902	-
Sales & Use Taxes	1,654,643	-	1,654,643	-
Other Taxes	398,129	-	398,129	-
Unrestricted Investment Earnings	46,306	-	46,306	27,439
Non-Program Specific Grants, Contributions & Appropriations	-	-	-	333,986
Miscellaneous Income	88,991	-	88,991	12,276
Gain (Loss) on Sale of Assets	-	(5,613)	(5,613)	(346)
Tobacco Settlement	88,261	-	88,261	-
Special Items	-	15,761	15,761	-
Transfers - Internal Activities	112,833	(112,833)	-	-
Total General Revenues and Transfers	<u>4,687,749</u>	<u>(102,685)</u>	<u>4,585,064</u>	<u>373,355</u>
Change in Net Position	335,692	57,593	393,285	175,696
Net Position - Beginning (as restated)	245,203	472,697	717,900	2,964,359
Net Position - Ending	<u>\$ 580,895</u>	<u>\$ 530,290</u>	<u>\$ 1,111,185</u>	<u>\$ 3,140,055</u>



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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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## MAJOR FUNDS

General Fund – This is the State's primary operating fund. Its purpose is to account for all financial resources obtained and used for general government operations, which are not required to be accounted for in another fund.

Highway Fund – This fund is used primarily to account for motor fuel tax revenues, motor vehicle license and registration fees, and special State appropriations that are legally restricted to the construction and maintenance of State highways and bridges.

Federal Fund – This fund is used to account for grants, block grants and other financial assistance received from the federal government, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

Other Special Revenue Fund – This fund is used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects that are not accounted for in the Highway and Federal Funds.

## NON-MAJOR FUNDS

Other Governmental Funds are used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects and funds held in trust for public purposes.



**STATE OF MAINE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

June 30, 2019  
(Expressed in Thousands)

	<u>General</u>	<u>Highway</u>	<u>Federal</u>	<u>Other Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>						
Equity in Treasurer's Cash Pool	\$ 590,174	\$ 38,037	\$ 6,627	\$ 492,546	\$ 377	\$ 1,127,761
Cash & Short-Term Investments	99	76	-	40	-	215
Cash with Fiscal Agent	1,373	735	-	170,676	-	172,784
Investments	-	-	-	-	144,165	144,165
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	121,401	121,401
Inventories	3,320	1	3,637	-	-	6,958
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	479,185	24,676	-	13,994	-	517,855
Loans Receivable	1	-	-	4,466	-	4,467
Other Receivable	98,817	3,548	111,338	85,382	-	299,085
Due from Other Funds	16,776	18,238	61,397	24,951	-	121,362
Due from Other Governments	-	-	328,549	-	-	328,549
Due from Component Units	-	-	-	108,630	-	108,630
Other Assets	1,097	3	120	15	-	1,235
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	<u>\$ 1,190,953</u>	<u>\$ 85,314</u>	<u>\$ 511,668</u>	<u>\$ 900,700</u>	<u>\$ 265,943</u>	<u>\$ 2,954,578</u>
<b>Liabilities</b>						
Accounts Payable	\$ 163,046	\$ 31,915	\$ 288,951	\$ 37,914	\$ 530	\$ 522,356
Accrued Payroll	25,420	9,204	4,696	9,214	-	48,534
Tax Refunds Payable	239,880	20	-	-	-	239,900
Due to Other Governments	-	-	170,788	-	-	170,788
Due to Other Funds	134,318	5,049	22,997	6,258	8	168,630
Due to Component Units	1,779	26	2,881	24,184	1,754	30,624
Unearned Revenue	-	3,471	3,637	7,430	3	14,541
Other Accrued Liabilities	12,282	238	2,307	4,123	-	18,950
Total Liabilities	<u>576,725</u>	<u>49,923</u>	<u>496,257</u>	<u>89,123</u>	<u>2,295</u>	<u>1,214,323</u>
<b>Deferred Inflows of Resources</b>	<u>246,741</u>	<u>532</u>	<u>44</u>	<u>36,719</u>	<u>-</u>	<u>284,036</u>
<b>Fund Balances</b>						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	55,886	55,886
Inventories & Prepaid Items	4,086	-	3,757	-	-	7,843
Restricted	4,113	34,859	11,610	538,776	207,762	797,120
Committed	234	-	-	140,399	-	140,633
Assigned	121,907	-	-	95,683	-	217,590
Unassigned	237,147	-	-	-	-	237,147
Total Fund Balances	<u>367,487</u>	<u>34,859</u>	<u>15,367</u>	<u>774,858</u>	<u>263,648</u>	<u>1,456,219</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,190,953</u>	<u>\$ 85,314</u>	<u>\$ 511,668</u>	<u>\$ 900,700</u>	<u>\$ 265,943</u>	<u>\$ 2,954,578</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF MAINE**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**

June 30, 2019  
(Expressed in Thousands)

Total fund balances for governmental funds	\$ 1,456,219
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	4,592,509
Accumulated Depreciation	<u>482,739</u>
	4,109,770
Refunded Bond Deferred Outflows	2,624
Pollution Remediation Receivable	1,283
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Position. This net effect of these balances on the statement:	
Bonds Payable	(840,477)
Interest Payable Related to Long-term Financing	(4,234)
Certificates of Participation and Other Financing Arrangements	(35,067)
Capital Leases	(1,060)
Loans Payable to Component Unit	(375,163)
Compensated Absences	(47,385)
Pension Liabilities and Deferrals	(1,986,159)
Other Post-Employment Benefit Liabilities and Deferrals	(2,238,916)
Pollution Remediation and Landfill Obligations	<u>(43,059)</u>
	(5,571,520)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.	284,036
Other Revenue	3,793
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	<u>294,690</u>
Net position of governmental activities	<u><u>\$ 580,895</u></u>

The accompanying notes are an integral part of the financial statements.

**STATE OF MAINE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

Fiscal Year Ended June 30, 2019  
(Expressed in Thousands)

	<u>General</u>	<u>Highway</u>	<u>Federal</u>	<u>Other Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Taxes	\$ 3,794,729	\$ 230,243	\$ -	\$ 312,044	\$ -	\$ 4,337,016
Assessments	99,859	103,249	-	168,224	-	371,332
Federal Grants & Reimbursements	1,626	-	3,063,394	9,907	-	3,074,927
Charges for Services	45,517	4,714	464	120,568	-	171,263
Investment Income	20,051	893	56	8,176	10,996	40,172
Miscellaneous Revenues	4,216	411	128	156,110	-	160,865
Total Revenues	<u>3,965,998</u>	<u>339,510</u>	<u>3,064,042</u>	<u>775,029</u>	<u>10,996</u>	<u>8,155,575</u>
<b>Expenditures</b>						
Current:						
Governmental Support & Operations	300,840	2,692	2,123	129,486	97	435,238
Economic Development & Workforce						
Training	42,688	-	65,393	49,550	15,000	172,631
Education	1,610,210	-	215,799	52,612	3,068	1,881,689
Health & Human Services	1,310,680	-	2,464,525	336,023	-	4,111,228
Business Licensing & Regulation	-	-	60	64,140	-	64,200
Natural Resources Development &						
Protection	85,649	35	47,926	108,343	1,195	243,148
Justice & Protection	335,478	30,423	55,928	90,465	873	513,167
Arts, Heritage & Cultural Enrichment	8,223	-	3,249	956	-	12,428
Transportation Safety & Development	-	303,634	161,561	73,399	20,249	558,843
Debt service:						
Principal Payments	94,515	12,500	15,550	34,830	-	157,395
Interest Expense	29,726	764	5,811	11,807	-	48,108
Capital Outlay	-	-	-	-	108,027	108,027
Total Expenditures	<u>3,818,009</u>	<u>350,048</u>	<u>3,037,925</u>	<u>951,611</u>	<u>148,509</u>	<u>8,306,102</u>
Revenue over (under) Expenditures	<u>147,989</u>	<u>(10,538)</u>	<u>26,117</u>	<u>(176,582)</u>	<u>(137,513)</u>	<u>(150,527)</u>
<b>Other Financing Sources (Uses)</b>						
Transfer from Other Funds	87,816	53,107	12,230	259,567	1,547	414,267
Transfer to Other Funds	(199,860)	(11,725)	(41,769)	(39,283)	(4,824)	(297,461)
COPs & Other	1,365	735	-	2,531	-	4,631
Loan Proceeds from Component Units	-	-	-	50,000	-	50,000
Bonds Issued	-	-	-	50,510	252,130	302,640
Premiums on Bond Issuance	-	-	-	-	34,440	34,440
Net Other Finance Sources (Uses)	<u>(110,679)</u>	<u>42,117</u>	<u>(29,539)</u>	<u>323,325</u>	<u>283,293</u>	<u>508,517</u>
Net Change in Fund Balances	<u>37,310</u>	<u>31,579</u>	<u>(3,422)</u>	<u>146,743</u>	<u>145,780</u>	<u>357,990</u>
Fund Balance at Beginning of Year (As Restated)	<u>330,177</u>	<u>3,280</u>	<u>18,789</u>	<u>628,115</u>	<u>117,868</u>	<u>1,098,229</u>
Fund Balances at End of Year	<u>\$ 367,487</u>	<u>\$ 34,859</u>	<u>\$ 15,367</u>	<u>\$ 774,858</u>	<u>\$ 263,648</u>	<u>\$ 1,456,219</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF MAINE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Fiscal Year Ended June 30, 2019  
(Expressed in Thousands)

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Net change in fund balances - total governmental funds	\$ 357,990
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Amounts reported for governmental activities in the Statement of Net Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	101,508	
Depreciation Expense	(48,228)	
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.	<u>(2,054)</u>	51,226
Refunded Bond Deferred Outflows		(797)
Pollution Remediation Receivable		10

The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Position. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Position. This is the amount that proceeds exceed repayments:

Bond Proceeds	(302,640)	
Premium on Bonds Issued	(34,440)	
Proceeds from Other Financing Arrangements	(2,100)	
Loan Proceeds from Component Unit	(50,000)	
Repayment of Bond Principal	107,015	
Repayment of Other Financing Debt	19,653	
Repayment of Pledged Revenue Principal	53,101	
Repayment of Capitalized Lease Principal	529	
Accrued Interest	263	
Amortization of Bond Premiums	<u>5,693</u>	(202,926)

Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Position and have been eliminated from the Statement of Position as follows:

Compensated Absences	(1,651)	
Pension Liabilities and Deferrals	36,077	
Other Post-employment Benefit Liabilities and Deferrals	(564)	
Pollution Remediation and Landfill Obligations	<u>1,483</u>	35,345

Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.	25,090
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is included in governmental activities in the Statement of Activities.

	<u>69,754</u>	
Changes in net position of governmental activities		<u><u>\$ 335,692</u></u>



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# PROPRIETARY FUND FINANCIAL STATEMENTS

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## MAJOR FUNDS

Unemployment Compensation Fund - This fund accounts for unemployment insurance contributions from employers and the payment of unemployment benefits to eligible claimants.

## NON-MAJOR FUNDS

Non-Major Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business, where the State intends to finance or recover the costs of providing goods or services to the General Public on a continuing basis primarily through user charges. The State also uses these funds where periodic determination of net income is appropriate for accountability purposes.

**STATE OF MAINE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

June 30, 2019  
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Total	Internal Service Funds
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ 10,101	\$ 10,101	\$ 256,233
Cash & Short-Term Investments	1,628	754	2,382	2
Cash with Fiscal Agent	-	-	-	5,061
Restricted Assets:				
Restricted Deposits & Investments	488,125	-	488,125	4,706
Inventories	-	3,612	3,612	4,056
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	28,020	33,682	61,702	7,112
Due from Other Funds	51	2,338	2,389	30,286
Other Assets	-	533	533	4,829
Total Current Assets	517,824	51,020	568,844	312,285
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	3,264	3,264	82,744
Capital Assets - Net of Depreciation	-	32,690	32,690	212,426
Total Noncurrent Assets	-	35,954	35,954	295,170
Total Assets	517,824	86,974	604,798	607,455
<b>Deferred Outflows of Resources</b>	\$ -	\$ 4,137	\$ 4,137	\$ 23,739
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 3,340	\$ 9,524	\$ 12,864	\$ 12,251
Accrued Payroll	-	679	679	3,184
Due to Other Funds	-	14,605	14,605	12,285
Due to Component Units	-	-	-	2,499
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	6,976
Obligations under Capital Leases	-	-	-	5,699
Claims Payable	-	-	-	23,427
Compensated Absences	-	103	103	515
Unearned Revenue	-	154	154	454
Accrued Interest Payable	-	-	-	87
Other Accrued Liabilities	1,165	21,618	22,783	84
Total Current Liabilities	4,505	46,683	51,188	67,461
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Certificates of Participation & Other Financing Arrangements	-	-	-	9,226
Obligations under Capital Leases	-	-	-	51,818
Claims Payable	-	-	-	44,093
Compensated Absences	-	676	676	3,399
Net Pension Liability	-	12,726	12,726	74,008
Net Other Post-Employment Benefit Liability	-	13,658	13,658	78,068
Total Long-Term Liabilities	-	27,060	27,060	260,723
Total Liabilities	4,505	73,743	78,248	328,184
<b>Deferred Inflows of Resources</b>	\$ -	\$ 1,283	\$ 1,283	\$ 7,434
<b>Net Position</b>				
Net Investment in Capital Assets:	-	32,690	32,690	143,768
Restricted for:				
Unemployment Compensation	513,319	-	513,319	-
Other Purposes	-	-	-	424
Unrestricted	-	(16,605)	(16,605)	151,384
Total Net Position	513,319	16,085	529,404	295,576
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-type activities			886	
Net Position of Business-Type Activities			\$ 530,290	

The accompanying notes are an integral part of the financial statements.

**STATE OF MAINE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**

Fiscal Year Ended June 30, 2019  
(Expressed in Thousands)

	<b>Business-Type Activities</b>			<b>Governmental</b>
	<b>Enterprise Funds</b>			<b>Activities</b>
	<b>Major</b>	<b>Non-Major</b>		<b>Internal</b>
	<b>Employment</b>	<b>Other</b>		<b>Service</b>
	<b>Security</b>	<b>Enterprise</b>	<b>Total</b>	<b>Funds</b>
<b>Operating Revenues</b>				
Charges for Services	\$ -	\$ 521,544	\$ 521,544	\$ 471,353
Assessments	117,449	-	117,449	-
Miscellaneous Revenues	58	2,321	2,379	1,325
Total Operating Revenues	117,507	523,865	641,372	472,678
<b>Operating Expenses</b>				
General Operations	-	406,660	406,660	369,615
Depreciation	-	2,882	2,882	24,700
Claims/Fees Expense	82,683	-	82,683	11,049
Other Operating Expenses	-	-	-	629
Total Operating Expenses	82,683	409,542	492,225	405,993
Operating Income (Loss)	34,824	114,323	149,147	66,685
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expenses) - net	10,921	-	10,921	6,134
Interest Expense	-	-	-	(10,991)
Other Nonoperating Revenue (Expenses) - net	-	(5,611)	(5,611)	334
Total Nonoperating Revenues (Expenses)	10,921	(5,611)	5,310	(4,523)
Income (Loss) Before Capital Contributions, Transfers and Special Items	45,745	108,712	154,457	62,162
<b>Capital Contributions, Transfers and Special Items</b>				
Capital Contributions from (to) Other Funds	-	4,716	4,716	1,565
Transfer from Other Funds	1,211	5,396	6,607	6,235
Transfer to Other Funds	(4,893)	(119,263)	(124,156)	-
Special Items	-	15,761	15,761	-
Total Capital Contributions, Transfers and Special Items	(3,682)	(93,390)	(97,072)	7,800
Change in Net Position	42,063	15,322	57,385	69,962
Net Position - Beginning	471,256	763		225,614
Net Position - End of Year	\$ 513,319	\$ 16,085		\$ 295,576
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-type activities			208	
Changes in Business-Type Net Position			\$ 57,593	

The accompanying notes are an integral part of the financial statements.



**STATE OF MAINE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

Fiscal Year Ended June 30, 2019  
(Expressed in Thousands)

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities Internal Service Funds</b>
	<b>Major Employment Security</b>	<b>Non-Major Other Enterprise</b>	<b>Totals</b>	
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 116,196	\$ 520,429	\$ 636,625	\$ 45,631
Other Operating Cash Receipts (Payments)				
Cash Received from Interfund Services	125	8,116	8,241	429,191
Payments of Benefits	(81,476)	-	(81,476)	-
Payments to Prize Winners	-	(201,293)	(201,293)	-
Payments to Suppliers	(437)	(192,019)	(192,456)	(250,763)
Payments to Employees	-	(15,592)	(15,592)	(76,926)
Payments for Interfund Goods and Services	-	(5,410)	(5,410)	(63,820)
Net Cash Provided (Used) by Operating Activities	34,408	114,231	148,639	83,313
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	1,211	5,396	6,607	6,235
Transfers to Other Funds	(4,893)	(119,263)	(124,156)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(3,682)	(113,867)	(117,549)	6,235
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	-	-	-	(16,107)
Proceeds from Financing Arrangements	-	-	-	5,500
Principal and Interest Paid on Financing Arrangements	-	-	-	(17,449)
Proceeds from Sale of Capital Assets	-	3	3	334
Net Cash Provided (Used) by Capital and Related Financing Activities	-	3	3	(27,722)
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	10,921	9	10,930	6,134
Net Cash Provided (Used) by Investing Activities	10,921	9	10,930	6,134
Net Increase (Decrease) in Cash/Cash Equivalents	41,647	376	42,023	67,960
Cash/Cash Equivalents - Beginning of Year	448,106	13,743	461,849	280,786
Cash/Cash Equivalents - End of Year	\$ 489,753	\$ 14,119	\$ 503,872	\$ 348,746
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ 34,824	\$ 114,323	\$ 149,147	\$ 66,685
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	-	2,882	2,882	24,700
Decrease (Increase) in Assets				
Accounts Receivable	(1,311)	2,313	1,002	4,607
Interfund Balances	125	(1,013)	(888)	(2,593)
Inventories	-	(570)	(570)	(678)
Other Assets	-	589	589	1,524
Deferred Outflows	-	1,442	1,442	(2,111)
Increase (Decrease) in Liabilities				
Accounts Payable	1,207	(2,702)	(1,495)	(4,856)
Accrued Payroll Expense	-	(144)	(144)	(52)
Due to Other Governments	-	-	-	202
Compensated Absences	-	(27)	(27)	38
Deferred Inflows	-	790	790	5,601
Net Pension Liability	-	(2,042)	(2,042)	(7,342)
Other Accruals	(437)	(328)	(765)	(136)
Net OPEB Liability	-	(1,282)	(1,282)	(2,276)
Total Adjustments	(416)	(92)	(508)	16,628
Net Cash Provided (Used) by Operating Activities	\$ 34,408	\$ 114,231	\$ 148,639	\$ 83,313
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued or Acquired	-	-	-	504
Contributed Capital Assets	-	4,716	4,716	1,565
Special Item	-	15,761	15,761	-
Disposal of Assets	-	5,613	5,613	-

The accompanying notes are an integral part of the financial statements.

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# FIDUCIARY FUND

## FINANCIAL STATEMENTS

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Pension (and Other Employee Benefit) Trusts – accounts for funds held by the Maine Public Employees Retirement System (the System), a component unit included with Fiduciary Funds per GASB Statement No. 34. The System provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 300 local municipalities and other public entities in Maine.

Private-Purpose Trusts and Agency Funds are used to account for private-purpose assets held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds.

**STATE OF MAINE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

June 30, 2019  
(Expressed in Thousands)

	<b>Pension (and Other Employee Benefits)</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>
<b>Assets</b>			
Equity in Treasurer's Cash Pool	\$ -	\$ 661	\$ 16,636
Cash & Short-Term Investments	38,577	2,433	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	33,898	-	-
Interest and Dividends	2,387	-	-
Due from Brokers for Securities Sold	32,051	-	-
Other Receivable	-	1,005	-
Investments at Fair Value:			
Equity Securities	2,299,562	-	-
Common/Collective Trusts	13,227,297	-	-
Investments - Other	-	21,335	-
Restricted Deposits & Investments	-	-	11
Securities Lending Collateral	199,994	-	-
Due from Other Funds	-	41,486	-
Investments Held on Behalf of Others	-	-	62,725
Capital Assets - Net of Depreciation	19,342	-	-
Other Assets	-	3,746	61
<b>Total Assets</b>	<b>15,853,108</b>	<b>70,666</b>	<b>79,460</b>
<b>Liabilities</b>			
Accounts Payable	6,442	1,243	43
Due to Other Funds	-	3	-
Agency Liabilities	-	-	77,324
Obligations Under Securities Lending	199,994	-	-
Other Accrued Liabilities	70,990	-	2,093
<b>Total Liabilities</b>	<b>277,426</b>	<b>1,246</b>	<b>79,460</b>
<b>Net Position</b>			
Restricted for Pension	15,154,092	-	-
Restricted for Other Post-Employment Benefits	421,590	-	-
Restricted for Individuals, Organizations and Other Governments	-	69,420	-
<b>Total Net Position</b>	<b>\$ 15,575,682</b>	<b>\$ 69,420</b>	<b>\$ -</b>

The accompanying notes are an integral part of the financial statements.

**STATE OF MAINE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

Fiscal Year Ended June 30, 2019  
(Expressed in Thousands)

	<u>Pension (and Other Employee Benefits)</u>	<u>Private Purpose Trusts</u>
<b>Additions:</b>		
Contributions:		
Members	\$ 209,813	\$ -
State & Local Agencies	370,199	-
Other Contributing Entity	136,528	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	1,012,441	1,015
Interest & Dividends	98,956	375
Securities Lending Income	1,141	-
Less Investment Expense:		
Investment Activity Expense	117,240	-
Securities Lending Expense	(798)	-
Net Investment Income (Loss)	996,096	1,390
Miscellaneous Revenues	-	21,360
Transfer from Other Funds	-	604
Total Additions	<u>1,712,636</u>	<u>23,354</u>
<b>Deductions:</b>		
Benefits Paid to Participants or Beneficiaries	1,087,973	12,293
Refunds & Withdrawals	29,646	-
Administrative Expenses	15,147	369
Claims Processing Expense	980	-
Transfer to Other Funds	-	6,096
Total Deductions	<u>1,133,746</u>	<u>18,758</u>
Net Increase (Decrease)	578,890	4,596
<b>Net Position:</b>		
Restricted		
Beginning of Year	<u>14,996,792</u>	<u>64,824</u>
End of Year	<u>\$ 15,575,682</u>	<u>\$ 69,420</u>

The accompanying notes are an integral part of the financial statements.



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# COMPONENT UNIT

## FINANCIAL STATEMENTS

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Finance Authority of Maine (FAME) – The Authority provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents; administers several revolving loan programs on behalf of the State; and administers the Maine College Savings Program Fund.

Maine Community College System – is Maine’s comprehensive two-year college system and offers certificate, diploma and associate degree programs. The financial statements of the system include the activity of seven colleges, the central administrative office and the Center for Career Development.

Maine Health & Higher Educational Facilities Authority – MHHEFA assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction and equipping of health care and educational facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, may finance student loan programs of institutions of higher education.

Maine Municipal Bond Bank – is authorized to issue bonds providing funds to counties, cities, towns, school districts, or other quasi-municipal corporations within the State.

Maine State Housing Authority – is authorized to issue bonds for the purchase of notes and mortgages on single- and multi-family residential units to provide housing for persons and families of low income in the State. The Authority also administers various housing and energy related state and federal programs and collects and disburses federal rent subsidies for low income housing.

The Maine Turnpike Authority – is authorized and empowered to construct, maintain and operate a turnpike at such a location as shall be approved by the State Highway Commission and to issue turnpike revenue bonds of the Authority, payable solely from revenues of the Authority.

University of Maine System – The State University consists of seven universities, eight centers, and a central administrative office.

**STATE OF MAINE**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**

June 30, 2019  
(Expressed in Thousands)

	<u>Finance Authority of Maine</u>	<u>Maine Community College System</u>	<u>Maine Health &amp; Higher Educational Facilities Authority</u>	<u>Maine Municipal Bond Bank</u>
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 17,427	\$ 12,585	\$ 4,028	\$ -
Cash & Short-Term Investments	3,591	10,843	1,631	793
Investments	68,000	59,372	16,584	25,159
Restricted Assets:				
Restricted Deposits & Investments	-	-	19,058	341,274
Inventories	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	31,495	-	32,100	-
Other Receivable	3,157	6,190	114	1,712
Due from Other Governments	-	-	-	151,220
Due from Primary Government	-	1,339	-	21,825
Loans Receivable from Primary Government	-	-	-	54,971
Other Assets	635	1,935	748	24,381
Total Current Assets	<u>124,305</u>	<u>92,264</u>	<u>74,263</u>	<u>621,335</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	5,631	4,066	1,302	-
Restricted Assets:				
Restricted Assets	23,035	1,131	59,914	201,346
Investments	-	14,974	26,166	-
Receivables, Net of Current Portion:				
Loans & Notes Receivable	61,421	-	384,504	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,531,946
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	320,192
Capital Assets - Net of Depreciation	1,364	179,521	-	282
Other Non-Current Assets	-	-	-	-
Total Noncurrent Assets	<u>91,451</u>	<u>199,692</u>	<u>471,886</u>	<u>2,053,766</u>
Total Assets	<u>215,756</u>	<u>291,956</u>	<u>546,149</u>	<u>2,675,101</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 1,757</u>	<u>\$ 11,818</u>	<u>\$ -</u>	<u>\$ 26,579</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 5,738	\$ 4,940	\$ 47	\$ 503
Accrued Payroll	-	-	-	-
Compensated Absences	-	2,535	-	-
Due to Other Governments	-	-	-	539
Due to Primary Government	-	-	-	107,552
Amounts Held Under State & Federal Loan Programs	-	-	-	21,203
Bonds & Notes Payable	3,060	765	34,790	168,517
Obligations under Capital Leases	-	-	-	-
Accrued Interest Payable	314	-	11,097	13,975
Unearned Revenue	1,320	2,968	133	4,943
Other Accrued Liabilities	17,695	7,207	-	-
Total Current Liabilities	<u>28,127</u>	<u>18,415</u>	<u>46,067</u>	<u>317,232</u>
Long-Term Liabilities				
Due to Other Governments	2,756	-	-	885
Amounts Held Under State & Federal Loan Programs	49,994	-	-	-
Bonds & Notes Payable	88,625	17,453	440,905	1,606,762
Obligations under Capital Leases	-	-	-	-
Net Pension Liability	-	49,280	-	545
Net Other Post-Employment Benefit Liability	-	3,090	-	852
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities	<u>141,375</u>	<u>69,823</u>	<u>440,905</u>	<u>1,609,044</u>
Total Liabilities	<u>169,502</u>	<u>88,238</u>	<u>486,972</u>	<u>1,926,276</u>
<b>Deferred Inflows of Resources</b>	<u>-</u>	<u>17,823</u>	<u>-</u>	<u>237</u>
<b>Net Position</b>				
Net Investment in Capital Assets	1,364	162,433	-	282
Restricted	19,611	43,995	-	698,464
Unrestricted	27,036	(8,715)	59,177	76,421
Total Net Position	<u>\$ 48,011</u>	<u>\$ 197,713</u>	<u>\$ 59,177</u>	<u>\$ 775,167</u>

The accompanying notes are an integral part of the financial statements.

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Total
\$ -	\$ -	\$ 2,283	\$ 7	\$ 36,330
1,380	24,750	14,679	14,758	72,425
280,477	-	258,256	13,682	721,530
-	224,607	-	42,722	627,661
-	1,520	-	694	2,214
42,590	-	63	1,097	107,345
11,855	5,530	42,867	5,905	77,330
5,553	-	10,280	3,232	170,285
2,483	32	3,599	944	30,222
-	-	-	-	54,971
-	1,654	6,078	404	35,835
344,338	258,093	338,105	83,445	1,936,148
-	-	737	2	11,738
-	57,692	7,351	34,924	385,393
118,829	-	403,297	15,054	578,320
1,345,856	-	36,023	18,649	1,846,453
-	516	12,769	226	13,511
-	-	-	-	1,531,946
-	-	523	378	901
-	-	-	-	320,192
3,222	662,029	685,089	174,435	1,705,942
421	256	9,594	1,471	11,742
1,468,328	720,493	1,155,383	245,139	6,406,138
1,812,666	978,586	1,493,488	328,584	8,342,286
\$ 9,629	\$ 13,536	\$ 22,749	\$ 1,550	\$ 87,618
\$ 6,485	\$ 14,511	\$ 16,838	\$ 14,484	\$ 63,546
-	3,751	-	1,105	4,856
-	-	-	561	3,096
451	-	-	-	990
-	-	-	1,078	108,630
-	-	-	-	21,203
40,190	14,945	13,861	2,032	278,160
-	-	917	-	917
5,527	-	-	-	30,913
3,989	11,563	14,540	480	39,936
-	11,882	30,115	930	67,829
56,642	56,652	76,271	20,670	620,076
-	-	-	1,340	4,981
-	-	-	-	49,994
1,414,720	529,228	131,775	7,938	4,237,406
-	-	3,585	-	3,585
2,283	10,612	-	4,238	66,958
-	47,757	63,247	450	115,396
4,619	2,688	111,790	81	119,178
1,421,622	590,285	310,397	14,047	4,597,498
1,478,264	646,937	386,668	34,717	5,217,574
1,048	6,636	44,700	1,831	72,275
3,222	278,823	542,623	165,800	1,154,547
308,086	108,388	436,150	101,016	1,715,710
31,675	(48,662)	106,096	26,770	269,798
\$ 342,983	\$ 338,549	\$ 1,084,869	\$ 293,586	\$ 3,140,055



**STATE OF MAINE**  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**

Fiscal Year Ended June 30, 2019  
(Expressed in Thousands)

	<b>Finance Authority Of Maine</b>	<b>Maine Community College System</b>	<b>Maine Health &amp; Higher Educational Facilities Authority</b>	<b>Maine Municipal Bond Bank</b>
<b>Expenses</b>	\$ 46,455	\$ 133,503	\$ 24,514	\$ 66,956
<b>Program Revenues</b>				
Charges for Services	24,820	15,128	21,201	49,527
Program Investment Income	372	978	4,317	18,661
Operating Grants & Contributions	20,232	52,505	-	4,154
Capital Grants & Contributions	-	1,260	-	46,237
Net Revenue (Expense)	<u>(1,031)</u>	<u>(63,632)</u>	<u>1,004</u>	<u>51,623</u>
<b>General Revenues</b>				
Unrestricted Investment Earnings	2,196	3,188	770	701
Non-program Specific Grants, Contributions & Appropriations	-	72,497	-	-
Miscellaneous Revenues	-	1,528	114	1,938
Gain (Loss) on Assets Held for Sale	-	-	-	-
Total General Revenues	<u>2,196</u>	<u>77,213</u>	<u>884</u>	<u>2,639</u>
Change in Net Position	1,165	13,581	1,888	54,262
Net Position, Beginning of Year (as restated)	<u>46,846</u>	<u>184,132</u>	<u>57,289</u>	<u>720,905</u>
Net Position, End of Year	<u><u>\$ 48,011</u></u>	<u><u>\$ 197,713</u></u>	<u><u>\$ 59,177</u></u>	<u><u>\$ 775,167</u></u>

The accompanying notes are an integral part of the financial statements.

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<b>Maine State Housing Authority</b>	<b>Maine Turnpike Authority</b>	<b>University Of Maine System</b>	<b>Non-Major Component Units</b>	<b>Total</b>
\$ 228,435	\$ 107,462	\$ 746,841	\$ 170,408	\$ 1,524,574
69,083	138,432	320,622	42,579	681,392
4,937	-	5,770	43	35,078
167,178	-	183,899	112,978	540,946
-	-	4,209	17,793	69,499
<u>12,763</u>	<u>30,970</u>	<u>(232,341)</u>	<u>2,985</u>	<u>(197,659)</u>
187	5,268	11,644	3,485	27,439
-	-	236,016	25,473	333,986
-	6,813	-	1,883	12,276
-	(77)	(335)	66	(346)
<u>187</u>	<u>12,004</u>	<u>247,325</u>	<u>30,907</u>	<u>373,355</u>
12,950	42,974	14,984	33,892	175,696
<u>330,033</u>	<u>295,575</u>	<u>1,069,885</u>	<u>259,694</u>	<u>2,964,359</u>
<u>\$ 342,983</u>	<u>\$ 338,549</u>	<u>\$ 1,084,869</u>	<u>\$ 293,586</u>	<u>\$ 3,140,055</u>



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# NOTES TO THE FINANCIAL STATEMENTS

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**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the State of Maine (the State) have been prepared under guidelines established by generally accepted accounting principles (GAAP) as mandated by the Governmental Accounting Standards Board (GASB).

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

**A. REPORTING ENTITY**

For financial reporting purposes, the State of Maine's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, organizations, agencies, boards, commissions and authorities. Component units are legally separate organizations for which the State is financially accountable. Component units can also be legally separate, tax exempt entities that raise and hold economic resources for the direct benefit of a governmental unit.

Financial accountability is defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The State is financially accountable for those entities for which it appoints a voting majority of the governing board and either is able to impose its will on that entity or the entity may provide specific financial benefits to, or impose specific financial burdens on, the primary government. Entities for which the State does not appoint a voting majority of the governing board may be included if the organization is fiscally dependent on the primary government and there exists a financial benefit or burden relationship with the State. Entities that do not meet the specific criteria for inclusion may still be included if the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No. 14*, individually significant legally separate, tax-exempt entities should be reported as component units if their resources are for the direct benefit of the State and the State can access those resources. Although the State has not identified any organizations that would qualify as direct component units of the State by meeting all of the criteria of GASB Statement No. 39, a few of the component units described later in this note have significant foundations that meet the criteria of GASB Statement No. 39.

**Blended Component Units**

Blended component units are entities that are legally separate from the State, but provide services entirely, or almost entirely to the State or otherwise exclusively, or almost exclusively, benefits the primary government even though they do not provide services directly to it. The State reports one blended component unit.

The Maine Governmental Facilities Authority (MGFA) is a legally separate organization that has its board appointed by the primary government and provides services entirely, or almost entirely, to the State. Its purpose includes assisting in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court facility, State office or State activity space. In their separately issued financial statements, MGFA records a lease receivable from the State and a liability for bonds issued. However, in accordance with GASB, capital leases that exist between the State and MGFA are not recorded as leases in this report. The assets associated with these leases are reported in the government-wide statements along with the related debt. The corresponding debt service activity is recorded in the Governmental Funds. MGFA financial activity associated with servicing the debt is reported in an internal service fund. Therefore, the State reports MGFA's balances and transactions as though they were part of the primary government, using the blending method.

**Discrete Component Units**

Discrete component units are entities that are legally separate from the State but are either accountable to the State or related so closely to the State that exclusion would cause the State's financial statements to be misleading or incomplete. Component units that are not material to the State's financial statements have been excluded. The column labeled "Component Units" emphasizes these organizations' separateness from the State's primary government.

The State is able to impose its will upon these discretely presented component units whose boards of directors or boards of trustees are appointed by the Governor:

*The Maine Community College System* is Maine's comprehensive two-year college system and offers certificate, diploma and associate degree programs. The combined financial statements of the System include the activity of seven colleges, the central administrative office and the Center for Career Development (including the Maine Career Advantage and Maine Quality Centers programs), and its component unit, Maine Community College Educational Foundations.

The *Maine Turnpike Authority* (MTA) constructs, maintains and operates a turnpike at such a location approved by the State Highway Commission. It issues turnpike revenue bonds payable solely from revenues of the Authority. The Authority's fiscal year ends December 31.

The *University of Maine System* is the State University governed by a single Board of Trustees. The combined financial statements of the System include the activity of seven universities, eight centers, the central administrative office, and its component units, which include several foundations and alumni associations that raise funds on the System's behalf.

There is a financial burden/benefit relationship between these entities and the State:

The *Finance Authority of Maine* provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents. The Authority also provides financial and other services for the NextGen College Investing Plan, Potato Marketing Improvement Fund Board, the Nutrient Management Fund Board, the Northern Maine Transmission Corporation, the Adaptive Equipment Loan Program Fund Board, the Agricultural Marketing Loan Fund Board, Maine Rural Development Authority Board and the Small Enterprise Growth Fund Board. The Governor appoints the fifteen voting members of the Authority.

*Maine Health & Higher Educational Facilities Authority (MHHEFA)* – MHHEFA assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction and equipping of their facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, may also finance student loan programs of institutions of higher education. MHHEFA's board consists of twelve members, four of whom serve *ex officio* and must be the Superintendent of Financial Institutions, the Commissioner of Health and Human Services, the Commissioner of Education, and the Treasurer of State. The remaining eight members must be residents of the State appointed by the Governor.

The *Maine Municipal Bond Bank* issues bonds on behalf of counties, cities, towns, school administrative districts, community school districts, or other quasi-municipal corporations or eligible borrowers as designated by the Legislature (the "governmental units") within the State. The Governor appoints three residents of the State to the five-member Board of Commissioners. The remaining two members include the Treasurer of State and Superintendent of Financial Institutions who serve as commissioners, *ex officio*.

*Maine State Housing Authority* issues bonds to purchase notes and mortgages on residential units, both single and multi-family, for the purpose of providing housing for persons and families of low income in the State. The Authority also acts as an agent for the State in administering federal weatherization, energy conservation, fuel assistance and homeless grant programs and collecting and disbursing federal rent subsidies for low income housing. The Governor appoints five of the Authority's seven commissioners. The remaining two commissioners are the Treasurer of State and the Director of the Maine State Housing Authority, both of whom serve *ex officio*. The Authority's fiscal year ends on December 31.

The State's financial statements also include a fiduciary component unit:

*Maine Public Employees Retirement System* administers a public employee retirement system. It provides pension, death, and disability benefits to its members, which include employees of the State, some public school employees, employees of approximately 300 local municipalities and other public entities in Maine. The State has a financial benefit/burden relationship with the retirement system since the legislature has substantive approval over their budget.

Complete financial statements of the major component units can be obtained directly from their respective administrative offices by writing to:

Finance Authority of Maine 5 Community Dr. PO Box 949 Augusta, ME 04432	Maine Health and Higher Education Facilities Authority PO Box 2268 Augusta, ME 04338	Maine Public Employees Retirement System PO Box 349 Augusta, ME 04332-0349	Maine Turnpike Authority 2360 Congress Street Portland, ME 04102
Maine Community College System 323 State Street Augusta, ME 04330	Maine Municipal Bond Bank PO Box 2268 Augusta, ME 04338	Maine State Housing Authority 89 State House Station 353 Water Street Augusta, ME 04330	University of Maine System 5703 Alumni Hall, Suite 101 Orono, ME 04469

### Related Organizations

Officials of the State's primary government appoint a voting majority of the governing board of the Maine Veteran's Home. The primary government has no material accountability for this organization beyond making board appointments.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS****Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Position* presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three components:

**Net investment in capital assets** component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted component of net position** consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$690.0 million of restricted net position, of which \$527.6 million is restricted by enabling legislation.

**Unrestricted component of net position** consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories. The unrestricted component of net position often is designated, to indicate that management does not consider it to be available for general operations and often have constraints on resources that are imposed by management, but can be removed or modified.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION****Measurement Focus and Basis of Accounting**

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements except for agency funds which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the governmental funds when they become susceptible to accrual, generally when they become both measurable and available. "Available" means earned and collected or expected to be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues available if they are collected within 60 days of the end of the fiscal year.

Significant revenues susceptible to accrual include: income taxes, sales and use taxes, and other taxes; federal grants; federal reimbursements; and other reimbursements for use of materials and services. Revenues from other sources are recognized when received because they are generally not measurable until received in cash. Property taxes are recognized as revenue in the year for which they are levied, provided the "available" criterion is met.



The State Tax Assessor levies taxes on properties located in the unorganized territory of Maine by August 1 of each year, and on telecommunications personal properties statewide by March 30 of each year. Unorganized territory property taxes are due on October 1 and telecommunications personal property taxes are due on August 15. Formal collection procedures begin on November 1, and unpaid property taxes become a lien no later than March 15 of the fiscal year for which they are levied.

Expenditures are generally recorded when a liability is incurred. However, expenditures related to claims and judgments, debt service and compensated absences are recorded only when payment is due and payable.

### **Financial Statement Presentation**

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The *Highway Fund* accounts for the regulation, construction and maintenance of State highways and bridges and is funded by motor fuel taxes, motor vehicle license and registration fees, special State appropriations, and other charges.

The *Federal Fund* accounts for grants and other financial assistance received from the federal government, including federal block grants, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

The *Other Special Revenue Fund* accounts for specific revenue sources that are legally required to be expended for specified purposes, and the related current liabilities, including some major capital projects that are not accounted for in the Highway and Federal Funds. Examples of the most significant types of revenue sources include: Fund for a Healthy Maine (tobacco settlement revenue), State municipal revenue sharing, hospital and service provider taxes, and oil transfer fees.

The State reports the following major enterprise fund:

The *Maine Employment Security Fund* receives contributions from employers and provides unemployment compensation benefits to eligible unemployed workers.

Additionally, the State reports the following fund types:

### **Governmental Fund Types:**

*Special Revenue Funds* include operating fund activities financed by specific revenue sources that are legally restricted for specified purposes. An example is funds for acquisition of public reserved lands.

*Capital Projects Funds* account for the acquisition or construction of major capital assets and other programs financed by bond proceeds.

*Permanent Trust Funds* report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry. Examples include the Baxter State Park Fund and Baxter Park Wilderness Fund.

### **Proprietary Fund Types:**

*Enterprise Funds* report the activities for which fees are charged to external users for goods or services, such as the unemployment compensation program, lottery operations and transportation services.

*Internal Service Funds* provide goods or services primarily to other agencies or funds of the State, rather than to the general public. These goods and services include printing and mailing services, supplies warehousing, information technology, fleet management, risk management, health-related benefits, and financing for acquisition and construction of governmental facilities.

### **Fiduciary Fund Types:**

*Pension (and Other Employee Benefit) Trust Funds* report resources that are required to be held in trust for members and beneficiaries of the State's pension, death and disability benefit plans. These resources are managed by the Maine Public Employees Retirement System (MPERS). The fund also reports resources that are required to be held in trust for members and beneficiaries of the State and for MPERS' retiree healthcare benefits. The investment trusts, managed by the Maine Public Employees Retirement System, hold the long-term investments. The trustees of the Healthcare Other Employee Benefit Trust Fund are the State Controller and State Treasurer.

*Private Purpose Trust Funds* report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include Abandoned Property, Public Reserved Lands and the Permanent School funds.

*Agency Funds* report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples include amounts held for payroll withholdings, inmate and student guardianship accounts.

**D. FISCAL YEAR-ENDS**

All funds and discretely presented major component units are reported using fiscal years which end on June 30, except for the Maine State Housing Authority and Maine Turnpike Authority, which utilize December 31 year-ends.

**E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE****Equity in Treasurer's Cash Pool**

The State pools cash and cash equivalents for a variety of State agencies and public sector entities. The pooled balances are reported at fair value. Interest earned on pooled cash is allocated to the various funds, generally based on their average equity balances. The Treasurer's Cash Pool has the general characteristics of a demand deposit account and is comprised primarily of prime commercial paper, repurchase agreements, U.S. Treasury Bills, U.S. Treasury Notes, and other U.S. Agency Obligations, certificates of deposit, and corporate bonds.

For component units that participate in the cash pool, equity is shown at fair value.

**Cash and Cash Equivalents**

Cash equivalents consist of short-term investments that mature within three months. On the Statement of Cash Flows, the amount reported as "Cash and Cash Equivalents" is equal to the total of the amounts reported on the Statement of Net Position as "Equity in Treasurer's Cash Pool," "Cash and Cash Equivalents," "Cash with Fiscal Agent," "Restricted Equity in Treasurer's Cash Pool," and "Restricted Deposits and Investments."

**Cash with Fiscal Agent**

Cash with Fiscal Agent in Governmental Funds represents cash that will be used for debt service on bonds and unspent proceeds of bonds and Certificates of Participation.

Cash with Fiscal Agent in Proprietary Funds represents proceeds of Certificates of Participation and other financing arrangements that have not been spent.

Other investments of the State are carried at fair value. Donated investments are stated at fair value at the date of donation.

**Investments Held on Behalf of Others**

These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds \$124.5 million of Workers' Compensation, \$59.7 million of Bureau of Insurance, and \$34.5 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

**Restricted Deposits and Investments**

Restricted deposits and investments include: unemployment tax receipts deposited with the United States Treasury that are drawn down to pay unemployment benefits; cash and investments of the Maine Governmental Facilities Authority, a blended component unit that has been independently audited; unspent bond proceeds, and funds invested in Certificates of Deposit and other investments at various financial institutions within the State. The financial institutions lend these deposits and investments to local commercial and agricultural enterprises to foster economic growth in Maine.

**Inventories**

The costs of materials and supplies of the Governmental Funds are reported as expenditures when purchased. Undistributed vaccines and food commodities are reported as inventory and unearned revenue in the Federal Fund. Revenues and corresponding expenditures are recognized when food stamps are used (EBT cards), and when vaccines and food commodities are issued. Inventories of materials and supplies in the Proprietary Funds are determined by physical counts and by perpetual inventory systems. Proprietary Fund inventories are stated at cost or average cost.

Inventories included in the component unit column are stated at the lower of cost or market (using the first-in, first-out method).

**Receivables**

Receivables consist primarily of amounts due to the State from taxpayers and service providers. Also included in receivables are amounts due but not yet remitted to the State from lottery sales by agents. Loans receivable for the primary government represent low interest financing arrangements to construct and modernize agricultural storage facilities and local commercial enterprises, as well as Department of Transportation loans to local governments. Receivables in the component units' column arise in the normal course of business. Receivables are stated net of estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

**Interfund Transactions and Balances**

Numerous transactions are made between funds to finance operations, provide services, and acquire or construct assets. To the extent that transactions between funds were not completed as of June 30, interfund receivables and payables have been recorded in the fund financial statements. Interfund receivables and payables have been eliminated from the Statement of Net Position.

Long-term loans made by one fund to another are classified as “Working Capital Advances Receivable” and “Working Capital Advances Payable.” In the fund financial statements, advances receivable are offset by nonspendable fund balance designations indicating that the long-term loans do not constitute expendable financial resources.

**Due from/to Primary Government/Component Units**

Numerous transactions are made between the primary government and component units to finance operations, provide services, acquire or construct assets, or repay bonds. To the extent that transactions between funds were not completed as of June 30, “Due from Primary Government” and “Due to Component Unit” receivables and payables have been recorded. Two component units have December 31 year ends, therefore the “due to” and “due from” amounts may differ.

**Due from/to Other Governments**

Due from/to Other Governments represents amounts receivable from or payable to municipalities or the federal government. Due from Other Governments represents primarily federal grants receivable for Medicaid claims, other health and human services programs, and federal grants receivable for transportation-related expenditures. Due from Other Governments in the component units column represents amounts receivable for grants, bond repayment and retirement benefits. Due to Other Governments primarily consist of amounts owed to municipalities for Municipal Revenue Sharing and the federal government for Medicaid cost recoveries from providers.

**Capital Assets**

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, bridges, ramps and similar items), are reported in the government-wide statements and applicable fund financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. The State capitalizes governmental fund buildings valued at \$1 million or more and proprietary fund buildings valued at \$100 thousand or more. Governmental fund equipment is capitalized at \$10 thousand or more and proprietary fund equipment is capitalized at \$5 thousand or more. Governmental and proprietary fund software is capitalized at \$1 million or more. All land, regardless of value, is capitalized. Capital assets are recorded at cost or, if donated, at acquisition value at date of acquisition. In some instances, capital assets historical cost were not available. The costs of these assets at the date of acquisitions have been estimated.

In the government-wide statements, most capital assets are depreciated on a straight-line basis over the assets’ estimated useful lives, which are 10-40 years for software, buildings and improvements, and 2-25 years for equipment. The State uses the modified approach for reporting its significant infrastructure assets. As long as the State maintains and preserves its infrastructure assets at pre-determined condition levels, maintenance costs are expensed and depreciation is not reported. This approach is discussed further in the Required Supplementary Information.

Capital assets of component units are capitalized upon purchase and depreciated over their estimated useful lives. Interest incurred during construction is capitalized. The estimated useful lives of fixed assets are 5–60 years for non-road structures and improvements and 3–15 years for equipment, furniture, fixtures and vehicles. Component units reflect infrastructure in improvements other than buildings and record depreciation expense on them. The Maine Turnpike Authority (MTA) uses the modified approach for reporting its significant infrastructure assets. As long as MTA maintains and preserves its infrastructure assets at pre-determined condition levels, maintenance costs are expensed and depreciation is not reported.

**Deferred Outflows of Resources**

Deferred outflows of resources are defined as a consumption of net assets by the government applicable to a future period; they increase net position, similar to assets. Note 15 provides further detail on the components of deferred outflows of resources.

**Accounts Payable**

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate recorded at June 30, 2019 is \$259.0 million.

**Tax Refunds Payable**

The amount of collected or accrued tax revenues that will be refunded is estimated and accrued as a General Fund liability.

**Claims Payable**

Claims payable represent workers’ compensation, retiree health, employee health, and other claims payable, including actual claims submitted and actuarially determined claims incurred but not reported. The actuarially determined claims liability is discounted and presented at net present value.

**Compensated Employee Absences**

In the government-wide statements and proprietary fund financial statements, compensated absences are recorded as a long-term liability as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2019 but paid after the fiscal year end are also reported in the funds. Approximately 57 percent of the governmental fund compensated absences are liquidated by the general fund. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

**Net Pension Liability**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (MPERS) and additions/deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts were further allocated to proprietary funds based on the salaries paid by each proprietary fund. Pension investments are reported at fair value. Note 9 provides further detail on the net pension liability.

**OPEB Liability**

The total OPEB liability is the portion of the actuarial present value of projected benefit payments attributed to past periods of employee service. It is the liability of employers and nonemployer contributing entities to employees for benefits provided through an OPEB plan that is not administered through a trust. The net OPEB liability is the liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust.

**Deferred Inflows of Resources**

Deferred inflows of resources are defined as an acquisition of net assets by the government applicable to a future period; they decrease net position, similar to liabilities. Note 15 provides further detail on the components of deferred inflows.

**Loans Payable to Component Units**

In the Statement of Net Position, the amount of bond proceeds received by a component unit for unmatured GARVEE, TransCap and Liquor Revenue bond proceeds is called "Loans Payable to Component Unit." The offsetting receivables are classified as "Loans Receivable from Primary Government."

**Long-Term Obligations**

In the government-wide statements and proprietary fund financial statements, long-term debt and other long-term obligations are recorded as liabilities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

**Net Position/Fund Balances**

The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is "Net Position" on the government-wide, proprietary and fiduciary fund statements and "Fund Balances" on governmental fund statements.

**Fund Balance Restrictions**

Fund balances for governmental funds have been classified in accordance with GASB Statement No. 54.

The State reported the following fund balance restrictions:

*Nonspendable Fund Balance* - indicates items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless those proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted Fund Balances* - include balances that are legally restricted for specific purposes due to constraints that are either externally imposed by creditors, grantors, contributors, or imposed by law through a constitutional provision or enabling legislation.

*Committed Fund Balances* - indicates assets can be used only for specific purposes pursuant to constraints imposed by a formal action of the Maine Legislature through Legislation passed into law.

*Assigned Fund Balances* - include amounts constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. The State has two types of intent authorized by statute. Management decisions are made in accordance with statutory powers and duties, including encumbrances. Legislative assignments include formal actions passed into law that lapse with the passage of time and do not require additional legislation. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

*Unassigned Fund Balance* – is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

#### **F. REVENUES AND EXPENDITURES/EXPENSES**

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g., governmental support & operations, education, health & human services, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include: charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

The State's policy is that restricted amounts are spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the State's policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In the governmental fund financial statements, expenditures are reported by function. Capital outlay expenditures for real property or infrastructure (e.g. highways) are included with expenditures by function.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. general operations and depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating, capital contributions, transfers or special items.

#### **NOTE 2 - BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE**

##### **Appropriation Limits**

The total General Fund appropriation for each fiscal year of the biennium in the Governor's budget submission to the Legislature may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate, as defined in Title 5 Maine Revised Statutes Annotated (MRSA) § 1665, subsection 1, plus the average forecasted inflation rate. "Average forecasted inflation rate" means the average forecasted change in the Consumer Price Index underlying the revenue projections developed by the Revenue Forecasting Committee.

This appropriation limitation may be exceeded only by the amount of the additional costs or the lost federal revenue from the following exceptional circumstances: unfunded or under-funded new federal mandates; losses in federal revenues or other revenue sources; citizens' initiatives or referenda that require increased State spending; court orders or decrees that require additional State resources to comply with the orders or decrees; and sudden or significant increases in demand for existing State services that are not the result of legislative changes that increased eligibility or increased benefits.

The Governor may designate exceptional circumstances that are not explicitly defined, but meet the intent of, this statute. "Exceptional circumstances" means an unforeseen condition or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

##### **Budget Stabilization Fund**

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the \$237.1 million unassigned General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. The State Controller is required to transfer to the fund 80 percent of the amount available from the unappropriated surplus after all required deductions of appropriations, budgeted financial commitments and adjustments at the close of each fiscal year when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required \$18.1 million transfer for fiscal year 2019. The State Controller also transferred \$19.8 million from the General Fund unappropriated surplus to the Budget Stabilization Fund in accordance with Public Law 2019, Chapter 343, Part JJJJ-1. In accordance with Public Law 2017, Chapter 284 Part EEEEEEE, \$19.2 million was transferred from the Budget Stabilization Fund to a Reserve for Riverview Psychiatric Center.

The statutory cap for the fund is 18 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2019 actual General Fund revenue, the statutory cap at the close of fiscal year 2019 and during fiscal year 2019 was \$692.7 million. At the close of fiscal year 2019, the balance of the Maine Budget Stabilization Fund was \$297.2 million. No reductions to the Maine Budget Stabilization Fund balance are required when it exceeds the balance of the statutory cap as a result of a decline of General Fund revenue.

**Budget Stabilization Fund Activity**  
(Expressed in Thousands)

Balance, beginning of year	\$ 272,861
Increase in fund balance	24,349
Balance, end of year	<u>\$ 297,210</u>

**Budget and Budgetary Expenditures**

The gross unified budget bills and budget document encompass resources from the General Fund, Highway Fund, Federal Expenditures Fund, Federal Block Grant Fund, Other Special Revenue Fund, internal service funds and enterprise funds. Separate gross unified budget bills must be submitted for the General Fund and the Highway Fund. All funds except trust and agency funds, bond funds and costs of goods sold expenditures in internal service funds and enterprise funds are subject to legislative allocation. The biennial budget sets forth proposed expenditures for the administration, operation and maintenance of the departments and agencies of the State Government; all interest and debt redemption charges during each fiscal year and all expenditures for capital projects to be undertaken and executed during each fiscal year. Within this structure, budgetary control by agency is maintained at the program and line category level. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers.

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as supplemental budgets or separate pieces of legislation. For the year ended June 30, 2019, the Legislature increased appropriations to the General Fund by \$115.6 million.

Actual expenditures did not exceed legislatively authorized appropriations at the Department level; therefore, the State complied with all related budget laws at the legal level.

**Governmental Fund Balances - Restricted, Committed and Assigned**

The State's fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) assigned purposes, which includes balances that are constrained by government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these fund balance types at June 30, 2019 are detailed on the following pages.

**Governmental Fund Balances**  
(Expressed in Thousands)

	<u>NSIF</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
<b>General Fund:</b>				
Education	\$ -	\$ -	\$ -	\$ 34,778
Economic & Community Development	-	-	234	2,399
Governmental Support & Operations	-	-	-	60,509
Treasury	-	-	-	16,305
Public Safety	-	1,373	-	904
Defense, Veterans & Emergency Management	-	-	-	2,024
Natural Resources Development & Protection	-	2,740	-	-
All Other	4,086	-	-	4,988
Total	<u>\$ 4,086</u>	<u>\$ 4,113</u>	<u>\$ 234</u>	<u>\$ 121,907</u>
<b>Highway Fund:</b>				
Transportation, Highway & Bridge Construction	\$ -	\$ 34,859	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ 34,859</u>	<u>\$ -</u>	<u>\$ -</u>

**Governmental Fund Balances**  
(Expressed in Thousands)

	<u>NSIF</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
<b>Federal Fund:</b>				
Governmental Support & Operations	\$ -	\$ 3,315	\$ -	\$ -
Health & Human Services	\$ -	\$ 1,903	\$ -	\$ -
Justice & Protection	-	1,458	-	-
Public Safety	-	2,354	-	-
Transportation - Highway & Bridge Construction	-	2,546	-	-
All Other	3,757	34	-	-
	<u>3,757</u>	<u>34</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,757</u>	<u>\$ 11,610</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Special Revenue Fund:</b>				
Business Licensing & Regulation	\$ -	\$ 1,889	\$ -	\$ -
Workers Compensation Board	-	19,288	-	-
Professional & Financial Regulation	-	57,093	-	1,037
Public Utilities Commission	-	12,895	-	6,285
Economic & Community Development	-	32,956	8,422	-
Governmental Support & Operations	-	42,559	25,184	2,626
Liquor Bond	-	21,599	-	-
Bonds for Highway & Bridge Construction	-	143,137	-	-
Health & Human Services	-	1,263	-	-
Aging & Disability Services	-	-	-	1,321
Fund for Healthy Maine	-	-	49,416	-
Office of Family Independence	-	4,958	-	-
Office of the Commissioner	-	-	-	1,192
Substance Abuse & Mental Health	-	-	10,231	-
Centers for Disease Control & Prevention	-	1,958	3,050	-
MaineCare	-	-	-	51,642
Defense, Veterans & Emergency Management	-	2,113	-	1,695
Justice & Protection	-	85,775	-	5,783
Public Safety	-	10,527	-	1,781
Natural Resources Development & Protection	-	1,055	-	-
Agriculture & Conservation	-	5,476	3,457	15,471
Environmental Protection	-	24,371	2,425	-
Inland Fisheries & Wildlife	-	12,168	-	-
Marine Resources	-	4,394	-	4,876
Transportation Safety & Development	-	5,112	1,732	1,974
Transportation - Highway & Bridge Construction	-	38,940	-	-
Motor Vehicles	-	7,909	-	-
Multimodal Transportation	-	-	18,482	-
Transcap	-	-	18,000	-
All Other	-	1,341	-	-
	<u>-</u>	<u>1,341</u>	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 538,776</u>	<u>\$ 140,399</u>	<u>\$ 95,683</u>
<b>Other Governmental Funds:</b>				
	<u>NSIF</u>	<u>Restricted</u>	<u>Permanent</u>	
Capital Projects - Agriculture & Conservation	\$ -	\$ 13,004	\$ -	
Capital Projects - Higher Education	-	3,994	-	
Capital Projects - Justice & Protection	-	1,981	-	
Capital Projects - Multimodal Transportation	-	84,714	-	
Capital Projects - Economic & Community Development	-	1,170	-	
Capital Projects - Environmental Protection	-	3,634	-	
Capital Project - Treasury	-	10,413	-	
Capital Projects - Other	-	235	-	
Permanent Funds - Baxter Park	-	-	8,610	
Permanent Funds - Baxter Park Wilderness Trust	-	-	23,812	
Permanent Funds - All Others	-	-	23,464	
Special Revenue Funds - Baxter Park	-	87,700	-	
Special Revenue Funds - Baxter Park Wilderness Trust	-	530	-	
Special Revenue Funds - All Other	-	387	-	
	<u>-</u>	<u>387</u>	<u>-</u>	
Total	<u>\$ -</u>	<u>\$ 207,762</u>	<u>\$ 55,886</u>	

**NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS****ACCOUNTING CHANGES**

During fiscal year ended June 30, 2019, the State implemented the following accounting standards that had no impact on the State's financial statements:

GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows.

**Change in Accounting Estimate**

The Maine Military Authority enterprise fund was created to fund activities of the Maine Military Authority (MMA). These activities included operating the Maine Readiness Sustainment Maintenance Center and maintaining, rebuilding, repairing, storing and manufacturing equipment for: the State and its political subdivisions; the United States Department of the Army, Department of the Air Force, Department of the Navy and Department of Homeland Security; and, foreign governments working in conjunction with the foreign military sales program of the United States Department of Defense.

By the close of fiscal year 2019, virtually all MMA activities were curtailed to completing a single contract, which was reflected by a significant decrease in their workforce and operations.

The State allocates its pension and other postemployment benefit costs to all funds based on a 5-year rolling average payroll. Since facts and circumstances changed regarding the number of personnel comprising the MMA enterprise fund, the State's General Fund recognized MMA's previously reported \$15.8 million in pension and other postemployment benefit liabilities as a change in accounting estimate.

See Note 19 – Special Items for additional discussion.

**Restatements - Primary Government**

The State of Maine increased its Other Governmental Fund beginning fund balance by \$21.9 million to recognize two additional trust funds. The new Special Revenue fund, Revenue on Baxter Park Wilderness Trust, increased \$1.0 million to recognize the spendable portion of the trust. The new Permanent fund, Baxter Park Wilderness Trust increased \$20.9 million to recognize the non-spendable portion of the trust. In addition, the beginning fund balance was increased for the Other Special Revenue Fund and decreased for the General Fund to reflect a \$2.1 million dollar accrual for the Dairy Stabilization Fund which should have been reflected at fiscal year end June 30, 2018.

**GASB 75 Restatement – Component Unit**

The Maine Turnpike Authority reduced its net position by \$29.1 million as a result of implementing GASB 75.



**NOTE 4 - DEFICIT FUND BALANCES/NET POSITION****PROPRIETARY FUNDS**

Five internal service funds showed deficits for the fiscal year ended June 30, 2019. The Workers' Compensation Fund reported a deficit of \$20.5 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of \$6.0 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of \$8.0 million because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. All of the deficits mentioned above are expected to be funded by future service charges. The remaining two internal service funds, Financial and Personnel Services and Information Services, reported deficits of \$33.9 million and \$53.9 million, respectively. These deficits are primarily the result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in Fiscal Year 2015, which required the recognition of the entire net pension liability and the restatement of beginning net position due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.

Two enterprise funds showed deficits for the fiscal year ended June 30, 2019. Maine Military Authority and Consolidated Emergency Communications Fund reported deficits of \$5.8 million and \$8.5 million, respectively. The deficits for these funds are primarily the result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in Fiscal Year 2015, which required the recognition of the entire net pension liability and the restatement of beginning net position due to the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. For additional information on the Maine Military Authority, see Note 19, Special Items.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Title 5 MRSA § 135 governs the deposit and investment policies of the State of Maine Office of the State Treasurer. The Treasurer may deposit State funds, including trust funds of the State, in any of the banking institutions (including trust companies, State or federal savings and loan associations, and mutual savings banks) organized under the laws of this State and any national bank or federal savings and loan association located in the State.

The State follows the practice of pooling cash and cash equivalents for a variety of State agencies and public sector entities. The Treasurer may invest funds that exceed current obligations, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and the consent of the Governor.

Approved investments include bonds, notes, certificates of indebtedness, other obligations of the United States that mature not more than 36 months from the date of investment; repurchase agreements secured by obligations of the United States that mature within the succeeding 12 months; prime commercial paper with maturities not exceeding 270 days from the date of purchase; tax-exempt obligations that mature not more than 36 months from the date of investment and have a long-term rating of no less than "AA" or the equivalent; corporate bonds rated "AAA" that mature within 36 months from the date of investment; banker's acceptances with an original maturity not exceeding 180 days and rated in the highest short-term category by at least one nationally recognized securities rating organization (NRSRO); and "no-load" shares of an investment company registered under the Federal Investment Company Act of 1940, which are rated "AAAm" or "AAAm-G" by Standard & Poor's, or the equivalent by another NRSRO. Although authorized to do so, the Treasurer does not participate in the securities loan market.

Investment policies of the permanent trusts are governed by Title 5 MRSA § 138. The Treasurer, with the approval of the Commissioner of Administrative and Financial Services, the Superintendent of Financial Institutions and the Attorney General, shall invest the funds in securities that are legal investments in accordance with Title 9-B MRSA. The investments need not be segregated to the separate trusts, but the identity of each trust must be maintained. The Treasurer may enter into custodial care and servicing contracts or agreements negotiated in accordance with the laws of this State for the handling of funds held in trust.

No amounts exceeding 25 percent of the capital, surplus, and undivided profits of any trust company or national bank or 25 percent of the reserve fund and undivided profits of a mutual savings bank or State or federal savings and loan association, shall be on deposit in any one institution at any one time. This restriction does not apply to deposits subject to immediate withdrawal to meet the payment of any bonded debt or interest or to pay current bills or expenses of the State. Also exempt are deposits secured by the pledge of certain securities as collateral or fully covered by insurance.

With assistance from the Finance Authority of Maine, the Treasurer participates in a restricted deposit program to encourage banks to provide loans at two percent below market rate. The Treasurer may invest up to \$8 million in lending institutions at a two percent lower-than-market rate provided the lenders pass the rate reduction on to the borrowers. This program earmarks \$4 million for loans to agricultural enterprises and the other \$4 million are designated for commercial entities.

The Primary Government's Deposits and Investments, excluding component units that are fiduciary in nature, at June 30, 2019 are as follows:

**Primary Government Deposits and Investments**  
(Expressed in Thousands)

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>	<b>Total</b>
Equity in Treasurer's Cash Pool	\$ 1,466,738	\$ 13,365	\$ 661	\$ 16,636	\$ 1,497,400
Cash and Cash Equivalents	217	2,382	2,433	27	5,059
Cash with Fiscal Agent	177,845	-	-	-	177,845
Investments	144,165	-	21,335	-	165,500
Restricted Equity in Treasurer's Cash Pool	121,401	-	-	-	121,401
Restricted Deposits and Investments	4,706	488,125	-	11	492,842
Investments Held on Behalf of Others	-	-	-	62,725	62,725
<b>Total Primary Government</b>	<b>\$ 1,915,072</b>	<b>\$ 503,872</b>	<b>\$ 24,429</b>	<b>\$ 79,399</b>	<b>\$ 2,522,772</b>

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. In general, the State holds securities to maturity. All debt securities are reported at full-term.

The following table provides the segmented time distribution of the Primary Government's investments at June 30, 2019:

**Maturities in Years**  
(Expressed in Thousands)

	Less than 1	1-5	6-10	11-20	More than 20	No Maturity	Fair Value
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	\$ 189,465	\$ 279,801	\$ -	\$ -	\$ -	\$ -	\$ 469,266
US Treasury Notes	248,701	9,439	-	-	-	-	258,140
Corporate Notes and Bonds	9,433	16,078	-	-	-	-	25,511
Commercial Paper	263,550	-	-	-	-	-	263,550
Certificates of Deposit	133,314	103,986	-	-	-	-	237,300
Cash and Cash Equivalents	1,459	-	-	-	-	353,583	355,042
Unemployment Fund	-	-	-	-	-	488,125	488,125
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	2,036	2,998	261	423	1,278	-	6,996
US Treasury Notes	4,101	6,655	5,229	-	996	3,607	20,588
Corporate Notes and Bonds	355	2,940	697	8,183	431	40,585	53,191
Other Fixed Income Securities	101	-	35,168	81	-	46,452	81,802
Commercial Paper	2,846	-	-	-	-	-	2,846
Certificates of Deposit	10,042	1,202	-	-	-	2,720	13,964
Money Market	-	-	-	-	-	4,272	4,272
Cash and Cash Equivalents	2,433	-	-	-	-	18,786	21,219
Equities	-	-	-	-	-	36,042	36,042
Other	-	-	-	-	-	7,073	7,073
	\$ 867,836	\$ 423,099	\$ 41,355	\$ 8,687	\$ 2,705	\$ 1,001,245	\$ 2,344,927
Other Assets							
Cash with Fiscal Agent							177,845
Total Primary Government							<u>\$ 2,522,772</u>

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments as described by nationally recognized statistical rating organizations. The State's investment policy limits its investments to those with high credit quality made by or with the advice and upon the due diligence of the State's independent investment advisor. The State limits credit risk in its trusts by ensuring that the fixed income credit quality at the time of purchase is a minimum bond rating of "A" by either Standard & Poor's or Moody's rating service. Fixed income holdings thereafter shall maintain a minimum bond rating of "BBB".

The Primary Government's total investments by credit quality rating as of June 30, 2019 are presented below:

**Standard and Poor's Credit Rating**  
(Expressed in Thousands)

	A1	A	AA	AAA	BB	BBB	Not Rated	Total
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>								
US Instrumentalities	\$ -	\$ -	\$ 466,020	\$ -	\$ -	\$ -	\$ 3,246	\$ 469,266
US Treasury Notes	-	-	258,140	-	-	-	-	258,140
Corporate Notes and Bonds	-	-	-	25,511	-	-	-	25,511
Commercial Paper	263,550	-	-	-	-	-	-	263,550
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>								
US Instrumentalities	-	-	5,033	-	-	-	1,963	6,996
US Treasury Notes	-	-	4,163	-	-	-	16,425	20,588
Corporate Notes and Bonds	-	1,065	399	356	-	1,478	49,893	53,191
Commercial Paper	2,846	-	-	-	-	-	-	2,846
Money Market	-	-	-	-	-	-	4,272	4,272
Other Fixed Income Securities	-	-	-	-	-	-	7,073	7,073
Total Primary Government	<u>\$ 266,396</u>	<u>\$ 1,065</u>	<u>\$ 733,755</u>	<u>\$ 25,867</u>	<u>\$ -</u>	<u>\$ 1,478</u>	<u>\$ 82,872</u>	<u>\$ 1,111,433</u>

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than seven percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer’s Cash Pool. At June 30, 2019, there were no investments that exceeded five percent of the Treasurer’s Cash Pool.

**Custodial Credit Risk** - For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State limits its custodial credit risk for the Treasurer’s Cash Pool by maintaining a file of the most recent credit rating analysis reports performed for each approved financial institution. The State also requires that all securities be perfected in the name of the State and held in third party safekeeping by a state approved custodian. Of the cash pool’s \$255 million invested in non-negotiable certificates of deposit, certain CD’s exceeded the FDIC insured amounts for the institutions at which they were held. However, certificates of deposits, money market accounts and regular cash deposits are all collateralized at a minimum of 100 percent with pledged securities or a Federal Home Loan Bank letter of credit.

The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust and the Baxter Park Wilderness Trusts are held by counterparties, but not in the State’s name.

The fair value of the trust’s investments as of June 30, 2019 was \$112.1 million and was comprised of the following (expressed in thousands):

	<b>Percival Baxter Trust</b>	<b>Baxter Park Wilderness Trust</b>
U.S. Instrumentalities	\$ 1,962	\$ -
U.S. Treasury Notes	1,878	-
Corporate Notes and Bonds	3,184	-
Other Fixed Income Securities	16,639	6,641
Equities	57,598	17,251
Cash and Equivalents	929	489
Other	5,510	-
<b>Total</b>	<b>\$ 87,700</b>	<b>\$ 24,381</b>

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2019 these disbursements, on average, exceeded \$179 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

**Fair Value Measurements** - The State of Maine categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Level 1** - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the State of Maine has the ability to access.

**Level 2** - Inputs to the valuation method include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3** - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques. The three valuation techniques are as follows:

- *Market Approach* - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost Approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- *Income Approach* – Techniques to convert future amount to a single present amount based on market exceptions (including present value techniques).

Following is a description of the valuation methodologies used for assets at fair value.

**Investments classified as level 1:** Investments classified as level 1 are primarily exchange traded equity securities and other fixed income securities valued at market prices using interactive exchange data. Investment are evaluated by obtaining feeds from a number of live data sources including active market makers and inter-dealer brokers. Sources are reviewed on the basis of their historical accuracy for individual issues and maturity ranges. Treasury notes and bonds are evaluated by gathering information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.

**Investments classified as level 2:** Investments classified as level 2 including fixed income corporate bond, fixed income government bonds and treasury notes are priced using a published mid-price. Investments are evaluated as follows: a. A bullet (non-call) spread scale is created for each issuer for maturities going out to forty years. These spreads represent credit risk and are obtained from the new issue market, secondary trading, and dealer quotes. Each issuer-spread line has the capability to link parent/subsidiary and related companies to capture relevant movements. b. An Option Adjusted Spread (OAS) model is incorporated to adjust spreads of issues that have early redemption features. c. Final spreads are added to both a 15: and 16: (ET) U.S. Treasury curve. A special cash discounting yield/price routine calculates prices from final yields to accommodate odd coupon payment dates typical of medium-term notes. d. Evaluators maintain quality by surveying the dealer community, obtaining benchmark quotes, incorporating relevant trade data, and updating spreads daily. Note: Floating-rate medium-term notes are evaluated using the Floating-Rate Note Evaluation Model which generates evaluations for floating-rate notes by calculating current and future coupons, then discounting each cash flow by an appropriate discount margin.

**Investments classified as level 3:** Investments classified as level 3 include private equities securities that exist in illiquid markets. These securities are broker priced.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the State of Maine believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table set forth by level, within the fair value hierarchy, the State of Maine's assets carried at fair value on a recurring basis as of June 30, 2019:

**Fair Value Measurement**  
(Expressed in Thousands)

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Commercial Paper	\$ 278,792	\$ -	\$ 278,792	\$ -
Corporate Notes and Bonds	30,138	-	30,083	55
U.S. Instrumentalities	500,092	-	500,092	-
U.S. Treasury Notes	278,259	278,259	-	-
Other Fixed Income Securities	34,926	34,845	81	-
Equities	115,771	115,771	-	-
Other	5,510	-	-	5,510
Total	<u>\$ 1,243,488</u>	<u>\$ 428,875</u>	<u>\$ 809,048</u>	<u>\$ 5,565</u>

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The Maine Public Employees Retirement System (the System) makes investments in a combination of equities, fixed income securities, infrastructure, private equity, real estate, mutual funds, commingled mutual and index funds, derivative financial instruments, and other investment securities established by the Trustee's investment policy.

*Derivative Securities* – Derivative financial instruments are financial contracts whose value depends on the value of one or more underlying assets, reference rates or financial indices. They include futures, forwards, options, and swap contracts. The System's investments in derivative securities only have nominal exposure to custodial credit risk. Credit risk is managed, in the case of exchange-traded derivatives, by the execution of trades through a clearinghouse and, in the case of over-the-counter transactions, by managers' due diligence assessment and approval of counterparties. Market risk is managed by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and are monitored by the Chief Investment Officer.

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. The System's fixed income managers invest in Collateralized Mortgage Obligations (CMOs) and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio.

*Securities Lending* - The System has also entered into agreements for securities lending transactions, which are collateralized in an amount generally valued at 102 percent (105 percent for international securities) of the market value of the securities loaned plus accrued interest. All securities and loans can be terminated on demand by either the lender or the borrower.

Cash collateral is invested in a short-term investment pool. Cash collateral may also be invested separately in "term loans." At June 30, 2019 all of the collateral for securities lending is subject to custodial credit risk. The System believes that there is no credit risk as defined in GASB Statement No. 28 and GASB Statement No. 40. The collateral held and the market value of securities on loan for the System as of June 30, 2019 was \$285.7 million and \$279.0 million, respectively.

The system did not have any derivative investments as of June 30, 2019 or during the year then ended.

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of investment in a single issue. The System's investment policy places no limit on the amount the System may invest in any one issuer. No investment exceeded 5 percent of the fiduciary net position for the defined benefit and OPEB plans.

**COMPONENT UNITS**

Generally, component unit investment policies authorize investments in obligations of U.S. Treasury and Agency Securities, repurchase agreements, corporate bonds, certificates of deposit and money market funds. Some component units may invest in stocks, bonds, fixed income securities, mutual funds, commingled mutual funds and index funds, guaranteed investment contracts, real estate and other investment securities.

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 4.47 percent of pool assets. The component units reported their participation as either Cash and Cash Equivalents or Investments on their financial statements. The State reclassified \$48.1 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes \$5.1 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

**NOTE 6 - RECEIVABLES**

Receivable balances are segregated by type, and presented in the fund financial statements net of allowance for uncollectibles. The following tables disaggregate amounts considered to be uncollectible by fund and type of receivable as of the close of the fiscal year:

**Primary Government - Receivables**  
(Expressed in Thousands)

	<u>Taxes</u>	<u>Accounts</u>	<u>Loans</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
<b>Governmental Funds:</b>					
General	\$ 583,635	\$ 154,743	\$ 1	\$ (160,376)	\$ 578,003
Highway	24,706	3,564	-	(46)	28,224
Federal	-	140,383	-	(29,045)	111,338
Other Special Revenue	14,126	138,954	4,517	(53,755)	103,842
Total Governmental Funds	622,467	437,644	4,518	(243,222)	821,407
Allowance for Uncollectibles	(104,612)	(138,559)	(51)		
Net Receivables	<u>\$ 517,855</u>	<u>\$ 299,085</u>	<u>\$ 4,467</u>		<u>\$ 821,407</u>
<b>Proprietary Funds:</b>					
Employment Security	\$ -	\$ 57,246	\$ -	\$ (29,226)	\$ 28,020
Nonmajor Enterprise	-	33,811	-	(129)	33,682
Internal Service	-	7,112	-	-	7,112
Total Proprietary Funds	-	98,169	-	(29,355)	68,814
Allowance for Uncollectibles	-	(29,355)	-		
Net Receivables	<u>\$ -</u>	<u>\$ 68,814</u>	<u>\$ -</u>		<u>\$ 68,814</u>

**Component Units - Receivables**  
(Expressed in Thousands)

	<u>Accounts</u>	<u>Loans</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
Finance Authority of Maine	\$ 3,157	\$ 97,965	\$ (5,049)	\$ 96,073
Maine Community College System	7,131	-	(941)	6,190
Maine Health and Educational Facilities Authority	187	416,604	(73)	416,718
Maine Municipal Bond Bank	1,712	-	-	1,712
Maine State Housing Authority	11,855	1,397,384	(8,938)	1,400,301
Maine Turnpike Authority	6,046	-	-	6,046
University of Maine System	66,781	37,989	(13,048)	91,722
Net Receivables	<u>\$ 96,869</u>	<u>\$ 1,949,942</u>	<u>\$ (28,049)</u>	<u>\$ 2,018,762</u>

**NOTE 7 - INTERFUND TRANSACTIONS**

Interfund receivables and payables represent amounts owed to one State fund by another, for goods sold or services received, or for borrowings to eliminate negative balances in the Treasurer's Cash Pool.

Balances due within one year are recorded as Due to/Due from Other Funds. Included in the table below is a \$60.5 million interfund receivable in the Federal funds and a \$60.5 million interfund payable in the General Fund associated with the Medicaid disallowance of the disproportionate share hospital payments claimed for the Riverview Psychiatric Hospital. The General fund is ultimately responsible for the \$60.5 million outstanding disallowance balance. Please see Note 18 for a further discussion of this disallowance.

The balances of current interfund receivables and payables as of June 30, 2019 were:

<b>Interfund Receivables</b> (Expressed in Thousands)					
<b>Due to Other Funds</b>					
<b>Due from Other Funds</b>	<b>General</b>	<b>Highway</b>	<b>Federal</b>	<b>Other Special Revenue</b>	<b>Other Governmental</b>
General	\$ -	\$ -	\$ 1,040	\$ -	\$ -
Highway	2	4	18,232	-	-
Federal	60,557	-	185	655	-
Other Special Revenue	17,879	269	718	723	8
Other Governmental	-	-	-	-	-
Employment Security	-	-	51	-	-
Non-Major Enterprise	2,335	3	-	-	-
Internal Service	12,059	4,773	2,771	4,880	-
Fiduciary	41,486	-	-	-	-
<b>Total</b>	<b>\$ 134,318</b>	<b>\$ 5,049</b>	<b>\$ 22,997</b>	<b>\$ 6,258</b>	<b>\$ 8</b>

<b>Due to Other Funds</b>					
<b>Due from Other Funds</b>	<b>Employment Security</b>	<b>Non-Major Enterprise Funds</b>	<b>Internal Service Funds</b>	<b>Fiduciary Funds</b>	<b>Total</b>
General	\$ -	\$ 9,101	\$ 6,635	\$ -	\$ 16,776
Highway	-	-	-	-	18,238
Federal	-	-	-	-	61,397
Other Special Revenue	-	5,128	226	-	24,951
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	51
Non-Major Enterprise	-	-	-	-	2,338
Internal Service	-	376	5,424	3	30,286
Fiduciary	-	-	-	-	41,486
<b>Total</b>	<b>\$ -</b>	<b>\$ 14,605</b>	<b>\$ 12,285</b>	<b>\$ 3</b>	<b>\$ 195,523</b>

Not included in the table above are interfund loans/advances, which are not expected to be repaid within one year. Postal, Printing & Supply (an internal service fund) owes \$111 thousand to the General Fund for operating capital.

Transfers are made in accordance with statutory authority. Significant transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts restricted for debt service from the funds collecting the receipts to the funds required to pay debt service as principal and interest payments come due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Lottery Fund, 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute and 6) move profits from the Alcoholic Beverages Fund.

During fiscal year 2019, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.



The General Fund transferred \$14.5 million, \$18.0 million and \$19.2 million to the Other Special Revenue Fund, respectively, for: MaineCare Stabilization Fund, School Revolving Renovation Fund and the Indigent Legal Services Fund.

Interfund transfers for the year ended June 30, 2019 consisted of the following:

<b>Interfund Transfers</b> (Expressed in Thousands)					
<b>Transferred To</b>	<b>Transferred From</b>				
	<b>General</b>	<b>Highway</b>	<b>Federal</b>	<b>Other Special Revenue</b>	<b>Other Governmental</b>
General	\$ -	\$ -	\$ 161	\$ 19,544	\$ -
Highway	1,866	-	39,401	11,840	-
Federal	75	-	-	7,262	-
Other Special Revenue	191,684	6,329	1,257	376	2,673
Other Governmental Funds	-	-	-	-	1,547
Employment Security	-	-	950	261	-
Non-Major Enterprise	-	5,396	-	-	-
Internal Service	6,235	-	-	-	-
Fiduciary	-	-	-	-	604
<b>Total</b>	<b>\$ 199,860</b>	<b>\$ 11,725</b>	<b>\$ 41,769</b>	<b>\$ 39,283</b>	<b>\$ 4,824</b>

<b>Transferred To</b>	<b>Transferred From</b>				
	<b>Employment Security</b>	<b>Non-Major Enterprise Funds</b>	<b>Internal Service Funds</b>	<b>Fiduciary Funds</b>	<b>Total</b>
General	\$ -	\$ 62,675	\$ -	\$ 5,436	\$ 87,816
Highway	-	-	-	-	53,107
Federal	4,893	-	-	-	12,230
Other Special Revenue	-	56,588	-	660	259,567
Other Governmental Funds	-	-	-	-	1,547
Employment Security	-	-	-	-	1,211
Non-Major Enterprise	-	-	-	-	5,396
Internal Service	-	-	-	-	6,235
Fiduciary	-	-	-	-	604
<b>Total</b>	<b>\$ 4,893</b>	<b>\$ 119,263</b>	<b>\$ -</b>	<b>\$ 6,096</b>	<b>\$ 427,713</b>

**NOTE 8 - CAPITAL ASSETS**

The following schedule details changes in capital assets for the governmental activities and business-type activities of the primary government for the fiscal year ended June 30, 2019:

**Primary Government - Capital Assets**  
(Expressed in Thousands)

	<b>Beginning Balance</b>	<b>Increases and Other Additions</b>	<b>Decreases and Deletions</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 641,049	\$ 5,520	\$ 2,085	\$ 644,484
Construction in progress	58,946	42,951	43,809	58,088
Infrastructure	<u>2,901,466</u>	<u>30,260</u>	<u>-</u>	<u>2,931,726</u>
Total capital assets not being depreciated	<u>3,601,461</u>	<u>78,731</u>	<u>45,894</u>	<u>3,634,298</u>
<b>Capital assets being depreciated</b>				
Buildings	845,476	24,744	4,059	866,161
Equipment	307,118	16,390	11,760	311,748
Improvements other than buildings	113,492	148	50	113,590
Software	<u>76,243</u>	<u>42,534</u>	<u>-</u>	<u>118,777</u>
Total capital assets being depreciated	<u>1,342,329</u>	<u>83,816</u>	<u>15,869</u>	<u>1,410,276</u>
<b>Less accumulated depreciation for</b>				
Buildings	343,303	28,106	5,742	365,667
Equipment	209,029	25,536	10,550	224,015
Improvements other than buildings	60,052	3,876	50	63,878
Software	<u>53,408</u>	<u>15,410</u>	<u>-</u>	<u>68,818</u>
Total accumulated depreciation	<u>665,792</u>	<u>72,928</u>	<u>16,342</u>	<u>722,378</u>
Total capital assets being depreciated, net	<u>676,537</u>	<u>10,888</u>	<u>(473)</u>	<u>687,898</u>
Governmental Activities Capital Assets, net	<u>\$ 4,277,998</u>	<u>\$ 89,619</u>	<u>\$ 45,421</u>	<u>\$ 4,322,196</u>
	<b>Beginning Balance</b>	<b>Net Additions</b>	<b>Net Deletions</b>	<b>Ending Balance</b>
<b>Business-Type Activities:</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 2,389	\$ -	\$ -	\$ 2,389
Construction in progress	<u>971</u>	<u>4,703</u>	<u>-</u>	<u>5,674</u>
Total capital assets not being depreciated	<u>3,360</u>	<u>4,703</u>	<u>-</u>	<u>8,063</u>
<b>Capital assets being depreciated</b>				
Buildings	4,655	-	-	4,655
Equipment	32,701	12	8,047	24,666
Improvements other than buildings	<u>42,757</u>	<u>-</u>	<u>-</u>	<u>42,757</u>
Total capital assets being depreciated	<u>80,113</u>	<u>12</u>	<u>8,047</u>	<u>72,078</u>
<b>Less accumulated depreciation for</b>				
Buildings	2,909	135	-	3,044
Equipment	15,609	1,249	5,382	11,476
Improvements other than buildings	<u>31,434</u>	<u>1,497</u>	<u>-</u>	<u>32,931</u>
Total accumulated depreciation	<u>49,952</u>	<u>2,881</u>	<u>5,382</u>	<u>47,451</u>
Total capital assets being depreciated, net	<u>30,161</u>	<u>(2,869)</u>	<u>2,665</u>	<u>24,627</u>
Business-Type Activities Capital Assets, net	<u>\$ 33,521</u>	<u>\$ 1,834</u>	<u>\$ 2,665</u>	<u>\$ 32,690</u>

During the fiscal year, depreciation expense was charged to the following functions in the governmental activities column of the Statement of Activities for the primary government:

### Governmental Activities - Depreciation Expense

(Expressed in Thousands)

	<u>Amount</u>
<b>Governmental Activities:</b>	
Arts, Heritage and Cultural Enrichment	\$ 53
Business Licensing and Regulation	485
Economic Development and Workforce Training	1,883
Education	304
Governmental Support and Operations	13,002
Health and Human Services	16,451
Justice and Protection	20,916
Natural Resources Development and Protection	4,501
Transportation Safety and Development	<u>15,333</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 72,928</u>

## NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

### OVERVIEW OF THE SYSTEM

The Maine Public Employees Retirement System, formerly named the Maine State Retirement System (the System) is a component unit of the State of Maine. Title 5 MRSA C. 421, 423, and 425 authorized the establishment and administration of the defined benefit plans. The System administers two cost sharing multiple-employer defined benefit plans, two single employer defined benefit plans and one closed agent multiple-employer defined benefit plan. All of these plans provide pension, disability, and death benefits to their members.

The State Employees and Teachers Plan (SETP) is a multiple-employer cost sharing plan with a special funding situation. The plan covers employees of the State and public school employees (defined by Maine law as teachers). The State of Maine is also a nonemployer contributing entity in that the State pays the unfunded actuarial liability on behalf of non-grant funded teachers. School districts contribute the normal cost, calculated actuarially, for their teacher members and directly pay the unfunded actuarial liability on behalf of grant funded teachers. The Participating Local Districts Plan (Consolidated PLD) covers employees of more than 300 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes.

The System also provides single employer defined benefit plans to cover State legislators and State Judicial employees and administers a closed agent, multiple-employer defined benefit plan (Agent PLD) which covers those employers for whom the System administered single employer plans at the time the PLD Consolidated Plan was implemented who opted not to join the Consolidated Plan.

In addition to administering pension plans, the System invests funds accumulated for two OPEB Trusts. The Retiree Health Insurance Trust Fund accumulates assets to provide funding for the State's unfunded obligations for retiree health benefits. Trustees of the System were named Trustees of the Investment Trust Fund. The System also invests funds for the MainePERS OPEB Trust. The trust accumulates assets to provide funding for retiree health benefits and life insurance in retirement for qualified individuals who retire from the System. The Trustees of the System were named Trustees of the MainePERS OPEB Trust.

The System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2019, there were 69 employers participating in these plans. The 1,191 participants individually direct the \$41.4 million covered by the plans.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2019 report may be obtained from the Maine Public Employees Retirement System, PO Box 349 Augusta, ME 04332-0349 or on-line at [www.maineopers.org](http://www.maineopers.org).

Total pension funds managed by the System are constitutionally restricted and held in trust for the payment of pension and related benefits to its members. OPEB funds are statutorily restricted for the payment of retiree healthcare. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. With respect to the SETP, the actuary prepares valuations for the State's portion of the SETP, including the segregation of teachers from employees.

The System also provides group life insurance under a plan administered by a third party insurance company and invests long-term assets for two Retiree Health Insurance Post-Employment Benefits Investment Trust Funds. Note 10 provides for further disclosure.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The System's financial statements are prepared on the accrual basis of accounting. Pension contributions are recognized as additions in the period when they become due pursuant to formal commitments or statutory or contractual requirements. Investment income is recognized when earned. Contributions to defined contribution plans are recognized in the period they are contributed. Pension benefits and contributions and premium refunds are recognized as deductions when due and payable in accordance with Statutes. Benefits payable incurred but not reported are reflected as other liabilities. Distributions from defined contribution plans are recognized in the period the disbursement is made.

#### **PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit retirement plans and additions to or deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the System. The measurement period used is June 30, 2018. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **EMPLOYER ALLOCATIONS FOR COST-SHARING DEFINED BENEFIT RETIREMENT PROGRAMS**

Schedules of Employer Allocations for the SETP are displayed separately for the two groups within the Plan, state employees being one group and teachers the second. This is to reflect the unique funding arrangement that currently exists within the Plan for teachers. Total employer contributions for the state employees group, adjusted for employer-specific liability contributions, were used as the basis for allocation. For the teacher group, total employer and non-employer contributions were the basis for the allocation, adjusted to remove the normal cost contributions paid by local school districts on behalf of their employees. This leaves contributions toward the unfunded liability of the Plan as the basis of allocation. This method of allocation properly distributes the collective net pension liability between the State of Maine as the non-employer contributing entity and those districts contributing towards the unfunded liability of the plan using grant funding.

The Schedules of Employer Allocations for the PLD Consolidated Plan reflect current year employer contributions, adjusted to remove contributions related to employer specific liabilities to the Plans. For the PLD Plan, certain employers have individual unpooled pension assets resulting from the closure of individual single employer plans upon joining the PLD Consolidated Plan. For these employers, current year contributions are adjusted to reflect the gross contributions due for service prior to applying an offset from these assets, if applicable. An offset occurs when an employer with un-pooled pension assets held by the System chooses to use a portion of these assets to cover the cost of current contributions due.

#### **MEMBERSHIP**

State employees and teachers are covered under the Maine Public Employees Retirement System's State Employee and Teacher Retirement Program (SETP). State employees and public school teachers are required by law to become members of SETP when hired. Membership is optional for elected, appointed officials and substitute teachers. SETP also covers eligible employees of two discretely presented State component units: Maine Community College System and the Northern New England Passenger Rail Authority. At June 30, 2019 there were 239 employers, including the State of Maine, participating in the plan.

PLD employees become members of the Consolidated PLD plan when they are hired if their employer participates as a PLD in MainePERS at that time and if they meet the membership eligibility requirements in effect when they are hired. For some PLD employees, membership is optional. These employees include those employed by their PLD before the PLD joined MainePERS, those whose employers provide Social Security under a federal law, elected and appointed officials, and chief administrative officers. The Consolidated PLD plan includes employees of three component units of the State that have defined benefit plans: Maine Municipal Bond Bank, Maine Maritime Academy, and the Maine Public Employees Retirement System.

The System also administers two single employer retirement programs for specific State employees. The Legislative Retirement Program was established to provide a retirement program for those serving in the Maine Legislature. Except as provided otherwise by statute, membership in the Maine Legislative Retirement Program is mandatory for legislators entering service on or after December 3, 1986. The Judicial Retirement Program was established to provide a retirement program for Maine's judges. Membership in the Judicial Retirement Program is a condition of employment for all judges serving on or after December 1, 1984.

Membership in each single employer defined benefit plan consisted of the following at the measurement date of June 30, 2018:

**Employees of single employer covered by benefit terms**

	<u>Judicial</u>	<u>Legislative</u>
Inactive employees or beneficiaries currently receiving benefits	75	185
Terminated participants:		
Vested	3	113
Inactive employees due refunds	1	107
Active employees	62	185
Total participants	<u>141</u>	<u>590</u>

**STATE EMPLOYEES AND TEACHERS PENSION PLAN BENEFITS**

The System's retirement programs provide retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and survivor benefits, which are established by statute for State employee and teacher members, and by contract with other participating employers under applicable statutory provisions.

**PARTICIPATING LOCAL DISTRICTS PLAN BENEFITS**

In the event that a member of the Consolidated PLD Plan withdraws from the System, its individual employee-members remain contributing members. The PLD remains liable for contributions sufficient to fund benefits for its already retired former employee-members; for its terminated vested members; and for those active employees, whether or not vested, who remain contributing System members.

**CONTRIBUTION INFORMATION**

Contributions from members, employers and non-employer contributors and earnings from investments fund the retirement benefits. Disability and death benefits are funded by employer normal cost contributions and investment earnings. Member and employer normal cost contributions are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employers' contribution rates are determined by actuarial valuations.

The Maine Constitution, Maine statutes and the System's funding policy provide for periodic employer contributions in addition to the normal cost contributions for the SETP. These are actuarially determined amounts that, based on certain actuarial assumptions are sufficient to fully fund, on an actuarial basis, the SETP by the year 2028 (Unfunded Actuarial Accrued Liability (UAAL) payments). Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State Employee and Teacher Retirement Program. For participating employers in the PLD Agent Plan, the level percentage of payroll method is also used.

The UAAL rate as applied to State employee members' compensation is first established through the annual valuation process as an amount that will meet the required unfunded actuarial accrued liability payment amount; it is then adjusted in the State's budget process to take into account differences in salary growth projections of the State Budget Office. This adjusted rate, expressed as a percentage of payroll, is the actual rate paid by the State as payment of the required UAAL payment amount for State employees. For teachers, the actuarially determined UAAL amount is paid in 12 equal monthly installments. PLD employer contribution rates are actuarially determined rates.

On occasion, the State may agree to pay employee pension contributions as a part of the compensation and benefits that are negotiated with employees. The employer-paid contributions are treated as part of their pension compensation. In accordance with statute, the actuary accumulates them in the Retirement Allowance Fund. Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 2.69 percent.

#### CONTRIBUTION RATES - DEFINED BENEFIT PENSION PLANS

The Maine Constitution, Maine Statutes and the System's funding policy provide for periodic employer contributions at actuarially determined rates that, based upon certain assumptions, are expressed as percentages of annual covered payroll and are sufficient to accumulate adequate assets to pay benefits when due. On July 20, 2017 Chapter 1, Constitutional Resolution was passed by the legislature and ratified by the voters in November. Any unfunded liability resulting from experience losses must be retired over a period not exceeding 20 years. Prior to the change a 10 year amortization period was used.

Significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the standardized measure of the net pension liability.

Contribution rates<sup>1</sup> in effect for the fiscal years ended June 30, 2019 and June 30, 2018 are as follows:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>SETP - State Employees</b>		
Employees <sup>2</sup>	7.65% - 8.65%	7.65% - 8.65%
Employer <sup>1</sup>	23.44% - 47.64%	23.48% - 47.73%
<b>SETP - Teachers</b>		
Employees <sup>2</sup>	7.65%	7.65%
Employer <sup>1</sup>	3.97%	3.97%
Non-employer entity <sup>1</sup>	11.08%	11.08%
<b>Judicial Plan</b>		
Employees <sup>2</sup>	7.65%	7.65%
Employer <sup>1</sup>	14.94%	14.94%
<b>Legislative Plan</b>		
Employees <sup>2</sup>	7.65%	7.65%
Employer <sup>1</sup>	0.00%	0.00%
<b>Consolidated Participating Local Entities</b>		
Employees <sup>2</sup>	4.50% - 9.50%	4.50% - 9.50%
Employer <sup>1</sup>	4.10% - 16.30%	3.90% - 15.70%

<sup>1</sup> Employer and non-employer contribution rates include normal cost and the UAAL required payment, expressed as a percentage of payroll.

<sup>2</sup> Employer and employee contribution rates vary depending on specific terms of plan benefits for certain classes of employees.

For the year ended June 30, 2019, the contributions recognized as part of pension expense (grant expense for Teacher Members) for each plan were as follows:

(Expressed in Thousands)

**State Employee and Teacher Pension Plan:**

State & Component Unit Members	
State Employees	\$ 148,237
1 Major and Non-major Component Unit and 1 formerly reported component unit.	<u>8,368</u>
Subtotal State & Component Unit Members	<u>\$ 156,605</u>
Teacher Members (Non-employer contribution)	<u>\$ 129,422</u>

**NET PENSION LIABILITY - SINGLE EMPLOYER**

The State is the sole employer for two defined benefit pension plans. The State's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The changes in net pension liabilities for these plans are as follows:

(Expressed in Thousands)

	<b>Judicial Pension Plan</b>			<b>Legislative Pension Plan</b>		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position (a) (b)	Net Pension Liability (Asset) (a) - (b)	Total Pension Liability (Asset)	Plan Fiduciary Net Position (a) (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	<u>\$ 65,002</u>	<u>\$ 66,712</u>	<u>\$ (1,710)</u>	<u>\$ 8,164</u>	<u>\$ 11,897</u>	<u>\$ (3,733)</u>
<b>Changes for the Year:</b>						
Service Cost	1,487	-	1,487	282	-	282
Interest	4,442	-	4,442	565	-	565
Differences Between Expected and Actual Experience	469	-	469	(91)	-	(91)
Changes in Assumptions	698	-	698	100	-	100
Benefit Payments, Including Refunds	(3,805)	(3,805)	-	(460)	(460)	-
Employer Contributions	-	1,179	(1,179)	-	-	-
Member Contributions	-	604	(604)	-	154	(154)
Net Investment Income	-	6,607	(6,607)	-	1,176	(1,176)
Administrative Expense	-	(62)	62	-	(11)	11
Net Changes	<u>3,291</u>	<u>4,523</u>	<u>(1,232)</u>	<u>396</u>	<u>859</u>	<u>(463)</u>
Balances at June 30, 2019	<u>\$ 68,293</u>	<u>\$ 71,235</u>	<u>\$ (2,942)</u>	<u>\$ 8,560</u>	<u>\$ 12,756</u>	<u>\$ (4,196)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			104.3 %			149.0 %
Covered Payroll			\$ 7,894			\$ 2,711
Net Pension Liability as a Percentage of Covered Payroll			(37.3)%			(154.8)%

**COLLECTIVE NET PENSION LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - COST SHARING PLANS**

The State's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's net pension liability is measured as the proportionate share of the net pension liability. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers and non-employer contributors, actuarially determined. The State's proportionate share of the collective net pension liability for each plan at June 30, 2019 and June 30, 2018 is as follows:

(Expressed in Thousands)

Pension Plan	Proportionate Share June 30, 2018	Proportionate Share June 30, 2019	Net Pension Asset June 30, 2019	Net Pension Liability June 30, 2019
SETP - State Employees <sup>1</sup>	94.829879 %	94.652308 %	\$ -	\$ 993,438
SETP - Teachers <sup>2</sup>	95.016790 %	95.298384 %	-	1,285,997
Total Primary Government			-	2,279,435
SETP - 1 Major and Non-major Component Unit and 1 formerly reported component unit <sup>1</sup>	5.170121 %	5.347692 %	\$ -	\$ 56,128

<sup>1</sup> Percentage of State Employees in the SETP

<sup>2</sup> Percentage of employer and non-employer contributors to the SETP - Teachers

The State's SETP – State Employee Plan is allocated to governmental and proprietary funds based on employer contributions as shown below. Of the portion charged to governmental funds, 51 percent is posted to the General Fund, 21 percent to Other Special Revenue Funds, 15 percent to Highway Funds and 13 percent to Federal Funds.

Proportion	June 30, 2018	June 30, 2019	Change Increase (Decrease)
Governmental Funds	90.48 %	91.27 %	0.79 %
Internal Service Funds	7.53 %	7.45 %	(0.08)%
Enterprise Funds	1.99 %	1.28 %	(0.71)%

Detailed information about the pension plan's fiduciary net position is available in the separately issued Maine Public Employees Retirement System financial report.



For the cost-sharing defined benefit pension plans it shows:

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
(Expressed in Thousands)

	<b>SETP State of Maine</b>	<b>Component Units<sup>1</sup></b>	<b>Total State of Maine Employees SETP</b>	<b>SETP Teachers</b>
<b>Total Pension Liability</b>				
Service Cost	\$ 72,788	\$ 4,112	\$ 76,900	\$ 138,927
Interest	305,340	17,251	322,591	591,944
Differences Between Expected and Actual Experience	5,049	285	5,334	28,817
Change in Assumptions	61,215	3,459	64,674	127,325
Benefit Payments, Including Refunds of Member Contributions	(284,477)	(16,072)	(300,549)	(509,662)
Change in Proportionate Share	<u>(8,459)</u>	<u>8,459</u>	<u>-</u>	<u>-</u>
Net Change in Total Pension Liability	151,456	17,494	168,950	377,351
Beginning Total Pension Liability	<u>4,516,851</u>	<u>246,258</u>	<u>4,763,109</u>	<u>8,721,779</u>
Ending Total Pension Liability	4,668,307	263,752	4,932,059	9,099,130
 <b>Plan Fiduciary Net Position</b>				
Employer Contributions	148,230	8,375	156,605	55,086
Non-employer Contributions	-	-	-	129,422
Member Contributions	43,871	2,479	46,350	94,495
Transfers	(6)	-	(6)	(605)
Net Investment Income	340,177	19,219	359,396	718,432
Benefit Payments, Including Refunds of Member Contributions	(284,477)	(16,072)	(300,549)	(509,662)
Change in Proportionate Share	(6,434)	6,434	-	-
Administrative Expense	<u>(3,175)</u>	<u>(179)</u>	<u>(3,354)</u>	<u>(6,724)</u>
Net Change in Plan Fiduciary Net Position	238,186	20,256	258,442	480,444
Beginning Plan Fiduciary Net Position	<u>3,436,683</u>	<u>187,368</u>	<u>3,624,051</u>	<u>7,269,243</u>
Ending Plan Fiduciary Net Position	<u>3,674,869</u>	<u>207,624</u>	<u>3,882,493</u>	<u>7,749,687</u>
Ending Net Pension Liability	<u>\$ 993,438</u>	<u>\$ 56,128</u>	<u>\$ 1,049,566</u>	<u>\$ 1,349,443</u>
 <b>Proportion</b>				
June 30, 2019	94.652308 %	5.347692 %	100 %	95.298384 %
June 30, 2018	<u>94.829879 %</u>	<u>5.170121 %</u>	<u>100 %</u>	<u>95.016790 %</u>
Change - Increase (Decrease)	(0.177571)%	0.177571 %	0 %	0.281594 %

<sup>1</sup>Includes combined totals for one major component unit, one non-major component unit, and 1 formerly reported component unit.

**Actuarial Assumptions**

Actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on results of an actuarial experience study for the period June 30, 2012 through June 30, 2015. Actuarially determined contribution rates are calculated based on a 2016 actuarial valuation developed as a roll-forward of the 2015 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2016 using assets as of June 30, 2016. The individual entry age normal method is used to determine liabilities. A 3-year smoothed market approach is used for the asset valuation method. Each plan's unfunded actuarial liability is being amortized as a level percentage of payroll. For the SETP, a closed 16-year amortization of UAL prior to 2012 and individual, closed, level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012. The amortization period used by both the Judicial and Legislative Plans is an open 10-year amortization of the 2016 UAL. The investment rate of return used for contributions in 2016 was 6.875 percent. The investment rate of return, inflation rate and annual salary increases, including inflation were 6.75 percent in 2018 reduced from 6.875 percent, 2.75 percent and 2.75 percent plus merit component based on employee's years of service. All plans used a 2.20 percent cost-of-living. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The Judicial and Legislative Plans assume that 100 percent retirement occurs at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50 percent are assumed to retire each year after reaching age 65.

The Maine State Constitution Article IX, Section 18-A was amended in fiscal year 2018 by CR 2017, c. 1. Any unfunded liability resulting from experience losses must be retired over a period not exceeding 20 years. Prior to the change a 10-year amortization period was used.

**ANNUAL PENSION COST AND NET PENSION LIABILITY**

For the year ended June 30, 2019, the State recognized pension expense of \$243,523 which includes \$95,687 of teacher pensions recorded in grant expense. At June 30, 2019, the State reported \$464,739 of deferred outflows of resources and \$254,975 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of \$286,602 relate to the State contributions that were made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the next four years. Information by pension plan is as follows:

(Expressed in Thousands)

	SETP State of Maine		1 Major Component Unit and 2 Formerly Reported Component Units		Total State of Maine Employees SETP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience demographic and economic	\$ 12,580	\$ -	\$ 710	\$ -	\$ 13,290	\$ -
Changes of assumptions	40,811	-	2,305	-	43,116	-
Net difference between projected and actual earnings on pension plan investments	-	84,319	-	4,764	-	89,083
Changes in proportion and differences between State contributions and proportionate share of contributions	1,230	1,301	1,411	1,341	2,641	2,642
State and component unit contributions subsequent to the measurement date	152,815	-	8,494	-	161,309	-
Total	<u>\$ 207,436</u>	<u>\$ 85,620</u>	<u>\$ 12,920</u>	<u>\$ 6,105</u>	<u>\$ 220,356</u>	<u>\$ 91,725</u>

**For the Year Ended**

2020	47,194		2,058		49,252	
2021	3,212		863		4,075	
2022	(59,043)		(3,336)		(62,379)	
2023	(22,359)		(1,264)		(23,623)	
2024	-		-		-	

	SETP Teachers		Legislative		Judicial	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience demographic and economic	\$ 39,277	\$ -	\$ -	\$ -	\$ 234	\$ -
Changes of assumptions	80,892	-	-	-	349	-
Net difference between projected and actual earnings on pension plan investments	-	167,180	-	290	-	1,885
Changes in proportion and differences between State contributions and proportionate share of contributions	2,764	-	-	-	-	-
State and component unit contributions subsequent to the measurement date	132,564	-	10	-	1,213	-
Total	<u>\$ 255,497</u>	<u>\$ 167,180</u>	<u>\$ 10</u>	<u>\$ 290</u>	<u>\$ 1,796</u>	<u>\$ 1,885</u>

**For the Year Ended**

2020	104,390		53		739	
2021	15,289		(63)		(435)	
2022	(119,014)		(203)		(1,171)	
2023	(44,912)		(77)		(435)	
2024	-		-		-	

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Public Equities	30.0 %	6.0 %
U.S. Government	7.5 %	2.3 %
Private Equity	15.0 %	7.6 %
Real Assets:		
Real Estate	10.0 %	5.2 %
Infrastructure	10.0 %	5.3 %
Natural Resources	5.0 %	5.0 %
Traditional Credit	7.5 %	3.0 %
Alternative Credit	5.0 %	4.2 %
Diversifiers	10.0 %	5.9 %

The discount rate used to measure the collective total pension liability was 6.750 percent for the 2018 and 2017 actuarial valuations for the State Employee and Teacher Plan. The PLD Plan used 6.750 percent for the 2018 and 2017 actuarial valuations. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for all plans is 6.750 percent.

(Expressed in Thousands)

<b>Defined Benefit Plans Administered Through MPERS</b>	<b>1% Decrease (5.750%)</b>	<b>Current Discount Rate (6.750%)</b>	<b>1% Increase (7.750%)</b>
<b>State Employee and Teacher Pension Plan:</b>			
State & Component Unit Members			
State Employees	\$ 1,537,742	\$ 993,438	\$ 536,314
Maine Community College System	76,280	49,280	26,604
2 Formerly Reported Component Units.	10,600	6,848	3,697
Subtotal State & Component Unit Members	1,624,622	1,049,566	566,615
Teacher Members (100%)	2,493,769	1,349,443	396,403
Total State Employee and Teacher Pension Plan	<u>\$ 4,118,391</u>	<u>\$ 2,399,009</u>	<u>\$ 963,018</u>
Judicial Pension Plan	3,242	(2,942)	(8,317)
Legislative Pension Plan	(3,339)	(4,196)	(4,940)

Changes in net pension liability are recognized in pension expense with the following exceptions:

*Differences Between Expected and Actual Experience* The difference between actual and expected experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2018, this was one year for the Legislative Plan, two years for the Judicial Plan, three years for the State Employee and Teacher Plan and three for the PLD Consolidated Plan. Prior to 2017, this was two years for the Legislative Plan and four years for the PLD Consolidated Plan.

*Differences Between Projected and Actual Investment Earnings* Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed 5 year period.

*Changes in Assumptions* Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the June 30, 2018 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015.

*Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions* Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

#### COMPONENT UNIT PARTICIPANTS

The Maine Municipal Bond Bank, Maine Maritime Academy, Maine State Housing Authority, Maine Turnpike Authority and the Maine Public Employees Retirement System have defined benefit pension plans. All are participating local entity participants in plans administered by the Maine Public Employees Retirement System.

#### NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

##### POST RETIREMENT HEALTHCARE PLANS AND BENEFITS

##### State Employees

The State has a single-employer defined benefit healthcare OPEB plan that is administered through a trust. The State of Maine funds postretirement health care benefits for most retired State employees and legislators, as authorized by Title 5 MRSA § 285. For fiscal years ending after June 30, 2015 statute limited the total premium increase for active and retired State employee health insurance to no more than any percentage increase in the Consumer Price Index, as defined in Title 5 MRSA §17001, subsection 9 plus 3 percent. Pursuant to Title 5 MRSA § 285 most retired employees of the Maine Turnpike Authority, Maine Community College System, Maine Maritime Academy, Maine Public Employees Retirement System, and Maine Educational Center for the Deaf and Hard of Hearing are eligible to participate in the health plan but are not funded by the State.

The State pays 100 percent of postretirement health insurance premiums for state employee retirees who were first employed on or before July 1, 1991. A pro rata portion, ranging from zero percent for retirees with less than five years participation to 100 percent for retirees with ten or more years of participation, is paid for eligible individuals first employed after July 1, 1991. Per Title 5 MRSA § 285 paragraphs 2 and 3, coverage depends upon terms and conditions contained in collective bargaining agreements with the State Health Commission. Retirees who are not eligible for Medicare retain coverage in the same group health plan as active employees. Retirees must pay for Medicare Part B coverage to be eligible to participate in the State-funded Companion Plan. Coverage for retirees ineligible for Medicare includes basic hospitalization; supplemental major medical and prescription drugs; and costs for treatment of mental health, alcoholism, and substance abuse.

Part-time employees are eligible for prorated benefits. Retirees who worked 50 percent or more of full-time hours receive 100 percent of the benefit. Surviving spouses and dependents may continue in the plan and pay 100 percent of the premium. Retirees ineligible for a State contribution are allowed to participate and pay the retiree premium.

**Teachers and First Responders**

The State also committed to pay a statutorily determined portion of the retiree healthcare premiums for retired Teachers and retired First Responders as authorized by Title 20-A MRSA § 13451 and Title 5 MRSA § 286-M, respectively. First Responders are defined in statute as retired county or municipal law enforcement officers and municipal firefighters who participate in an employer-sponsored retirement plan. Specifically excluded (Title 5 MRSA § 285 1-B) from the definition of Teachers are members of the Maine Municipal Association, Maine Teachers Association and employees of counties and municipalities and their instrumentalities, except as provided in subsection 11-A. Each group is a collection of single employer defined benefit plans. State contributions are based on rates negotiated by each school district and municipality and reflect their individual healthcare experience rating. The plans are currently funded on a pay-as-you-go basis with the State directly paying insurers.

Effective January 1, 2006, the State contribution to retired teacher health premiums was increased to 45 percent of the retiree-only premium. The rate is based on a single rate for single and employee plus children coverage, or 50 percent of the two party rate for two party and family coverage. Eligibility mirrors that of State Employees.

County and municipal law enforcement officers and municipal firefighters began coverage in fiscal year 2008 with the State contributing 45 percent of the retiree-only premium of their respective plans. The State's premium subsidy is based on the Title 5 MRSA § 285 paragraph 11-A C cost of the retiree's share of the individual premium for the standard plan identified and offered under the group health insurance plan in which the retiree enrolls. The State subsidy ends after the retiree is eligible for Medicare. First Responders are eligible if they retire after age 50 with 25 or more years of service and receive a retirement benefit from either the MPERS or a defined contribution plan. If retirees have fewer than 25 years of service, the normal retirement benefit must be at least 50 percent of final average compensation. Retirees must also participate in their employer's health insurance plan or other fully insured health plan for at least five years. Retirees can elect to participate in the plan at their retirement date. If participation is waived at that time, the retiree is ineligible to participate at a later date.

**POST RETIREMENT GROUP LIFE INSURANCE PLAN**

The Maine Public Employees Retirement System (the System) is a component unit of the State of Maine. For financial reporting purposes, the System administers two multiple-employer cost-sharing, defined benefit Group Life Insurance Plans (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers), members of the Judiciary and the Legislature, which are eligible for membership in the System. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the plan. Group life insurance benefits are also provided to employees of approximately 150 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine that elect to participate under provisions of the relevant statutes.

The Plan provides Basic group life insurance benefits during retirement to employees who participated in the group life insurance plan prior to retirement for a minimum of 10 years. The 10 year participation requirement does not apply to recipients of disability retirement benefits. The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of Basic group life insurance benefit is then subsequently reduced at the rate of 15 percent per year to the greater of 40 percent of the initial amount or \$2,500.

Group life insurance funds managed by the System are constitutionally restricted and held in trust for the payment of benefits to participants or their beneficiaries. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs a single actuarial valuation that provides separate data for each participating plan.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2019 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349 or on-line at [www.maineopers.org](http://www.maineopers.org).

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The State and the System's fiduciary financial statements are prepared on the accrual basis of accounting. Premiums are recognized when due and benefits are paid when incurred using the accrual basis of accounting. Premium refunds reduce premium revenue and claims recoveries reduce claims expense. Investment income is recognized when earned. In addition, an estimate is made for group life insurance death benefits incurred before year end but not reported to the System until after year end. Group life insurance death benefits incurred but not reported are reflected as other liabilities.

**CONTRIBUTIONS AND RESERVES**

The State Employees Health Insurance Committee establishes contributions to the plan by member employers and employees annually. Both active and retired members pay the same premium rate. Claims liabilities of the plan are periodically computed using statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants.

**INVESTMENTS**

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value of shares in managed investment pools is based on unit values reported by the funds. The fair value of other investments, including real estate holdings and mortgage participation agreements, are based on third-party appraisals and valuations provided by the sponsor of the agreement. Investment purchases and sales are recorded as of their trade date. Proceeds related to securities sold not yet purchased are carried as a liability and adjusted to the fair value of the securities.

**PLAN MEMBERSHIP**

Membership in the OPEB plans is as follows:

	Healthcare			Group Life	
	State Employees	Teachers	First Responders	State Employees	Teachers
Actives	12,076	27,056	628	10,814	14,592
Retirees	8,568	10,473	102	8,345	7,437
Inactives Vested	182	449	-	-	-
Total	20,826	37,978	730	19,159	22,029

**STATE EMPLOYEE HEALTHCARE FUNDING POLICY**

The Trustees of the State Employee Healthcare Plan are the State Controller and State Treasurer. Title 5 MRSA § 286-B authorized an Irrevocable Trust Fund for Other Post-Employment Benefits to meet the State's unfunded liability obligations for retiree health benefits for eligible participants who are the beneficiaries of the irrevocable trust fund. Annually, beginning with the fiscal year starting July 1, 2007, the Legislature shall appropriate funds to meet the State's obligations under any group health plan, policy or contract purchased by the State Employee Health Commission. Unfunded liabilities may not be created except those resulting from experience losses. Unfunded liability resulting from experience losses must be retired over a period not to exceed 10 years. The unfunded liability for retiree health benefits for eligible participants must be retired in 30 years or less from July 1, 2007.

Public Law 2007, Chapter 240, amended Title 5 Chapter 421 by establishing the Irrevocable Trust for Other Post-employment Benefits. MPERS holds and invests long-term funds in the irrevocable trust fund. Its fiduciary responsibilities include setting investment policy in order to fund the plan in accordance with a projected disbursement schedule that does not begin before the year 2027.

**TEACHERS PLAN AND FIRST RESPONDERS PLAN HEALTHCARE FUNDING POLICY**

A special funding situation exists for these plans. The State is statutorily responsible for contributions to the Teachers Plan and the First Responders Plan that cover the retirees of other governmental entities. The State is the sole contributing entity for Teachers and for the First Responders, therefore, making the contribution on behalf of the employing jurisdictions at a 45 percent level for the current portion of the health plan costs. Plan members are not included in the Trust.

Public Law 2011, Chapter 380 Pt. Y § 2 established separate Irrevocable Trust Funds for Other Post-Employment Benefits to meet the State's unfunded liability obligations for retiree health benefits for eligible participants who are the beneficiaries of the irrevocable trust funds. Annually, beginning with the fiscal year starting July 1, 2011, the Legislature shall appropriate funds to meet the State's obligations to retire the unfunded liability for eligible first responders in 30 years or less from July 1, 2007. Public Law 2013, Chapter 368 Pt. H §2 amended the starting date for funding teachers. As amended annually beginning with the fiscal year starting July 1, 2015, the Legislature shall appropriate funds to meet the State's obligations to retire the unfunded liability at June 30, 2006 for eligible teachers in 30 years or less from July 1, 2007.

**GROUP LIFE INSURANCE FUNDING POLICY**

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims and cover administrative costs. For State employee, legislative and judicial classes, the premiums for retiree life insurance coverage are factored into the premiums paid for Basic coverage while participants are active members. The State remits premiums at a single rate that supports basic coverage for active and retired State employees. This rate is 76 cents per month for every \$1,000 of coverage. Premiums for retiree life insurance coverage for retired teachers are paid by the State based on a rate of 33 cents per \$1,000 of coverage per month during the post-employment retirement period.

**CHANGES IN THE TOTAL OPEB LIABILITY**

The changes in total OPEB liabilities are as follows:

(Expressed in Thousands)		
	<b>Healthcare</b>	
	Increase (Decrease)	
	First	
	Teachers	Responders
Balances at June 30, 2018	\$ 1,248,326	\$ 18,980
<b>Changes for the Year:</b>		
Service Cost	35,795	776
Interest	45,495	698
Contributions - Employee	-	(617)
Contributions - Non-Employer Contributing Entity	(26,855)	(5)
Administrative Expenses	-	98
Differences Between Expected and Actual Experience	(5,178)	(191)
Changes in Assumptions - Discount Rate	(61,721)	(507)
Net Changes	(12,464)	252
Balances at June 30, 2019	\$ 1,235,862	\$ 19,232
Covered Payroll	\$ 1,156,592	\$ 64,427
Total OPEB Liability as a Percentage of Covered Payroll	106.9 %	29.9 %
State's Proportionate Share of the Collective Total OPEB Liability	74 %	13 %

The State's proportionate share for fiscal years ended June 30, 2019 and June 30, 2018 was estimated using the same share of implicit subsidy for each school district's or municipality's OPEB Plan.



**CHANGES IN NET OPEB LIABILITY**

Changes in net OPEB liabilities are as follows:

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY**  
(Expressed in Thousands)

	<b>Healthcare</b>	<b>Group Life Insurance</b>		
	<b>State Employees</b>	<b>State Employees</b>	<b>Component Units and Others</b>	<b>Teachers</b>
<b>Total OPEB Liability</b>				
Service Cost	\$ (16,917)	\$ (868)	\$ (44)	\$ (1,210)
Interest	(77,876)	(6,011)	(305)	(6,215)
Differences Between Expected and Actual Experience	(7,872)	(1,267)	(65)	(625)
Changes in Assumptions Discount Rate	-	(1,467)	(75)	(1,657)
Change in Proportion	-	(175)	175	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	58,347	4,414	224	2,631
Benefit Payments, Including Refunds of Member Contributions - Implicit	20,265	-	-	-
Net Change in Total OPEB Liability	(24,053)	(5,374)	(90)	(7,076)
Beginning Total OPEB Liability	(1,175,459)	(88,574)	(4,669)	(90,479)
Ending Total OPEB Liability	(1,199,512)	(93,948)	(4,759)	(97,555)
 <b>Plan Fiduciary Net Position</b>				
Employer Contributions - Explicit	(60,347)	(3,977)	(202)	-
Employer Contributions - Implicit	(20,265)	-	-	-
Non-employer Contributions	-	-	-	(3,459)
Transfers	-	-	-	(4,914)
Net Investment Income	(21,270)	(2,750)	(140)	-
Changes in Proportion	-	(61)	61	-
Benefit Payments, Including Refunds of Member Contributions	78,612	4,414	224	2,631
Administrative Expense	6	274	14	482
Net Change in Plan Fiduciary Net Position	(23,264)	(2,100)	(43)	(5,260)
Beginning Plan Fiduciary Net Position	(233,596)	(30,868)	(1,627)	(54,388)
Ending Plan Fiduciary Net Position	(256,860)	(32,968)	(1,670)	(59,648)
Ending Net OPEB Liability	\$ (942,652)	\$ (60,980)	\$ (3,089)	\$ (37,907)
 <b>Proportion</b>				
June 30, 2019	(100.000000)%	(95.182167)%	(4.817833)%	(100.000000)%
June 30, 2018	(100.000000)%	(94.993644)%	(5.006306)%	(100.000000)%
Change - Increase (Decrease)	0.000000 %	(0.188523)%	0.188473 %	0.000000 %
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	(21.413708)%	(35.091753)%	(35.091406)%	(61.142945)%

## ACTUARIAL METHODS AND ASSUMPTIONS

The projection of benefits is based on the terms of the substantive plan at the time of each valuation and include types of benefits in force at the valuation date and the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

### State Health Insurance

The valuation date is June 30, 2017 projected to June 30, 2018. Costs are developed using the entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 95 percent of active participants currently enrolled. Actuarial assumptions used in the June 30, 2018 and June 30, 2017 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 and June 30, 2017 include: a 6.75 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. The unfunded liability will be fully recognized by June 30, 2037. Assumption changes, plan changes and experience gains are amortized over a 20 year fixed period. Experience losses are amortized over a 10 year fixed period. The initial medical trend rate had been 6.60 percent at June 30, 2017 and 6.40 percent at June 30, 2018. The ultimate medical trend rate for both years was 4.29 percent reached at 2075. The State actively manages premium increases within the statutory cap, so healthcare cost increases are limited to no more than inflation plus 3 percent in any year. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively.

The long-term expected rate of return on Other Post-Employment Benefit Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class were benchmarked against returns by asset class as forecast by Horizon Actuarial Services, LLC.

### Group Life Insurance

The valuation date is June 30, 2016 projected to June 30, 2017. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 100 percent of those currently enrolled. Actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 include: a 6.75 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2017, there were 19 years remaining in the amortization schedule for state employees and teachers. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. Teachers rates are based on 99 percent for both genders.

The long-term expected rate of return on Other Post-Employment Benefit Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the table in the plan section below.

The discount rate used to measure the total OPEB liability for the State Employee and Teacher Plan was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Teachers Health Insurance**

The valuation date is June 30, 2017 projected to June 30, 2018. Costs are developed using the entry age normal cost method based on a level percentage of payroll. 93.33 percent of all Teachers are assumed to be eligible to receive a State contribution at retirement. 75 percent of active participants currently with coverage continue coverage at retirement. The State is currently funding the plan on a pay-as-you-go basis. One third of active participants who have currently waived coverage elect coverage at retirement. Actuarial assumptions used in the June 30, 2018 and June 30, 2017 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2018 and June 30, 2017 include: using a 2.75 percent inflation rate and 3.00 annual salary increases. Since the State's portion of the Teachers' postretirement medical plans are not being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the index rate as of the measurement date of a 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 3.87 percent as of the measurement date, June 30, 2018, (3.58 percent as of June 30, 2017). The initial medical trend rate had been 6.60 percent at June 30, 2017 and 6.40 percent at June 30, 2018. The ultimate medical trend rate for both years was 4.29 percent reached at 2075. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For Teachers rates are adjusted based on 99 percent for males and females.

**First Responders Health Insurance**

The valuation date is June 30, 2017 projected to June 30, 2018. Costs are developed using the entry age normal cost method based on a level percentage of payroll. 90 percent of all active members who currently have coverage are assumed to elect coverage at retirement. No employee who has waived coverage will be assumed to be eligible for coverage at retirement. The State is currently funding the plan on a pay-as-you-go basis. The valuation assumes the State will continue this policy. Since the State's portion of the First Responders' postretirement medical plans are not being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the index rate as of the measurement date of a 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 3.87 percent as of the measurement date, June 30, 2018, (3.58 percent as of June 30, 2017). Actuarial assumptions used in the June 30, 2018 and June 30, 2017 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Other significant actuarial assumptions employed by the actuary for June 30, 2018 and June 30, 2017 include using a 2.75 percent inflation rate and 3.00 percent annual salary increase. The initial medical trend rate had been 6.60 percent at June 30, 2017 and 6.40 percent at June 30, 2018. The ultimate medical trend rate for both years was 4.29 percent reached at 2075. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. Rates were adjusted 104 percent for males and 120 percent based on females.

**OPEB EXPENSE AND DEFERRALS**

For the year ended June 30, 2019, the State recognized OPEB expense of \$142,070. Costs related to non-State employees are charged to the General Fund. Of State employee costs charged to governmental funds, 49 percent is charged to the General Fund, 21 percent to Other Special Revenue Funds, 16 percent to the Highway Fund and 14 percent to Federal funds. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Healthcare**  
(Expressed in Thousands)

	<b>State</b>		<b>Teachers</b>		<b>First Responders</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience demographic and economic	\$ 12,380	\$ -	\$ 31,456	\$ 4,478	\$ -	\$ 2,284
Changes of assumptions	-	-	-	177,670	-	4,946
Net difference between projected and actual earnings on OPEB plan investments	-	12,033	-	-	-	-
State and component unit contributions subsequent to the measurement date	90,829	-	33,032	-	548	-
<b>Total</b>	<b>\$ 103,209</b>	<b>\$ 12,033</b>	<b>\$ 64,488</b>	<b>\$ 182,148</b>	<b>\$ 548</b>	<b>\$ 7,230</b>

**For the Year Ended**

2020	(212)	(26,274)	(1,330)
2021	(212)	(26,274)	(1,330)
2022	(213)	(26,274)	(1,330)
2023	742	(26,274)	(1,330)
2024	242	(26,274)	(1,330)
Thereafter	-	(19,322)	(580)

**Group Life Insurance**  
(Expressed in Thousands)

	<b>State</b>		<b>Teachers</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience demographic and economic	\$ 1,087	\$ -	\$ 556	\$ -
Changes of assumptions	1,258	-	1,473	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,528	-	2,705
Changes in proportion and differences between State contributions and proportionate share of contributions	234	5	-	-
State and component unit contributions subsequent to the measurement date	4,039	-	3,547	-
<b>Total</b>	<b>\$ 6,618</b>	<b>\$ 1,533</b>	<b>\$ 5,576</b>	<b>\$ 2,705</b>

**For the Year Ended**

2020	(30)	(566)
2021	(30)	(566)
2022	(30)	(566)
2023	296	7
2024	432	254
Thereafter	408	761

The long-term expected rate of return on OPEB plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation are summarized in the following table.

Asset Class:	State Employee Healthcare		Group Life Insurance	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Government Securities	9.00 %	2.30 %	10.00 %	2.30 %
Public Equity	70.00 %	6.00 %	70.00 %	6.00 %
Traditional Credit	16.00 %	3.00 %	15.00 %	3.00 %
Real Assets:				
Real Estate	5.00 %	5.20 %	5.00 %	5.20 %

For the year ended June 30, 2019, the annual money-weighted average rate of return on investments, net of investment expense was 6.60 percent for both plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the collective total OPEB liability for the actuarial valuations varied by plan and is disclosed below. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at the actuarially determined, contractually required rates. Based on the assumption, the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**SENSITIVITY ANALYSIS**

The following tables show how the collective OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The discount rate used for the funded healthcare plan is 6.75 percent. The discount rate used for unfunded healthcare plans is 3.87 percent. The discount rate used for funded group life insurance plans is 6.75 percent.

**Discount Rate**  
(Expressed in Thousands)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
<b>Net OPEB Liabilities</b>			
State Employee Healthcare Plan	\$ 1,083,200	\$ 942,652	\$ 825,381
State Employee Group Life	\$ 74,184	\$ 60,980	\$ 50,194
State Employee Group Life - DCU	\$ 3,755	\$ 3,089	\$ 2,541
Teacher Group Life	\$ 52,904	\$ 37,907	\$ 25,787
<b>Total OPEB Liabilities</b>			
Teacher Healthcare Plan	\$ 1,467,620	\$ 1,235,862	\$ 1,051,981
First Responders Healthcare Plan	\$ 21,056	\$ 19,232	\$ 17,610

**Healthcare Cost Trend Rate**  
(Expressed in Thousands)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB State Employee Healthcare Plan	\$ 808,356	\$ 942,652	\$ 1,105,181
Total OPEB Teacher Healthcare Plan	\$ 1,015,519	\$ 1,235,862	\$ 1,525,959
Total OPEB First Responder Healthcare Plan	\$ 17,174	\$ 19,232	\$ 21,646

For all plans, the current trend rate is 6.40 percent grading down to 4.29 percent.

**Plan Information**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, principal objective is to improve the usefulness of OPEB information in the external financial statements of State and local governments. GASB established different reporting requirements for OPEB plans based on whether or not plan assets accumulated for benefits are placed in trusts (or equivalent arrangements). Two OPEB Plans met the requirements for funded OPEB trusts or their equivalents: the State Employee Healthcare Plan and the Group Life Insurance Plan for State Employees and Teachers. The other plans are funded on a pay-as-you-go basis.

Information not already contained in this note disclosure at June 30, 2019 follows. The Trustees of the State Retiree Healthcare Plan (SRHP) are the State Controller and State Treasurer.

Components of the Net OPEB Liability for the plans at June 30, 2019 were as follows:

(Expressed in Thousands)

	<b>State Employee Healthcare Plan</b>	<b>State and Teachers Group Life Insurance Benefit Plan</b>
Total OPEB liability	\$ 1,226,111	\$ 204,432
Plan fiduciary net position	277,703	100,617
State of Maine's net OPEB liability	<u>\$ 948,408</u>	<u>\$ 103,815</u>
Plan fiduciary net position as a percentage of the total OPEB liability	22.65 %	49.22 %

Actuarial assumptions for both funded OPEB plans used in the June 30, 2018 valuations were based on results from an actuarial experience study for the period of June 30, 2012 to June 30, 2015. The individual entry age normal method is used to determine liabilities. Asset amounts are taken as reported to the actuaries by the System without audit or change. Specific health and group life insurance OPEB plans' actuarial assumptions are included in the plan specific section of this note. For the 2018 healthcare valuation, actuaries decreased the initial medical trend rate from 6.40 percent to 6.20 percent.

The long-term expected rate of return on OPEB plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plans' target asset allocation are summarized in the following table.

	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Asset Class for the State Employee and Teacher Group Life Insurance Benefit Plan</b>		
Public Equity	70.0 %	6.0 %
Real Estate	5.0 %	5.2 %
Traditional Credit	15.0 %	3.0 %
U.S. Government Securities	10.0 %	2.3 %
<b>Asset Class for State Employee Healthcare Plan</b>		
Public Equity	70.0 %	6.0 %
Real Estate	5.0 %	5.2 %
Traditional Credit	16.0 %	3.0 %
U.S. Government Securities	9.0 %	2.3 %

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 6.6 percent for both plans. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the collective total OPEB liability for the actuarial valuations varied by plan and is disclosed below. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the OPEB plans' fiduciary net position were projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table shows how the collective net OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for both plans is 6.75 percent.

(Expressed in Thousands)

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
State Employee Healthcare Plan	\$ 1,088,343	\$ 948,408	\$ 831,511
State Employee and Teacher Group Life Insurance Benefit Plan	\$ 133,152	\$ 103,815	\$ 79,937

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following table shows how the collective net OPEB liabilities would change if the healthcare rate used was one percentage point lower or one percentage point higher than the current rate of 6.20 percent grading down to 4.29 percent.

(Expressed in Thousands)

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
State Employee Healthcare Plan	\$ 793,436	\$ 948,408	\$ 1,137,062

## NOTE 11 - LONG-TERM OBLIGATIONS

### PRIMARY GOVERNMENT

The State records its liability for general obligation bonds in the Governmental Activities column on the Statement of Net Position. Other long-term obligations recognized by the State include: revenue bonds issued by the Maine Governmental Facilities Authority, a blended component unit; obligations under Certificates of Participation and other financing arrangements; loans payable to component unit for repayment of bonds issued by the Maine Municipal Bond Bank on behalf of the Maine Department of Transportation and the Liquor Operations Revenue Fund and compensated employee absences.

### GENERAL OBLIGATIONS BONDS

Programs for which the State issues general obligation bonds include: adaptive equipment loan programs; environmental cleanup and protection; highway and transportation related projects; agricultural and small business job creation; and acquisition, construction, and renovation of major capital facilities including State parks and historic sites. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State's general tax revenues and are repaid in annual installments beginning not more than one year after issuance.



Changes in general obligation bonds of the primary government during fiscal year 2019 were:

**Primary Government - Changes in General Obligation Bonds**

(Expressed in Thousands)

	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>	<b>Due Within One Year</b>
General Obligation Debt:					
General Fund	\$ 353,795	\$ 252,130	\$ 72,345	\$ 533,580	\$ 77,995
Special Revenue Fund	22,320	-	12,500	9,820	7,610
Unamortized Premiums:					
General Fund	<u>31,631</u>	<u>34,440</u>	<u>5,693</u>	<u>60,378</u>	<u>7,674</u>
Total	<u>\$ 407,746</u>	<u>\$ 286,570</u>	<u>\$ 90,538</u>	<u>\$ 603,778</u>	<u>\$ 93,279</u>

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2019 until maturity, are summarized in the following table:

**Future Debt Service on General Obligation Bonds**

(Expressed in Thousands)

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 85,605	\$ 24,331	\$ 109,936
2021	79,910	21,517	101,427
2022	71,075	17,874	88,949
2023	66,340	14,594	80,934
2024	66,335	11,332	77,667
2025-2029	<u>174,135</u>	<u>20,385</u>	<u>194,520</u>
Total	<u>\$ 543,400</u>	<u>\$ 110,033</u>	<u>\$ 653,433</u>
Unamortized Premiums	<u>60,378</u>		
Total Principal	<u>\$ 603,778</u>		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2019 are as follows:

### Primary Government - General Obligation Bonds Outstanding

(Expressed in Thousands)

	Amounts Issued	Outstanding June 30, 2019	Fiscal Year Maturities		Interest Rates
			First Year	Last Year	
General Fund:					
Series 2009	\$ 96,035	\$ -	2011	2019	2.50% - 5.00%
Series 2010	31,755	290	2011	2020	1.41% - 4.00%
Series 2011	86,010	13,250	2012	2021	1.625% - 5.00%
Series 2012	49,265	14,205	2013	2022	1.00% - 5.00%
Series 2014	112,945	56,470	2015	2024	0.20% - 5.00%
Series 2015	102,555	61,530	2016	2025	0.85% - 5.00%
Series 2016	97,705	68,390	2017	2026	1.00% - 5.00%
Series 2017	98,060	78,445	2018	2027	2.00% - 5.00%
Series 2019A	111,255	100,125	2019	2028	3.125% - 5.00%
Series 2019B	140,875	140,875	2020	2029	2.50% - 5.00%
		533,580			
Plus Unamortized Bond Premium		60,378			
Total General Fund		<u>\$ 593,958</u>			
Special Revenue Fund:					
Series 2009	37,310	-	2011	2019	2.50% - 5.00%
Series 2010	25,080	5,400	2011	2020	1.41% - 4.00%
Series 2011	22,125	4,420	2012	2021	1.625% - 5.00%
Total Special Revenue		<u>\$ 9,820</u>			

#### AUTHORIZED UNISSUED BONDS

Any bonds not issued within five years of the date of ratification may not be issued after that date. Within two years after expiration of the five-year period, the Legislature may extend, by a majority vote, the five-year period for an additional five years or may deauthorize the bonds. If the Legislature fails to take action within those two years, the bond issue shall be considered to be deauthorized and no further bonds may be issued. At June 30, 2019, general obligation bonds authorized and unissued totaled \$103.6 million.

#### REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included \$236.7 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of \$701.1 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2019, MGFA issued \$50.5 million in 2018A bonds with interest rates between 3.50 percent and 5.00 percent.

At June 30, 2019, there was \$6.5 million of MGFA in-substance defeased bonds outstanding.

**CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS**

The State uses financing companies, Certificates of Participation (COP's), and lease/purchase agreements to finance construction of certain State buildings, to purchase or generate software, and to purchase equipment and vehicles, including school buses. COP's are issued through a trustee, and the State is responsible for payments to the trustee that approximate the interest and principal payments made to the certificate holders. The State and school districts maintain custody and use of the assets; however, the trustee holds a lien as security until such time as the certificates are fully paid.

Neither COP's nor the other financing arrangements constitute a legal debt, liability, or contractual obligation in excess of amounts appropriated. The State's obligation to make minimum payments or any other obligation under agreements is subject to, and dependent upon, appropriations being made by the Legislature. The Legislature has no obligation to appropriate the money for future minimum payments or other obligations under any agreement.

**SHORT-TERM OBLIGATIONS**

The State of Maine did not issue or retire Bond Anticipation Notes during fiscal year 2019. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2019 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

**OTHER LONG-TERM OBLIGATIONS**

In general, expenditures and fund liabilities are not recorded in governmental funds for long-term obligations until amounts owed are "due and payable." Fund liabilities are recorded in the proprietary funds when obligations are incurred. In the Statement of Net Position, the State has recorded long-term obligations for its compensated employee absences, net pension liability, other post-employment benefit obligations, pollution remediation landfill closure and post-closure care costs.

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2019, are summarized as follows:

**Primary Government - Changes in Other Long-Term Obligations**  
(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due Within</u> <u>One Year</u>
<b>General Activities:</b>					
MGFA Revenue Bonds	\$ 209,155	\$ 50,510	\$ 22,966	\$ 236,699	\$ 23,759
COP's and Other Financing	72,368	7,600	28,699	51,269	24,883
Compensated Absences	49,611	9,198	7,510	51,299	7,769
Claims Payable	67,029	169,680	169,189	67,520	23,427
Capital Leases	56,518	7,573	5,514	58,577	6,228
Loans Payable to Component Unit	378,264	50,113	53,214	375,163	54,971
Total Government Activities	<u>\$ 832,945</u>	<u>\$ 294,674</u>	<u>\$ 287,092</u>	<u>\$ 840,527</u>	<u>\$ 141,037</u>
<b>Business-Type Activities:</b>					
Compensated Absences	<u>\$ 806</u>	<u>\$ 77</u>	<u>\$ 104</u>	<u>\$ 779</u>	<u>\$ 103</u>

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2019 until maturity, are summarized as follows:

**Future Debt Service on MGFA Revenue Bonds, COPS and Other Financing Arrangements**  
(Expressed in Thousands)

Fiscal Year	Governmental Funds			Internal Service Funds		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 17,907	\$ 393	\$ 18,300	\$ 30,736	\$ 9,697	\$ 40,433
2021	5,632	287	5,919	22,146	8,754	30,900
2022	3,219	196	3,415	17,813	8,046	25,859
2023	3,278	137	3,415	16,634	7,369	24,003
2024	3,339	77	3,416	15,155	6,725	21,880
2025 - 2029	1,692	15	1,707	67,654	24,347	92,001
2030 - 2034	-	-	-	49,619	11,664	61,283
2035 - 2039	-	-	-	33,145	3,111	36,256
Total	<u>\$ 35,067</u>	<u>\$ 1,105</u>	<u>\$ 36,172</u>	<u>\$ 252,902</u>	<u>\$ 79,713</u>	<u>\$ 332,615</u>

**LOANS PAYABLE TO COMPONENT UNIT**

The State of Maine has pledged various revenue streams, as security for Grant Anticipation Bonds (GARVEE) and Transportation Infrastructure Revenue Bonds (TransCap) issued by the Maine Municipal Bond Bank (MMBB) on behalf of the Maine Department of Transportation to provide financing for qualified transportation projects.

In addition, the State of Maine has also pledged the profit from the Alcoholic Beverages Enterprise Fund as security for \$220.6 million (\$193.8 million net of the debt service reserve) of Liquor Operations Revenue Bonds issued by MMBB. The bonds are special, limited obligations of the MMBB.

Changes in GARVEE, TransCap and Liquor Operations revenue bonds during fiscal year 2019 were:

**Primary Government - Changes in GARVEE, TransCap and Liquor Revenue Bonds Payable**  
(Expressed in Thousands)

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
<b>Loans Payable to Components Unit:</b>					
Federal Funds	\$ 124,259	\$ 50,113	\$ 17,620	\$ 156,752	\$ 18,212
Special Revenue Fund	254,005	-	35,594	218,411	36,759
Total	<u>\$ 378,264</u>	<u>\$ 50,113</u>	<u>\$ 53,214</u>	<u>\$ 375,163</u>	<u>\$ 54,971</u>

Payment of principal and interest on the GARVEE bonds shall be subject to appropriation each year by the Legislature in an amount sufficient to cover the principal and interest requirements of MMBB's debt for these bonds. The State's receipt of these funds is subject to continuing federal appropriations. MMBB insured payments of principal and interest with a financial guaranty insurance policy. The bonds do not constitute a legal debt or obligation of the State.

Principal and interest on TransCap bonds are payable solely from pledged revenues, pledged rights, and pledged TransCap funds and accounts. Pledged revenues include certain motor vehicle registration and other fees, a portion of excise tax on gasoline and other special fuel, and certain amounts required to be transferred from the Highway Fund. All pledged revenues are required to be transferred to the TransCap Fund. The bonds do not constitute a legal debt or liability of the State.

Payment of principal and interest on the Liquor Operations Revenue bonds shall be made solely from the profit of the Alcoholic Beverages Enterprise Fund. The bonds do not constitute a legal debt or obligation of the State.

GARVEE, TransCap and Liquor Operations Revenue bonds issued and outstanding at June 30, 2019 are as follows:

### GARVEE, TransCap and Liquor Revenue Bonds Outstanding

(Expressed in Thousands)

	Amounts Issued	Outstanding June 30, 2019	Fiscal Year Maturities		
			First Year	Last Year	Interest Rates
Federal Funds:					
Series 2010B	\$ 24,085	\$ 19,555	2018	2022	4.52% - 5.32%
Series 2014A	44,810	33,115	2015	2026	2.00% - 5.00%
Series 2016A	44,105	38,730	2017	2028	2.63% - 5.00%
Series 2018A	44,310	44,310	2023	2030	4.00% - 5.00%
Series 2018B	9,875	9,875	2019	2020	4.00%
Total Federal Funds		<u>\$ 145,585</u>			
Special Revenue Fund:					
Series 2009A	105,000	27,995	2010	2023	2.50% - 5.00%
Series 2009B	30,000	3,145	2010	2024	2.00% - 5.00%
Series 2011A	55,000	47,660	2012	2026	2.00% - 5.00%
Series 2013	220,660	118,930	2015	2024	1.07% - 4.35%
Series 2015A	54,680	54,680	2019	2024	4.00% - 5.00%
Total Special Revenue Funds		<u>\$ 252,410</u>			

Total principal and interest requirements over the life of the 2010 GARVEE bonds are \$35.8 million, with annual requirements of up to \$5.6 million; for 2014 GARVEE bonds total principal and interest requirements are \$59.0 million, with annual requirements of up to \$5.0 million; for 2016 GARVEE bonds total principal and interest requirements are \$58.0 million, with annual requirements up to \$4.9 million; for 2018A GARVEE bonds total principal and interest requirements are \$63.3 million, with annual requirements up to \$6.7 million; for 2018B GARVEE bonds total principal and interest requirements are \$10.4 million, with annual requirements up to \$5.1 million. Total federal highway transportation funds received in federal fiscal year 2019 were \$208.5 million. Current year payments to MMBB for GARVEE bonds were \$20.8 million (10.0 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2009A TransCap Revenue bond are \$139.3 million, with annual requirements up to \$10.1 million; for the 2009B TransCap Revenue bonds total principal and interest requirements are \$45.2 million, with annual requirements up to \$15.9 million. Total principal and interest requirements over the life of the 2011A TransCap Revenue bond are \$84.2 million, with annual requirements up to \$20.3 million. Total principal and interest requirements over the life of the 2015A TransCap Revenue bond are \$74.4 million, with annual requirements up to \$16.6 million. Total revenue received for revenue sources used as pledged revenues were \$41.5 million in fiscal year 2019.

Total principal and interest requirements over the life of the 2013 Liquor Operation Revenue bond are \$273.7 million, with annual requirements up to \$26.8 million. Current year payments to MMBB for the Liquor Operation bonds were \$26.8 million. Total revenue received from revenue sources used as pledged revenue were \$56.1 million in fiscal year 2019.

#### OBLIGATIONS UNDER CAPITAL LEASES

The State leases various assets under non-cancelable leasing arrangements. Leases that constitute rental agreements are classified as operating leases; the resulting expenditures are recognized as incurred over the lease term. Leases that are comparable to purchases are classified as capital leases.

In the government-wide and proprietary fund statements, assets and liabilities resulting from capital leases are recorded at lease inception. The principal portion of lease payments reduces the liability; the interest portion is expensed.

Most leases have cancellation clauses in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered because the likelihood that they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised. Because the accounting treatment for installment purchase agreements is similar, such agreements are reported with capital leases.

Leases that exist between the State and the Maine Governmental Facilities Authority (MGFA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, MGFA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by MGFA to construct the assets associated with the leases. Future payments to MGFA are; therefore, not included in the schedule of lease commitments below.

At June 30, 2019 capital assets include capitalized buildings of \$102.8 million in Governmental Activities, with related accumulated depreciation of \$49.6 million.

#### **OBLIGATIONS UNDER OPERATING LEASES**

The State is obligated under certain leases, accounted for as operating leases, in the proprietary funds. Operating leases do not give rise to property rights or lease obligations, and therefore assets and liabilities related to the lease agreements are not recorded in the State's financial statements. Rental expense incurred under operating leases totaled \$3.4 million during the year.

A summary of the operating and non-cancelable capital lease commitments to maturity follows:

#### **Future Minimum Lease Payments Capital and Operating Leases (Expressed in Thousands)**

Fiscal Year	Capital Leases	Operating Leases
2020	\$ 6,227	\$ 2,709
2021	5,866	2,395
2022	4,952	2,008
2023	4,623	1,785
2024	4,176	1,570
2025-2029	16,566	5,504
2030-2034	10,486	3,569
2035-2039	7,467	768
2040-2044	5,952	715
2045-2049	4,429	811
2050-2054	100	446
Total Minimum Payments	70,844	<u>\$ 22,280</u>
Less: Amount Representing Interest	12,267	
Present Value of Future Minimum Payments	<u>\$ 58,577</u>	

#### **MGFA REVENUE BONDS, COP'S AND OTHER FINANCING ARRANGEMENTS**

MGFA revenue bonds will be liquidated by the MGFA Internal Service Fund, from revenues received through lease agreements with various governmental funds. The liability for loans payable to the component unit will be liquidated from the Federal Fund and Highway Fund. The vast majority of COP's and other financing arrangements will be liquidated by the internal service fund in which the leases are recorded; the General and Highway Funds will pay relatively small amounts.

#### **CLAIMS PAYABLE**

Claims payable that represent Medicaid claims will be paid from the General Fund and Federal Fund. Claims payable that represent workers' compensation and retiree/employee health will be liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. Other claims and judgments attributable to governmental activities will be liquidated by the General Fund and related special revenue funds.

#### **COMPENSATED ABSENCES**

In the government-wide statements and proprietary fund financial statements, compensated absences are reported as long-term liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments made to terminated employees as of June 30, 2019 but paid after the fiscal year end is also reported in the funds.

**COMPONENT UNITS**

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State. The following table summarizes bonds outstanding for selected material balances of discretely presented component units, as reported in their separately issued financial statements, utilizing their respective fiscal year-ends:

**Component Unit Bonds Outstanding**  
(Expressed in Thousands)

<b>Component Unit</b>	<b>Interest Rates</b>	<b>Amount</b>	<b>Maturity Dates</b>
Finance Authority of Maine	3.000% - 5.050%	\$ 91,685	2019 - 2039
Maine Community College System	3.000% - 5.000%	18,218	2019 - 2036
Maine Health and Higher Educational Facilities Authority	2.000% - 5.750%	475,695	2019 - 2040
Maine Municipal Bond Bank	0.500% - 6.120%	1,775,279	2019 - 2049
Maine State Housing Authority	1.000% - 5.000%	1,454,910	2019 - 2052
Maine Turnpike Authority	2.000% - 6.000%	544,173	2019 - 2047
University of Maine System	1.500% - 5.000%	145,636	2019 - 2037

During 2019, the Finance Authority of Maine issued \$42.4 million of Series 2019 bonds and used \$33.7 million for a current refunding of the remaining balance of the 2009 Series bonds. The Authority recognized an additional \$1.1 million deferred loss on refunding.

In periods of declining interest rates, Maine Health and Higher Educational Facilities Authority (MHHEFA) has refunded certain bond obligations. The proceeds of any advance refunding bonds are primarily used to purchase U.S. Treasury obligations, the principal and interest on which will be sufficient to pay the principal and interest, when due, of the defeased bonds. At June 30, 2019 there were approximately \$43.0 million of defeased bonds remaining outstanding with respect to advance-refunding issues within the reserve fund resolution.

In periods of declining interest rates, MMBB has refunded certain of its bond obligations, reducing aggregate debt service. Where allowed, the bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Government Treasury obligations that will provide for future payment on the debt. The U.S. Treasury obligations are deposited with the trustees of the in-substance defeased bonds.

On November 8, 2018, MMBB issued \$9.9 million in Grant Anticipation Series 2018B bonds with an average interest rate of 4.00 percent to in-substance defease \$9.9 million of the Grant Anticipation 2008A bonds. The net proceeds of approximately \$10.0 million, including a bond premium of approximately \$.2 million and after payment of approximately \$0.1 million in underwriting fees and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. The MMBB in effect reduced the Grant Anticipation Fund Group's aggregate debt service payments over the next two years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$.1 million. All defeased bonds were called in December 2018.

At June 30, 2019, the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately \$121.2 million.

At June 30, 2019, the remaining balances of the Transportation Infrastructure Fund Group in-substance defeased bonds total approximately \$35.9 million.

At June 30, 2019, Maine Community College System (MCCS) had \$16.1 million principal outstanding related to debt refunded through in-substance defeasance.

For the period ended December 31, 2018, the Maine State Housing Authority redeemed prior to maturity \$151.7 million of its Mortgage Purchase Fund Group bonds from surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund gains of \$178 thousand were attributed to recognition of the related bond premium.

The Maine Turnpike Authority has a calendar year end. In February 2018, the Maine Turnpike Authority issued \$150.0 million of Series 2018 Revenue Refunding Bonds to pay a portion of the costs of various turnpike projects.

The following table summarizes debt service requirements for outstanding bonds of the discretely presented component units:

**Component Units Principal Maturities**  
(Expressed in Thousands)

<b>Fiscal Year Ending</b>	<b>FAME</b>	<b>MMBB</b>	<b>MCCS</b>	<b>MSHA</b>	<b>MTA</b>	<b>UMS</b>	<b>MHHEFA</b>
2020	\$ 2,690	\$ 127,440	\$ 765	\$ 40,190	\$ 14,945	\$ 11,490	\$ 34,790
2021	4,535	153,365	810	41,894	16,015	10,440	35,085
2022	5,415	146,195	850	49,781	17,350	10,910	35,855
2023	6,335	136,000	895	51,240	18,435	10,395	32,965
2024	6,915	132,410	935	48,035	19,360	10,880	33,190
2025 - 2029	32,195	532,276	5,180	234,748	130,945	44,235	140,620
2030 - 2034	18,350	235,470	6,430	266,222	113,905	32,295	103,065
2035 - 2039	10,555	149,740	187	266,640	72,580	3,810	49,305
2040 - 2044	990	21,205	-	199,875	54,130	-	10,820
2045 - 2049	-	6,885	-	187,385	37,320	-	-
2050 - 2054	-	155	-	65,120	-	-	-
Net Unamortized Premium (or Deferred Amount)	3,705	134,138	2,166	3,780	49,188	11,181	-
Total Principal Payments	<u>\$ 91,685</u>	<u>\$ 1,775,279</u>	<u>\$ 18,218</u>	<u>\$ 1,454,910</u>	<u>\$ 544,173</u>	<u>\$ 145,636</u>	<u>\$ 475,695</u>

## NOTE 12 - SELF - INSURANCE

### A. RISK MANAGEMENT

The State maintains several types of insurance plans and accounts for them in two funds that are combined for financial statement purposes as the Risk Management Fund. The Risk Management Division provides insurance advice and services to State governmental agencies. The State-Administered Fund offers similar services to quasi-governmental entities. Statute requires the Self-Insurance Fund to be replenished by appropriation if the fund balance drops below \$1 million. The State-Administered Fund balance has no similar provision; however, statutes prevent it from being used for any purpose other than providing insurance services.

Insurance plans offered include property, vehicle, boat and aircraft, tort, civil rights, employee bonds, police professionals, and a variety of other insurance products. These plans have limits of liability of as much as \$2 million per occurrence.

In some cases the State purchases excess insurance to limit the State's liability for insured events. For example, coverage for property damage is \$400 million per occurrence. The State retains \$2 million of this risk per occurrence. A private insurance carrier covers the remaining risk (excess insurance). Settled claims have not exceeded insurance coverage in any of the past three fiscal years.



Coverage, risk retention, and excess insurance amounts for major types of insurance are listed below:

<b>Type of Insurance:</b>	<b>Coverage Per Occurrence</b>	<b>Risk Retention Per Occurrence</b>	<b>Excess Insurance Per Occurrence</b>
Property*	\$400 million	\$2 million	\$400 million
Ocean Marine Boat Liability* <sup>1</sup>	10 million	10 thousand	10 million
Boiler and Machinery*	150 million	2 million	150 million
General Liability Including Employment Practices	400 thousand	400 thousand	none
Police Professionals	400 thousand	400 thousand	none
Vehicular Liability <sup>2</sup>	400 thousand	400 thousand	600 thousand
Bonding	500 thousand	500 thousand	none
Foster Parents	300 thousand	300 thousand	none
Inland Marine (various policies)	500 thousand	500 thousand	none
Aircraft Liability* <sup>3</sup>	3 million	none	3 million
Data Breach*	3 million	400 thousand	3 million

\*These lines of insurance have commercial excess insurance covering losses above the risk retention amount up to the per occurrence amount listed. All other insurance programs are wholly self-insured.

<sup>1</sup> 10 million is the maximum limit for per occurrence coverage. Some agencies have chosen \$400 thousand.

<sup>2</sup> Excess insurance is only for out of state travel.

<sup>3</sup> \$3 million is the maximum limit for per occurrence coverage. Some agencies have chosen \$500 thousand.

The plan funds the cost of providing claims servicing and claims payment by charging a premium to each agency based on a review of past losses and estimated losses for the current period.

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2018. This cost of claims includes case reserves, the development of known claims, and the direct administrative expenses for settling specific claims.

Claims liabilities are determined on an actuarial basis. Biennial re-evaluation occurs to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

At March 31, 2019 and 2018 the present value of claims payable for the State's self-insurance plan was estimated at \$8.0 million and \$8.0 million, respectively. The actuary calculated this based on the State's rate on investments.

**Risk Management Fund**  
**Changes in Claims Payable**  
(Expressed in Thousands)

	<b>2019</b>	<b>2018</b>
Liability at Beginning of Year	\$ 8,026	\$ 8,196
Current Year Claims and Changes in Estimates	2,298	1,455
Claims/Fees Expense	2,285	1,625
Liability at End of Year	<u>\$ 8,039</u>	<u>\$ 8,026</u>

As of June 30, 2019, fund assets of \$26.5 million exceeded fund liabilities of \$9.5 million by \$17.0 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

**B. UNEMPLOYMENT INSURANCE**

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled \$657 thousand for the fiscal year ended June 30, 2019.

**C. WORKERS' COMPENSATION**

Workers' Compensation is accounted for in an Internal Service Fund. Interfund premiums are treated as quasi-external transactions. Each State agency is charged a premium based on the number of employees to be covered plus an added amount to reduce the unfunded liability. The Legislature, Legislative Council, and Law Library employees are self-insured for workers' compensation purposes. The State assumes the full risk of all claims filed for workers' compensation.

Claims liabilities are actuarially determined based on estimates of the ultimate cost of claims, including future claim adjustment expenses that have been incurred but not reported and claims reported but not settled. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The balance of claims liabilities as of June 30, 2019 and 2018:

**Workers' Compensation Fund**  
**Changes in Claims Payable**  
 (Expressed in Thousands)

	<u>2019</u>	<u>2018</u>
Liability at Beginning of Year	\$ 46,149	\$ 49,419
Current Year Claims and Changes in		
Estimates	8,764	5,743
Claims Payments	<u>10,597</u>	<u>9,013</u>
Liability at End of Year	<u>\$ 44,316</u>	<u>\$ 46,149</u>

Based on the actuarial calculation as of June 30, 2019, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$56.8 million. The discounted amount is \$44.3 million and was calculated based on a 3.0 percent interest rate on investments.

**D. EMPLOYEE HEALTH INSURANCE**

The employee health and retiree health insurance programs are accounted for in two Internal Service Funds. The State became self-insured for employee and retiree health care coverage on July 1, 2003. A stop loss agreement provides catastrophic coverage for individual claims exceeding \$750 thousand.

The State retained third-party administration (TPA) services for claims administration, utilization review, and case management services. Premium equivalents are developed with the technical assistance of the plan's consulting actuary and paid by subscribers and associated State departments.

There are two primary health plans available. A Preferred Provider Organization (PPO) plan is available to all active employees and some retirees not eligible for Medicare Part A. A Medicare Advantage plan is available to Medicare eligible retirees. Total enrollment averaged approximately 36,000 covered individuals. This total includes approximately 26,700 active employees, retirees and their dependents in the PPO plan and 9,300 Medicare retirees and dependents.

The State maintains PPO plan funding through the accumulation of premiums from employee contract holders and from the departments with whom they are employed. Claims and administrative expense are paid through these accumulated premiums based on invoices remitted from the TPA.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of \$15.2 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2019 follows:

(Expressed in Thousands)

	<b>Employee Health Fund</b>	<b>Retiree Health Fund</b>
Liability at Beginning of Year	\$ 9,641	\$ 3,213
Claims and Changes in Estimate	128,371	30,247
Claims Payments	126,638	29,669
Liability at End of Year	<u>\$ 11,374</u>	<u>\$ 3,791</u>

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 75, certain costs reported above were reclassified for financial statement purposes. Retiree healthcare costs of \$70.5 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, \$20.3 million of active employee healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

#### NOTE 13 - JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose. The State of Maine participates in two separate joint venture arrangements: the Tri-State Lotto Commission (Commission) and the Multi-State Lottery Association (MUSL).

##### TRI-STATE LOTTO COMMISSION

The Commission was established in 1985 pursuant to passage into law of the Tri-State Lotto Compact by the States of Maine, New Hampshire, and Vermont. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including ticket prices, prizes, and the licensing of agents under Title 8 MRSA C. 16.

The Commission is composed of one member from each of the participating states. Each member State's commission appoints one of its members to serve on the Commission and each member holds office at the pleasure of his or her appointing authority. The Commission annually elects a chairman from among its members. The Commission designated that 50 percent of its sales revenue be reserved for prize awards and agent bonuses.

A prize award liability is established when the winning ticket number is selected. If no winning ticket is selected, the available jackpot is carried over to the following drawing. The Tri-State Lotto Compact requires that prizes not claimed within one year from the date of the drawing be forfeited. All expired unclaimed prizes are credited to future prize pools. The Commission funds its jackpots through annuity contracts purchased from insurance companies and U.S. Government Treasury Strips.

A proportional share of revenues and expenses are allocated to each State based on ticket sales made by each State. Exceptions are the facility's management fee, which is based on a contracted percentage of operating revenue that varies from State to State, per diem charges, advertising, and certain printing, travel, and miscellaneous costs, which are allocated based on actual charges generated by each state.

The Tri-State Lotto Commission financial report for fiscal year 2019, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected financial information:

**Tri-State Lotto Commission**  
(Expressed in Thousands)

Current Assets	\$ 14,155
Noncurrent Assets	<u>21,941</u>
Total Assets	<u><u>\$ 36,096</u></u>
Current Liabilities	\$ 13,272
Long-term Liabilities	<u>16,477</u>
Total Liabilities	<u><u>\$ 29,749</u></u>
Designated Prize Reserves	\$ 4,346
Reserve for Unrealized Gains	<u>2,001</u>
Total Net Position	<u><u>6,347</u></u>
Total Liabilities and Net Position	<u><u>\$ 36,096</u></u>
Total Revenue	\$ 70,123
Total Expenses	48,312
Allocation to Member States	21,811
Change in Unrealized Gain on Investments Held for Resale	<u>318</u>
Change in Net Position	<u><u>\$ 318</u></u>

**Multi-State Lottery Association**

The Maine State Lottery became a member of the Multi-State Lottery Association (MUSL) in July 2004. The MUSL currently has 36 member State lotteries, including the District of Columbia and the United States Virgin Islands. The MUSL is managed by a board of directors, which is comprised of the lottery directors or their designee from each of the party States, and authorized to initiate, promulgate, administer and carry out one or more lottery product offerings that will enhance the participating parties' lottery revenue.

Participating lotteries sell Powerball tickets, collect all revenues, and remit prize funds to the MUSL, net of lower tier prize awards. The operating costs of the board are divided equally among all of the participating lotteries. Jackpot prizes payable in installments are satisfied through investments purchased by the MUSL. The MUSL purchases US government obligations which are held in irrevocable trusts established by the MUSL for the benefit of participating State lotteries. Each week the MUSL allocates 50 percent of sales to the prize pool. If no winning ticket is selected, the available jackpot is carried over to the following jackpot drawing.

The Multi-State Lottery Association's financial report for fiscal year 2019, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected information:

**Multi State Lottery Association**  
(Expressed in Thousands)

Cash and Cash Equivalents	\$ 338,591
Investments in US Government Securities	67,464
US Government Securities Held for Prize Annuities	62,475
Due from Party Lotteries	36,598
Patent, net of accumulated amortization	1,255
Other Assets	1,328
Total Assets	<u>\$ 507,711</u>
Amount Held for Future Prizes	\$ 420,116
Grand Prize Annuities Payable	62,747
Other Liabilities	3,879
	<u>486,742</u>
Net Position, Unrestricted	<u>20,969</u>
Total Liabilities and Net Position	<u>\$ 507,711</u>
Total Revenue	\$ 18,637
Total Expenses	<u>6,716</u>
Excess of Revenues over Expenses	11,921
Net Position, beginning	<u>9,048</u>
Net Position, ending	<u>\$ 20,969</u>

**NOTE 14 - RELATED PARTY TRANSACTIONS****PRIMARY GOVERNMENT**

The State of Maine entered into memoranda of understanding with the Wells National Estuarine Research Reserve Management Authority, a jointly governed organization, through the Bureau of Parks and Lands. These agreements outline each entity's responsibilities in relation to the operation of the Reserve and the management of the property included within the boundaries of the Reserve. The agreement continues in effect from year to year until termination by either the Bureau or the Authority pursuant to Articles 8 and 9.

Catholic Charities of Maine, a non-profit organization, received \$17.1 million in funding during fiscal year from various State agencies including \$6.4 million for MaineCare, \$1.7 million for the Blind and Visually Impaired, \$1.9 million for Long Term Care, \$2.8 million for School Nutrition, \$1.8 for Substance Abuse, and \$2.5 for other programs. An employee of Maine's Department of Environmental Protection served as an uncompensated member of its Board of Directors during fiscal year 2019.

Health Reach Community Health Center received \$3.2 million in funding from the MaineCare Program during fiscal year 2019. An employee of the Department of Administrative and Financial Services served as the Director of Finance for HRCHC during the fiscal year.

HCA Health Care Services of New Hampshire received \$3 million in funding from the MaineCare Program during fiscal year 2019. A member of the Health and Human Services Committee of the Legislature served as a part-time volunteer Chairman on the Board of Trustees for the Portsmouth Regional Hospital, which is part of HCA.

**COMPONENT UNITS**

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, \$235.2 million; Maine Community College System, \$79.5 million; Maine Municipal Bond Bank (MMBB), \$41.6 million; Finance Authority of Maine, \$23.2 million; and Maine State Housing Authority, \$27.2 million. In addition, the State transferred \$18 million to a school revolving loan fund at MMBB.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$29.9 million at June 30, 2019, as a liability in Amounts Held Under State Revolving Loan Programs in their fiduciary financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2019, the State expended \$3.4 million to FAME for State revolving loan funds. The State also transferred \$1.0 million from its Loan Insurance Reserves to FAME.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. FAME paid approximately \$7.6 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

The Maine Turnpike Authority (MTA) pays the State for services rendered by the Maine State Police (MSP). MSP has a separate troop responsible for patrolling the Maine Turnpike. MTA pays all costs associated with that troop. For fiscal year 2019, the amount billed totaled \$8.4 million.

**NOTE 15 - DEFERRED OUTFLOWS AND DEFERRED INFLOWS**

The following table provides additional detail regarding deferred outflows of resources and deferred inflows of resources reported on the government-wide Statement of Net Position:

(Expressed in Thousands)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	
<b>Deferred Outflows of Resources:</b>				
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ -	\$ -	\$ -	\$ 4,619
Refunding of Debt	2,624	-	2,624	46,658
Pension Related	462,097	2,642	464,739	19,170
OPEB Related	178,944	1,495	180,439	17,171
Total Deferred Outflows of Resources	<u>\$ 643,665</u>	<u>\$ 4,137</u>	<u>\$ 647,802</u>	<u>\$ 87,618</u>
<b>Deferred Inflows of Resources:</b>				
Grant Income	\$ -	\$ -	\$ -	\$ 7,249
Loan Origination Fees	-	-	-	507
Pension Related	253,877	1,098	254,975	12,876
OPEB Related	205,464	185	205,649	51,643
Total Deferred Inflows of Resources	<u>\$ 459,341</u>	<u>\$ 1,283</u>	<u>\$ 460,624</u>	<u>\$ 72,275</u>

The following table provides additional detail regarding deferred inflows of resources reported on the Governmental Funds Balance Sheet:

**Governmental Funds**  
(Expressed in Thousands)

	<b>General</b>	<b>Highway</b>	<b>Federal</b>	<b>Other Special Revenue</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Deferred Inflows of Resources:</b>						
Tax Revenue or Assessments	\$ 246,741	\$ 532	\$ 44	\$ 36,719	\$ -	\$ 284,036
Total Deferred Inflows of Resources	<u>\$ 246,741</u>	<u>\$ 532</u>	<u>\$ 44</u>	<u>\$ 36,719</u>	<u>\$ -</u>	<u>\$ 284,036</u>

**NOTE 16 - TAX ABATEMENTS**

For financial reporting purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefits the government or its citizens.

As of June 30, 2019, the State provided tax abatements through the following programs:

<b>Program Name</b>	<b>Pine Tree Development Zone Tax Credit</b>	<b>Employment Tax Increment Financing</b>	<b>New Markets Capital Investment Tax Credit</b>
Program Purpose	The program encourages capital investment and job creation in designated industries and geographic areas within the state.	The program is designed to create and prevent loss of employment in designated industries and geographic areas within the state.	The program is designed to encourage investment in qualified businesses located in economically distressed areas within the state.
Tax Types Abated	Personal income, corporate income, insurance premiums, bank franchise and sales taxes.	State income tax withholding from employee salary.	Personal income, corporate income, insurance premiums, and bank franchise taxes.
Statutory Authority	36 M.R.S. §5219-W	36 M.R.S. §6754	36 M.R.S. §5219-HH
Eligibility Criteria	Businesses apply to be certified as a qualified business, agree to conduct a qualified business activity, and hire at least one net new employee within two years.	Businesses apply for certification and agree to hire at least five net new employees within two years.	A person must make a qualified equity investment that has been certified by the Finance Authority of Maine, and execute a memorandum of agreement with the state.
Abatement Method	Allowance of credit against taxes attributable to qualified business activity, up to the amount of tax liability (nonrefundable credit).	Qualified business applies for annual reimbursement payment independent of any other tax reporting requirements.	Allowance of credit against taxes. Taxpayer receives full amount of annual credit regardless of tax liability (refundable credit).
Abatement Computation	Credit equals 100 percent of the tax liability attributable to the qualified activity of a certified business for a period of five years. Businesses located in certain areas receive a 50 percent credit for an additional five years.	Reimbursement equals 30 - 80 percent of qualified state-withheld taxes, depending on the unemployment rate in the area where the employee works, for a period of ten years.	The credit amount equals a total of 39 percent of the qualified investment, spread over a period of seven years in varying amounts each year.
Recapture Provisions	None.	Any overpayment must be applied to reduce future reimbursement payments. Overpayments must be repaid if the business no longer qualifies for future payments.	The abatement amount may be recaptured upon 1) recapture of any amount of the related federal NMTC credits; 2) early repayment of any portion of the principle amount that forms the qualified equity investment, or 3) failure to reinvest less than 85% of the qualified equity investment into a qualified business.
Estimated Revenue Reduction for Fiscal Year 2019	\$3,349,953	\$12,695,785	\$15,543,152

From PTDZ Legislative Report

Note: An estimate of PTDZ sales tax exemptions claimed at the point of purchase cannot be determined.



**NOTE 17 - COMMITMENTS AND CONTINGENCIES****PRIMARY GOVERNMENT****LITIGATION**

The State of Maine, its units, and its employees are parties to numerous legal proceedings, many of which are the result of normal governmental operations. In the opinion of the Attorney General and other legal counsel representing the State, in all of the cases listed, the State or its agencies or employees have valid defenses. Certain cases have the potential for liability in excess of \$1 million. Even if liability is found, the State should not expect to pay out the full amounts being sought against it in all of the cases. In any given case, however, the State could incur a large judgment.

*Adams v. Magnusson et al.* This lawsuit alleges constitutional and tort claims against DOC officials. This is related to the stabbing incident at the Maine State Prison. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

*Ali v. Long Creek Youth Development Center.* This lawsuit alleges use of excessive force, inadequate medical care, disability discrimination and negligent use of force relating to an eleven-year old juvenile at Long Creek Youth Development Center. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

*Dr. Doe v. Maine Board of Dental Practice et al.* Dr. Doe has filed a lawsuit against the Maine Board of Dental Practice and 11 individuals in connection with the Board's emergency suspension of his license to practice medicine and subsequent disciplinary proceedings. Dr. Doe alleges that agents and employees of the Board violated his due process rights. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

*Fagre et al. v. Ireland et al.* This is a civil rights and wrongful death action brought by the personal representative of the estate of Ambrosia Fagre who was shot and ultimately died as a result of an incident involving law enforcement officers on February 10, 2017. Ms. Fagre was a passenger in a vehicle driven by an individual who had robbed a nearby homeowner and fired at least one shot at officers. The claim asserts excessive force under federal and state law, "failure to provide police protection," negligence, and wrongful death. The probability that this matter will result in future losses to the State in excess of \$1 million is undetermined at this time.

*Grendell v. State of Maine.* The plaintiff in this matter brings a large number of claims against numerous state officials alleging that the State Police violated his rights during a police standoff by, among other things, detonating an explosive breaching charge that inadvertently caused the collapse of plaintiff's house. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

*Irish, Brittany v. Maine State Police et. al.* This lawsuit seeks damages for the kidnapping of Brittany Irish and shooting of Kimberly Irish by Anthony Lord. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

*Jackson v. Cornish et al.* The two plaintiffs in this matter allege that defendants are liable under the Maine Civil Rights Act for one of the defendant's shooting and wounding of them during the course of their armed standoff with police. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

*Kane et al v. Department of Health and Human Services et al.* The plaintiffs allege that defendants are liable under the Americans with Disabilities Act and the Rehabilitation Act for failure to accommodate, by providing "token economy" behavioral management services in a residential setting in the State of Maine. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time

*Marc Merrill v. Maine State Police, et al.* This is a civil rights action against the Maine State Police and individual officers arising out of the prosecution of Mr. Merrill for allegedly possessing child pornography. Mr. Merrill alleges that his federally-protected rights were violated. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

There are various lawsuits in which plaintiffs seek damages in excess of \$1 million against the State or against State officials, and there are various notices of claim which also specify damages in excess of \$1 million where no lawsuit has been filed. In none of these instances, in the view of the Attorney General, is there any reasonable possibility that the State's liability could reach or exceed \$1 million. Therefore, these suits have not been individually identified.

There are also numerous workers' compensation claims now pending against various State agencies. Since most claims involve the possibility for significant long-term damages, and since the test for demonstrating a causal relationship between the employment and the illness or injury is not as rigorous as in ordinary civil cases, these cases involve the possibility of significant liability for the State. Since possible damages include future medical costs and wage replacements for the employee (and in some cases spouse), it is difficult to estimate the total potential liability to the State.

All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the financial position of the State.

#### **ENCUMBRANCES**

Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds balances are \$61.4 million, \$1.9 million, \$165.4 million, \$33.9 million and \$1.6 million, respectively.

#### **FEDERAL GRANTS**

The State receives significant financial assistance from the federal government. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Grants are subject to the Federal Single Audit Act. Disallowances by federal officials as a result of these audits may become liabilities of the State. The amount of expenditures that may be disallowed by the grantor agencies cannot be determined at this time.

#### **POLLUTION REMEDIATION**

The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State's total amount of pollution remediation obligation as of June 30, 2019 is \$21.5 million. Superfund sites account for approximately \$18,000 million. Superfund is the federal government program to clean up hazardous waste sites.

The following are Superfund sites for which the State has recorded a liability for pollution remediation activities:

*Eastland Woolen Mill* – The State recorded a liability for pollution remediation activities of approximately \$730 thousand. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State assumed 100 percent of the operation and maintenance and long-term monitoring costs.

*Eastern Surplus* – The State recorded a liability for pollution remediation activities of approximately \$2.1 million. Beginning in August of 2012, the State assumed 100 percent of the operation, maintenance and monitoring costs. As of June 30, 2019, the State has received \$2.1 million in recoveries from the Department of Defense. The State expects to recover additional costs of \$818 thousand.

*Callahan Mine* – The State recorded a liability for pollution remediation activities of approximately \$4.7 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. The State will assume 100 percent of the cost for the operation and maintenance of the site.

The State recorded a liability for pollution remediation activities of approximately \$13.7 million (net of unrealized recoveries of \$301 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover \$0.46 million in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

The State has the knowledge and expertise to estimate the remediation obligation based on prior experience in identifying and funding similar remediation activities. The standard requires the liability to be measured using the expected cash flow technique. The remediation obligation estimates are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

#### **MUNICIPAL SOLID WASTE LANDFILLS**

*Dolby Landfills* – On September 16, 2011 the State entered into an agreement with Katahdin Paper Company (KPC) to acquire the Dolby Landfill, a solid waste disposal facility, located in the Town of East Millinocket. The State, as a holder of the permits, is responsible for closure and post closure monitoring and maintenance activities and costs.

The Dolby Landfill no longer accepts solid waste. In calendar year 2016 the first of phase of a multi-year plan to cap approximately 100 acres at the facility was completed. The State allocated \$6 million of current bond funds and anticipates another \$6 million in bonds funds to complete the closure of the facility. In addition to the closure of the facility, the State anticipates additional post-closure maintenance and monitoring costs of approximately \$15 million over the next 30 years. Actual costs may be higher due to inflation, changes in technology or changes in applicable laws or regulations. The State's total obligation related to the Dolby Landfill as of June 30, 2019 is \$21.9 million.

Title 38 M.R.S.A., §1310-F establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose a potential hazard and that meet other qualifying criteria. The law provides for reimbursement of 75% of a municipality's closure expenses. If initial closure of a landfill fails to protect public health and the environment, DEP is obligated to reimburse up to 90% of a municipality's subsequent remediation expenses. However, these obligations are subject to the availability of funds approved for that purpose. In 2012, DEP through bonds had paid all of the outstanding match requirements for closure, but had \$2,568,654 in outstanding match obligation for remediation. Additionally, several Municipalities needed to close their failing landfills early, but could not afford to do so without the state match for closure, which had expired. To address this, in 2013 the legislature enacted a fee on disposal of certain Construction and Demolition Debris (CDD), and in 2015 extended the eligibility date for reimbursement of closure costs from 2015 to 2025. There is no eligibility end date for reimbursement of remediation costs. Therefore, DEP continues to incur new match cost obligations as additional qualifying landfills close before the 2025 date, and as others undertake necessary remediation actions. As the CDD fee does not generate enough funding to pay the Department's cost share obligations in their entirety, the Department provides partial payments to municipalities on a quarterly basis.

In FY2019 the DEP received \$1,222,459 from the CDD fee. As required, the entirety of this fee was used to reimburse municipalities for eligible expenses. At the beginning of FY19, DEP's total outstanding reimbursement obligation to municipalities was \$5,069,973. At the end of FY19 the outstanding match obligation was \$3,892,096. Although the overall outstanding debt during the year decreased, \$44,582 of additional debt was incurred due primarily to landfill remediation expenses which were submitted over the course of the year. DEP incurred the oldest outstanding match obligations in 2008.

#### **SAND AND SALT STORAGE PROGRAM**

The State estimates the potential aggregate cost to comply with the environmental requirements associated with the Sand and Salt Storage program to be \$1.6 million. The state no longer provides funding for municipal facilities.

#### **POLLUTION ABATEMENT PROGRAM**

Title 38 MRSA §411, §411-A, and §412 establish within DEP cost-sharing programs for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the planning of municipal pollution abatement facilities; the design, engineering, and construction of private, commercial, and municipal pollution abatement facilities; and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30A §6006-A. During the 2019 fiscal year, \$37 thousand of general obligation bond funds and \$2.46 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2019, amounts encumbered for pollution abatement projects totaled \$26 thousand, and general obligation bonds authorized for these projects, but not yet encumbered, totaled \$2.24 million. As of June 30, 2019, DEP estimates the total cost (federal, State, and local) of future projects to be \$1 billion.

#### **GROUND WATER OIL CLEAN-UP FUND**

The Ground Water Oil Clean-up Fund is established in Title 38 MRSA § 569-A. Fund activities include, but are not limited to, providing insurance to public and private entities for cleanup of oil spills. The program is funded by a per barrel assessment on petroleum products imported into the State. Coverage is up to \$1 million per occurrence for both aboveground and underground storage tanks. Third party injury coverage may not exceed \$200 thousand per claimant.

#### **Number of Priority Sites Requiring Long-term Remediation Calendar Year Ended December 31**

	<u>Completed</u>	<u>Remaining</u>
2018	91	540
2017	117	519
2016	126	525
2015	151	524
2014	144	500

The annual average cost per spill over the past five years ranged between \$18,000 and \$41,000. The cost per spill can vary significantly based on the location and type of fuel discharged.

#### **CONSTRUCTION COMMITMENTS**

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 49.5 percent of the annual payments. As of June 30, 2019 outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$1.128 billion.

At June 30, 2019, the Department of Transportation had contractual commitments of approximately \$351.8 million for construction of various highway projects. The State's share of that amount is expected to be approximately \$100 million. Of these amounts, \$9.3 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

#### **TOBACCO SETTLEMENTS**

On November 23, 1998, Maine along with 45 other states and six civil jurisdictions, collectively known under the Master Settlement Agreement (MSA) as the "Settling States", entered into the MSA with certain Participating Tobacco Manufacturers (PMs). The MSA is a settlement of lawsuits brought by many States against the four largest tobacco companies alleging multiple counts of misconduct and claiming punitive and compensatory damages, including a claim for all the States' Medicaid costs caused by or related to tobacco use. The MSA includes provisions to annually compensate the State for smoking-related Medicaid costs and to impose marketing and advertising restrictions on PMs to protect public health. In this settlement, the PMs agreed, among other things, to make annual payments to the states and jurisdictions based on their allocable share of the market. In return, the states agreed to relinquish claims to further damages resulting from, among other things, Medicaid costs. Annual payments fluctuate subject to various adjustments and are partially contingent on the passage and enforcement of a State statute imposing economic conditions related to the State's public health claims on the Nonparticipating Manufacturers (NPMs) in the form of an annual escrow payment due from each NPM with in-state sales. The NPM Adjustment is set forth in the Master Settlement Agreement (MSA). If the PMs claim an NPM Adjustment for a given year and prove that they lost market share to the NPMs and it is determined that the MSA was a significant factor contributing to that lost market share then an NPM Adjustment 'shall apply' unless a Settling State passed a qualifying statute and 'diligently enforced' that statute. In effect this means that the Allocated Payment to a Settling State that diligently enforced will not be reduced, but a Settling State that did not diligently enforce its qualifying statute will be subject to a reduction in its payment due to the NPM Adjustment. NPM Adjustment Due to the provisions of the MSA, if a State that is found not to have diligently enforced its qualifying statute may lose up to its entire annual payment amount due to the NPM Adjustment for a given year.

The NPM Adjustment may be claimed each year and has been claimed for each completed calendar year since 2003. Frequently PMs claim entitlement to the NPM Adjustment and either withhold the amount from their annual payments, or place the amount in what is known as a 'disputed payment account'. Each year beginning in 2003 Maine's annual payments have been lower than calculated because many of the PMs have claimed entitlement to the NPM Adjustment and either withheld money or routed it to the disputed payments account. For the year 2003, the Adjustment claimed by the PMs, and calculated as set forth in the MSA, was approximately 18 percent of the total amount paid by the PM's and distributed among the Settling States. However, the total amount related to the NPM Adjustment to which the PMs are entitled is dependent on the number of non-diligent states.

In addition, in the MSA, the PMs agreed to pay \$8.6 billion in Strategic Contribution Payments (SCP) to certain states and jurisdictions as compensation for their contribution to the overall settlement. Maine's share of this total amount was approximately \$114 million. Maine received this amount in ten annual SCP payments which began in 2008 and ended in 2017.

In April 2019, Maine received an annual tobacco settlement payment of \$78 million.

#### **ESCHEAT PROPERTY**

The State Abandoned Property Statute requires the deposit of certain defined and unclaimed assets into a state-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Statute provides that whenever the cash balance of the fund exceeds \$.5 million at fiscal year-end, the excess must be remitted to the General Fund where it is reported as operating transfers from other funds. At June 30, 2019, the Fund included \$3.4 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2019 of approximately \$248.6 million represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

A liability representing the probable amount of escheat property that will be reclaimed and paid to claimants and other third parties is reported in the Fund. To the extent that the assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At June 30, 2019, the amount reported in the Fund for claimant liability is \$45.4 million. The General Fund shows a \$41.5 million payable to the Escheat Fund.

### CONSTITUTIONAL OBLIGATIONS

The State of Maine's constitutional obligations represent nonexchange financial guarantees, as defined by GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The State acts as the guarantor for these ongoing insurance and loan programs operated by 2 discrete component units. The Finance Authority of Maine's mission covers commercial financing and loan insurance to Maine businesses and assistance to Maine students and their parents to finance costs of attendance at institutions of higher education. Maine State Housing Authority's mission encompasses loans to Maine veterans and members of Indian tribes or reservations. Details of the nonexchange financial guarantees are provided below.

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed \$90 million, \$1 million, and \$4 million, respectively. At June 30, 2019, loans outstanding pursuant to these authorizations are \$87.8 million, less than \$0.1 million, and \$0.2 million, respectively. The State has not paid, nor does it expect to pay, any amounts as a result of these authorizations as of June 30, 2019.

Article 8, § 2, of the Maine State Constitution provides that the State may secure funds, through the issuance of bonds authorized by the Governor, for loans to Maine students attending institutions of higher education. The amount of bonds issued and outstanding shall not at any one time exceed \$4 million in the aggregate. At June 30, 2019, no bonds were outstanding. The State has not paid, nor does it expect to pay, any amount as a result of this authorization as of June 30, 2019.

### MORAL OBLIGATIONS

The State of Maine, through statute, enables certain Authorities to establish capital reserve funds. These funds may be used to secure a variety of financial undertakings including the issuance of bonds. The minimum amount of the capital reserve fund may be determined by statute or set by the Authority. The statutes may also limit the amount of debt that may be secured by the capital reserve funds, and allow the Authority to issue debt that is not secured by these funds.

On or before December first of each year, the Authorities are required to certify to the Governor the amount, if any, necessary to restore any capital reserve fund to its required minimum. If there is a shortfall, the Governor is required to pay first from the "Contingent Account" the amounts necessary for restoration. The Governor shall certify any remaining unpaid amounts to the Legislature, which is then required to appropriate and pay the remaining amounts to the Authority during the then-current State fiscal year.

These moral obligations are not considered to be "full faith and credit" obligations of the State, and voter approval of the underlying bonds is not required. No capital reserve fund restorations have been made in the current or previous years.

The following summarizes information regarding outstanding moral obligations:

#### Moral Obligation Bonds (Expressed in Thousands)

Issuer	Bonds Outstanding	Required Debt Reserve	Obligation Debt Limit <sup>1</sup>	Legal Citation
Maine Health and Higher Educational Facilities Authority	\$ 475,695	\$ 56,000	NIL	22 MRSA § 2075
Finance Authority of Maine	32,480	-	\$ 642,000	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	87,980	1,005	225,000	20-A MRSA §11424
Maine Municipal Bond Bank	1,329,230	159,534	NIL	30-A MRSA §6006
Maine State Housing Authority	1,401,715	108,947	2,150,000	30-A MRSA §4906
Total	<u>\$ 3,327,100</u>	<u>\$ 325,486</u>		

<sup>1</sup> NIL indicates a "no limit" obligation.

**COMPONENT UNITS****CONSTRUCTION CONTRACTS**

At June 30, 2019, UMS had outstanding commitments on uncompleted construction contracts that totaled \$15.4 million.

At December 31, 2018, the Maine Turnpike Authority had \$101.7 million remaining in commitments on outstanding construction projects for improvements and maintenance.

**MORTGAGE COMMITMENTS**

Mortgage commitments are agreements to lend provided there is no violation of any term or condition of the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as deemed necessary. At December 31, 2018 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately \$53.8 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2018, single-family loans being processed by lenders totaled \$49.5 million.

**INSURED LOAN COMMITMENTS**

The Finance Authority of Maine (FAME) insures loans made by financial institutions to qualifying businesses under various insurance programs. FAME is contingently liable for the insured portion of payments due on these loans. At June 30, 2019, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately \$120.5 million. At June 30, 2019, FAME was insuring loans with an aggregate outstanding principle balance approximating \$1.4 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately \$1.0 million at June 30, 2019. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2019, these commitments under the Loan Insurance Program were approximately \$11.9 million.

**FEDERAL STUDENT LOAN RESERVE FUND**

FAME holds and administers the Federal Student Loan Reserve Fund for the US Department of Education. Total outstanding guarantees issued under the FFELP approximated \$282.6 million at June 30, 2019. A portion of the defaults on FFELP loan guarantees are paid by the US Department of Education. At June 30, 2019, the reserve level was approximately \$3.4 million.

**NOTE 18 - SUBSEQUENT EVENTS****PRIMARY GOVERNMENT**

On September 20, 2019 the State issued \$2.6 million of Certificates of Participation (COP's) for the purpose of financing the State's radio network project. The COP's carry interest rates of 1.738 percent and maturities from 2020 to 2027.

Public Law 2019, Chapter 446, effective September 19, 2019, made several changes to the First Responders Healthcare Plan, which include: providing eligible employees more time to enroll in the program; allowing certain enrollees to join the State Employee Health Plan; and, increasing the State subsidy for premiums from 45 percent to 55 percent. The increase in premium subsidy takes effect July 1, 2021. Additionally, Public Law 2019, Chapter 280 requires that all monies in the Firefighters and Law Enforcement Officers Health Insurance Program Fund, which are not necessary to fund the normal costs and administrative costs of the program, be transferred to the trust fund at the end of each fiscal year. The trust fund is invested by the Treasurer of State.

The United States Centers for Medicare and Medicaid Services ("CMS") notified the Maine Department of Health and Human Services (DHHS) that it disallowed \$65.1 million in federal financial participation payments for Medicaid services and for disproportionate share hospital payments claimed for the quarterly periods ending December 31, 2013 through March 31, 2018 related to the Riverview Psychiatric Center. Riverview filed a request for reconsideration, which was denied. Riverview subsequently appealed the denial of the request for reconsideration. On March 12, 2019, the U. S. Department of Health and Human Services, Departmental Appeals Board denied the appeal and sustained the disallowances.

DHHS received additional disallowance letters totaling \$10.5 million for the quarters ended June 30, 2018 through December 31, 2018. CMS disallowed an additional \$2.1 million for the quarter ended March 31, 2019 and has assessed interest of \$2.0 million, bringing the total to \$79.7 million.

During fiscal year 2019, the State repaid/offset \$19.2 million of the balance, leaving an outstanding balance of \$60.5 million as of June 30, 2019. This amount has been recorded as a Due to Other Governments in the federal funds.

DHHS made additional repayments/offsets of \$60.5 million from the general fund through November 14, 2019 to fully settle the outstanding balance. This amount has been recorded as Due to Other Funds in the general fund and Due from Other Funds in the federal funds at June 30, 2019.

**COMPONENT UNITS**

Maine State Housing Authority (MSHA), has a December 31 fiscal year end. On February 12, 2019, MSHA issued at par \$39.5 million of bonds in the General Mortgage Purchase Bond Resolution. On March 11, 2019, MSHA redeemed at par \$29.5 million of bonds in the General Mortgage Purchase Bond Resolution.

On July 31, 2019 Maine Health and Higher Educational Facilities Authority (MHHEFA) issued \$54.6 million of bonds under the General Bond resolution with an average interest rate of 4.2 percent, all of which was used to in-substance defease \$62.6 million of 2008C, 2008D and 2009A bond series. The net proceeds of approximately \$63.1 million were used to purchase US Government securities which will provide for all future debt service payments on defeased bonds. The economic benefits associated with the refunding inure to the respective institutions and not the Authority.

**NOTE 19 - SPECIAL ITEMS****Change in Accounting Estimate**

During the fiscal year, Maine Military Authority significantly reduced its operations and workforce. Subsequently, the estimate for Pension and Other Post-employment Benefit Liabilities were reallocated, to the General Fund, based on this reduction in workforce resulting in a \$15.8 million special item adjustment.

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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**STATE OF MAINE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
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**STATE OF MAINE**  
**BUDGETARY COMPARISON SCHEDULE**  
**MAJOR GOVERNMENTAL FUNDS**

Fiscal Year Ended June 30, 2019  
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>								
Taxes	\$ 3,575,832	\$ 3,711,604	\$ 3,733,097	\$ 21,493	\$ 229,930	\$ 232,749	\$ 231,593	\$ (1,156)
Assessments and Other	98,635	100,210	100,042	(168)	93,471	98,934	102,367	3,433
Federal Grants	1,785	1,586	1,626	40	-	-	-	-
Service Charges	42,319	42,058	43,651	1,593	6,670	6,081	6,580	499
Income from Investments	5,831	11,027	18,194	7,167	262	654	893	239
Miscellaneous Revenue	59,604	65,397	70,044	4,647	3,493	5,050	5,340	290
Total Revenues	<u>3,784,006</u>	<u>3,931,882</u>	<u>3,966,654</u>	<u>34,772</u>	<u>333,826</u>	<u>343,468</u>	<u>346,773</u>	<u>3,305</u>
<b>Expenditures</b>								
Governmental Support & Operations	320,758	365,580	339,270	26,310	39,844	42,589	2,610	39,979
Economic Development & Workforce								
Training	43,708	47,086	42,687	4,399	-	-	-	-
Education	1,618,718	1,650,614	1,616,139	34,475	-	-	-	-
Health and Human Services	1,173,324	1,349,286	1,232,485	116,801	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	82,136	87,548	86,003	1,545	33	33	33	-
Justice and Protection	333,626	368,266	348,299	19,967	30,826	31,019	29,888	1,131
Arts, Heritage & Cultural Enrichment	8,311	9,367	8,193	1,174	-	-	-	-
Transportation Safety & Development	-	-	-	-	257,091	294,384	289,911	4,473
Total Expenditures	<u>3,580,581</u>	<u>3,877,747</u>	<u>3,673,076</u>	<u>204,671</u>	<u>327,794</u>	<u>368,025</u>	<u>322,442</u>	<u>45,583</u>
Revenues Over (Under) Expenditures	<u>203,425</u>	<u>54,135</u>	<u>293,578</u>	<u>239,443</u>	<u>6,032</u>	<u>(24,557)</u>	<u>24,331</u>	<u>48,888</u>
<b>Other Financing Sources (Uses)</b>								
Operating Transfers Net	(108,527)	(113,104)	(161,807)	(48,703)	-	-	(6,329)	(6,329)
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	<u>(108,527)</u>	<u>(113,104)</u>	<u>(161,807)</u>	<u>(48,703)</u>	<u>-</u>	<u>-</u>	<u>(6,329)</u>	<u>(6,329)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 94,898</u>	<u>\$ (58,969)</u>	<u>\$ 131,771</u>	<u>\$ 190,740</u>	<u>\$ 6,032</u>	<u>\$ (24,557)</u>	<u>\$ 18,002</u>	<u>\$ 42,559</u>
Fund balances, beginning of year (as restated)			<u>682,628</u>				<u>41,335</u>	
Fund balances, end of year			<u>\$ 814,399</u>				<u>\$ 59,337</u>	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 310,573	\$ 320,709	\$ 311,081	\$ (9,628)
324	324	-	(324)	173,314	181,053	168,151	(12,902)
3,083,199	3,337,342	2,863,668	(473,674)	14,218	15,123	9,907	(5,216)
5,247	5,282	464	(4,818)	192,491	212,675	181,622	(31,053)
1	1	56	55	489	930	2,733	1,803
250	250	42	(208)	197,029	236,482	298,897	62,415
3,089,021	3,343,199	2,864,230	(478,969)	888,114	966,972	972,391	5,419
3,903	5,629	1,936	3,693	146,169	166,289	152,311	13,978
105,446	123,566	69,499	54,067	49,319	72,339	50,553	21,786
235,592	314,196	210,757	103,439	46,917	50,436	35,708	14,728
2,344,942	2,547,574	2,289,503	258,071	483,016	525,692	482,245	43,447
123	123	61	62	69,962	80,135	65,277	14,858
52,414	64,947	41,817	23,130	116,490	139,575	111,350	28,225
119,227	157,708	55,829	101,879	72,132	83,504	68,574	14,930
3,217	4,352	3,266	1,086	1,963	2,066	1,097	969
209,443	224,061	203,197	20,864	97,008	142,155	80,121	62,034
3,074,307	3,442,156	2,875,865	566,291	1,082,976	1,262,191	1,047,236	214,955
14,714	(98,957)	(11,635)	87,322	(194,862)	(295,219)	(74,845)	220,374
(11,327)	(9,227)	11,435	20,662	116,910	123,559	106,124	(17,435)
-	-	-	-	67,521	97,521	56,280	(41,241)
(11,327)	(9,227)	11,435	20,662	184,431	221,080	162,404	(58,676)
\$ 3,387	\$ (108,184)	\$ (200)	\$ 107,984	\$ (10,431)	\$ (74,139)	\$ 87,559	\$ 161,698
		9,574				410,088	
		\$ 9,374				\$ 497,647	



**STATE OF MAINE**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET TO GAAP RECONCILIATION**

Fiscal Year Ended June 30, 2019  
(Expressed in Thousands)

	<b>General Fund</b>	<b>Highway Fund</b>	<b>Federal Funds</b>	<b>Special Revenue Fund</b>
Fund Balances - Non-GAAP Budgetary Basis	\$ 814,399	\$ 59,337	\$ 9,374	\$ 497,647
<b>Basis Differences</b>				
Revenue Accruals/Adjustments:				
Taxes Receivable	276,822	2,076	-	13,479
Other Receivables	68,254	3,234	110,283	72,845
Inventories	3,311	-	3,637	-
Due from Component Units	-	52	-	110,025
Due from Other Governments	-	-	327,081	-
Due from Other Funds	22,174	20,496	61,203	192,456
Other Assets	764	2	67	17
Unearned Revenues	-	(3,471)	(3,637)	5,898
Deferred Inflows - Taxes and Assessment Revenues	(246,741)	(532)	(44)	(36,719)
Total Revenue Accruals/Adjustments	<u>124,584</u>	<u>21,857</u>	<u>498,590</u>	<u>358,001</u>
Expenditure Accruals/Adjustments:				
Accounts Payable	(163,217)	(32,062)	(290,370)	(37,234)
Due to Component Units	(602)	-	(1,443)	(25,477)
Accrued Liabilities	(25,420)	(9,204)	(6,999)	(9,214)
Taxes Payable	(239,880)	(20)	-	-
Intergovernmental Payables	-	-	(170,788)	-
Due to Other Funds	(142,377)	(5,049)	(22,997)	(8,865)
Total Expenditure Accruals/Adjustments	<u>(571,496)</u>	<u>(46,335)</u>	<u>(492,597)</u>	<u>(80,790)</u>
Fund Balances - GAAP Basis	<u>\$ 367,487</u>	<u>\$ 34,859</u>	<u>\$ 15,367</u>	<u>\$ 774,858</u>

**STATE OF MAINE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY REPORTING**

Fiscal Year Ended June 30, 2019

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**Statutory/Budgetary Presentation**

In accordance with statute, the Governor presents a biennial budget for the General Fund and special revenue funds to the Legislature for enactment or revision. Effective November 27, 1995, a State Constitutional Amendment provided the Governor a “line item” veto of dollar amounts, allowing a dollar substitution for those amounts disapproved, as long as an appropriation or allocation is not increased (or a deappropriation or deallocation decreased) either in the specified line or in any other line in the legislative document. Another Constitutional Amendment requires the State to fund at least 90 percent of the annual cost of future mandates imposed on local governments; any exception requires a two-thirds vote of the elected members of the House and Senate.

Once passed and signed, the budget becomes the financial plan for the next biennium. It includes proposed expenditures for all departments and agencies, interest and debt redemption charges, and expenditures for capital projects to be undertaken and executed during each fiscal year. The budget also includes anticipated revenues and any other means of financing expenditures. The State Budget Officer is required to use the revenue projections of the Revenue Forecasting Committee in preparing the General Fund and Highway Fund budgets.

Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget or separate pieces of legislation. For the year ended June 30, 2019, the legislature increased appropriations to the General Fund by \$115.6 million.

Governmental funds use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation or allocation. Unencumbered appropriations in the General Fund and Highway Fund lapse at June 30 unless, by law, they are carried forward to a subsequent year. For financial statement purposes, unless amounts would create deficits, fund balance is classified based on existing resources, if any, which will liquidate the encumbrances outstanding at June 30 (shown as restrictions, commitments or assignments of fund balance).

The State’s budget is prepared primarily on a cash basis. Sales, income, corporate and fuel taxes include a modified accrual basis adjustment to recognize revenues that are expected to be collected within 60 days of the end of the fiscal year. The Budgetary Comparison Schedule is presented as Required Supplementary Information (RSI) in this report. Actual amounts in this schedule are presented on a budgetary basis. Because this basis differs from accounting principles generally accepted in the United States of America (GAAP), a reconciliation between the budgetary and GAAP basis is presented in the RSI.

The various funds and programs within funds utilize a number of different budgetary control processes. Annual legislative appropriations and revenue estimates are provided for most “operating” funds.

The original executive budget and original legislative appropriations provide general purpose (unrestricted) revenue estimates in order to demonstrate compliance with constitutional provisions. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with controlling related expenditure accounts.

For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2018 - 2019, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of July 4, 2017, and includes encumbrances carried forward from the prior year.

**STATE OF MAINE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY REPORTING**

Fiscal Year Ended June 30, 2019

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Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore updated revenue estimates available for appropriations as of June 30, 2019 rather than the amounts shown in the original budget, are reported.

The final appropriations budget represents original and supplemental appropriations, carry-forwards, approved transfers, and executive order reductions. Expenditures, transfers out, other financing uses, and encumbrances are combined and classified by policy area rather than being reported by character and function as shown in the GAAP statements. This policy area classification is used to better reflect organizational responsibility and to be more consistent with the budget process.

**Compliance at the Legal Level of Budgetary Control**

The Budgetary Comparison Schedules by Agency depict budgeted to actual expenditures at the Department level, which is the legal level of budgetary control for all governmental funds. The schedules provide further detail at the agency level within departments for transparency.



**STATE OF MAINE**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET)**  
**JUDICIAL PENSION PLAN**

Last Five Fiscal Years  
(Expressed in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 1,487	\$ 1,466	\$ 1,397
Interest	4,442	4,358	4,155
Changes in Benefit Terms	-	-	2,017
Differences Between Expected and Actual Experience	469	(893)	(1,746)
Changes of Assumptions	698	-	2,490
Benefit Payments, Including Refunds of Member Contributions	<u>(3,805)</u>	<u>(3,652)</u>	<u>(3,502)</u>
Net Change in Total Pension Liability	3,291	1,279	4,811
Beginning Total Pension Liability	<u>65,002</u>	<u>63,723</u>	<u>58,912</u>
Ending Total Pension Liability	<u>68,293</u>	<u>65,002</u>	<u>63,723</u>
<b>Plan Fiduciary Net Position</b>			
Employer Contributions	1,179	1,144	1,078
Member Contributions	604	585	550
Net Investment Income	6,607	7,800	130
Transfers	-	-	6,343
Benefit Payments, Including Refunds of Member Contributions	(3,805)	(3,652)	(3,502)
Administrative Expense	<u>(62)</u>	<u>(57)</u>	<u>(48)</u>
Net Change in Plan Fiduciary Net Position	4,523	5,820	4,551
Beginning Plan Fiduciary Net Position	<u>66,712</u>	<u>60,892</u>	<u>56,341</u>
Ending Plan Fiduciary Net Position	<u>71,235</u>	<u>66,712</u>	<u>60,892</u>
Ending Net Pension Liability (Asset)	<u>\$ (2,942)</u>	<u>\$ (1,710)</u>	<u>\$ 2,831</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.3 %	102.6 %	95.6 %
Covered Payroll	\$ 7,894	\$ 7,640	\$ 7,188
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(37.3)%	(22.4)%	39.4 %

<u>2016</u>		<u>2015</u>	
\$	1,606	\$	1,518
	3,863		3,736
	28		17
	2,238		(292)
	-		426
	<u>(3,384)</u>		<u>(3,219)</u>
	4,351		2,186
	<u>54,561</u>		<u>52,375</u>
	<u>58,912</u>		<u>54,561</u>
	979		932
	550		528
	1,055		8,416
	-		-
	<u>(3,384)</u>		<u>(3,219)</u>
	<u>(49)</u>		<u>(42)</u>
	(849)		6,615
	<u>57,190</u>		<u>50,575</u>
	<u>56,341</u>		<u>57,190</u>
\$	<u>2,571</u>	\$	<u>(2,629)</u>
	95.6 %		104.8 %
\$	7,186	\$	6,742
	35.8 %		(39.0)%

**STATE OF MAINE**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET)**  
**LEGISLATIVE PLAN**

Last Five Fiscal Years  
(Expressed in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 282	\$ 265	\$ 412
Interest	565	530	549
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(91)	158	(246)
Changes of Assumptions	100	-	(147)
Benefit Payments, Including Refunds of Member Contributions	<u>(460)</u>	<u>(469)</u>	<u>(446)</u>
Net Change in Total Pension Liability	396	484	122
Beginning Total Pension Liability	<u>8,164</u>	<u>7,680</u>	<u>7,558</u>
Ending Total Pension Liability	<u>8,560</u>	<u>8,164</u>	<u>7,680</u>
<b>Plan Fiduciary Net Position</b>			
Employer Contributions	-	-	-
Member Contributions	154	202	138
Net Investment Income	1,176	1,366	48
Benefit Payments, Including Refunds of Member Contributions	(460)	(469)	(446)
Administrative Expense	<u>(11)</u>	<u>(9)</u>	<u>(8)</u>
Net Change in Plan Fiduciary Net Position	859	1,090	(268)
Beginning Plan Fiduciary Net Position	<u>11,897</u>	<u>10,807</u>	<u>11,075</u>
Ending Plan Fiduciary Net Position	<u>12,756</u>	<u>11,897</u>	<u>10,807</u>
Ending Net Pension Liability (Asset)	<u>\$ (4,196)</u>	<u>\$ (3,733)</u>	<u>\$ (3,127)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	149.0 %	145.7 %	140.7 %
Covered Payroll	\$ 2,711	\$ 2,651	\$ 2,590
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(154.8)%	(140.8)%	(120.7)%

<b>2016</b>		<b>2015</b>	
\$	451	\$	450
	545		503
	4		4
	(508)		(93)
	-		86
	(439)		(318)
	53		632
	7,505		6,873
	7,558		7,505
	4		4
	193		140
	206		1,622
	(439)		(318)
	(9)		(8)
	(45)		1,440
	11,120		9,680
	11,075		11,120
\$	(3,517)	\$	(3,615)
	146.0 %		148.2 %
\$	2,528	\$	2,535
	(139.0)%		(142.6)%

**STATE OF MAINE**  
**SCHEDULE OF STATE CONTRIBUTIONS**  
**SINGLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS**

Last Six Fiscal Years  
(Expressed in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Judicial Pension Plan</b>			
Actuarially Determined Contribution	\$ 1,213	\$ 1,179	\$ 1,144
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(1,213)</u>	<u>(1,179)</u>	<u>(1,144)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 \$ 8,117	 \$ 7,894	 \$ 7,640
Contributions as a percentage of covered payroll	14.94 %	14.94 %	14.97 %
 <b>Legislative Pension Plan</b>			
Actuarially Determined Contribution	\$ -	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	 \$ 2,660	 \$ 2,711	 \$ 2,651
Contributions as a Percentage of Covered Payroll	0.00 %	0.00 %	0.00 %

(continued)

<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 1,078	\$ 951	\$ 932
<u>(1,078)</u>	<u>(951)</u>	<u>(932)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 7,188	\$ 7,186	\$ 6,742
15.00 %	13.23 %	13.82 %
\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>(4)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4)</u>
\$ 2,590	\$ 2,528	\$ 2,535
0.00 %	0.00 %	0.16 %

**STATE OF MAINE**  
**SCHEDULE OF STATE CONTRIBUTIONS**  
**SINGLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS (CONTINUED)**

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A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2019 can be found in the June 30, 2016 actuarial valuation report.

Notes to Schedule

**Key Methods and Assumptions Used to Determine  
Contribution Rates**

Valuation date	June 30, 2015  June 30, 2019 actuarially determined contribution rates are calculated based on 2016 liabilities developed as a roll-forward of the 2015 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2016 using assets as of June 30, 2016.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level percent of payroll, open 10-year amortization of 2016 UAL.
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75%
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Most recent review of plan experience	2015
Mortality	104 percent and 120 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females.

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**Former actuarial assumptions:**

Discount rate

Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.

Other information

Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first \$20,000 of annual benefit, indexed. This is a permanent increase in retiree's benefit. The \$20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.



**STATE OF MAINE**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**STATE EMPLOYEES AND TEACHERS PLAN - STATE EMPLOYEES ONLY**

Last Five Fiscal Years  
(Expressed in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>State Employees</b>			
Proportion of the Collective Net Pension Liability	94.652308 %	94.829879 %	94.498857 %
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 993,438	\$ 1,080,168	\$ 1,269,080
Covered Payroll	\$ 608,615	\$ 601,904	\$ 588,415
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	163.23 %	179.46 %	215.68 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	78.70 %	76.10 %	71.00 %
<b>Maine Community College System</b>			
Proportion of the Collective Net Pension Liability	4.695230 %	4.605776 %	4.969634 %
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 49,280	\$ 52,462	\$ 66,740
Covered Payroll	\$ 31,106	\$ 30,867	\$ 32,627
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	158.43 %	169.96 %	204.55 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	78.70 %	76.10 %	71.00 %
<b>Non-Major and Formerly Reported Component Units</b>			
Proportion of the Collective Net Pension Liability	0.652461 %	0.564345 %	0.531509 %
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 6,848	\$ 6,428	\$ 7,138
Covered Payroll	\$ 4,240	\$ 3,700	\$ 3,424
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	161.51 %	173.73 %	208.47 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	78.70 %	76.10 %	71.00 %
<b>Total SETP - State of Maine Employees</b>			
Proportion of the Collective Net Pension Liability	100.000000 %	100.000000 %	100.000000 %
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 1,049,566	\$ 1,139,058	\$ 1,342,959
Covered Payroll	\$ 643,961	\$ 636,471	\$ 624,466
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	162.99 %	178.96 %	215.06 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	78.70 %	76.10 %	71.00 %

**Notes to Schedule:**

As of June 30, 2019, the SETP includes the State, 1 major component unit, 1 non-major component unit and 1 formerly reported component unit in its definition of state employees. Totals for the non-major and formerly reported component unit have been combined.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2019 can be found in the June 30, 2016 actuarial valuation report.

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

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<u>2016</u>	<u>2015</u>
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92.825250 %	92.853946 %
\$ 950,597	\$ 837,743
\$ 520,115	\$ 525,765
182.77 %	159.34 %
76.80 %	79.21 %

6.640831 %	6.618303 %
\$ 68,007	\$ 59,710
\$ 32,008	\$ 31,679
212.47 %	188.48 %
76.80 %	79.21 %

0.533919 %	0.527751 %
\$ 5,468	\$ 4,760
\$ 3,927	\$ 3,776
139.24 %	126.06 %
76.80 %	79.21 %

100.000000 %	100.000000 %
\$ 1,024,072	\$ 902,213
\$ 556,050	\$ 561,220
184.17 %	160.76 %
76.80 %	79.21 %

**STATE OF MAINE**  
**SCHEDULE OF STATE CONTRIBUTIONS**  
**COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS**  
**STATE EMPLOYEES AND TEACHERS PLAN - STATE EMPLOYEES ONLY**

Last Six Fiscal Years  
(Expressed in Thousands)

	2019	2018	2017	2016
<b>State Employees</b>				
Actuarially Determined Contribution	\$ 152,439	\$ 148,115	\$ 141,295	\$ 136,139
Contributions in Relation to the Actuarially Determined Employer Contribution	(152,439)	(148,115)	(141,295)	(136,139)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 627,615	\$ 608,615	\$ 601,904	\$ 588,415
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	24.29 %	24.34 %	23.47 %	23.14 %
<b>Maine Community College System</b>				
Actuarially Determined Contribution	\$ 7,416	\$ 7,347	\$ 6,863	\$ 7,159
Contributions in Relation to the Actuarially Determined Employer Contribution	(7,416)	(7,347)	(6,863)	(7,159)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 31,535	\$ 31,106	\$ 30,867	\$ 32,627
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	23.52 %	23.62 %	22.23 %	21.94 %
<b>Combined Non-major and Formerly Reported Component Units</b>				
Actuarially Determined Contribution	\$ 987	\$ 1,021	\$ 840	\$ 766
Contributions in Relation to the Actuarially Determined Employer Contribution	(987)	(1,021)	(840)	(766)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,115	\$ 4,240	\$ 3,700	\$ 3,424
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	23.99 %	24.08 %	22.70 %	22.37 %
<b>Total SETP - State of Maine Employees</b>				
Actuarially Determined Contribution	\$ 160,842	\$ 156,483	\$ 148,998	\$ 144,064
Contributions in Relation to the Actuarially Determined Employer Contribution	(160,842)	(156,483)	(148,998)	(144,064)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 663,265	\$ 643,961	\$ 636,471	\$ 624,466
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	24.25 %	24.30 %	23.41 %	23.07 %

(continued)

<u>2015</u>	<u>2014</u>
\$ 107,807 <u>(107,807)</u>	\$ 117,380 <u>(117,380)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 521,846 20.66 %	\$ 525,765 22.33 %
\$ 8,135 <u>(8,135)</u>	\$ 3,133 <u>(3,133)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 30,257 26.89 %	\$ 31,679 9.89 %
\$ 635 <u>(635)</u>	\$ 522 <u>(522)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 3,947 16.09 %	\$ 3,776 13.82 %
\$ 116,577 <u>(116,577)</u>	\$ 121,035 <u>(121,035)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 556,050 20.97 %	\$ 561,220 21.57 %

**STATE OF MAINE**  
**SCHEDULE OF STATE CONTRIBUTIONS**  
**COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS**  
**STATE EMPLOYEES AND TEACHERS PLAN - STATE EMPLOYEES ONLY (CONTINUED)**

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Notes to Schedule:

The SETP includes the State, 1 major component unit, 1 non-major component unit and 1 formerly reported component unit in its definition of state employees. Totals for the non-major and formerly reported component unit have been combined.

Valuation date	June 30, 2015
	June 30, 2019 actuarially determined contribution rates are calculated based on 2016 liabilities developed as a roll-forward of the 2015 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2016 using assets as of June 30, 2016.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 16-year amortization of the UAL prior to 2012 and individual, closed, level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012.
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	104 percent and 120 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2019 can be found in the June 30, 2016 actuarial valuation report.

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**Former actuarial assumptions:**

Discount rate

Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.

Other information

Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first \$20,000 of annual benefit, indexed. This is a permanent increase in retiree's benefit. The \$20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

**STATE OF MAINE**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**STATE EMPLOYEES AND TEACHERS PLAN - TEACHERS**

Last Five Fiscal Years  
(Expressed in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Non-employer Contributing Entity's Proportion of:</b>			
Percentage of the Collective Net Pension Liability	95.298384 %	95.016790 %	95.002519 %
Amount of the Collective Net Pension Liability	\$ 1,349,443	\$ 1,452,536	\$ 1,766,662
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	85.20 %	83.30 %	79.00 %

Notes to Schedule:

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

		2016	2015
		95.036038 %	95.069591 %
\$	1,350,118	\$	1,027,065
		83.60 %	86.46 %



**STATE OF MAINE**  
**SCHEDULE OF STATE CONTRIBUTIONS**  
**COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS**  
**STATE EMPLOYEES AND TEACHERS PLAN - TEACHERS**

Last Six Fiscal Years  
(Expressed in Thousands)

	2019	2018	2017	2016
<b>Teachers - Non-Employer Contributor</b>				
Actuarially Determined Contribution	\$ 132,981	\$ 129,422	\$ 116,080	\$ 112,478
Contributions in Relation to the Actuarially Determined Non-Employer Contribution	<u>(132,981)</u>	<u>(129,422)</u>	<u>(116,080)</u>	<u>(112,478)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Employer Contributors</b>				
Actuarially Determined Contribution	\$ 56,761	\$ 54,472	\$ 47,659	\$ 45,349
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(56,761)</u>	<u>(54,472)</u>	<u>(47,659)</u>	<u>(45,349)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total SETP - Teachers</b>				
Actuarially Determined Contribution	\$ 189,742	\$ 183,894	\$ 163,739	\$ 157,827
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(189,742)</u>	<u>(183,894)</u>	<u>(163,739)</u>	<u>(157,827)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

<u>2015</u>		<u>2014</u>	
\$	147,048	\$	146,362
	<u>(147,048)</u>		<u>(146,362)</u>
\$	<u>-</u>	\$	<u>-</u>
\$	38,404	\$	36,931
	<u>(38,404)</u>		<u>(36,931)</u>
\$	<u>-</u>	\$	<u>-</u>
\$	185,452	\$	183,293
	<u>(185,452)</u>		<u>(183,293)</u>
\$	<u>-</u>	\$	<u>-</u>

**STATE OF MAINE**  
**SCHEDULE OF STATE CONTRIBUTIONS**  
**COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS**  
**STATE EMPLOYEES AND TEACHERS PLAN - TEACHERS (CONTINUED)**

Notes to Schedule:

Valuation date	June 30, 2015 June 30, 2019 actuarially determined contribution rates are calculated based on 2016 liabilities developed as a roll-forward of the 2015 valuation liability, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2016 using actual assets at June 30, 2016.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 16-year amortization of the UAL prior to 2012 and individual, closed. level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012.
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	99 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table for males and females.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2019 can be found in the June 30, 2016 actuarial valuation report.

Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.
Other information	Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first \$20,000 of annual benefit, indexed. This is a permanent increase in retiree's benefit. The \$20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

**STATE OF MAINE**  
**SCHEDULE OF CHANGES IN**  
**THE NET OPEB LIABILITY**  
**HEALTHCARE PLAN - STATE EMPLOYEES**

Last Three Fiscal Years  
(Expressed in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>			
Beginning Total Liability	\$ 1,199,512	\$ 1,161,320	\$ 1,143,542
Service Cost	17,425	16,917	12,246
Interest	79,128	76,921	75,650
Differences Between Expected and Actual Experience	20,875	17,725	-
Changes of Assumptions Others	-	5,241	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(70,524)	(58,347)	(54,118)
Benefit Payments, Including Refunds of Member Contributions - Implicit	(20,305)	(20,265)	(16,000)
Net Change in Total OPEB Liability	<u>26,599</u>	<u>38,192</u>	<u>17,778</u>
Ending Total OPEB Liability	<u>1,226,111</u>	<u>1,199,512</u>	<u>1,161,320</u>
<b>Plan Fiduciary Net Position</b>			
Beginning Plan Fiduciary Net Position	256,860	233,596	203,088
Employer Contributions - Explicit	72,524	60,347	58,118
Employer Contributions - Implicit	20,305	20,265	16,000
Net Investment Income	18,846	21,270	26,513
Benefit Payments, Including Refunds of Member Contributions	(90,829)	(78,612)	(70,118)
Administrative Expense	(3)	(6)	(5)
Net Change in Plan Fiduciary Net Position	<u>20,843</u>	<u>23,264</u>	<u>30,508</u>
Ending Plan Fiduciary Net Position	<u>277,703</u>	<u>256,860</u>	<u>233,596</u>
Ending Net OPEB Liability	<u>\$ 948,408</u>	<u>\$ 942,652</u>	<u>\$ 927,724</u>
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	22.6 %	21.4 %	20.1 %
Covered Payroll	\$ 626,384	\$ 612,195	\$ 574,663
Net OPEB Liability as a Percentage of Covered Payroll	\$ 151.4	\$ 154.0	\$ 161.4

This information relates to the OPEB Plan, not the employer's plan.

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

**STATE OF MAINE**  
**SCHEDULE OF CHANGES IN**  
**THE NET OPEB LIABILITY**  
**GROUP LIFE INSURANCE PLAN - STATE EMPLOYEES AND TEACHERS**

Last Three Fiscal Years  
(Expressed in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>			
Beginning Total Liability	\$ 196,263	\$ 183,723	\$ 175,647
Service Cost	2,132	2,122	2,065
Interest	13,155	12,531	12,015
Differences Between Expected and Actual Experience	-	1,957	-
Changes of Assumptions Discount Rate	-	3,200	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	<u>(7,118)</u>	<u>(7,270)</u>	<u>(6,004)</u>
Net Change in Total OPEB Liability	<u>8,169</u>	<u>12,540</u>	<u>8,076</u>
Ending Total OPEB Liability	<u>204,432</u>	<u>196,263</u>	<u>183,723</u>
<b>Plan Fiduciary Net Position</b>			
Beginning Plan Fiduciary Net Position	94,287	86,883	77,416
Employer and Non-Employer Contributions	7,756	7,639	6,921
Net Investment Income	6,418	7,805	9,886
Benefit Payments, Including Refunds of Member Contributions	(7,118)	(7,270)	(6,004)
Administrative Expense	<u>(726)</u>	<u>(770)</u>	<u>(1,336)</u>
Net Change in Plan Fiduciary Net Position	<u>6,330</u>	<u>7,404</u>	<u>9,467</u>
Ending Plan Fiduciary Net Position	<u>100,617</u>	<u>94,287</u>	<u>86,883</u>
Ending Net OPEB Liability	<u>\$ 103,815</u>	<u>\$ 101,976</u>	<u>\$ 96,840</u>
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	49.2 %	48.0 %	47.3 %
Covered Payroll	\$ 1,380,619	\$ 1,343,669	\$ 1,277,009
Change - Increase (Decrease)	7.5 %	7.6 %	7.6 %

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

**STATE OF MAINE**  
**SCHEDULE OF CHANGES IN**  
**TOTAL OPEB LIABILITY**  
**HEALTHCARE PLAN - TEACHERS**

Last Three Fiscal Years  
(Expressed in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>			
Beginning Total Liability	\$ 1,248,326	\$ 1,323,731	
Service Cost	35,795	42,214	-
Interest	45,495	38,521	-
Contribution - Non-Employer Contributing Entity	(26,855)	(28,848)	-
Differences Between Expected and Actual Experience	(5,178)	-	-
Changes of Assumptions Discount Rate	(61,721)	(170,420)	-
Differences Between Expected and Actual Investment Earnings	-	43,128	-
Net Change in Total OPEB Liability	<u>(12,464)</u>	<u>(75,405)</u>	<u>-</u>
Ending Total OPEB Liability	<u>\$ 1,235,862</u>	<u>\$ 1,248,326</u>	<u>\$ 1,323,731</u>
Covered Payroll	\$ 1,156,592	\$ 1,149,126	\$ 1,125,444
Total OPEB Liability as Percentage of Covered Payroll	106.9 %	107.5 %	117.6 %
State's Proportionate Share of the Collective Total OPEB	74 %	83 %	83 %

This plan is funded on a pay-as-you go basis. The State's proportionate share for fiscal years June 30, 2017 through June 30, 2019 was estimated assuming the same share of implicit subsidy for each school district's OPEB Plan.

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

**STATE OF MAINE**  
**SCHEDULE OF CHANGES IN**  
**TOTAL OPEB LIABILITY**  
**HEALTHCARE PLAN - FIRST RESPONDERS**

Last Three Fiscal Years  
(Expressed in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>			
Beginning Total Liability	\$ 18,980	\$ 26,052	
Service Cost	776	1,836	-
Interest	698	786	-
Contribution - Employee	(617)	(618)	-
Contribution - Non-Employer Contributing Entity	(5)	(78)	-
Administrative Expenses	98	99	-
Differences Between Expected and Actual Experience	(191)	(2,909)	-
Changes of Assumptions Discount Rate	(507)	(1,325)	-
Changes of Assumptions - Others	-	(4,863)	-
Net Change in Total OPEB Liability	<u>252</u>	<u>(7,072)</u>	<u>-</u>
Ending Total OPEB Liability	<u>\$ 19,232</u>	<u>\$ 18,980</u>	<u>\$ 26,052</u>
Covered Payroll	\$ 64,427	\$ 62,551	\$ 55,651
Total OPEB Liability as Percentage of Covered Payroll	29.9 %	30.3 %	46.8 %
State's Proportionate Share of the Collective Total OPEB	13 %	23 %	23 %

This plan is funded on a pay-as-you go basis. The State's proportionate share for fiscal years June 30, 2017 through June 30, 2019 was estimated assuming the same share of implicit subsidy for each municipality's OPEB Plan.

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

**STATE OF MAINE**  
**SCHEDULE OF STATE CONTRIBUTIONS**  
**STATE FUNDED HEALTHCARE AND GROUP LIFE INSURANCE OPEB PLANS**

Last Three Fiscal Years  
(Expressed in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>State Employee Healthcare</b>			
Actuarially Determined Contribution	\$ 71,363	\$ 71,179	\$ 69,000
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>92,829</u>	<u>80,612</u>	<u>74,000</u>
Contribution Deficiency (Excess)	<u>\$ (21,466)</u>	<u>\$ (9,433)</u>	<u>\$ (5,000)</u>
 Covered Payroll	 \$ 626,384	 \$ 612,195	 \$ 582,934
Contributions as a Percentage of Covered Payroll	14.82 %	13.17 %	12.69 %
 <b>State Employee and Teacher Group Life Insurance Benefit Plan</b>			
Actuarially Determined Contribution	\$ 9,040	\$ 8,806	\$ 8,240
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>7,756</u>	<u>7,638</u>	<u>(6,921)</u>
Contribution Deficiency (Excess)	<u>\$ 1,284</u>	<u>\$ 1,168</u>	<u>\$ 15,161</u>
 Covered Payroll	 \$ 1,380,619	 \$ 1,343,669	 \$ 1,277,009
Contributions as a Percentage of Covered Payroll	0.56 %	0.57 %	0.54 %

Notes to Schedule:

Pay-as-you-go plans do not require an actuarially determined contribution.

**State Health Insurance** The valuation date is June 30, 2017. Costs are developed using the entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 95 percent of active participants currently enrolled. Actuarial assumptions used in the June 30, 2019 and June 30, 2018 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2019 and June 30, 2018 include: a 6.75 percent investment rate of return, a 6.875 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. The unfunded liability will be fully recognized by June 30, 2037. Assumption changes, plan changes and experience gains are amortized over a 20 year fixed period. Experience losses are amortized over a 10 year fixed period. The medical trend rate had been 6.80 at June 30, 2016, 6.60 percent at June 30, 2017, 6.40 percent at June 30, 2018 and 6.20 percent at June 30, 2019. The ultimate medical trend rate for both years is 4.29 percent reached at 2075. The State actively manages premium increases within the statutory cap, so healthcare cost increases are limited to no more than inflation plus 3 percent in any year. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. Changes in assumptions for 2019 included decreasing the medical trend rate from 6.40 percent to 6.20 percent. Both years used the ultimate medical trend rate at 4.29 percent. The year the ultimate trend rate is 2075 in both 2019 and 2018.

**Group Life Insurance** The valuation date is June 30, 2016 for State Employees and June 30, 2014 for Teachers. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 100 percent of those currently enrolled. Actuarial assumptions were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2019 include: a 6.75 percent investment rate of return, a 6.875 percent discount rate, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2019, there were 18 years remaining in the amortization schedule for state employees and teachers. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. Teachers rates are based on 99 percent for both genders. One assumption changed in 2018. The discount rate assumption was lowered from 6.875 percent to 6.750 percent.

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.



**STATE OF MAINE**  
**SCHEDULE OF INVESTMENT RETURNS**  
**STATE FUNDED HEALTHCARE AND GROUP LIFE INSURANCE OPEB PLANS**

Last Three Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	6.60 %	9.00 %	12.88 %

Notes to Schedule:

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

**STATE OF MAINE**  
**INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH**

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As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to those assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,808 highway miles or 17,891 lane miles of roads and 2,971 bridges having a total deck area of 12.3 million square feet that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved at, or above, the established condition level.

Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

## **HIGHWAYS**

### **Measurement Scale for Highways**

The Maine Department of Transportation (MDOT) uses six indicators to determine the condition of highway adequacy. The six indicators and their relative point weighting are listed in the table below.

<b>Data Element</b>	<b>Point Rating (%)</b>	<b>Description</b>
Pavement Condition Rating (PCR)	45	PCR is defined as the composite condition of the pavement on a roadway only, and is compiled from the severity and extent of pavement distresses such as cracking, rutting and patching. It is the key indicator used to determine the optimum time to treat a particular section of road. Points decrease as PCR decreases
Safety	20	Statewide crash rates are used to allocate points. Locations with high rates get fewer points.
Backlog (Built vs. Unbuilt roadway)	15	A “Built” road is one that has been constructed to a modern standard, usually post 1950. This includes adequate drainage, base, and pavement to carry the traffic load, and adequate sight distance and width to meet current safety standards. “Unbuilt” (backlog) is defined as a roadway section that has not been built to modern standards. Yes or No (15 or 0).
Annual Average Daily Traffic divided by the hourly highway capacity (AADT/C)	10	This ratio measures how intensely a highway is utilized. As a highway facility’s AADT/C ratio increases, the average speed of vehicles on that facility tends to decrease. This decrease in average speed is evidence of reduced mobility. As congestion increases, points decrease (0-10).
Posted Speed	5	Lower speeds equal fewer points
Paved Shoulder	5	In general, roadways with paved shoulders perform at a higher level and last longer than those without shoulders or with only gravel shoulders. Yes or No (5 or 0).
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**STATE OF MAINE**  
**INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH**

**BRIDGES**

MDOT uses four separate factors to obtain a numerical value used to indicate the ability of bridges to remain in service at the current level of usage. The numeric value is a percentage ranging from 0% to represent an entirely insufficient or deficient bridge, and 100% to represent an entirely sufficient bridge. The four indicators and their relative point weighting are listed in the table below. The composite numeric value is based on the sufficiency rating formula in the Recording and Coding Guide for Structure Inventory and Appraisal of the Nation's Bridges.

<b>Data Element</b>	<b>Point Rating (%)</b>	<b>Description</b>
Structural Adequacy and Safety	55	This category considers inventory rating, superstructure, substructure and culverts.
Serviceability and Functional Obsolescence	30	Serviceability and functional obsolescence that addresses the number of lanes, average daily traffic, roadway width, bridge width, deck condition, under clearances, waterway adequacy, alignment, and defense highway designation.
Essentiality for Public Use	15	This considers detour length, average daily traffic, and defense highway designation.
Special Reduction	(13)	The sufficiency rating also includes consideration of special reductions for detour length, safety features, and type of structure.

**Assessed Conditions**

The following table shows adequacy ratings for maintenance levels from Excellent to Poor.

<b>Adequacy Rating</b>	<b>Total</b>
Excellent	80 - 100
Good	70 - 80
Fair	60 - 70
Poor	0 - 60

MDOT intends to maintain highways and bridges at an adequacy rating of 60 or higher. The following table shows adequacy ratings achieved by MDOT.

<b>Fiscal Year</b>	<b>Highways</b>	<b>Bridges</b>
2019	70.0	74.0
2018	71.8	74.0
2017	72.3	74.0

**STATE OF MAINE**  
**INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH**

**Comparison of Estimated-to-Actual Preservation Costs**

The following table presents the State's preservation costs for the past five fiscal years. It also shows the estimate of spending necessary to preserve and maintain the roads and bridges at, or above, a sufficiency rating of 60 for both highways and bridges (in millions).

<b>Actual Preservation Costs</b>					
<b>(Expressed in millions)</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Highways	\$ 119.6	\$ 124.8	\$ 123.3	\$ 110.7	\$ 110.2
Bridges	13.2	16.4	18.8	4.9	5.5
Total	<u>\$ 132.8</u>	<u>\$ 141.2</u>	<u>\$ 142.1</u>	<u>\$ 115.6</u>	<u>\$ 115.7</u>

<b>Estimated Preservation Costs</b>					
<b>(Expressed in millions)</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Highways	\$ 112.0	\$ 133.0	\$ 142.2	\$ 113.4	\$ 71.9
Bridges	13.5	21.0	23.7	8.8	3.9
Total	<u>\$ 125.5</u>	<u>\$ 154.0</u>	<u>\$ 165.9</u>	<u>\$ 122.2</u>	<u>\$ 75.8</u>

**Transportation Bonds**

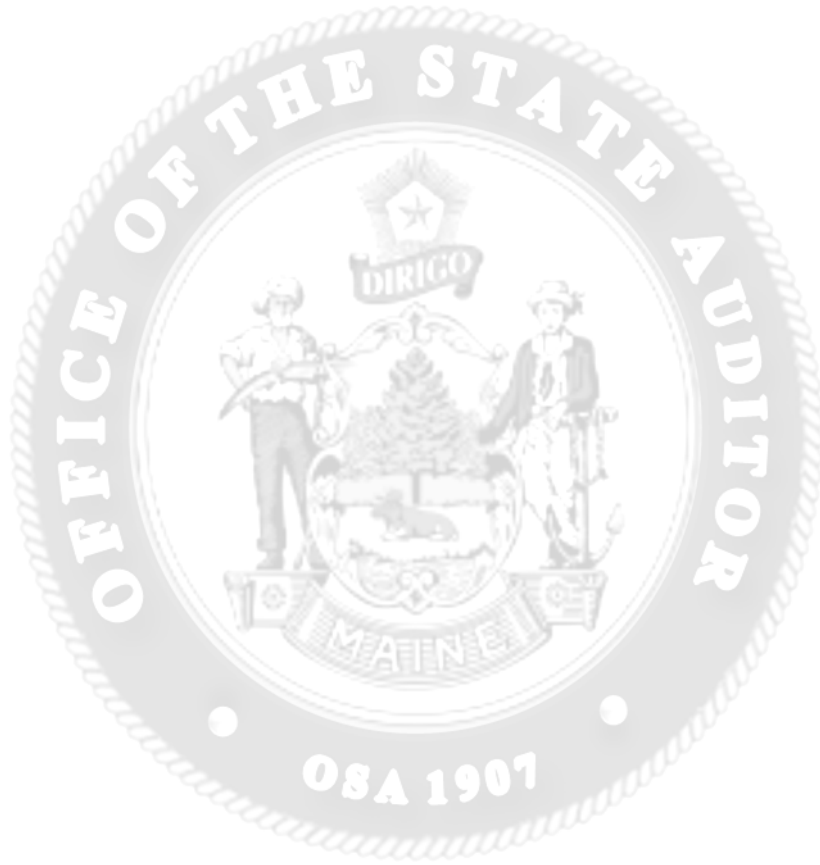
Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 467, PL 2017, \$40 million in General Fund bonds were spent during FY2019. Of the amount authorized by Chapter 299, PL 2017, \$70 million in General Fund bonds were spent during FY2019.



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**STATE OF MAINE  
INDEPENDENT AUDITOR'S REPORTS  
ON INTERNAL CONTROL AND COMPLIANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

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# STATE OF MAINE

## OFFICE OF THE STATE AUDITOR

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Pola A. Buckley, CPA, CISA  
State Auditor

B. Melissa Perkins, CPA  
Deputy State Auditor

### 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*

Honorable Troy Jackson  
President of the Senate

Honorable Sara Gideon  
Speaker of the House of Representatives

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of Maine's basic financial statements, and have issued our report thereon dated November 27, 2019. Our report includes a reference to other auditors who audited the financial statements of the following component units: Child Development Services, Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, and the University of Maine System, as described in our report on the State of Maine's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State of Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant*



*deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 to 2019-010, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **State of Maine's Response to Findings**

The State of Maine's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



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Pola A. Buckley, CPA, CISA  
State Auditor  
Office of the State Auditor

Augusta, Maine  
November 27, 2019



# STATE OF MAINE

## OFFICE OF THE STATE AUDITOR

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Deputy State Auditor

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Troy D. Jackson  
President of the Senate

Honorable Sara Gideon  
Speaker of the House of Representatives

#### **Report on Compliance for Each Major Federal Program**

We have audited the State of Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of Maine's major Federal programs for the year ended June 30, 2019. The State of Maine's major Federal programs are identified in the Summary of Auditor's Results (E-3 to E-4) of the accompanying Schedule of Findings and Questioned Costs (E-21 to E-176).

The State of Maine's basic financial statements included the operations of the following component units: Child Development Services, Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, and the University of Maine System. The Federal awards that these component units received are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of these component units because the component units engaged other auditors to perform an audit in accordance with the Uniform Guidance, if required.

#### ***Management's Responsibility***

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the State of Maine's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted

in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State of Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for each major Federal program. However, our audit does not provide a legal determination of the State of Maine's compliance.

***Basis for Qualified Opinion on the Continuum of Care Program***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Continuum of Care Program (CFDA #14.267) as described in finding number 2019-025 for Subrecipient Monitoring and finding number 2019-026 for Reporting. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Continuum of Care Program***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Continuum of Care Program for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Medicaid Cluster***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Medicaid Cluster (CFDA #93.775, #93.777, #93.778) as described in finding number 2019-037 for Eligibility and Special Tests and Provisions, finding number 2019-045 for Allowable Costs/Cost Principles, finding number 2019-046 for Eligibility, and finding numbers 2019-047 through 2019-049 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Medicaid Cluster***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Children's Health Insurance Program***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Children's Health Insurance Program (CFDA #93.767) as described in finding number 2019-037 for Eligibility and Special Tests and Provisions, finding number 2019-046 for Eligibility, and finding number 2019-049 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Children's Health Insurance Program***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Children's Health Insurance Program for the year ended June 30, 2019.

***Basis for Qualified Opinion on the SNAP Cluster***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the SNAP Cluster (CFDA #10.551, 10.561) as described in finding number 2019-011 for Cash Management and finding number 2019-037 for Eligibility and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the SNAP Cluster***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the SNAP Cluster for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Special Supplemental Nutrition Program for Women Infants, and Children (WIC) (CFDA #10.557) as described in finding numbers 2019-019 and 2019-020 for Subrecipient Monitoring, finding number 2019-021 for Cash Management, and finding number 2019-035 for Cash Management and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Supplemental Nutrition Program for Women Infants, and Children (WIC) for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Immunization Cooperative Agreements***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Immunization Cooperative Agreements (CFDA #93.268) as described in finding number 2019-032 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Immunization Cooperative Agreements***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Immunization Cooperative Agreements for the year ended June 30, 2019.

***Basis for Qualified Opinion on the TANF Cluster***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the TANF Cluster (CFDA #93.558) as described in finding number 2019-035 for Cash Management and Subrecipient Monitoring, finding numbers 2019-036 and 2019-038 for Subrecipient Monitoring, finding number 2019-037 for Eligibility and Special Tests and Provisions, and finding number 2019-039 for Reporting and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the TANF Cluster***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TANF Cluster for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Unemployment Insurance (UI)***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Unemployment Insurance (UI) (CFDA #17.225) as described in finding number 2019-027 for Allowable Costs/Cost Principles and Eligibility. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Unemployment Insurance (UI)***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Unemployment Insurance (UI) for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Rehabilitation Services – Vocational Rehabilitation Grants to States***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Rehabilitation Services – Vocational Grants to States (CFDA #84.126) as described in finding number 2019-029 for Matching, Level of Effort, Earmarking and finding number 2019-030 for Program Income. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Rehabilitation Services – Vocational Rehabilitation Grants to States***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Rehabilitation Services – Vocational Grants to States for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Disaster Grants – Public Assistance (Presidentially Declared Disasters)***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036) as described in finding number 2019-061 for Cash Management and finding numbers 2019-062 and 2019-063 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Disaster Grants – Public Assistance (Presidentially Declared Disasters)***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Disaster Grants – Public Assistance (Presidentially Declared Disasters) for the year ended June 30, 2019.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-012, 2019-040, 2019-050, 2019-053, 2019-054. Our opinion on each major Federal program is not modified with respect to these matters.

The State of Maine's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control over Compliance**

Management of the State of Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, 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.

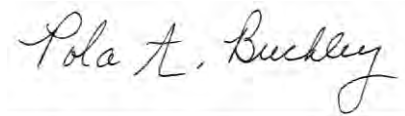
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-011, 2019-012, 2019-019 through 2019-021, 2019-025 through 2019-027, 2019-029, 2019-030, 2019-032, 2019-035 through 2019-040, 2019-045 through 2019-052, and 2019-061 through 2019-063 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-008 through 2019-010, 2019-013 through 2019-018, 2019-022 through 2019-024, 2019-028, 2019-031, 2019-033, 2019-034, 2019-041 through 2019-044, and 2019-053 through 2019-060 to be significant deficiencies.

The State of Maine's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Pola A. Buckley". The signature is written in dark ink on a light background.

Pola A. Buckley, CPA, CISA  
State Auditor  
Office of the State Auditor

Augusta, Maine  
March 31, 2020





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**STATE OF MAINE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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**STATE OF MAINE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

**Federal Agency**

CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total
<b>Department of Agriculture</b>				
10.025	Plant and Animal Disease, Pest Control, and Animal Care	61,745	327,156	388,901
10.156	Federal-State Marketing Improvement Program	-	616,792	616,792
10.162	Inspection Grading and Standardization	-	375,986	375,986
10.163	Market Protection and Promotion	362,749	-	362,749
10.170	Specialty Crop Block Grant Program - Farm Bill	406,928	44,638	451,566
10.178	Storage and Distribution Trade Mitigation Program Foods	68,000	-	68,000
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	-	353,443	353,443
	Supplemental Nutrition Assistance Program (SNAP) Recipient Integrity Information			
10.546	Technology Grants	-	1,685	1,685
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	4,096,404	10,905,219	15,001,623 *
10.558	Child and Adult Care Food Program	9,468,652	61,107	9,529,759
10.560	State Administrative Expenses for Child Nutrition	100	1,432,084	1,432,184
10.572	WIC Farmers' Market Nutrition Program (FMNP)	72,301	-	72,301
10.576	Senior Farmers Market Nutrition Program	858,138	107,737	965,874
10.578	WIC Grants To States (WGS)	-	214,178	214,178
10.579	Child Nutrition Discretionary Grants Limited Availability	85,710	-	85,710
10.582	Fresh Fruit and Vegetable Program	1,869,720	93,263	1,962,983
10.652	Forestry Research	-	629,907	629,907
10.664	Cooperative Forestry Assistance	217,675	1,262,907	1,480,582
10.674	Wood Utilization Assistance	-	49,904	49,904
10.676	Forest Legacy Program	-	32,830	32,830
10.680	Forest Health Protection	-	24,685	24,685
10.691	Good Neighbor Authority	-	19,509	19,509
10.902	Soil and Water Conservation	4,000	151,584	155,584
10.912	Environmental Quality Incentives Program	792	6,000	6,792
<b>SNAP Cluster</b>				
10.551	Supplemental Nutrition Assistance Program	-	205,842,969	205,842,969 *
	State Administrative Matching Grants for the Supplemental Nutrition Assistance			
10.561	Program	3,563,038	12,702,113	16,265,151 *
<b>SNAP Cluster Total</b>		<b>3,563,038</b>	<b>218,545,082</b>	<b>222,108,120</b>
<b>Food Distribution Cluster</b>				
10.565	Commodity Supplemental Food Program	3,387,894	45,235	3,433,129
10.568	Emergency Food Assistance Program (Administrative Costs)	131,000	75,177	206,177
10.569	Emergency Food Assistance Program (Food Commodities)	3,189,416	-	3,189,416
<b>Food Distribution Cluster Total</b>		<b>6,708,310</b>	<b>120,411</b>	<b>6,828,722</b>
<b>Child Nutrition Cluster</b>				
10.555	National School Lunch Program	52,202,401	89,929	52,292,330 *
10.559	Summer Food Service Program for Children	2,374,690	79,663	2,454,353 *
<b>Child Nutrition Cluster Total</b>		<b>54,577,091</b>	<b>169,592</b>	<b>54,746,683</b>
<b>Department of Agriculture Total</b>		<b>82,421,353</b>	<b>235,545,699</b>	<b>317,967,052</b>
<b>Department of Commerce</b>				
11.407	Interjurisdictional Fisheries Act of 1986	-	148,493	148,493
11.419	Coastal Zone Management Administration Awards	325,902	2,476,572	2,802,474
	Fisheries Development and Utilization Research and Development Grants and			
<sup>3</sup> 11.427	Cooperative Agreements Program	-	12,237	12,237
11.454	Unallied Management Projects	-	54,334	54,334
11.472	Unallied Science Program	248,725	923,063	1,171,788
<sup>4</sup> 11.473	Office for Coastal Management	28,574	9,545	38,120
<sup>5</sup> 11.474	Atlantic Coastal Fisheries Cooperative Management Act	-	843,229	843,229
11.549	State and Local Implementation Grant Program	-	285,237	285,237
<b>Department of Commerce Total</b>		<b>603,201</b>	<b>4,752,710</b>	<b>5,355,911</b>

**STATE OF MAINE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

**Federal Agency**

CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total
<b>Department of Defense</b>				
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	-	450,572	450,572
12.400	Military Construction, National Guard	-	4,029,754	4,029,754
12.401	National Guard Military Operations and Maintenance (O&M) Projects	-	22,087,940	22,087,940 *
12.617	Economic Adjustment Assistance for State Governments	735,472	49,296	784,768
<b>Department of Defense Total</b>		735,472	26,617,561	27,353,033
<b>Department of Housing And Urban Development</b>				
14.171	Manufactured Home Dispute Resolution	-	16,711	16,711
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	12,441,223	310,101	12,751,324 *
14.267	Continuum of Care Program	8,585,783	-	8,585,783 *
14.401	Fair Housing Assistance Program State and Local	-	188,949	188,949
<b>Department of Housing And Urban Development Total</b>		21,027,006	515,760	21,542,766
<b>Department of the Interior</b>				
15.423	Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	-	79,153	79,153
15.608	Fish and Wildlife Management Assistance	53,633	-	53,633
15.614	Coastal Wetlands Planning, Protection and Restoration	1,101,982	-	1,101,982
15.615	Cooperative Endangered Species Conservation Fund	-	26,740	26,740
15.616	Clean Vessel Act	270,568	70,374	340,942
15.622	Sportfishing and Boating Safety Act	-	278,962	278,962
15.634	State Wildlife Grants	18,709	603,756	622,465
15.637	Migratory Bird Joint Ventures	-	2,078	2,078
15.649	Service Training and Technical Assistance (Generic Training)	-	12,906	12,906
15.650	Research Grants (Generic)	-	1,916	1,916
15.657	Endangered Species Conservation – Recovery Implementation Funds	-	60,800	60,800
15.810	National Cooperative Geologic Mapping	-	112,054	112,054
15.814	National Geological and Geophysical Data Preservation	-	27,462	27,462
15.817	National Geospatial Program: Building The National Map	-	269,668	269,668
15.904	Historic Preservation Fund Grants-In-Aid	96,731	548,909	645,641
15.916	Outdoor Recreation Acquisition, Development and Planning	1,003,684	-	1,003,684
15.925	National Maritime Heritage Grants	106,143	-	106,143
<sup>1</sup> 15.931	Conservation Activities by Youth Service Organizations	-	69,360	69,360
15.980	National Ground-Water Monitoring Network	-	37,106	37,106
15.981	Water Use and Data Research	-	27,823	27,823
<b>Fish and Wildlife Cluster</b>				
15.605	Sport Fish Restoration	-	3,712,505	3,712,505
15.611	Wildlife Restoration and Basic Hunter Education	176,568	8,873,751	9,050,319
<b>Fish and Wildlife Cluster Total</b>		176,568	12,586,256	12,762,824
<b>Department of the Interior Total</b>		2,828,019	14,815,321	17,643,340
<b>Department of Justice</b>				
16.017	Sexual Assault Services Formula Program	268,084	-	268,084
16.540	Juvenile Justice and Delinquency Prevention	-	287,794	287,794
16.543	Missing Children's Assistance	-	180,514	180,514
16.550	State Justice Statistics Program for Statistical Analysis Centers	-	40,345	40,345
16.554	National Criminal History Improvement Program (NCHIP)	-	1,075,339	1,075,339
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	-	17,932	17,932

**STATE OF MAINE**  
**Schedule of Expenditures of Federal Awards**  
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**Federal Agency**

CFDA#	Clusters and Program Titles	Amounts		CFDA Total
		Provided to Subrecipients**	Direct Expenditures	
16.575	Crime Victim Assistance	7,885,946	688,017	8,573,963
16.576	Crime Victim Compensation	-	222,428	222,428
16.582	Crime Victim Assistance/Discretionary Grants	-	6,191	6,191
16.588	Violence Against Women Formula Grants	-	911,751	911,751
<sup>2</sup> 16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	-	1,477	1,477
16.593	Residential Substance Abuse Treatment for State Prisoners	-	3,058	3,058
16.606	State Criminal Alien Assistance Program	-	125,296	125,296
16.609	Project Safe Neighborhoods	-	827	827
16.710	Public Safety Partnership and Community Policing Grants	-	89,146	89,146
16.738	Edward Byrne Memorial Justice Assistance Grant Program	-	692,827	692,827
16.741	DNA Backlog Reduction Program	-	542,711	542,711
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	-	103,375	103,375
16.751	Edward Byrne Memorial Competitive Grant Program	-	8,057	8,057
16.812	Second Chance Act Reentry Initiative	-	37,352	37,352
16.816	John R. Justice Prosecutors and Defenders Incentive Act	-	29,679	29,679
16.922	Equitable Sharing Program	-	477,683	477,683
<b>Department of Justice Total</b>		<b>8,154,030</b>	<b>5,541,799</b>	<b>13,695,828</b>

**Department of Labor**

17.002	Labor Force Statistics	-	1,007,650	1,007,650
17.005	Compensation and Working Conditions	-	161,969	161,969
17.225	Unemployment Insurance	1,374,346	99,898,245	101,272,591 *
17.245	Trade Adjustment Assistance	-	1,049,612	1,049,612
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects	-	298,352	298,352
17.271	Work Opportunity Tax Credit Program (WOTC)	-	77,422	77,422
17.273	Temporary Labor Certification for Foreign Workers	-	276,991	276,991
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	46,174	157,887	204,062
17.281	WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	-	4,238	4,238
17.285	Apprenticeship USA Grants	-	134,118	134,118
17.503	Occupational Safety and Health State Program	-	514,270	514,270
17.504	Consultation Agreements	-	647,009	647,009
17.600	Mine Health and Safety Grants	-	103,447	103,447
WIOA Cluster				
17.258	WIA/WIOA Adult Program	2,015,647	338,020	2,353,667
17.259	WIA/WIOA Youth Activities	1,758,754	421,408	2,180,162
17.278	WIA/WIOA Dislocated Worker Formula Grants	1,465,365	1,007,842	2,473,207
WIOA Cluster Total		<b>5,239,766</b>	<b>1,767,271</b>	<b>7,007,037</b>
Employment Service Cluster				
17.207	Employment Service/Wagner-Peyser Funded Activities	-	3,829,727	3,829,727
17.801	Disabled Veterans' Outreach Program (DVOP)	-	539,549	539,549
17.804	Local Veterans' Employment Representative Program	-	464,368	464,368
Employment Service Cluster Total		<b>-</b>	<b>4,833,645</b>	<b>4,833,645</b>
<b>Department of Labor Total</b>		<b>6,660,287</b>	<b>110,932,125</b>	<b>117,592,412</b>

**Department of Transportation**

20.106	Airport Improvement Program	-	176,931	176,931
20.218	Motor Carrier Safety Assistance	-	1,229,275	1,229,275
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	-	562,210	562,210
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	-	98,565	98,565
20.509	Formula Grants for Rural Areas	-	7,969,895	7,969,895

**STATE OF MAINE**  
**Schedule of Expenditures of Federal Awards**  
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**Federal Agency**

<b>CFDA#</b>	<b>Clusters and Program Titles</b>	<b>Amounts Provided to Subrecipients**</b>	<b>Direct Expenditures</b>	<b>CFDA Total</b>
20.520	Paul S. Sarbanes Transit in the Parks	-	62	62
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	-	33,705	33,705
20.700	Pipeline Safety Program State Base Grant	-	449,473	449,473
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	163,821	-	163,821
20.721	PHMSA Pipeline Safety Program One Call Grant	-	44,634	44,634
20.933	National Infrastructure Investments	-	2,890,445	2,890,445
20.934	Nationally Significant Freight and Highway Projects	-	123,007	123,007
Transit Services Programs Cluster				
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	-	584,232	584,232
Transit Services Programs Cluster Total		-	584,232	584,232
Highway Safety Cluster				
20.600	State and Community Highway Safety	18,273	1,745,928	1,764,202
20.616	National Priority Safety Programs	164,396	3,571,318	3,735,714
Highway Safety Cluster Total		182,669	5,317,246	5,499,915
Highway Planning and Construction Cluster				
20.205	Highway Planning and Construction	-	186,940,185	186,940,185
20.219	Recreational Trails Program	806,955	105,585	912,539
Highway Planning and Construction Cluster Total		806,955	187,045,770	187,852,725
Federal Transit Cluster				
20.500	Federal Transit Capital Investment Grants	-	12,301	12,301
20.507	Federal Transit Formula Grants	-	538,187	538,187
20.526	Bus and Bus Facilities Formula Program	-	4,690,998	4,690,998
Federal Transit Cluster Total		-	5,241,486	5,241,486
<b>Department of Transportation Total</b>		<b>1,153,445</b>	<b>211,766,935</b>	<b>212,920,380</b>
<hr/>				
<b>Department of the Treasury</b>				
21.U01	NAEP Grant	-	110,980	110,980
<b>Department of the Treasury Total</b>		-	110,980	110,980
<hr/>				
<b>Equal Employment Opportunity Commission</b>				
30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964	-	192,196	192,196
<b>Equal Employment Opportunity Commission Total</b>		-	192,196	192,196
<hr/>				
<b>Institute Of Museum And Library Services</b>				
45.310	Grants to States	25,100	1,392,499	1,417,599
<b>Institute Of Museum And Library Services Total</b>		25,100	1,392,499	1,417,599
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<b>National Endowment For The Arts</b>				
45.025	Promotion of the Arts Partnership Agreements	348,025	397,048	745,073
<b>National Endowment For The Arts Total</b>		348,025	397,048	745,073
<hr/>				
<b>National Endowment For The Humanities</b>				
45.149	Promotion of the Humanities Division of Preservation and Access	-	115,143	115,143
<b>National Endowment For The Humanities Total</b>		-	115,143	115,143

**STATE OF MAINE**  
**Schedule of Expenditures of Federal Awards**  
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**Federal Agency**

CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total
<b>National Science Foundation</b>				
47.076	Education and Human Resources	-	75,055	75,055
<b>National Science Foundation Total</b>		-	75,055	75,055

**Department of Veterans Affairs**

64.U01	Veterans Affairs	-	714,885	714,885
<b>Department of Veterans Affairs Total</b>		-	714,885	714,885

**Environmental Protection Agency**

66.032	State Indoor Radon Grants	-	64,976	64,976
	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose			
66.034	Activities Relating to the Clean Air Act	-	253,771	253,771
66.040	State Clean Diesel Grant Program	138,562	-	138,562
66.432	State Public Water System Supervision	-	833,773	833,773
66.454	Water Quality Management Planning	22,442	92,086	114,529
66.461	Regional Wetland Program Development Grants	-	112,931	112,931
66.472	Beach Monitoring and Notification Program Implementation Grants	79,169	140,876	220,044
66.605	Performance Partnership Grants	901,969	5,889,005	6,790,974
	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative			
66.802	Agreements	-	69,877	69,877
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	-	283,295	283,295
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	-	722,809	722,809
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	-	132,007	132,007
66.817	State and Tribal Response Program Grants	-	885,149	885,149
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	169,031	30,680	199,711
Drinking Water State Revolving Fund Cluster				
66.468	Capitalization Grants for Drinking Water State Revolving Funds	-	1,411,675	1,411,675
Drinking Water State Revolving Fund Cluster Total		-	1,411,675	1,411,675
<b>Environmental Protection Agency Total</b>		1,311,174	10,922,910	12,234,083

**Department of Energy**

81.041	State Energy Program	-	352,671	352,671
81.119	State Energy Program Special Projects	-	184,706	184,706
81.138	State Heating Oil and Propane Program	-	8,552	8,552
<b>Department of Energy Total</b>		-	545,928	545,928

**Department of Education**

84.002	Adult Education - Basic Grants to States	1,139,262	285,627	1,424,889
84.010	Title I Grants to Local Educational Agencies	47,333,948	1,563,965	48,897,912
84.011	Migrant Education State Grant Program	876,216	162,494	1,038,710
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	-	210,597	210,597
84.048	Career and Technical Education -- Basic Grants to States	5,217,575	705,294	5,922,870
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	-	17,462,245	17,462,245 *
84.144	Migrant Education Coordination Program	18,056	96,664	114,719
84.161	Rehabilitation Services Client Assistance Program	-	135,383	135,383
	Rehabilitation Services Independent Living Services for Older Individuals Who are			
84.177	Blind	-	269,451	269,451
84.181	Special Education-Grants for Infants and Families	2,301,955	-	2,301,955



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**Federal Agency**

CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total
84.184	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	-	18,106	18,106
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	-	69,960	69,960
84.196	Education for Homeless Children and Youth	70,276	108,153	178,429
84.287	Twenty-First Century Community Learning Centers	4,484,422	277,907	4,762,329
84.323	Special Education - State Personnel Development	-	67,127	67,127
84.358	Rural Education	1,353,879	106,577	1,460,456
84.365	English Language Acquisition State Grants	519,062	217,088	736,150
84.366	Mathematics and Science Partnerships	158,443	2,385	160,828
84.367	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	8,785,190	333,570	9,118,760
84.369	Grants for State Assessments and Related Activities	-	3,820,237	3,820,237
84.377	School Improvement Grants	532,496	45,347	577,842
84.419	Preschool Development Grants	2,060,944	620,401	2,681,345
84.421	Disability Innovation Fund (DIF)	1,282,732	429,988	1,712,720
84.424	Student Support and Academic Enrichment Program	3,114,635	134,389	3,249,025
Special Education Cluster (IDEA)				
84.027	Special Education Grants to States	52,118,001	4,030,101	56,148,102
84.173	Special Education Preschool Grants	2,577,115	4,981	2,582,096
Special Education Cluster (IDEA) Total		54,695,115	4,035,083	58,730,198
<b>Department of Education Total</b>		133,944,206	31,178,036	165,122,242

**U.S. Election Assistance Commission**

90.401	Help America Vote Act Requirements Payments	-	9,733	9,733
<b>U.S. Election Assistance Commission Total</b>		-	9,733	9,733

**Northern Border Regional Commission**

90.601	Northern Border Regional Development	-	135,562	135,562
<b>Northern Border Regional Commission Total</b>		-	135,562	135,562

**Department of Health And Human Services**

93.041	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	14,789	7,882	22,672
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	75,766	-	75,766
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	143,117	-	143,117
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	215,274	29,346	244,620
93.052	National Family Caregiver Support, Title III, Part E	923,197	6,209	929,406
93.070	Environmental Public Health and Emergency Response	-	1,414,995	1,414,995
93.071	Medicare Enrollment Assistance Program	176,745	27,590	204,334
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	-	5,249,475	5,249,475
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	-	72,467	72,467
93.090	Guardianship Assistance	-	526,726	526,726
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	136,924	-	136,924
93.103	Food and Drug Administration Research	-	685,699	685,699
93.110	Maternal and Child Health Federal Consolidated Programs	-	112,703	112,703
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	-	170,235	170,235

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**Federal Agency**

<b>CFDA#</b>	<b>Clusters and Program Titles</b>	<b>Amounts Provided to Subrecipients**</b>	<b>Direct Expenditures</b>	<b>CFDA Total</b>
93.127	Emergency Medical Services for Children	-	90,741	90,741
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	-	262,116	262,116
93.136	Injury Prevention and Control Research and State and Community Based Programs	226,161	1,144,054	1,370,216
93.150	Projects for Assistance in Transition from Homelessness (PATH)	327,321	-	327,321
93.165	Grants to States for Loan Repayment Program	-	170,000	170,000
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	-	424,278	424,278
93.234	Traumatic Brain Injury State Demonstration Grant Program	-	75,868	75,868
93.241	State Rural Hospital Flexibility Program	-	444,955	444,955
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	74,079	3,578,520	3,652,600
93.268	Immunization Cooperative Agreements	-	16,597,273	16,597,273 *
93.270	Adult Viral Hepatitis Prevention and Control	-	106,765	106,765
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	-	146,982	146,982
93.301	Small Rural Hospital Improvement Grant Program	-	154,745	154,745
93.305	National State Based Tobacco Control Programs	-	700,654	700,654
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	-	91,835	91,835
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	-	1,479,578	1,479,578
93.324	State Health Insurance Assistance Program	342,755	68,419	411,174
93.336	Behavioral Risk Factor Surveillance System	-	192,088	192,088
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	-	275,370	275,370
93.369	ACL Independent Living State Grants	353,587	-	353,587
93.426	Improving the Prevention and Management of Diabetes and Cardiovascular Disease	-	574,251	574,251
93.434	Preschool Development Grants	-	82,563	82,563
93.464	ACL Assistive Technology	334,717	112,196	446,914
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	-	292,942	292,942
93.539	Promoting Safe and Stable Families	-	353,538	353,538
93.556	Child Support Enforcement	547,702	712,248	1,259,951
93.563	Refugee and Entrant Assistance State Administered Programs	-	19,198,106	19,198,106 *
93.566	Community Services Block Grant	-	459	459
93.569	State Court Improvement Program	3,371,784	262,111	3,633,895
93.586	Grants to States for Access and Visitation Programs	-	332,278	332,278
93.597	Chafee Education and Training Vouchers Program (ETV)	-	95,054	95,054
93.599	Head Start	-	149,876	149,876
93.600	Adoption and Legal Guardianship Incentive Payments	-	164,647	164,647
93.603	Developmental Disabilities Basic Support and Advocacy Grants	31,154	77,275	108,428
93.630	Children's Justice Grants to States	499,154	-	499,154
93.643	Stephanie Tubbs Jones Child Welfare Services Program	157,736	26,461	184,197
93.645	Foster Care Title IV-E	567,142	394,860	962,002
93.658	Adoption Assistance	-	22,038,297	22,038,297
93.659	Social Services Block Grant	-	19,718,190	19,718,190
93.667	Child Abuse and Neglect State Grants	6,132,632	302,399	6,435,030
93.669	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	-	59,195	59,195
93.671	Chafee Foster Care Independence Program	852,226	17,940	870,166
93.674	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	177,665	288,071	465,736
93.735	Elder Abuse Prevention Interventions Program	-	48,929	48,929
93.747		-	22,401	22,401

**STATE OF MAINE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

**Federal Agency**

CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	-	347,472	347,472
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	14,851	1,489,620	1,504,470
93.767	Children's Health Insurance Program	-	35,412,995	35,412,995 *
93.788	Opioid STR	1,915,101	511,696	2,426,797
93.791	Money Follows the Person Rebalancing Demonstration	326,744	385,158	711,902
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	-	64,276	64,276
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	-	170,243	170,243
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	19,739	1,906,526	1,926,265
93.913	Grants to States for Operation of State Offices of Rural Health	-	203,180	203,180
93.917	HIV Care Formula Grants	141,753	2,924,413	3,066,166
93.940	HIV Prevention Activities Health Department Based	144,967	367,565	512,532
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	-	140,070	140,070
93.945	Assistance Programs for Chronic Disease Prevention and Control	-	182,286	182,286
93.958	Block Grants for Community Mental Health Services	1,947,143	241,793	2,188,935
93.959	Block Grants for Prevention and Treatment of Substance Abuse	6,726,612	2,746,020	9,472,632
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	74,917	108,595	183,513
93.994	Maternal and Child Health Services Block Grant to the States	162,960	2,712,321	2,875,281
TANF Cluster				
93.558	Temporary Assistance for Needy Families	26,374,821	44,064,001	70,438,822 *
TANF Cluster Total		26,374,821	44,064,001	70,438,822
Medicaid Cluster				
93.775	State Medicaid Fraud Control Units	-	864,145	864,145 *
	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)			
93.777	Medicare	-	4,456,359	4,456,359 *
93.778	Medical Assistance Program	1,574,071	1,961,323,166	1,962,897,237 *
Medicaid Cluster Total		1,574,071	1,966,643,670	1,968,217,742
Maternal, Infant, and Early Childhood Home Visiting Cluster				
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	4,446,845	115,860	4,562,705
Maternal, Infant, and Early Childhood Home Visiting Cluster Total		4,446,845	115,860	4,562,705
CCDF Cluster				
93.575	Child Care and Development Block Grant	-	19,566,865	19,566,865
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	-	10,909,162	10,909,162
CCDF Cluster Total		-	30,476,027	30,476,027
Aging Cluster				
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	2,344,214	349,718	2,693,932
93.045	Special Programs for the Aging Title III, Part C Nutrition Services	3,416,973	24,529	3,441,502
93.053	Nutrition Services Incentive Program	545,603	-	545,603
Aging Cluster Total		6,306,789	374,248	6,681,037
<b>Department of Health And Human Services Total</b>		<b>65,858,940</b>	<b>2,191,219,893</b>	<b>2,257,078,833</b>

**Corporation For National And Community Service**

94.003	State Commissions	-	264,322	264,322
94.006	AmeriCorps	1,115,506	413,866	1,529,372
94.009	Training and Technical Assistance	-	125,235	125,235
94.021	Volunteer Generation Fund	84,092	38,172	122,264
94.241	State Rural Hospital Flexibility Program	-	-	-
<b>Corporation For National And Community Service Total</b>		<b>1,199,598</b>	<b>841,595</b>	<b>2,041,193</b>

**STATE OF MAINE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

**Federal Agency**

CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total
<b>Social Security Administration</b>				
	Disability Insurance/SSI Cluster			
96.001	Social Security Disability Insurance	-	7,804,795	7,804,795
	Disability Insurance/SSI Cluster Total	-	7,804,795	7,804,795
<b>Social Security Administration Total</b>		-	7,804,795	7,804,795
<b>Department of Homeland Security</b>				
97.012	Boating Safety Financial Assistance	-	1,322,790	1,322,790
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	5,606,029	1,238,603	6,844,632 *
97.039	Hazard Mitigation Grant	263,615	6,504	270,119
97.041	National Dam Safety Program	-	78,667	78,667
97.042	Emergency Management Performance Grants	1,849,236	1,645,175	3,494,411
97.045	Cooperating Technical Partners	-	161,996	161,996
97.047	Pre-Disaster Mitigation	38,382	19,567	57,949
97.056	Port Security Grant Program	-	246,068	246,068
97.067	Homeland Security Grant Program	2,885,189	1,373,252	4,258,442
<b>Department of Homeland Security Total</b>		10,642,452	6,092,621	16,735,073
<b>Total Federal Expenditures</b>		<b>336,912,308</b>	<b>2,862,236,790</b>	<b>3,199,149,098</b>

\*\*Amounts Provided to Subrecipients may include non-cash distributions of food commodities or other donated items.

- <sup>1</sup> 15.931 Appalachian Trail Commission
- <sup>2</sup> 16.590 Cumberland Cty
- <sup>3</sup> 11.427 Atlantic Offshore Lobstermen's Assoc.
- <sup>4</sup> 11.473 NERACOOS & TNC
- <sup>5</sup> 11.474 Atlantic State Marine Fisheries Commission

**STATE OF MAINE**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2019**

**Purpose of the Schedule**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the State's basic financial statements (BFS) and is presented for purposes of additional analysis. Total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA) are shown. Federal financial assistance programs, which have not been assigned a CFDA number, have been identified using the two-digit federal agency number and a suffix containing a "U". Federal award amounts aggregated by federal agency, direct and pass-through amounts are reported by the primary recipient to prevent overstatement of expenditures of federal awards. This schedule is required by *Title 2 U.S. Code of Federal Regulations §200, Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

**1. Significant Accounting Policies**

- A. *Reporting Entity* – The reporting entity is defined in Note 1 to the BFS. The accompanying Schedule includes all federal financial assistance programs of the State of Maine reporting entity for the fiscal year ended June 30, 2019, with the exception of the discrete component units identified in Note 1 to the BFS. The discrete component units engaged other auditors.
- B. *Basis of Presentation* – The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance.
  - 1) Federal Awards – A federal award is defined by the Uniform Guidance as federal financial assistance and federal cost-reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance. Accordingly, non-cash federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.
  - 2) Type A and Type B Programs – Levels of expenditures to be used in defining Type A and Type B federal financial assistance programs are specified by the Uniform Guidance. Type A programs for the State of Maine are those programs that equal or exceed \$9.6 million in expenditures, distributions, or issuances for the year ended June 30, 2019. Programs audited as major programs are marked with asterisks in the accompanying schedule.
- C. *Basis of Accounting* – The information presented in the Schedule of Expenditures of Federal Awards is presented primarily on the cash basis of accounting, which is consistent with the other Federal grant reports. The fund level financial statements are reported on the modified accrual basis of accounting. Consequently, the schedule's data may not be directly traceable to the financial statements.

## 2. Indirect Costs

The State of Maine did not elect to use the 10% de minimis indirect cost rate with the exception of the following program:

20.700 Pipeline Safety Program State Base Grant

## 3. Unemployment Insurance Program

The expenditures reported on the Schedule for Unemployment Insurance (CFDA 17.225) include:

State Funds	\$82,772,268
Federal Funds	18,500,323
Total	\$101,272,591

## 4. Noncash Awards

The State of Maine is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements. Noncash awards received by the State are included in the Schedule of Expenditures of Federal Awards as follows:

CFDA Number	Program Title	Noncash Awards
10.551	SNAP (Supplemental Nutrition Assistance Program)	\$205,842,969
10.555	National School Lunch Program	\$4,998,517
10.565	Commodity Supplemental Food Program	\$2,608,746
10.569	Emergency Food Assistance Program	\$3,189,416
10.664	Cooperative Forestry Assistance	\$443,814
12.401	National Guard Military Operations & Maint. Proj.	\$348,222
39.003	Donation of Federal Surplus Personal Property	\$167,735
93.268	Immunization Grants	\$14,373,125



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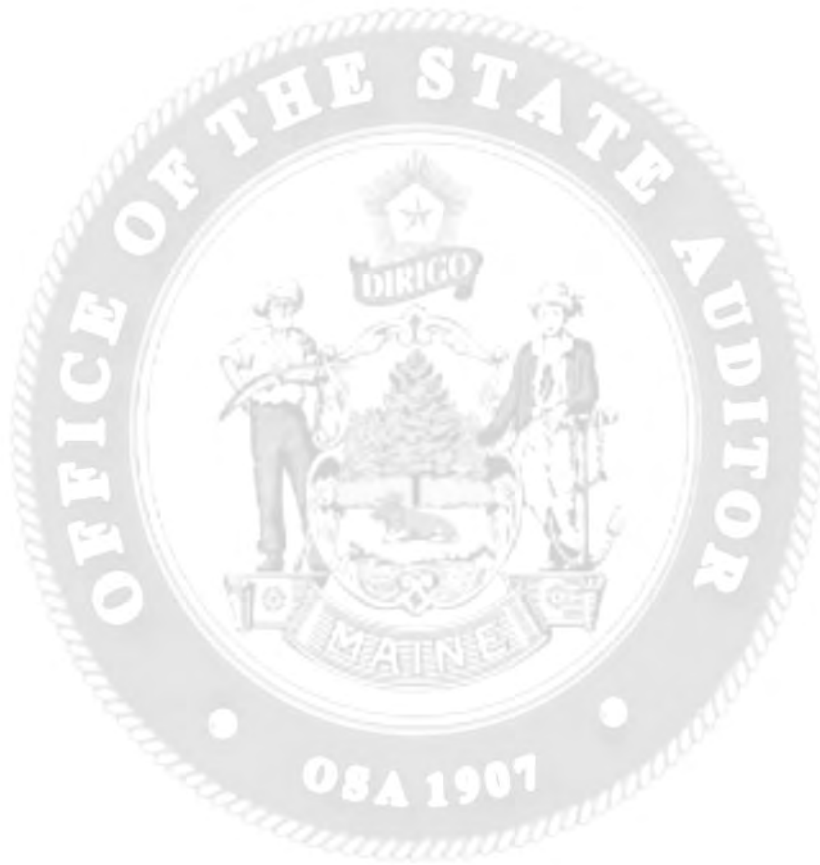
**STATE OF MAINE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Section I – Summary of Auditor's Results**

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## SECTION I – SUMMARY OF AUDITOR’S RESULTS

### **Financial Statements:**

Type of auditor’s report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>
• Significant deficiencies identified that were not considered to be material weaknesses?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
• Noncompliance material to financial statements noted?	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>

### **Federal Awards:**

Internal control over major programs:		
• Material weaknesses identified?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
• Significant deficiencies identified that were not considered to be material weaknesses?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>

Type of auditor’s report issued on compliance for major programs:

#### Unmodified

Child Nutrition Cluster  
 Child Support Enforcement  
 Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii  
 National Guard Military Operations and Maintenance (O&M) Projects

#### Qualified

Children’s Health Insurance Program  
 Continuum of Care Program  
 Disaster Grants – Public Assistance (Presidentially Declared Disasters)  
 Immunization Cooperative Agreements  
 Medicaid Cluster  
 Rehabilitation Services - Vocational Rehabilitation Grants to States  
 SNAP Cluster  
 Special Supplemental Nutrition Program for Women, Infants, and Children  
 TANF Cluster  
 Unemployment Insurance

Any audit findings that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>
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### **Clusters Identified as Major Programs:**

#### **CFDA #**

#### **Name of Federal Program or Cluster**

SNAP Cluster	
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Child Nutrition Cluster

10.555 National School Lunch Program  
10.559 Summer Food Service Program for Children

TANF Cluster

93.558 Temporary Assistance for Needy Families

Medicaid Cluster

93.775 State Medicaid Fraud Control Units  
93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare  
93.778 Medical Assistance Program

**Other Major Programs:**

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children  
12.401 National Guard Military Operations and Maintenance (O&M) Projects  
14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii  
14.267 Continuum of Care Program  
17.225 Unemployment Insurance  
84.126 Rehabilitation Services - Vocational Rehabilitation Grants to States  
93.268 Immunization Cooperative Agreements  
93.563 Child Support Enforcement  
93.767 Children's Health Insurance Program  
97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$9,597,447

Does the auditee qualify as low risk? YES ☐ NO ☒

**Summary of Questioned Costs:**

Federal Agency	Federal Program	Known Questioned Costs	Finding Number
U.S. Department of Agriculture	SNAP Cluster	Undeterminable	2019-011
		\$261	2019-012
U.S. Department of Health and Human Services	TANF Cluster	\$1,120	2019-040
	Medicaid Cluster	Undeterminable	2019-045
		\$86	2019-050
		\$9,047,317	2019-053
		\$19	2019-054
U.S. Department of Labor	Unemployment Insurance	\$0	2019-027

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**STATE OF MAINE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Section II – Financial Statement Findings**

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**(2019-001) Confidential finding**

**Title:** \_\_\_\_\_ does not have a \_\_\_\_\_ in place (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Redacted	Redacted	Redacted					

**State Department:** Administrative and Financial Services

**State Bureau:** Maine Revenue Services

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** \_\_\_\_\_; \_\_\_\_\_

**Condition:** \_\_\_\_\_ does not have a \_\_\_\_\_ related to the \_\_\_\_\_. The purpose of a \_\_\_\_\_ is to \_\_\_\_\_ and \_\_\_\_\_ in the event of a \_\_\_\_\_ or \_\_\_\_\_. \_\_\_\_\_ is in the process of developing a \_\_\_\_\_ and is seeking \_\_\_\_\_.

**Context:** \_\_\_\_\_ is used by \_\_\_\_\_ to \_\_\_\_\_ and \_\_\_\_\_. This includes the \_\_\_\_\_ and \_\_\_\_\_ of \_\_\_\_\_.

**Cause:** Lack of resources

**Effect:**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Recommendation:** We recommend that the Department develop a \_\_\_\_\_ that will \_\_\_\_\_ their \_\_\_\_\_. Additionally, we recommend that \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ in accordance with \_\_\_\_\_.

**Corrective Action Plan:** See F-5

**Management's Response:** MRS agrees with the finding. The development and implementation of \_\_\_\_\_ for all MRS \_\_\_\_\_, including \_\_\_\_\_, is a priority. MRS will continue to work closely with \_\_\_\_\_ to \_\_\_\_\_ and \_\_\_\_\_, which is MRS' \_\_\_\_\_.

**Contact:** Derek Higgins, Director of Accounting/Financial Risk Manager, MRS, 207-624-9738

(State Number: 19-0903-01)

(2019-002)

**Title:** Internal control over the physical inventory of fixed assets needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11

**State Department:** Administrative and Financial Services (DAFS)

Environmental Protection (DEP)

Health and Human Services (DHHS)

Transportation (DOT)

**State Bureau:** Office of the State Controller, a Unit of DAFS

Health and Human Services Service Center, a Unit of DAFS

Division of Resource Administration, a Division of DEP

Center for Disease Control and Prevention, Division of Disease Surveillance,  
a Unit of DHHS

Finance and Administration, a Bureau of DOT

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** State Administrative and Accounting Manual 30.45

**Condition:** Unless otherwise approved by the Office of the State Controller (OSC), agencies must conduct physical inventories annually for all inventorial assets except stationary assets such as land, infrastructure, buildings, improvements other than buildings, and leasehold improvements. During our testing of fixed assets, three of the five departments audited did not have adequate procedures in place to ensure physical inventory counts of equipment were performed in accordance with the State Administrative and Accounting Manual (SAAM). The following exceptions were noted:

- The Department of Transportation (DOT) does not perform physical counts of equipment consistently. Additionally, during one physical count, DOT personnel requested that four fixed assets be removed from the fixed asset listing because they were disposed of between four to ten years ago.
- The Department of Environmental Protection (DEP) does not perform physical counts of equipment.
- The Department of Health and Human Services (DHHS) is unable to perform an accurate physical count of equipment. DHHS personnel receive a fixed asset listing generated from the State accounting system that does not provide adequate detail for DHHS personnel to accurately identify specific fixed assets. DHHS, including its Service Center, does not maintain a separate internal listing of equipment inventory for tracking purposes.

**Context:** Capitalized equipment for DOT, DEP and DHHS totaled \$34.1 million during fiscal year 2019.

**Cause:**

- Staff turnover
- Lack of training
- Lack of adequate documentation
- Lack of supervisory oversight

**Effect:**

- Asset balances and accumulated depreciation recorded in the State's financial statements may be misstated.
- Fixed assets recorded in the State's accounting system and subsidiary ledgers are not accurate.
- Fixed assets could be lost or stolen and not be detected.

**Recommendation:** We recommend that the OSC provide training to departments to ensure that proper annual inventories are conducted. We further recommend that the OSC strengthen monitoring procedures that will ensure accurate financial reporting of fixed assets.

**Corrective Action Plan:** See F-5

**Management's Response:**Department of Transportation's Response:

DOT disagrees with the condition stated in this finding. While there were a few instances of assets not being timely disposed of, DOT does have proper procedures in place to ensure physical inventory counts of equipment are performed. The DOT personnel in question confirmed that they do in fact perform a physical inventory and in cases where the equipment isn't always visible, such as underground fuel tanks, the regions have processes in place to monitor the fuel levels; thereby, confirming that the asset still exists.

**Contact:** Doreen Corum, Financial Processing Director, DOT, 207-624-3139

Department of Environmental Protection's Response:

DEP partially agrees with the condition stated in this finding. The responsibility for the inventorying of assets has been recently re-assigned from the Natural Resources Service Center to DEP's Division of Resource Administration. While physical counts have been conducted, the underlying inventory records still require updating. DEP has begun this task and is targeting a completion date during calendar year 2020.

**Contact:** Sherrie Kelley, Director of Resource Administration, DEP, 207-287-4852

Department of Health and Human Services and the DHHS Service Center's Response:

DHHS and the DHHS Service Center agree with the condition stated in this finding. DHHS will designate/assign personnel from the different offices to take a physical inventory annually and report that information on an inventory tracking sheet to the DHHS Service Center. The DHHS Service Center will facilitate this and review the information before submission to the Controller's Office.

**Contact:** Sarah Gove, Director, DHHS Service Center, 207-458-6626



Office of the State Controller's Response:

OSC provides training to agencies regarding inventory procedures on an ad hoc basis. We will perform annual outreach to affected agencies through "pre-closing" meetings to ensure that agencies have a documented inventory schedule that complies with the SAAM and provide additional training where necessary.

**Contact:** Shirley Browne, Deputy State Controller, OSC, 207-626-8420

**Auditor's Concluding Remarks:** We continue to recommend that the Departments work with OSC to ensure that proper physical inventories are conducted annually and that the results of those physical inventories are properly reflected in the State accounting system or subsidiary ledgers to ensure accurate financial reporting of fixed assets. The finding remains as stated.

(State Number: 19-0600-02)

**(2019-003) Confidential finding**

**Title:** \_\_\_\_\_ is uniquely an imperative for \_\_\_\_\_ (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11

**State Department:** \_\_\_\_\_

**State Bureau:** \_\_\_\_\_

**Type of Finding:** Significant deficiency

**Questioned Costs:** \_\_\_\_\_

**Criteria:** \_\_\_\_\_; \_\_\_\_\_; \_\_\_\_\_

**Condition:** In accordance with \_\_\_\_\_, \_\_\_\_\_ should provide \_\_\_\_\_. \_\_\_\_\_ prevent \_\_\_\_\_ from occurring. \_\_\_\_\_ involves \_\_\_\_\_. \_\_\_\_\_ also includes \_\_\_\_\_.

The Office of the State Auditor became aware of a \_\_\_\_\_ while testing \_\_\_\_\_ for fiscal year 2019. \_\_\_\_\_ are outlined below:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
  - \_\_\_\_\_
  - \_\_\_\_\_
  - \_\_\_\_\_
  - \_\_\_\_\_
  - \_\_\_\_\_

**Context:** In relation to the \_\_\_\_\_ identified above, the following \_\_\_\_\_ occurred \_\_\_\_\_:

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
  - \_\_\_\_\_
  - \_\_\_\_\_

**Cause:**

- \_\_\_\_\_
- Adequate \_\_\_\_\_ related to \_\_\_\_\_ were not in place.

**Effect:**

- \_\_\_\_\_
- \_\_\_\_\_
- Actual \_\_\_\_\_ with \_\_\_\_\_

**Recommendation:** We recommend that the Department:

- require \_\_\_\_\_.
- conduct an evaluation of the \_\_\_\_\_ in the circumstances outlined in the Condition of this finding.

Implementing additional \_\_\_\_\_ will help ensure that \_\_\_\_\_.

**Corrective Action Plan:** See F-6

**Management's Response:** The Departments agree with this finding. The key matter in question is the \_\_\_\_\_ and \_\_\_\_\_ caused primarily by \_\_\_\_\_. These \_\_\_\_\_ are currently \_\_\_\_\_. It is Management's intention to conclude this \_\_\_\_\_ and then \_\_\_\_\_.

**Contact:** \_\_\_\_\_

(State Number: 19-0208-01)

**(2019-004)**

**Title:** Internal control over the valuation of allowances for uncollectible accounts needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
ML 18-0308-01	ML 17-0308-01	ML 16-0308-01	ML 15-0308-01	ML 14-0308-01	ML 13-0308-01	ML 12-0308-01	

**State Department:** Labor (DOL)

Administrative and Financial Services (DAFS)

**State Bureau:** Unemployment Compensation, a Unit of DOL

Security and Employment Service Center, a Unit of DAFS

Office of the State Controller, a Unit of DAFS

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** State Administrative and Accounting Manual 80.30.05; AICPA Statements on Auditing Standards AU-C Section 540, Auditing Accounting Estimates

**Condition:** Accounting and reporting activities of the State of Maine are required by statute to conform to U.S. Generally Accepted Accounting Principles (GAAP). Specifically, accounting estimates used to prepare the financial statements require the use of judgement by management based on actual knowledge and experience and supported by historical and current data. The assumptions used to estimate the allowances for uncollectible accounts related to unemployment insurance are arbitrary and not supported by evidence-based analysis.

Information provided to auditors indicate that unemployment insurance (UI) receivables for Employment Security (also known as the UI Trust Fund, a proprietary fund as defined by the Governmental Accounting Standards Board) total \$57.2 million as of June 30, 2019, reduced by the estimated allowance for uncollectible accounts of \$29.2 million, resulting in management's presentation of \$28.0 million in unemployment insurance receivables.

As of June 30, 2019, a subledger accounts receivable balance not reduced for estimated uncollectible amounts; and not including the estimate of post-June 30, 2019 cash receipts applicable to fiscal year 2019; was \$32.5 million. The State valued assets for the State financial statements by estimating that only \$3.2 million of the \$32.5 million is collectible. These receivables are benefit overpayment receivables from individuals, and receivables from employers that owe unemployment taxes to the Unemployment Insurance Trust Fund.

The calculation of the allowance for uncollectible accounts is based on the following unproven assumptions:

### Benefit Overpayment Receivables

Less than One Year Overdue      100% of receivable dollars are considered collectible for amounts less than one year old.

One Year Overdue      100% of receivable dollars is the assumed unproven basis for estimating the allowance for uncollectible accounts.

### Unemployment Taxes Receivable

All but the current year receivables are included in the estimate of the allowance for uncollectible accounts.

Department of Labor (DOL) personnel asserted to auditors that ReEmployME, the relatively new information system partially deployed in December 2017 and fully implemented in fiscal year 2019 used to calculate and store unemployment insurance information for the DOL is not capable of producing a Receivables Report that lists all individual receivable records for each debtor as of a past calendar date, with separate columns for the aging of the receivable. Examples of various aging periods are:

- Current
- 1 to 30 days overdue
- 31 to 60 days overdue
- 61 to 90 days overdue
- 91 to 180 days overdue
- 181 to 365 days overdue
- Over one year, but less than two years overdue
- Two years or more

It has been approximately fifteen years that the computer system has been identified as the cause of this missing management tool including when the Legacy System was in place prior to December 2017. The information needed to be included on this report is stored in ReEmployME.

In addition, we noted the following:

- Personnel within the Department of Administrative and Financial Services (DAFS) perform a five-year trend analysis of the Employment Security Trust Fund (the proprietary fund) benefit receivables and related write-offs to assist with the development of an estimate of the allowance for uncollectible accounts. The trend analysis does not include employer contributions receivable or interest and penalties receivable that are accounted for in the Other Special Revenue Fund. This procedure has significant limitations because it is not done by aging period and it is subject to the discretion of management. Two examples of this occurring in the past are:
  - that no receivables are written-off because of an executive decision in a prior year
  - an inadequate budget for receivable write-offs exists

As of June 30, 2019, interest and penalties receivable related to employment security of \$53 million was included as a receivable in the Other Special Revenue Fund, but then reduced by the estimated allowance for uncollectible accounts of \$53 million, resulting in management's presentation of zero dollars in employment security-related receivables for interest and penalties.

Since 2013, the State's unemployment rate has dropped from nearly eight percent to approximately two percent; yet, the total accounts receivable balance included in the trend analysis has only changed from \$21.4 million to \$20.2 million despite these economic conditions.

**Context:** Accounts receivable for benefits and contributions, including interest and penalties, totals approximately \$110 million. The financial statements themselves present the amount net of the allowance for uncollectible accounts, resulting in a financial statement line item for receivables of approximately \$28 million.

**Cause:** Information is not developed in a proper format that is needed by the State to maximize collections on receivables and to provide for a reasonable and credible valuation of receivable assets.

**Effect:**

- Potential misstatement of the allowance for uncollectible accounts and the resulting net accounts receivable balance, including the separately disclosed amount for the allowances for uncollectible accounts in Note 6 of the financial statements
- Lack of transparency in the State financial statement presentation; for example, the amount of receivables including interest and penalties could continue to rise. Using the current methodology, this would not be reflected in the notes to the financial statements, or the financial statements themselves.

**Recommendation:** We recommend that DOL and DAFS work together to improve receivables reporting. Improving Internal Control using better methods for Information and Communication has the potential for improving actual collections from debtors. We recommend that a Receivables Report be placed into operations that lists all individual receivable records for each debtor as of the last calendar day of each month or quarter, or as needed by the user, with separate columns for the aging of the receivable, and with a grand total presented. Examples of various aging periods are:

- Current
- 1 to 30 days overdue
- 31 to 60 days overdue
- 61 to 90 days overdue
- 91 to 180 days overdue
- 181 to 365 days overdue
- Over one year, but less than two years overdue
- Two years or more

Management should work with a knowledgeable person from the consulting group responsible for ReEmployME to format a report to meet the needs of the Department and the State. Information in an aging format is needed by the State to maximize collections on receivables and to provide for a reasonable and credible valuation of receivable assets.

**Corrective Action Plan:** See F-6

**Management's Response:** The Department disagrees with this finding. OSC is responsible for determining the estimates included in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common

and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC and the Department of Labor (DOL) accumulate relevant, sufficient and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with applicable accounting principles and that disclosure is adequate. OSC performed a five-year trend analysis of historical collections with information provided by the DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. DOL has implemented a new system and OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.

**Contact:** Sandra Royce, CPA, Director of Financial Reporting and Analysis, OSC, 207-626-8451

**Auditor's Concluding Remarks:** As noted in the finding, quantitative support presenting actual collection data was not made available to the auditor in order to substantiate the valuation assumptions used to calculate the allowances for uncollectible accounts. In addition, estimates generated using this methodology are not consistent with actual collection activity as described by management at the Department of Labor. We continue to recommend that DOL and DAFS work together with the consulting group responsible for ReEmployME to improve receivables reporting. The finding remains as stated.

(State Number: 19-0308-01)

**(2019-005) Confidential finding**

**Title:** The Department has not completed a \_\_\_\_\_ that complies with State \_\_\_\_\_ (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Redacted	Redacted	Redacted					

**State Department:** Transportation  
**State Bureau:** Finance and Administration

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** \_\_\_\_\_;

**Condition:** The Department of Transportation (DOT) has not prepared a \_\_\_\_\_ to determine the \_\_\_\_\_. This \_\_\_\_\_ is used to determine the appropriate \_\_\_\_\_ and \_\_\_\_\_. The \_\_\_\_\_ is the \_\_\_\_\_ that the Department \_\_\_\_\_. The \_\_\_\_\_ is the \_\_\_\_\_ that \_\_\_\_\_. The established and approved \_\_\_\_\_ are used to determine the \_\_\_\_\_. The Department has not performed a \_\_\_\_\_ or \_\_\_\_\_.

Those responsible for \_\_\_\_\_ for the Department must know the \_\_\_\_\_ in order to establish an acceptable \_\_\_\_\_. The absence of a \_\_\_\_\_ is communicated in a separate finding.

**Context:** \_\_\_\_\_ is the \_\_\_\_\_ used by \_\_\_\_\_ to \_\_\_\_\_. The system processed \_\_\_\_\_ totaling over \_\_\_\_\_ in fiscal year 2019. This includes \_\_\_\_\_ of \_\_\_\_\_.

**Cause:** \_\_\_\_\_

**Effect:** The lack of a \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ increases the \_\_\_\_\_ that \_\_\_\_\_ and \_\_\_\_\_ will not be \_\_\_\_\_ in a \_\_\_\_\_ and that \_\_\_\_\_ will be \_\_\_\_\_.

**Recommendation:** We recommend that the Department \_\_\_\_\_ that \_\_\_\_\_ with \_\_\_\_\_ or \_\_\_\_\_. Additionally, we recommend that the Department \_\_\_\_\_ and \_\_\_\_\_ and \_\_\_\_\_ for \_\_\_\_\_ and \_\_\_\_\_ that support \_\_\_\_\_, which includes their \_\_\_\_\_.

**Corrective Action Plan:** See F-7

**Management's Response:** The Department agrees with this finding. The Department will be reaching out to the \_\_\_\_\_ at the beginning of calendar year 2020 to establish a timeline on the development of a \_\_\_\_\_. As part of that process, we will be conducting a \_\_\_\_\_ and identifying \_\_\_\_\_ and \_\_\_\_\_ that support DOT business functions.

**Contact:** Doreen Corum, Financial Processing Director, DOT, 207-624-3139

(State Number: 19-0900-02)



**(2019-006) Confidential finding**

**Title:** The Department has no \_\_\_\_\_ that \_\_\_\_\_ over the \_\_\_\_\_ is adequate (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Redacted							

**State Department:** Education

**State Bureau:** School Finance and Operations

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** \_\_\_\_\_; \_\_\_\_\_; \_\_\_\_\_; and \_\_\_\_\_

**Condition:** The Department of Education (DOE) \_\_\_\_\_ does not have \_\_\_\_\_ that \_\_\_\_\_ over the \_\_\_\_\_ of an \_\_\_\_\_ is adequate, and also \_\_\_\_\_ that the \_\_\_\_\_ is \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_. The \_\_\_\_\_ is \_\_\_\_\_.

**Context:** DOE \_\_\_\_\_ with a \_\_\_\_\_ to \_\_\_\_\_ and to \_\_\_\_\_ and \_\_\_\_\_ the \_\_\_\_\_, including all aspects of \_\_\_\_\_. \_\_\_\_\_ can measure the degree to which the Department is able to \_\_\_\_\_ and \_\_\_\_\_ of \_\_\_\_\_.

\_\_\_\_\_ to determine the \_\_\_\_\_ of \_\_\_\_\_ provided by the State to \_\_\_\_\_ and \_\_\_\_\_. In fiscal year 2019, \_\_\_\_\_ of \_\_\_\_\_ was provided. The average individual amount provided was \_\_\_\_\_.

**Cause:** Although DOE \_\_\_\_\_ required the \_\_\_\_\_ to comply with \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, there was no \_\_\_\_\_ to provide the \_\_\_\_\_ and \_\_\_\_\_ of \_\_\_\_\_.

**Effect:**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Recommendation:** We recommend that \_\_\_\_\_ require that the \_\_\_\_\_ provide \_\_\_\_\_ that includes a \_\_\_\_\_ and \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_; and \_\_\_\_\_ and \_\_\_\_\_, as applicable. \_\_\_\_\_ would then have assurance that the \_\_\_\_\_ is \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

**Corrective Action Plan:** See F-7

**Management's Response:** The Department agrees with this finding. The \_\_\_\_\_ is a \_\_\_\_\_, which \_\_\_\_\_ and \_\_\_\_\_. \_\_\_\_\_ is not a \_\_\_\_\_ which contains \_\_\_\_\_, nor does it \_\_\_\_\_, or \_\_\_\_\_. \_\_\_\_\_ is a \_\_\_\_\_ that \_\_\_\_\_. The \_\_\_\_\_ is \_\_\_\_\_ and as such, the Department expected that environment to meet all necessary and required \_\_\_\_\_, to include applicable \_\_\_\_\_ and subsequent reports.

To address the issues surrounding \_\_\_\_\_, the Department has renewed the \_\_\_\_\_ contract for another year and has included language in the contract renewal regarding the provision of applicable \_\_\_\_\_ to address \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_. As there is no \_\_\_\_\_ in the \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ will not need to be addressed in the \_\_\_\_\_. As the audit finding for FY2018 was received at the end of FY2019, the Department was unable to resolve the finding for FY2019 but has already completed the CAP steps to ensure the finding is not repeated. The Department has also met with Office of the State Auditor (OSA) staff to both ensure the Department fully understands the finding and an appropriate resolution, and to ensure that OSA understands the functionality of the \_\_\_\_\_.

**Contact:** Joanne Allen, Director, School Finance & Operations, DOE, 204-624-6790

(State Number: 19-0900-04)

**(2019-007) Confidential finding**

**Title:** \_\_\_\_\_ over the \_\_\_\_\_ or \_\_\_\_\_ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Redacted	Redacted	Redacted					

**State Department:** Transportation (DOT)  
Administrative and Financial Services (DAFS)

**State Bureau:** Finance and Administration, a Bureau of DOT  
Office of Information Technology, a Unit of DAFS

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** \_\_\_\_\_; \_\_\_\_\_

**Condition:** The Department of Transportation (DOT) is unable to provide a \_\_\_\_\_ or \_\_\_\_\_ that \_\_\_\_\_ their overall \_\_\_\_\_ program. The Department provided a copy of the \_\_\_\_\_ as \_\_\_\_\_. This \_\_\_\_\_, last updated in \_\_\_\_\_, does not comply with State \_\_\_\_\_.

**Context:** \_\_\_\_\_ is the \_\_\_\_\_ used by \_\_\_\_\_ to \_\_\_\_\_. The system processed \_\_\_\_\_ totaling over \_\_\_\_\_ in fiscal year 2019. This includes \_\_\_\_\_ of \_\_\_\_\_ expenditures.

**Cause:** \_\_\_\_\_

**Effect:** Without the authoritative guidance of a well-documented \_\_\_\_\_, \_\_\_\_\_ processes may lack the clarity for \_\_\_\_\_. In addition, in the event of \_\_\_\_\_, the lack of a \_\_\_\_\_ could potentially result in \_\_\_\_\_.

**Recommendation:** We recommend that the Department develop a \_\_\_\_\_ that will govern their \_\_\_\_\_. Additionally, we recommend that \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ in accordance with government standards and the established \_\_\_\_\_.

**Corrective Action Plan:** See F-7

**Management's Response:** The Department agrees with this finding. The Department will be reaching out to the \_\_\_\_\_ at the beginning of calendar year 2020 to establish a timeline on the development of a \_\_\_\_\_.

**Contact:** Doreen Corum, Financial Processing Director, DOT, 207-624-3139

(State Number: 19-0900-01)

(2019-008) Confidential finding, see Condition Section below for more information

**Title:** \_\_\_\_\_ and \_\_\_\_\_ over \_\_\_\_\_ need improvement (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Redacted	Redacted	Redacted	Redacted	Redacted	*	*	*

*\*The system was not audited in this fiscal year.*

**State Department:** Administrative and Financial Services

**State Bureau:** Office of Information Technology

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

**CFDA #:** 93.775, 93.777, 93.778

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Eligibility

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; \_\_\_\_\_; \_\_\_\_\_; State of Maine \_\_\_\_\_

**Condition:** \_\_\_\_\_ refers to \_\_\_\_\_ that are \_\_\_\_\_ and \_\_\_\_\_ to \_\_\_\_\_ or \_\_\_\_\_ . These \_\_\_\_\_ are \_\_\_\_\_ to or within the \_\_\_\_\_ and \_\_\_\_\_ and \_\_\_\_\_ .

\_\_\_\_\_ and \_\_\_\_\_ over \_\_\_\_\_ are not \_\_\_\_\_ to \_\_\_\_\_ that are \_\_\_\_\_ . \_\_\_\_\_ has not been \_\_\_\_\_, \_\_\_\_\_ or \_\_\_\_\_ .

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Bob Parris, Branch Manager, Financial Management Group, Center for Medicare and Medicaid Services, 150 S. Independence Mall West, Philadelphia, PA 19106

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12<sup>th</sup> Street, Suite 0429, Kansas City, MO 64106

**Context:** The Department \_\_\_\_\_ and \_\_\_\_\_ are \_\_\_\_\_ because they are \_\_\_\_\_. The \_\_\_\_\_ it is the \_\_\_\_\_. \_\_\_\_\_ for this \_\_\_\_\_ in \_\_\_\_\_ during fiscal year 2019. \_\_\_\_\_ must \_\_\_\_\_ with \_\_\_\_\_ and \_\_\_\_\_.

\_\_\_\_\_ is in the process of developing and implementing a \_\_\_\_\_ with an estimated implementation in 2020.

**Cause:**

- \_\_\_\_\_
- \_\_\_\_\_

**Effect:** \_\_\_\_\_ and \_\_\_\_\_ are a \_\_\_\_\_ and \_\_\_\_\_. The current \_\_\_\_\_ can \_\_\_\_\_, \_\_\_\_\_, or the \_\_\_\_\_.

**Recommendation:** We recommend that \_\_\_\_\_:

- \_\_\_\_\_;
- \_\_\_\_\_; and
- \_\_\_\_\_

**Corrective Action Plan:** See F-7

**Management's Response:** The Department agrees with the finding and is currently taking steps to effectively address and remediate the condition. OIT \_\_\_\_\_ and \_\_\_\_\_ is already established, and efforts are ongoing with regard to implementation. If OIT is unsuccessful, or is delayed in acquiring \_\_\_\_\_, the estimated corrective action completion date will be revised accordingly.

**Contact:** Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320

(State Number: 19-0905-02)

(2019-009) Confidential finding, see Condition Section below for more information

**Title:** The State has \_\_\_\_\_ that \_\_\_\_\_ over the \_\_\_\_\_ is adequate (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Redacted	*	*	*	*	*	*	*

*\*The system was not audited in this fiscal year.*

**State Department:** Administrative and Financial Services (DAFS)

Health and Human Services (DHHS)

**State Bureau:** Office of the State Controller, a Unit of DAFS

Health and Human Services Service Center, a Unit of DAFS

Office of Information Technology, a Unit of DAFS

Office of MaineCare Services, a Unit of DHHS

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

**CFDA #:** 93.775, 93.777, 93.778

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

Reporting

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; \_\_\_\_\_; \_\_\_\_\_; State of Maine \_\_\_\_\_; State of Maine \_\_\_\_\_

**Condition:** There is \_\_\_\_\_ that \_\_\_\_\_ over the \_\_\_\_\_ is \_\_\_\_\_ and that it ensures the \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Bob Parris, Branch Manager, Financial Management Group, Center for Medicare and Medicaid Services, 150 S. Independence Mall West, Philadelphia, PA 19106

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12<sup>th</sup> Street, Suite 0429, Kansas City, MO 64106

**Context:** \_\_\_\_\_ with a \_\_\_\_\_ to \_\_\_\_\_ and \_\_\_\_\_ and \_\_\_\_\_, including \_\_\_\_\_ . \_\_\_\_\_ can measure the degree to which the State is able to \_\_\_\_\_ and \_\_\_\_\_ .

\_\_\_\_\_ processed \_\_\_\_\_, including \_\_\_\_\_ of \_\_\_\_\_ and \_\_\_\_\_ of \_\_\_\_\_ during fiscal year 2019.

**Cause:** Although \_\_\_\_\_ required the \_\_\_\_\_ to \_\_\_\_\_ with \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, there was \_\_\_\_\_ to \_\_\_\_\_ the \_\_\_\_\_ and \_\_\_\_\_.

**Effect:**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Recommendation:** We recommend that the State \_\_\_\_\_ that the \_\_\_\_\_. This \_\_\_\_\_ should focus on \_\_\_\_\_ and \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_, as required in the contract between the State and the \_\_\_\_\_ vendor. The \_\_\_\_\_ requires \_\_\_\_\_ with \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. This includes the State \_\_\_\_\_ requiring that \_\_\_\_\_. If \_\_\_\_\_ are \_\_\_\_\_, the State can have \_\_\_\_\_ that \_\_\_\_\_ is \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

**Corrective Action Plan:** See F-8

**Management's Response:** We are working with \_\_\_\_\_ to \_\_\_\_\_ to include: a \_\_\_\_\_; the \_\_\_\_\_; the \_\_\_\_\_ and related \_\_\_\_\_; and, any \_\_\_\_\_. The \_\_\_\_\_ is an \_\_\_\_\_ system. The \_\_\_\_\_ that are \_\_\_\_\_ are not \_\_\_\_\_; rather, they are \_\_\_\_\_, a \_\_\_\_\_ that is not \_\_\_\_\_. Consequently, \_\_\_\_\_, \_\_\_\_\_ or \_\_\_\_\_ by this \_\_\_\_\_. \_\_\_\_\_ that is \_\_\_\_\_ as well as \_\_\_\_\_. This \_\_\_\_\_ of the \_\_\_\_\_. \_\_\_\_\_, thus \_\_\_\_\_. Regarding \_\_\_\_\_, \_\_\_\_\_ can still be \_\_\_\_\_ because the \_\_\_\_\_ and can be \_\_\_\_\_. A \_\_\_\_\_ by itself will not prevent a \_\_\_\_\_. \_\_\_\_\_ will work with \_\_\_\_\_ to conduct a cost benefit analysis to determine if a \_\_\_\_\_ is cost beneficial to the State.

**Contact:** Shirley Browne, Deputy State Controller, OSC, 207-626-8420

(State Number: 19-0900-08)

(2019-010) Confidential finding, see Condition Section below for more information

**Title:** The Department \_\_\_\_\_ that \_\_\_\_\_ over the \_\_\_\_\_ is adequate (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Redacted	Redacted	Redacted	None	None	None	None	*

*\*The system was not audited in this fiscal year.*

**State Department:** Health and Human Services

**State Bureau:** Office of MaineCare Services

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

Children's Health Insurance Program (CHIP)

**CFDA #:** 93.775, 93.777, 93.778; 93.767

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;  
1805ME5021, 1905ME5021

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; \_\_\_\_\_; State of Maine \_\_\_\_\_; State of Maine \_\_\_\_\_;  
State \_\_\_\_\_

**Condition:** The Department has \_\_\_\_\_ from the \_\_\_\_\_ that \_\_\_\_\_ over the \_\_\_\_\_ is adequate. The \_\_\_\_\_ must provide \_\_\_\_\_ on the \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ over the \_\_\_\_\_, \_\_\_\_\_. Specifically, the \_\_\_\_\_ is the \_\_\_\_\_ relevant to \_\_\_\_\_.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Bob Parris, Branch Manager, Financial Management Group, Center for Medicare and Medicaid Services, 150 S. Independence Mall West, Philadelphia, PA 19106



A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12<sup>th</sup> Street, Suite 0429, Kansas City, MO 64106

**Context:** \_\_\_\_\_ is the \_\_\_\_\_ used to \_\_\_\_\_ and \_\_\_\_\_. These \_\_\_\_\_ totaled \_\_\_\_\_, including \_\_\_\_\_ during fiscal year 2019. \_\_\_\_\_ functions as an integral part of Maine's \_\_\_\_\_.

**Cause:** The \_\_\_\_\_ did not comply with \_\_\_\_\_, including \_\_\_\_\_, to provide the \_\_\_\_\_ of \_\_\_\_\_ to the Department. \_\_\_\_\_ has not \_\_\_\_\_.

**Effect:**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Recommendation:** We recommend that the Department \_\_\_\_\_ to ensure that \_\_\_\_\_ which requires \_\_\_\_\_ that will provide the Department assurance that \_\_\_\_\_ related \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ over \_\_\_\_\_ and \_\_\_\_\_ are adequate.

**Corrective Action Plan:** See F-8

**Management's Response:** The Department agrees with this finding. The \_\_\_\_\_ with the \_\_\_\_\_ that started \_\_\_\_\_ requires an \_\_\_\_\_. The \_\_\_\_\_ will monitor the progress of the \_\_\_\_\_, per the \_\_\_\_\_.

**Contact:** Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093

(State Number: 19-0900-07)

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**STATE OF MAINE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Section III - Indexes to Federal Program Findings**

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## INDEXES TO FEDERAL PROGRAM FINDINGS

Index to Federal Findings by Federal Program.....	E-29
Index to Federal Findings by State Agency and Federal Compliance Area .....	E-35
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Three findings (2019-008, 2019-009, and 2019-010) included in Section II – Financial Statement Findings also relate to Section III – Federal Findings and Questioned Costs and will be included in the following indexes.

State of Maine  
Fiscal Year 2019  
Index to Federal Findings  
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
<b><u>SNAP Cluster</u></b> CFDA# 10.551, 10.561			
2019-011	Internal control over cash balances needs improvement	DAFS	E-45
2019-012	Internal control over compliance with eligibility determination requirements, and the related automated data processing system requirements, needs improvement	DHHS	E-47
2019-013	Internal control over the issuance of SNAP benefits needs improvement	DHHS	E-50
2019-014	Internal control over _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-52
2019-037	Internal control over Income Eligibility and Verification System procedures needs improvement	DHHS	E-112
2019-041	Internal control over the retention of Income Eligibility and Verification System reports needs improvement	DHHS	E-123
2019-052	Internal control over the eligibility determination process needs improvement	DHHS	E-152
<b><u>Child Nutrition Cluster</u></b> CFDA# 10.555, 10.559			
2019-015	Internal control over State matching requirements needs improvement	DOE	E-55
2019-016	National School Lunch Program and Summer Food Program Policy Statements and State-Sponsor Agreements are not consistent with Federal regulations	DOE	E-57
2019-017	Internal control over subrecipient monitoring procedures needs improvement	DOE	E-59
2019-018	Internal control over the donated food inventory needs improvement	DOE	E-62
<b><u>Special Supplemental Nutrition Program for Women, Infants, and Children</u></b> CFDA# 10.557			
2019-019	Internal control over subrecipient monitoring needs improvement	DHHS	E-65
2019-020	Internal control over subrecipient contracts needs improvement	DHHS	E-67
2019-021	Internal control over Federal cash management needs improvement	DHHS	E-69
2019-022	The Department has no assurance that _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-72
2019-035	Monitoring over subrecipient cash management needs improvement	DHHS	E-106

State of Maine  
Fiscal Year 2019  
Index to Federal Findings  
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
<b><u>National Guard Military Operations and Maintenance (O&amp;M) Projects</u></b> CFDA# 12.401			
2019-023	Internal control over payroll costs needs improvement	DVEM	E-75
2019-024	Internal control over cash management for travel advances and the related reporting to the Federal government on the <i>SF-270</i> report needs improvement	DVEM	E-77
<b><u>Continuum of Care Program</u></b> CFDA# 14.267			
2019-025	Internal control over subrecipient monitoring procedures needs improvement	DHHS	E-80
2019-026	Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement	DAFS	E-82
<b><u>Crime Victim Assistance</u></b> CFDA# 16.575			
2019-035	Monitoring over subrecipient cash management needs improvement	DHHS	E-106
2019-036	Internal control over subrecipient contracts needs improvement	DHHS	E-109
<b><u>Unemployment Insurance</u></b> CFDA# 17.225			
2019-027	Internal control over continuing eligibility needs improvement	DOL	E-84
2019-028	The Department has no assurance that _____ over the _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)	DOL	E-89
<b><u>Rehabilitation Services – Vocational Rehabilitation Grants to States</u></b> CFDA# 84.126			
2019-029	Internal control over earmarking requirements needs improvement	DOL	E-91
2019-030	Internal control over program income needs improvement	DOL	E-94
2019-031	Internal control over the timeliness of eligibility determinations needs improvement	DOL	E-97
<b><u>Aging Cluster</u></b> CFDA# 93.044, 93.045, 93.053			
2019-035	Monitoring over subrecipient cash management needs improvement	DHHS	E-106
2019-036	Internal control over subrecipient contracts needs improvement	DHHS	E-109

State of Maine  
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Index to Federal Findings  
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
<b><u>Immunization Cooperative Agreements</u></b>			
CFDA# 93.268			
2019-032	Internal control over provider site visits and corrective action follow up needs improvement	DHHS	E-99
2019-033	Internal control over Federal cash management needs improvement	DAFS	E-102
2019-034	The Department has no assurance that _____ over the _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-104
<b><u>TANF Cluster</u></b>			
CFDA# 93.558			
2019-014	Internal control over _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-52
2019-035	Monitoring over subrecipient cash management needs improvement	DHHS	E-106
2019-036	Internal control over subrecipient contracts needs improvement	DHHS	E-109
2019-037	Internal control over Income Eligibility and Verification System procedures needs improvement	DHHS	E-112
2019-038	Risk evaluation procedures to determine the extent of appropriate subrecipient monitoring need improvement	DHHS	E-115
2019-039	Internal control over TANF performance reporting and work participation procedures needs improvement	DHHS	E-118
2019-040	Internal control over payments to and on behalf of TANF clients needs improvement	DHHS	E-121
2019-041	Internal control over the retention of Income Eligibility and Verification System reports needs improvement	DHHS	E-123
2019-042	The Department has no assurance that _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-126
2019-043	Internal control over special reporting needs improvement	DHHS	E-128
2019-052	Internal control over the eligibility determination process needs improvement	DHHS	E-152
<b><u>Child Support Enforcement</u></b>			
CFDA# 93.563			
2019-044	Internal control over monthly reconciliation procedures needs improvement	DAFS DHHS	E-130

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By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
<b><u>Community Services Block Grant</u></b>			
CFDA# 93.569			
2019-035	Monitoring over subrecipient cash management needs improvement	DHHS	E-106
2019-036	Internal control over subrecipient contracts needs improvement	DHHS	E-109
<b><u>Social Services Block Grant</u></b>			
CFDA# 93.667			
2019-035	Monitoring over subrecipient cash management needs improvement	DHHS	E-106
2019-036	Internal control over subrecipient contracts needs improvement	DHHS	E-109
<b><u>Children's Health Insurance Program</u></b>			
CFDA# 93.767			
2019-010	The Department _____ that _____ over the _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-25
2019-037	Internal control over Income Eligibility and Verification System procedures needs improvement	DHHS	E-112
2019-041	Internal control over the retention of Income Eligibility and Verification System reports needs improvement	DHHS	E-123
2019-046	Internal control over compliance with eligibility determination requirements needs improvement	DHHS	E-135
2019-049	Internal control over provider enrollment packages needs improvement	DHHS	E-146
2019-052	Internal control over the eligibility determination process needs improvement	DHHS	E-152
2019-055	Provider eligibility procedures need to further integrate Automated Data Exchange	DHHS	E-158
2019-056	Provider eligibility procedures need to address Advance Directives	DHHS	E-160
2019-060	Internal control over the post-payment review process needs improvement	DHHS	E-169
<b><u>Medicaid Cluster</u></b>			
CFDA# 93.775, 93.777, 93.778			
2019-008	_____ and _____ over _____ need improvement (The content of this finding has been redacted. This appears as blank underlining)	DAFS	E-21
2019-009	The State has _____ that _____ over the _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)	DAFS DHHS	E-23
<i>Medicaid Cluster continued on next page</i>			

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Program / Finding #	Brief Summary of Finding	State Dept	Page
<i>Medicaid Cluster continued from previous page</i>			
2019-010	The Department _____ that _____ over the _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-25
2019-037	Internal control over Income Eligibility and Verification System procedures needs improvement	DHHS	E-112
2019-041	Internal control over the retention of Income Eligibility and Verification System reports needs improvement	DHHS	E-123
2019-045	Internal control over individual client Cost of Care assessments needs improvement	DHHS	E-132
2019-046	Internal control over compliance with eligibility determination requirements needs improvement	DHHS	E-135
2019-047	Internal control over Long Term Care Facility Audits needs improvement	DHHS	E-139
2019-048	Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement	DHHS	E-143
2019-049	Internal control over provider enrollment packages needs improvement	DHHS	E-146
2019-050	Internal control over Medicare Part B premium payments needs improvement	DHHS	E-148
2019-051	Internal control over Acute Care Critical Access Hospital supplemental pool payments needs improvement	DHHS	E-150
2019-052	Internal control over the eligibility determination process needs improvement	DHHS	E-152
2019-053	Riverview	DAFS DHHS	E-154
2019-054	Internal control over payments to Health Homes and Behavioral Health Homes needs improvement	DHHS	E-156
2019-055	Provider eligibility procedures need to further integrate Automated Data Exchange	DHHS	E-158
2019-056	Provider eligibility procedures need to address Advance Directives	DHHS	E-160
2019-057	Internal control over _____ assigned to _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DAFS	E-162
2019-058	Internal control over _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DAFS	E-164
2019-059	Internal control over refunding overpayments needs improvement	DHHS	E-167
2019-060	Internal control over the post-payment review process needs improvement	DHHS	E-169



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Program / Finding #	Brief Summary of Finding	State Dept	Page
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<b><u>HIV Care Formula Grant</u></b> CFDA# 93.917			
2019-035	Monitoring over subrecipient cash management needs improvement	DHHS	E-106
2019-036	Internal control over subrecipient contracts needs improvement	DHHS	E-109
<b><u>Disaster Grants – Public Assistance (Presidentially Declared Disasters)</u></b> CFDA# 97.036			
2019-061	Internal control over cash management needs improvement	DVEM	E-171
2019-062	Internal control over the evaluation of each subrecipient's risk of noncompliance needs improvement	DVEM	E-173
2019-063	Internal control over monitoring subrecipient Single Audits needs to be established	DVEM	E-175

**Legend of State Agency Abbreviations:**

DAFS    Department of Administrative and Financial Services  
DHHS    Department of Health and Human Services  
DOE    Department of Education  
DOL    Department of Labor  
DVEM    Department of Defense, Veterans and Emergency Management

State of Maine  
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Index to Federal Findings  
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
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<b>Department of Administrative and Financial Services</b>														
2019-008	Medicaid Cluster				✓									E-21
2019-009	Medicaid Cluster		✓								✓			E-23
2019-011	SNAP Cluster			✓										E-45
2019-026	Continuum of Care										✓			E-82
2019-033	Immunization Cooperative Agreements			✓										E-102
2019-044	Child Support Enforcement										✓			E-130
2019-053	Medicaid Cluster		✓											E-154
2019-057	Medicaid Cluster		✓		✓									E-162
2019-058	Medicaid Cluster		✓		✓									E-164
<b>Department of Defense, Veterans and Emergency Management</b>														
2019-023	National Guard Military Operations and Maintenance (O&M) Projects		✓											E-75
2019-024	National Guard Military Operations and Maintenance (O&M) Projects			✓							✓			E-77
2019-061	Disaster Grants – Public Assistance (Presidentially Declared Disasters)			✓										E-171
2019-062	Disaster Grants – Public Assistance (Presidentially Declared Disasters)											✓		E-173
<i>Department of Defense, Veterans and Emergency Management continued on next page</i>														

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Index to Federal Findings  
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
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<i>Department of Defense, Veterans and Emergency Management continued from previous page</i>														
2019-063	Disaster Grants – Public Assistance (Presidentially Declared Disasters)											✓		E-175
<b>Department of Education</b>														
2019-015	Child Nutrition Cluster						✓							E-55
2019-016	Child Nutrition Cluster											✓		E-57
2019-017	Child Nutrition Cluster			✓								✓		E-59
2019-018	Child Nutrition Cluster												✓	E-62
<b>Department of Health and Human Services</b>														
2019-009	Medicaid Cluster		✓								✓			E-23
2019-010	Medicaid Cluster, CHIP		✓											E-25
2019-012	SNAP Cluster		✓		✓								✓	E-47
2019-013	SNAP Cluster		✓		✓									E-50
2019-014	SNAP Cluster, TANF Cluster		✓											E-52
2019-019	Special Supplemental Nutrition Program for Women, Infants, and Children											✓		E-65
2019-020	Special Supplemental Nutrition Program for Women, Infants, and Children											✓		E-67
<i>Department of Health and Human Services continued on next page</i>														

State of Maine  
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Index to Federal Findings  
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
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*Department of Health and Human Services continued from previous page*

2019-021	Special Supplemental Nutrition Program for Women, Infants, and Children			✓										E-69
2019-022	Special Supplemental Nutrition Program for Women, Infants, and Children		✓											E-72
2019-025	Continuum of Care											✓		E-80
2019-032	Immunization Cooperative Agreements												✓	E-99
2019-034	Immunization Cooperative Agreements		✓											E-104
2019-035	Multiple Programs			✓								✓		E-106
2019-036	Multiple Programs											✓		E-109
2019-037	Multiple Programs				✓								✓	E-112
2019-038	TANF Cluster											✓		E-115
2019-039	TANF Cluster										✓		✓	E-118
2019-040	TANF Cluster		✓											E-121
2019-041	Multiple Programs				✓								✓	E-123
2019-042	TANF Cluster		✓											E-126
2019-043	TANF Cluster										✓			E-128
2019-044	Child Support Enforcement										✓			E-130
2019-045	Medicaid Cluster		✓											E-132
2019-046	Medicaid Cluster, CHIP				✓									E-135
2019-047	Medicaid Cluster												✓	E-139
2019-048	Medicaid Cluster												✓	E-143

*Department of Health and Human Services continued on next page*

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Index to Federal Findings  
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
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<i>Department of Health and Human Services continued from previous page</i>														
2019-049	Medicaid Cluster, CHIP												✓	E-146
2019-050	Medicaid Cluster		✓											E-148
2019-051	Medicaid Cluster		✓											E-150
2019-052	Multiple Programs		✓		✓									E-152
2019-053	Medicaid Cluster		✓											E-154
2019-054	Medicaid Cluster		✓											E-156
2019-055	Medicaid Cluster, CHIP												✓	E-158
2019-056	Medicaid Cluster, CHIP												✓	E-160
2019-059	Medicaid Cluster		✓											E-167
2019-060	Medicaid Cluster, CHIP												✓	E-169
<b>Department of Labor</b>														
2019-027	Unemployment Insurance		✓		✓									E-84
2019-028	Unemployment Insurance		✓											E-89
2019-029	Rehabilitation Services – Vocational Rehabilitation Grants to States						✓							E-91
2019-030	Rehabilitation Services – Vocational Rehabilitation Grants to States									✓				E-94
2019-031	Rehabilitation Services – Vocational Rehabilitation Grants to States				✓									E-97

State of Maine  
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Index to Federal Findings in Finding Number Order by Finding Type

Finding #	Page	Compliance Area	Finding Type			
			Material Non-compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2019-008*	E-21	Eligibility			✓	
2019-009	E-23	Allowable Costs/ Reporting			✓	
2019-010	E-25	Allowable Costs/Cost Principles			✓	
2019-011	E-45	Cash Management	✓	✓		Undeterminable / Undeterminable
2019-012	E-47	Allowable Costs/ Eligibility/ Special Tests and Provisions		✓		\$261 / \$5,144,620
2019-013	E-50	Allowable Costs/ Eligibility			✓	
2019-014	E-52	Allowable Costs/Cost Principles			✓	
2019-015	E-55	Matching, Level of Effort, Earmarking			✓	
2019-016	E-57	Subrecipient Monitoring			✓	
2019-017	E-59	Cash Management/ Subrecipient Monitoring			✓	
2019-018	E-62	Special Tests and Provisions			✓	
2019-019	E-65	Subrecipient Monitoring	✓	✓		
2019-020	E-67	Subrecipient Monitoring	✓	✓		
2019-021	E-69	Cash Management	✓	✓		
2019-022	E-72	Allowable Costs/Cost Principles			✓	
2019-023	E-75	Allowable Costs/Cost Principles			✓	

\* For findings 2019-001 through 2019-007 see Section II – Financial Statement Findings starting at page E-7

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Index to Federal Findings in Finding Number Order by Finding Type

Finding #	Page	Compliance Area	Finding Type			
			Material Non-compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2019-024	E-77	Cash Management/ Reporting			✓	
2019-025	E-80	Subrecipient Monitoring	✓	✓		
2019-026	E-82	Reporting	✓	✓		
2019-027	E-84	Allowable Costs/ Eligibility	✓	✓		\$0 / \$0
2019-028	E-89	Allowable Costs/Cost Principles			✓	
2019-029	E-91	Matching, Level of Effort, Earmarking	✓	✓		
2019-030	E-94	Program Income	✓	✓		
2019-031	E-97	Eligibility			✓	
2019-032	E-99	Special Tests and Provisions	✓	✓		
2019-033	E-102	Cash Management			✓	
2019-034	E-104	Allowable Costs/Cost Principles			✓	
2019-035	E-106	Cash Management/ Subrecipient Monitoring	✓	✓		
2019-036	E-109	Subrecipient Monitoring	✓	✓		
2019-037	E-112	Eligibility/ Special Tests and Provisions	✓	✓		
2019-038	E-115	Subrecipient Monitoring	✓	✓		
2019-039	E-118	Reporting/ Special Tests and Provisions	✓	✓		
2019-040	E-121	Allowable Costs/Cost Principles		✓		\$1,120 / \$1,295,496
2019-041	E-123	Eligibility/ Special Tests and Provisions			✓	

State of Maine  
Fiscal Year 2019  
Index to Federal Findings in Finding Number Order by Finding Type

Finding #	Page	Compliance Area	Finding Type			
			Material Non-compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2019-042	E-126	Allowable Costs/Cost Principles			✓	
2019-043	E-128	Reporting			✓	
2019-044	E-130	Reporting			✓	
2019-045	E-132	Allowable Costs/Cost Principles	✓	✓		Undeterminable / Undeterminable
2019-046	E-135	Eligibility	✓	✓		
2019-047	E-139	Special Tests and Provisions	✓	✓		
2019-048	E-143	Special Tests and Provisions	✓	✓		
2019-049	E-146	Special Tests and Provisions	✓	✓		
2019-050	E-148	Allowable Costs/Cost Principles		✓		\$86 / \$1,395,265
2019-051	E-150	Allowable Costs/Cost Principles		✓		
2019-052	E-152	Allowable Costs/ Eligibility		✓		
2019-053	E-154	Allowable Costs/Cost Principles			✓	\$9,047,317 /
2019-054	E-156	Allowable Costs/Cost Principles			✓	\$19 / \$171,574
2019-055	E-158	Special Tests and Provisions			✓	
2019-056	E-160	Special Tests and Provisions			✓	
2019-057	E-162	Allowable Costs/ Eligibility			✓	
2019-058	E-164	Allowable Costs/ Eligibility			✓	



State of Maine  
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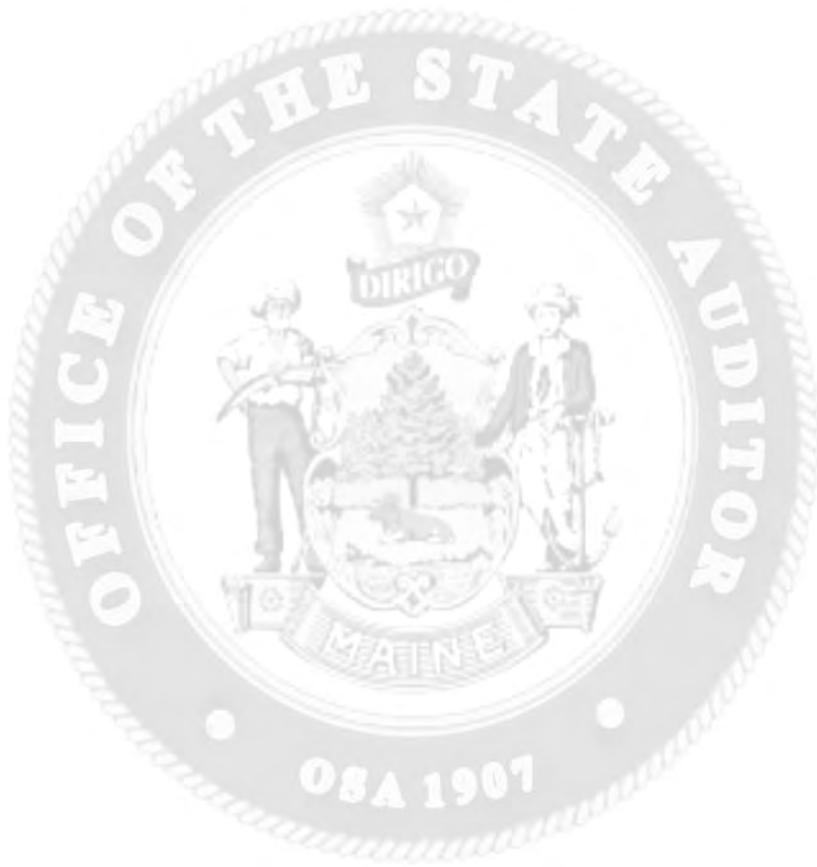
Finding #	Page	Compliance Area	Finding Type			
			Material Non- compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2019-059	E-167	Allowable Costs/Cost Principles			✓	
2019-060	E-169	Special Tests and Provisions			✓	
2019-061	E-171	Cash Management	✓	✓		
2019-062	E-173	Subrecipient Monitoring	✓	✓		
2019-063	E-175	Subrecipient Monitoring	✓	✓		

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**STATE OF MAINE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Section III – Federal Findings and Questioned Costs**

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(2019-011)

**Title:** Internal control over cash balances needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	2016-002	2015-017	None	13-1108-01	12-1108-01	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Administrative and Financial Services

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

**Federal Agency:** U.S. Department of Agriculture

**CFDA Title:** SNAP Cluster (SNAP)

**CFDA #:** 10.551, 10.561

**Federal Award Identification Number:** 184ME401S2514, 184ME401S2519, 184ME401S2520, 184ME401S8026, 184ME401S8036, 184ME401S8069, 184ME421Q3903, 184ME431Q7503, 194ME401S2514, 194ME401S2519, 194ME401S2520, 194ME401S8026, 194ME421Q3903, 194ME442Q7503

**Compliance Area:** Cash management

**Type of Finding:** Material weakness

Material noncompliance

Questioned costs

**Questioned Costs:**

Questioned Costs	Total	Federal	State
<i>Known</i>	Undeterminable		
<i>Likely</i>	Undeterminable		
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.302(b)(3) and (4); 31 CFR 205(B)

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Financial records must adequately identify the source and application of funds and provide accountability for all funds, property, and other assets related to Federally-funded activities. The administrative grant for the SNAP Cluster has an excessive cash balance on hand related to grant awards issued prior to 2011.

**Context:** As of June 30, 2019, a residual cash balance of \$461,955 pertaining to SNAP administrative grant awards made prior to 2011 exists.

**Cause:**

- Lack of adequate recordkeeping and account reconciliation in prior years
- Lack of resources
- Competing priorities

**Effect:**

- Potential future questioned costs and disallowances
- Until the Department completes a reconciliation of related financial activity, it will not be known whether all, a portion, or none of the \$461,955 is due to the Federal government.

**Recommendation:** We recommend that the Department complete a full reconciliation of all administrative grants issued prior to 2011 for the SNAP Cluster. We further recommend that the Department work with its Federal cognizant agency to identify and return any questioned costs identified.

**Corrective Action Plan:** See F-8

**Management's Response:** The Department agrees with this finding. To date, considerable effort has been invested in performing grant reconciliations from present back to 2011. Note that this is a decades old issue. Reconciling grants and matching revenues to expenses is labor intensive and takes detailed transaction level analysis. The State will continue to reconcile grants prior to 2011 to determine what accounts the cash belongs in and take the necessary steps to put the cash balances where they belong.

**Contact:** Sarah Gove, Director, DHHS Service Center, 207-458-6626

(State Number: 19-1108-01)

(2019-012)

**Title:** Internal control over compliance with eligibility determination requirements, and the related automated data processing system requirements, needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	None	None	None	None	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Federal Agency:** U.S. Department of Agriculture

**CFDA Title:** SNAP Cluster (SNAP)

**CFDA #:** 10.551, 10.561

**Federal Award Identification Number:** 184ME401S2514, 184ME401S2519,  
184ME401S2520, 184ME401S8026,  
184ME401S8036, 184ME401S8069,  
184ME421Q3903, 184ME431Q7503,  
194ME401S2514, 194ME401S2519,  
194ME401S2520, 194ME401S8026,  
194ME421Q3903, 194ME442Q7503

**Compliance Area:** Allowable costs/cost principles

Eligibility

Special tests and provisions

**Type of Finding:** Material weakness

Questioned costs

**Questioned Costs:** Likely questioned costs were calculated by dividing the identified known overpayment by the total benefit payments tested to establish an error rate. The error rate was then applied to the total benefit payments made in fiscal year 2019 to calculate likely questioned costs.

Questioned Costs	Total	Federal	State
<i>Known</i>	\$261	\$261	\$0
<i>Likely</i>	\$5,144,620	\$5,144,620	\$0
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 7 CFR 272.10; 7 CFR 273.2; 7 CFR 273.26

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Department does not have a review process in place to ensure information manually entered into the Automated Client Eligibility System is accurate and complete. This issue is addressed in finding 2019-052.

The Department is required to sufficiently automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing and transmitting information concerning SNAP. The system must determine eligibility and calculate benefits or validate the eligibility worker's calculations by processing and storing all casefile information necessary for the eligibility determination and benefit computation, and redetermine or revalidate eligibility and benefits based on notices of change in households' circumstances. Additionally, the Department shall verify the social security numbers reported by a household by submitting them to the Social Security Administration (SSA) for verification according to procedures established by SSA. Furthermore, the Department may not provide Transitional Food Assistance benefits to a household when the household is leaving the Temporary Assistance for Needy Families (TANF) program due to a TANF sanction.

A test of sixty cases identified that:

- Transitional Food Assistance benefits were inappropriately paid to one client whose TANF benefits had closed due to a TANF-related sanction.
- the dependent of one client was deemed eligible for SNAP without verification of their social security number.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** In fiscal year 2019, the State provided approximately 111,000 SNAP clients with \$208 million in benefits.

**Cause:** Lack of supervisory oversight

**Effect:**

- Individuals not eligible for services could be deemed eligible or eligible individuals could be deemed ineligible.
- Potential future questioned costs and disallowances as a result of benefits provided to ineligible individuals
- Potential future questioned costs and disallowances as a result of incorrect benefits provided to eligible individuals

**Recommendation:** We recommend that the Department implement a detailed review and approval process that occurs prior to the eligibility determination to ensure the information entered is accurate and complete. Additionally, we recommend that the Department implement procedures to ensure that all social security numbers are verified by SSA. Finally, we recommend that the Department formalize a comprehensive post-determination review and monitoring process.

**Corrective Action Plan:** See F-8

**Management's Response:** The Department agrees with the two exceptions identified. To mitigate human error, the Department will include emphasis on TANF requirements in upcoming eligibility trainings and re-freshers, including support and utilization of the SSA's computer matching program for Social Security Numbers. All Eligibility Specialists will receive TANF training over the next 18 months therefore this training will impact all OFI programs.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 19-1108-02)



(2019-013)

**Title:** Internal control over the issuance of SNAP benefits needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	None	None	None	None	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Federal Agency:** U.S. Department of Agriculture

**CFDA Title:** SNAP Cluster (SNAP)

**CFDA #:** 10.551, 10.561

**Federal Award Identification Number:** 184ME401S2514, 184ME401S2519,  
184ME401S2520, 184ME401S8026,  
184ME401S8036, 184ME401S8069,  
184ME421Q3903, 184ME431Q7503,  
194ME401S2514, 194ME401S2519,  
194ME401S2520, 194ME401S8026,  
194ME421Q3903, 194ME442Q7503

**Compliance Area:** Allowable costs/cost principles  
Eligibility

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Department receives deceased client record files from the Maine Center for Disease Control & Prevention on a quarterly basis and the Social Security Administration on a weekly basis. The Office of the State Auditor obtained data on deceased individuals from the Maine Center for Disease Control & Prevention and compared it to clients who received SNAP benefits during fiscal

year 2019. The auditor identified fifty-seven cases where SNAP benefits were used after the client's date of death. In seven of the fifty-seven cases, the electronic benefits transfer transaction date was 100 or more days after the client's date of death. Also, among these seven cases:

- four cases had benefits issued an additional month beyond the client's date of death, and
- one case had benefits issued an additional six months beyond the client's date of death.

**Context:** In fiscal year 2019, the State provided approximately 111,000 SNAP eligible clients with \$208 million in benefits. Of the 111,000 SNAP eligible clients, approximately 2,500 had a date of death in fiscal year 2019.

**Cause:**

- Lack of adequate procedures
- Lack of supervisory oversight

**Effect:**

- Individuals not eligible for benefits could be paid SNAP benefits.
- Potential future questioned costs and disallowances as a result of benefits issued to deceased clients

**Recommendation:** We recommend that the Department improve procedures to ensure that client death record information is received, reviewed, and updated in the Automated Client Eligibility System (ACES) on a biweekly or monthly basis to prevent incorrect issuances of benefits.

**Corrective Action Plan:** See F-8

**Management's Response:** The Department agrees with this finding. The Office for Family Independence will work with the Maine Center for Disease Control and Prevention and/or the Social Security Administration to determine if we can increase the frequency of notifications of deceased individuals on SNAP. We will create a standard operating procedure (SOP) that ensures that Eligibility Specialists and the Program Integrity Unit know how to process these cases. We will institute provisions of the 2018 Farm bill that now allow us to expunge benefits when the entire SNAP household is deceased.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 19-1108-03)

(2019-014) Confidential finding, see Condition Section below for more information

**Title:** Internal control over \_\_\_\_\_ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	*	*	*	*	*	*

*\*The system was not audited in this fiscal year.*

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Federal Agency:** U.S. Department of Agriculture

U.S. Department of Health and Human Services

**CFDA Title:** SNAP Cluster (SNAP)

TANF Cluster (TANF)

**CFDA #:** 10.551, 10.561; 93.558

**Federal Award Identification Number:** 184ME401S2514, 184ME401S2519,  
184ME401S2520, 184ME401S8026,  
184ME401S8036, 184ME401S8069,  
184ME421Q3903, 184ME431Q7503,  
194ME401S2514, 194ME401S2519,  
194ME401S2520, 194ME401S8026,  
194ME421Q3903, 194ME442Q7503;  
1601METANF, 1701METANF,  
1801METANF, 1901METANF

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; \_\_\_\_\_; \_\_\_\_\_; State of Maine \_\_\_\_\_

**Condition:** The Department received \_\_\_\_\_ over the \_\_\_\_\_ for fiscal year 2019. The Department did not perform \_\_\_\_\_ and thus did not prepare a documented plan to \_\_\_\_\_ the \_\_\_\_\_.

Those \_\_\_\_\_ identified a twenty-two percent increase in \_\_\_\_\_ between the \_\_\_\_\_ and \_\_\_\_\_:

- \_\_\_\_\_:
- \_\_\_\_\_:

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Carol Monteiro, Regional Program Manager, Administration for Children and Families, Office of Family Assistance, Boston Regional Office, JFK Federal Building, Rm 2000, Boston, MA 02203 and
- Jessica Shahin, Associate Administrator, Supplemental Nutrition Assistance Program, Department of Agriculture, Food and Nutrition Service, 3101 Park Center Dr. Alexandria, VA 22302

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12<sup>th</sup> Street, Suite 0429, Kansas City, MO 64106 and
- Kimberly Edwards, Audit Liaison, USDA Food and Nutrition Services, Northeast Regional Office, 10 Causeway St. Room 501, Boston, MA 02222-1069

**Context:** The Department has a \_\_\_\_\_, \_\_\_\_\_ with \_\_\_\_\_ to manage and operate the \_\_\_\_\_. This system is used to \_\_\_\_\_ related to \_\_\_\_\_ funded by the \_\_\_\_\_ programs. \_\_\_\_\_ expenditures processed through \_\_\_\_\_ were approximately \_\_\_\_\_, and \_\_\_\_\_ expenditures were approximately \_\_\_\_\_ for fiscal year 2019.

**Cause:** Lack of adequate procedures to ensure that \_\_\_\_\_ in the \_\_\_\_\_ are reviewed, addressed, and remediated.

**Effect:**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Recommendation:** We recommend that the Department implement procedures that require \_\_\_\_\_ and the documentation and implementation of an effective \_\_\_\_\_. This would provide assurance that \_\_\_\_\_ found in the \_\_\_\_\_ are being tracked and remediated in a timely manner.

**Corrective Action Plan:** See F-9

**Management's Response:** The Department disagrees with this finding. The Department regularly performs reviews of all \_\_\_\_\_ and is actively working with the vendor on their publication of remediation strategies of \_\_\_\_\_ articulated in the \_\_\_\_\_ pertaining to \_\_\_\_\_.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**Auditor's Concluding Remarks:** A formal, documented supervisory review and corrective action plan to track the remediation of \_\_\_\_\_ found within \_\_\_\_\_ is necessary to ensure the controls over the \_\_\_\_\_ are operating effectively. Despite the auditor's request, the Department did not provide evidence to support \_\_\_\_\_.

The finding remains as stated.

(State Number: 19-0900-09)

(2019-015)

**Title:** Internal control over State matching requirements needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-002	*	*	2015-028	None	None	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Education

**State Bureau:** Child Nutrition Services

**Federal Agency:** U.S. Department of Agriculture

**CFDA Title:** Child Nutrition Cluster

**CFDA #:** 10.555, 10.559

**Federal Award Identification Number:** 184ME301N1099, 194ME301N1099

**Compliance Area:** Matching, level of effort, earmarking

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 7 CFR 210.17

**Condition:** States are required to match Federal program funds with State funds, in accordance with the requirements of the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS).

For the fiscal year ended June 30, 2019, qualified matching dollars expended by the State were \$833 less than the required amount. The Department utilized Federal funds rather than funds from the General Fund, to satisfy the State's match requirement.

**Context:** The USDA FNS establishes the State National School Lunch Program matching requirement annually for each State. The State of Maine's match requirement for fiscal year 2019 was \$1,021,496.

**Cause:**

- Lack of supervisory oversight
- Lack of reconciliation procedures between the New Education Ontology (NEO) system and the State accounting system

**Effect:** The Federal program funds drawn by the State and used to meet the Federal match requirement are subject to recall and repayment to FNS.

**Recommendation:** We recommend that the Department continue to implement procedures to ensure the match attributable to State-owned schools is funded from the General Fund. In addition, we recommend that the match, as calculated by the NEO System, is reconciled to the match funded with State funds prior to year end so that necessary adjustments can be made to Federal draws.

**Corrective Action Plan:** See F-9

**Management's Response:** The Department agrees with this finding. The Department modified the NEO system during the year under audit to ensure that the match attributable to State-owned schools is funded from the General Fund. Additionally, going forward the Department will perform reconciliations to ensure compliance with the grant's matching requirements.

**Contact:** Walter Beesley, Child Nutrition Director, DOE, 207-624-6875

(State Number: 19-1203-02)

(2019-016)

**Title:** National School Lunch Program and Summer Food Program Policy Statements and State-Sponsor Agreements are not consistent with Federal regulations

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-006	*	*	None	None	None	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Education

**State Bureau:** Child Nutrition Services

**Federal Agency:** U.S. Department of Agriculture

**CFDA Title:** Child Nutrition Cluster

**CFDA #:** 10.555, 10.559

**Federal Award Identification Number:** 184ME301N1099, 194ME301N1099

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 7 CFR 225.6; 7 CFR 245.10; 2 CFR 200.331; USDA Eligibility Manual for School Meals, Appendix A – Policy Statement

**Condition:** Child Nutrition Services must maintain Policy Statements and State-Sponsor Agreements that are consistent with Federal regulations. We reviewed the Free and Reduced Price Policy Statement for the National School Lunch Program (NSLP) and the Free Meal Policy Statement and State-Sponsor Agreement for the Summer Food Service Program (SFSP) and noted the following exceptions:

- The SFSP State-Sponsor Agreement did not contain all elements required by 7 CFR 225.6, including:
  - requirements for meal service timeframes and offerings, and
  - statements regarding the maintenance of sanitation and health standards, financial management systems, and site visit monitoring documentation.



- The NSLP Free and Reduced Price Policy Statement did not contain all required elements, including:
  - specific procedures used to document eligibility through direct certification in lieu of an application as outlined in 7 CFR 245.10,
  - a statement regarding foster child eligibility,
  - a statement that no barriers to participation exist in Programs for Limited English Proficient families, and
  - a statement of measures taken to prevent disclosure of confidential program information, as described in the U.S. Department of Agriculture Eligibility Manual for School Meals – Appendix A – Policy Statement.
- The NSLP Free and Reduced Price Policy Statement has not been updated to the Uniform Guidance.

**Context:** Federal funds totaling \$54.7 million were passed through to subrecipients from the Child Nutrition Cluster grant during fiscal year 2019. Policy Statements and State-Sponsor Agreements define participant responsibilities for program administration. Federal regulations define the content of agreements to ensure participants are aware of and compliant with specific program requirements.

**Cause:**

- Lack of supervisory oversight
- Lack of established procedures to ensure policy statements and agreements are in compliance with Federal requirements

**Effect:** Noncompliance with Federal regulations

**Recommendation:** We recommend that the Department establish procedures to periodically and systematically review these documents to ensure compliance with Federal requirements.

The NSLP Free and Reduced Price Policy Statement and the SFSP State-Sponsor Agreement were updated in November 2018 for use in the fiscal year 2020 enrollment period.

**Corrective Action Plan:** See F-9

**Management's Response:** The Department agrees with this finding. As noted above, the documents in question have been updated to contain all required information. The Department has also implemented procedures to perform an annual review of the NSLP Free and Reduced Price Policy Statement as well as the SFSP State-Sponsor Agreement prior to the issuance of the annual policy packet to ensure that these documents continue to comply with Federal requirements.

**Contact:** Walter Beesley, Child Nutrition Director, DOE, 207-624-6875

(State Number: 19-1203-01)

(2019-017)

**Title:** Internal control over subrecipient monitoring procedures needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-001	*	*	None	None	None	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Education

**State Bureau:** Child Nutrition Services

**Federal Agency:** U.S. Department of Agriculture

**CFDA Title:** Child Nutrition Cluster

**CFDA #:** 10.555, 10.559

**Federal Award Identification Number:** 184ME301N1099, 194ME301N1099

**Compliance Area:** Cash management  
Subrecipient monitoring

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 7 CFR 210.18; 7 CFR 220.8

**Condition:** The Department is required to conduct administrative reviews of all School Food Authorities (SFAs) at least once during a three-year review cycle to ensure compliance with Federal requirements. The Department must keep records that document the details of all administrative reviews and demonstrate the degree of compliance with critical areas, general areas, and breakfast meal requirements.

Corrective action is required for any violation identified in the review. SFAs are required to submit evidence to the Department that corrective action has been taken no later than thirty days from the State's deadline for the SFA to take corrective action. If the SFA does not submit corrective action by the deadline and the SFA has not been granted an extension, the Department must withhold all program payments to the SFA. The purpose of payment suspension is to encourage compliance. All suspended payments are released by the Department once the SFA's corrective action is complete.

The auditor reviewed 24 of the 116 National School Lunch Program and Summer Food Service Program administrative reviews that occurred in fiscal year 2019. Of these twenty-four reviews, Child Nutrition Services (CNS) was unable to provide a United States Department of Agriculture (USDA) On-Site Review Form for one SFA. This document serves as the source of confirmation that critical areas, general areas, and breakfast meal requirements were reviewed as required by Federal regulations. Although the USDA On-Site Review Form was not provided and multiple compliance requirements could not be confirmed, the Final Review Report and completed corrective action suggests that a complete onsite review of all areas was performed.

The Office of the State Auditor selected a non-statistical random sample.

Additionally, the auditor scanned the population of school administrative reviews during fiscal year 2019 that had deficiencies and required corrective action. Of the eighty-two reviews, the auditor located one instance when CNS did not withhold payments to an SFA after the SFA did not submit timely corrective action.

**Context:** Federal funds totaling \$54.7 million were passed through to subrecipients from the Child Nutrition Cluster grant during fiscal year 2019.

**Cause:**

- The Department did not have adequate backup procedures for portable devices that resulted in lost site review documentation for four SFAs (one was included in the auditor's sample).
- A procedure has not been established to suspend payments to an SFA that is not in compliance with the corrective action process.
- Lack of adequate supervisory oversight

**Effect:**

- The State agency is unable to demonstrate complete compliance with the three-year SFA review cycle required by Federal regulations.
- Since the Department did not suspend payments to the SFA that did not submit corrective action, the Department did not provide adequate financial incentive for the SFA to take corrective action.

**Recommendation:** We recommend that the Department continue to implement procedures to ensure site review documentation is safeguarded. We recognize that the Department is now utilizing a cloud-based service to back up site review documentation as it is collected.

We further recommend that the Department withhold payments to SFAs that do not submit timely corrective action plans in response to findings related to their administrative reviews.

**Corrective Action Plan:** See F-9

**Management's Response:** The Department agrees with this finding. Child Nutrition continues to follow the improved procedures of using a cloud-based service for data storage. Child Nutrition has also discussed the withholding procedure with staff. The discussion included: when to withhold, the documentation to withhold, granting documented extensions and recording extension information. Additionally, at the monthly staff meetings, prior and upcoming reviews are discussed, and cross checked with the tracking spreadsheet.

**Contact:** Walter Beesley, Child Nutrition Director, DOE, 207-624-6875

(State Number: 19-1203-03)

(2019-018)

**Title:** Internal control over the donated food inventory needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-005	*	*	2015-029	None	None	None	11-1203-03

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Education

**State Bureau:** Child Nutrition Services

**Federal Agency:** U.S. Department of Agriculture

**CFDA Title:** Child Nutrition Cluster

**CFDA #:** 10.555, 10.559

**Federal Award Identification Number:** 184ME301N1099, 194ME301N1099

**Compliance Area:** Special tests and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 7 CFR 250.12; 7 CFR 250.19

**Condition:** The State must maintain complete and accurate records related to the receipt, distribution, and inventory of United States Department of Agriculture (USDA) donated foods. On an annual basis, the responsible distributing State Department must reconcile physical inventories to recorded inventories. The purpose of the physical inventory is to identify possible food losses and obtain subsequent reimbursement from the responsible party.

In our test of twelve inventory items recorded as of June 30, 2019 (twenty-one percent of all inventory items), discrepancies in case counts were identified for two inventory items. The discrepancies existed between the year-end physical inventory count and the count recorded in the New Education Ontology (NEO) system. Program personnel did not identify and investigate discrepancies on an ongoing basis using reconciliation procedures, such as using monthly reports to detect irregularities. In addition, inventory activity, such as picking errors and damaged goods, were not correctly accounted for in NEO.

During our inquiry of the discrepancies noted above, it was also noted that one inventory item was recorded as received on the wrong date causing inventory on hand to be unavailable to the schools. Monthly reconciliations between the NEO system and the third-party food distributor's system would have identified this error earlier and would have ensured the item was available to schools; instead it remained in inventory at year end.

We selected a sample of twelve inventory items to ascertain the validity of the year-end physical inventory as of June 20, 2019. Using the donated foods records, we calculated the inventory forward to January 28, 2020. We performed a physical inventory of the twelve inventory items on January 28, 2020 and found discrepancies for three inventory items.

Also, it was noted that:

- NEO does not value or track commodities inventory held at processors.
- NEO does not maintain a report of the total dollar value of inventory passed through to each subrecipient for proper reporting of noncash awards as required by the Uniform Guidance.

As a result, inventory records do not contain complete and accurate information of amounts passed through to subrecipients.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The Department was responsible for the maintenance and distribution of approximately \$5 million of USDA-donated foods in fiscal year 2019.

**Cause:**

- Lack of written policies and procedures in place to ensure that Department staff are performing regular reconciliations between NEO inventory records and monthly physical inventory counts
- Lack of supervisory oversight

**Effect:** A lack of written policies and procedures over inventory reconciliations and recordkeeping increases the possibility of mismanagement, noncompliance with Federal award requirements, and inaccurate reporting of non-cash Federal awards.

**Recommendation:** We recommend that the Department design and implement written policies and procedures over monthly and annual inventory reconciliations, as well as procedures to ensure complete recordkeeping and reporting of shipments occurring after the end of the school year.

We also recommend that the Department work with NEO developers to research whether NEO can be used to track a perpetual inventory. If these persons formally conclude that NEO cannot be programmed with this functionality, we recommend that the Department investigate alternative software for this purpose.

**Corrective Action Plan:** See F-10

**Management's Response:** The Department agrees with this finding. Child Nutrition has worked with USDA to develop procedures for inventory control and periodic reconciliations. Child Nutrition will review existing procedures and make changes as needed. Steps are already being taken to address the inventory procedures for the food shipments that occur after the end of the school year. Specifically, a new inventory system is being procured to track this activity because these transactions are outside of the scope of the NEO system.

**Contact:** Walter Beesley, Child Nutrition Director, DOE, 207-624-6875

(State Number: 19-1203-04)

(2019-019)

**Title:** Internal control over subrecipient monitoring needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	*	*	None	None	None	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Health and Human Services

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

**Federal Agency:** U.S. Department of Agriculture

**CFDA Title:** Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

**CFDA #:** 10.557

**Federal Award Identification Number:** 201616W500344, 201717W500344,  
201818W100344, 201818W100644,  
201818W500344, 201919W100344,  
201919W100644

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 7 CFR 246.19

**Condition:** The State agency shall establish an on-going management evaluation system which includes at least the monitoring of local agency operations, the review of local agency financial and participation reports, the development of corrective action plans to resolve program deficiencies, the monitoring of the implementation of the corrective action plans, and on-site visits. The results of such actions shall be documented.

Monitoring of local agencies must encompass evaluation of management, certification, nutrition education, breastfeeding promotion and support, participant services, civil rights compliance, accountability, financial management systems, and food delivery systems.



The State agency shall conduct monitoring reviews of each local agency at least once every two years. Reviews must include on-site reviews of a minimum of twenty percent of the clinics in each local agency or one clinic, whichever is greater.

Four of the eight agencies were due for a full-year management evaluation review during fiscal year 2019. Audit procedures identified that:

- two local agencies received timely management evaluation reviews, however, these were only partial reviews. Each review must include four key areas: clinic management, breastfeeding, nutrition, and finance. The finance portion was not completed for either of these two local agency reviews.
- one local agency management evaluation review that was due in February of 2019, had not been completed as of audit testing in January of 2020.
- one local agency management evaluation review that was due in June of 2019, had not started as of audit testing in January of 2020.

**Context:** The Department provided \$4.1 million to the eight local agencies during fiscal year 2019.

**Cause:**

- Unfilled vacancies (Finance Manager and three WIC staff positions that perform management evaluation reviews)
- Lack of adequate internal control

**Effect:**

- Federal programs may not be effectively and efficiently administered
- Potential future questioned costs and disallowances

**Recommendation:** We recommend that the Department implement procedures to ensure that management evaluation reviews are performed in a complete and timely manner.

**Corrective Action Plan:** See F-10

**Management's Response:** The Department agrees with this finding. During the audit period, all four of the positions that are responsible for conducting management evaluation reviews were vacant. These positions are now filled, and management evaluation reviews are being conducted.

**Contact:** Ginger Roberts-Scott, Director, Maine WIC Nutrition Program, DHHS, 207-287-5342

(State Number: 19-1113-02)

(2019-020)

**Title:** Internal control over subrecipient contracts needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	*	*	None	None	None	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Health and Human Services

**State Bureau:** Division of Contract Management

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

**CFDA #:** 10.557

**Federal Award Identification Number:** 201616W500344, 201717W500344,  
201818W100344, 201818W100644,  
201818W500344, 201919W100344,  
201919W100644

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.331(a)

**Condition:** Contracts with subrecipients must include Federal award information that enables subrecipients to identify the source of the Federal award. In addition, contracts must be updated to include references to the Federal Uniform Guidance and to audit threshold amounts in effect since December 26, 2014.

Of the eight subrecipients who administer the WIC program, all eight contracts:

- incorrectly identified Federal Circular A-133 as the Federal guidance requirement, rather than the Uniform Guidance.
- did not include a reference to the correct threshold of \$750,000 or more expended in Federal awards during a fiscal year by non-Federal entities that requires them to receive a Single, or program-specific audit.

**Context:** During fiscal year 2019, the Department provided \$4.1 million to the eight subrecipients that administer the WIC program.

**Cause:**

- Lack of adequate internal control
- Lack of supervisory oversight

**Effect:**

- Noncompliance with Federal requirements for pass-through entities
- Outdated references included in subrecipient contracts increase the possibility that subrecipients will apply the incorrect Federal guidance to the grant award.

**Recommendation:** We recommend that the Department implement procedures to ensure contracts with subrecipients are complete, accurate and in accordance with Federal regulations.

**Corrective Action Plan:** See F-10

**Management's Response:** The Department agrees with this finding. Contract language that includes references to the Uniform Guidance and the \$750,000 threshold has been updated as of February 2018.

**Contact:** Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075

(State Number: 19-1113-03)

(2019-021)

**Title:** Internal control over Federal cash management needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	*	*	None	None	None	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Health and Human Services

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

**Federal Agency:** U.S. Department of Agriculture

**CFDA Title:** Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

**CFDA #:** 10.557

**Federal Award Identification Number:** 201616W500344, 201717W500344,  
201818W100344, 201818W100644,  
201818W500344, 201919W100344,  
201919W100644

**Compliance Area:** Cash management

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.302; 31 CFR 205.33

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the award in compliance with Federal statutes, regulations, and the terms and conditions of the award. Financial records must adequately identify the source and application of funds and provide accountability for all funds, property, and other assets related to the Federally-funded activities.

The Department must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. The Department must limit a funds transfer to the minimum amounts needed by the State and must time the disbursement to be in accordance with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is

administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. The Office of the State Controller issued guidance to all State agencies establishing that no more than seven days between the receipt and disbursement of Federal funds demonstrates compliance.

Program personnel did not take the existing cash balance into consideration when requesting Federal funds for the food portion of the WIC grant. This resulted in the WIC food portion of the grant to have an excess cash balance ranging from \$700,000 to \$1.6 million.

There also exists a separate cash management issue related to WIC's administrative costs. The Advantage accounting system indicates that expenditures may have been charged to the Federal Fund that have not been reimbursed by the Federal government. The cash balance was consistently negative throughout the year, ranging from a negative \$600,000 at the beginning of the year to a negative \$1.2 million at the end of the fiscal year.

**Context:** During fiscal year 2019, the Department drew down the following Federal funds for the WIC program:

- \$5.7 million for administration
- \$8.2 million for food

**Cause:**

- Lack of adequate procedures to ensure the cash balance is always considered when requesting Federal funds
- Lack of adequate recordkeeping and account reconciliation
- Lack of supervisory oversight
- Lack of resources and competing priorities

**Effect:**

- The Federal government may impose more stringent cash management requirements based on prior noncompliance.
- The State could potentially incur an interest liability on excess Federal cash balances.
- Until the Department completes a reconciliation of related financial activity, it will not know whether funds need to be returned to the Federal government for all, a portion, or none of the excess cash balance.
- Until the Department completes a reconciliation of related financial activity, it will not know whether a General Fund appropriation is needed to clear the negative cash balance for administrative costs in the Federal Fund.

**Recommendation:** We recommend that the Department:

- complete a full reconciliation of the cash balance for all grants issued for the WIC program, going as far back as needed to determine the cause and remediation for both the negative and excess cash balances.
- implement oversight procedures to ensure that the cash balance is considered when requesting Federal funds in accordance with 31 CFR 205.33.

**Corrective Action Plan:** See F-11

**Management's Response:** The Department agrees with this finding. The Program will perform a reconciliation of the cash balance for all WIC related grants. Oversight procedures will be implemented to ensure cash balance is considered when requesting federal funds.

**Contact:** Ginger Roberts-Scott, Director, Maine WIC Nutrition Program, DHHS, 207-287-5342

(State Number: 19-1113-04)

(2019-022) Confidential finding, see Condition Section below for more information

**Title:** The Department has no assurance that \_\_\_\_\_ is adequate (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Redacted	*	*	*	*	*	*	*

*\*The system was not audited in this fiscal year.*

**State Department:** Health and Human Services

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

**Federal Agency:** U.S. Department of Agriculture

**CFDA Title:** Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

**CFDA #:** 10.557

**Federal Award Identification Number:** 201616W500344, 201717W500344,  
201818W100344, 201818W100644,  
201919W100344, 201919W100644

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; \_\_\_\_\_; \_\_\_\_\_; State of Maine \_\_\_\_\_; State of Maine \_\_\_\_\_

**Condition:** The Department of Health and Human Services (DHHS) does not have assurance that \_\_\_\_\_ provided by the \_\_\_\_\_ is \_\_\_\_\_ and that \_\_\_\_\_ is \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Sarah Widor, Director, Supplemental Food Programs Division, Department of Agriculture, Food and Nutrition Service, 3101 Park Center Drive 5<sup>th</sup> Floor, Alexandria, VA 22302

A copy of that correspondence has also been sent to:

- Kimberly Edwards, Audit Liaison, USDA Food and Nutrition Services, Northeast Regional Office, 10 Causeway St. Room 501, Boston, MA 02222-1069

**Context:** DHHS contracts with \_\_\_\_\_ to provide \_\_\_\_\_, including \_\_\_\_\_. \_\_\_\_\_ can measure \_\_\_\_\_ to which the Department is able to rely on the \_\_\_\_\_ provided by \_\_\_\_\_.

Of the \_\_\_\_\_ in \_\_\_\_\_ expenditures in fiscal year 2019, \_\_\_\_\_ in \_\_\_\_\_ was processed by this outsourced \_\_\_\_\_.

**Cause:** Although DHHS required \_\_\_\_\_ to comply with \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, \_\_\_\_\_ did not provide the results of \_\_\_\_\_ of the adequacy and effectiveness of \_\_\_\_\_ specific to the \_\_\_\_\_.

**Effect:**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Recommendation:** We recommend that the Department enforce contractual obligations, agreed to by \_\_\_\_\_, to provide \_\_\_\_\_. This includes a \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_; and add \_\_\_\_\_, as applicable. If provided by \_\_\_\_\_, DHHS would have assurance that related information is \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

**Corrective Action Plan:** See F-11

**Management's Response:** The Department disagrees with the finding. The \_\_\_\_\_, explicitly excludes the \_\_\_\_\_, "This section does not apply to \_\_\_\_\_", such as the \_\_\_\_\_. Furthermore, in the previous year's State Single Audit, finding \_\_\_\_\_, the State Auditor recognizes that "\_\_\_\_\_". The State Auditor confirmed again in the present year's audit that \_\_\_\_\_. It seems inconsistent that the Auditor references a \_\_\_\_\_ but denies \_\_\_\_\_.

The contract provides solid evidence that \_\_\_\_\_, "\_\_\_\_\_ and to provide \_\_\_\_\_. Vendors process \_\_\_\_\_ in the same manner as they process a \_\_\_\_\_. The \_\_\_\_\_ executes the logistics of \_\_\_\_\_ until it is \_\_\_\_\_ to the Provider.

We believe we are adhering to Generally Accepted Auditing Standards (GAAS) and that implementing the recommendations of the Auditor would also add complexity to DHHS operations and increase costs of providing DHHS services.

**Contact:** Ginger Roberts-Scott, Director, Maine WIC Nutrition Program, DHHS 207-287-5342

**Auditor's Concluding Remarks** are on the following page.



**Auditor's Concluding Remarks:** The Department has contracted with a \_\_\_\_\_ to provide services for the WIC program for several years. These services include:

- \_\_\_\_\_ which provides \_\_\_\_\_; and
- tracking of \_\_\_\_\_ and \_\_\_\_\_ for communication to the WIC program \_\_\_\_\_.

It is also important to note that the contract explicitly states that “\_\_\_\_\_.” This includes \_\_\_\_\_, and will adhere to the following \_\_\_\_\_: \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

Therefore, it is our determination that the WIC program \_\_\_\_\_ is not only contractually obligated to provide \_\_\_\_\_ but the \_\_\_\_\_ also provides services beyond that of only “\_\_\_\_\_” as detailed within \_\_\_\_\_. The \_\_\_\_\_ in this case is not simply a \_\_\_\_\_.

The finding remains as stated.

(State Number: 19-0900-06)

(2019-023)

**Title:** Internal control over payroll costs needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-016	2017-002	*	*	None	*	None	None

*\*The program was not audited as a major program in this fiscal year.*

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

**State Bureau:** Military

**Federal Agency:** U.S. Department of Defense

**CFDA Title:** National Guard Military Operations and Maintenance (O&M) Projects

**CFDA #:** 12.401

**Federal Award Identification Number:**

W912JD-16-2-1001X, W912JD-17-2-1003X, W912JD-19-2-1010X, F7QJCE8282MW03,  
W912JD-19-2-1001X, W912JD-18-2-1003X, W912JD-19-2-1040X, F7QJCE7300MW01,  
W912JD-17-2-1001X, W912JD-19-2-1003X, W912JD-18-2-1040X, F7Q6SP7304MW01,  
W912JD-18-2-1001X, W912JD-18-2-1004X, F7QJCE4290MD02, F7Q6SP8289MW01,  
W912JD-18-2-1002X, W912JD-19-2-1004X, F7QJCE5296MD01, F7QJCE8282MW02,  
W912JD-19-2-1002X, W912JD-18-2-1007X, F7QJCE8282MW01, F7QJCE7292MW01,  
W912JD-16-2-2001X, W912JD-17-2-1007X, F7QJCE6300MW01, F7QJCE6302MW01,  
W912JD-18-2-2001X, W912JD-19-2-1007X, F7QJCE7291MW01, F7QJCE5296MD03

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.430(i)

**Condition:** Personnel expenses must be supported by a system of internal control that provides reasonable assurance that payroll charges are accurate, allowable and charged to the appropriate program.

The Department did not have adequate procedures in place to ensure that all timesheets were appropriately signed and that payroll expenditures charged to the National Guard Military

Operations and Maintenance (O&M) Projects program were allowable. Of the sixty timesheets tested:

- one timesheet was not signed by the employee. Additionally, this timesheet reflected that fifty percent of the employee's time was spent on the National Guard Military O&M Projects program and the other fifty percent was at another State agency. However, the employee's payroll costs totaling \$2,844 were charged entirely to the National Guard Military O&M Projects program.
- one timesheet was not approved by a supervisor.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** Payroll expenditures totaled approximately \$8.4 million in fiscal year 2019.

**Cause:**

- Lack of adequate procedures to ensure payroll expenditures were charged to the correct program
- The Department did not ensure that an employee's missing signature was subsequently obtained.
- One employee's timesheet was setup so that no approval was required by a supervisor with direct knowledge of the employee's time.

**Effect:**

- Salaries and wages charged to the program were not and could potentially not be based on actual work performed or allowable.
- Potential future questioned costs and disallowances

**Recommendation:** We recommend that the Department enhance procedures to ensure that all timesheets are signed by the employee and an appropriate supervisor. We further recommend that the Department implement procedures to ensure only allowable payroll expenditures are charged to the program.

**Corrective Action Plan:** See F-11

**Management's Response:** The Department agrees with this finding. This finding has identified two unique situations that fall outside of the routine payroll process. The first item was the result of an employee who changed position within the middle of a pay period. The second item resulted from a State employee being supervised by a Federally employed Air National Guard Officer because the current time an attendance system does not support the supervisor's approval of timesheets in this type of arrangement. Regardless of the cause, the Department has enhanced procedures to ensure that all timesheets are signed and approved, and payroll expenditures are properly charged, even in unique situations.

**Contact:** Scott A. Young, Deputy Commissioner, DVEM, 207-430-5997

(State Number: 19-1503-01)

(2019-024)

**Title:** Internal control over cash management for travel advances and the related reporting to the Federal government on the *SF-270* report needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	None	*	*	None	*	None	None

*\*The program was not audited as a major program in this fiscal year.*

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

**State Bureau:** Military

**Federal Agency:** U.S. Department of Defense

**CFDA Title:** National Guard Military Operations and Maintenance (O&M) Projects

**CFDA #:** 12.401

**Federal Award Identification Number:**

W912JD-16-2-1001X,	W912JD-17-2-1003X,	W912JD-19-2-1010X,	F7QJCE8282MW03,
W912JD-19-2-1001X,	W912JD-18-2-1003X,	W912JD-19-2-1040X,	F7QJCE7300MW01,
W912JD-17-2-1001X,	W912JD-19-2-1003X,	W912JD-18-2-1040X,	F7Q6SP7304MW01,
W912JD-18-2-1001X,	W912JD-18-2-1004X,	F7QJCE4290MD02,	F7Q6SP8289MW01,
W912JD-18-2-1002X,	W912JD-19-2-1004X,	F7QJCE5296MD01,	F7QJCE8282MW02,
W912JD-19-2-1002X,	W912JD-18-2-1007X,	F7QJCE8282MW01,	F7QJCE7292MW01,
W912JD-16-2-2001X,	W912JD-17-2-1007X,	F7QJCE6300MW01,	F7QJCE6302MW01,
W912JD-18-2-2001X,	W912JD-19-2-1007X,	F7QJCE7291MW01,	F7QJCE5296MD03

**Compliance Area:** Cash management  
Reporting

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 31 CFR 205(B); National Guard Regulation 5-1 Section 11-4; *SF-270* Instructions: Request for Advance or Reimbursement; State Administrative and Accounting Manual 10.80.60

**Condition:** The Department must minimize the time between the drawdown of Federal grant funds and the related disbursement for program purposes. The Office of the State Controller (OSC) issued guidance to all State agencies establishing that no more than seven days between the receipt and disbursement of Federal funds demonstrates compliance. Program personnel must submit an *SF-270* report to the Federal government to process requests for advances and reimbursement using Federal funds. The State Administrative and Accounting Manual (SAAM) indicates that travel advances may be paid no more than ten days before the start of travel by State personnel.

Testing of sixty *SF-270* reports, and expanded testing of an additional four *SF-270* reports for travel advances only, and their related drawdowns revealed:

- two instances of noncompliance with drawdown requirements. The Department exceeded the seven-day State standard between the drawdown date and the payment date established by the OSC to meet compliance requirements, by eighteen days for one drawdown and by nine days for the other drawdown. Both drawdowns included requests for travel advances, as well as other types of payments.
- three instances of noncompliance with reporting requirements. These three *SF-270* reports included a request for an advance that was incorrectly reported as a request for reimbursement.
- four instances of noncompliance with State travel advance requirements. The Department exceeded the ten-day requirement between the advance date and the travel date by six to nine days.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The Department expended approximately \$21.7 million in National Guard Military O&M Projects funds during fiscal year 2019. Of the \$21.7 million, approximately \$14,000 was utilized for travel advances.

**Cause:** Lack of adequate procedures over travel advances to ensure compliance with Federal and State cash management and reporting requirements

**Effect:**

- The Federal government may impose more stringent, program-specific cash management requirements based on prior noncompliance.
- Advances are not reported in accordance with Federal reporting requirements and are not paid in accordance with the SAAM.

**Recommendation:** We recommend that the Department implement procedures to ensure that travel advances are reported accurately on the *SF-270* report and drawn down in accordance with cash management requirements. We further recommend that the Department implement procedures to ensure that travel advances are paid in accordance with the SAAM.

**Corrective Action Plan:** See F-11

**Management's Response:** The Department agrees with this finding. Procedures are being reviewed and updated as necessary to ensure that travel advances are reported accurately on the SF-270 report and drawn in accordance with cash management requirements. Additionally, procedures covering the issuance of travel advances will be reviewed and updated as necessary.

**Contact:** Frances LaPointe, Business Manager II, DVEM, 207-430-5696

(State Number: 19-1503-02)

(2019-025)

**Title:** Internal control over subrecipient monitoring procedures needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	*	*	*	*	*	*

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Health and Human Services

**State Bureau:** Substance Abuse and Mental Health Services

**Federal Agency:** U.S. Department of Housing and Urban Development

**CFDA Title:** Continuum of Care Program

**CFDA #:** 14.267

**Federal Award Identification Number:** ME0002L1T001704, ME0003L1T001704, ME0008L1T001710, ME0009L1T001710, ME0024L1T001710, ME0036L1T001710, ME0057L1T001703, ME0058L1T001703, ME0059L1T001704, ME0069L1T001702, ME0074L1T001703, ME0078L1T001701, ME0079L1T001701, ME0080L1T001701, ME0084L1T001702, ME0088L1T001706, ME0089L1T001706, ME0093L1T001706

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Material weakness

Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.331; 24 CFR 578.23; 24 CFR 578.51; 24 CFR 578.103

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Department is required to monitor the activities of the subrecipient as necessary to ensure that the subaward was used for authorized purposes, in compliance with Federal statutes, regulations,

and the terms and conditions of the subaward, and that subaward performance goals are being or have been achieved. As part of monitoring procedures, an on-site client file review is required to ensure program participants are eligible, the rental subsidy is calculated correctly, the subrecipient has adequate record keeping procedures, and the housing quality inspections are documented.

The Department did not perform on-site client file reviews during fiscal year 2019. As of June 30, 2019, the last on-site review was performed in May 2018. In addition, the on-site review form used by the Department does not provide adequate documentation of all subrecipient grant management responsibilities.

**Context:** Continuum of Care Program expenditures totaled \$8.6 million during fiscal year 2019. The entire grant award was passed through to a single subrecipient.

**Cause:**

- Lack of adequate internal controls
- Lack of supervisory oversight

**Effect:**

- Noncompliance with Federal regulations
- Potential future questioned costs and disallowances due to possible ineligible participants or inaccurate rent determinations

**Recommendation:** We recommend that the Department implement procedures to ensure that subrecipients use Continuum of Care Program funds in accordance with Continuum of Care Program grant regulations and contracts. We also recommend that the Department expand their on-site review form to ensure verification of all subrecipient grant management responsibilities.

**Corrective Action Plan:** See F-12

**Management's Response:** The Department disagrees with this finding. We have policies and procedures in place to ensure subrecipients use Continuum of Care funds in accordance with all award requirements and program regulations. We perform comprehensive annual on-site reviews to verify subrecipient compliance with all program rules and regulations and have the documentation to support it.

**Contact:** Jessica Monahan Pollard, Director, Office of Behavioral Health, DHHS, 207-287-6484

**Auditor's Concluding Remarks:** Program regulations require annual subrecipient site monitoring. Though requested from the auditee, we were not provided any documentation or other evidence to support that a site visit occurred during fiscal year 2019. In addition, the checklist the Department utilizes to document site monitoring reviews does not provide sufficient verification of all subrecipient responsibilities.

The finding remains as stated.

(State Number: 19-1153-01)



(2019-026)

**Title:** Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	None	None	None	None	None	None	None

**State Department:** Administrative and Financial Services

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

**Federal Agency:** U.S. Department of Housing and Urban Development

**CFDA Title:** Continuum of Care Program

**CFDA #:** 14.267

**Federal Award Identification Number:** ME0002L1T001704, ME0003L1T001704, ME0008L1T001710, ME0009L1T001710, ME0024L1T001710, ME0036L1T001710, ME0057L1T001703, ME0058L1T001703, ME0059L1T001704, ME0069L1T001702, ME0074L1T001703, ME0078L1T001701, ME0079L1T001701, ME0080L1T001701, ME0084L1T001702, ME0088L1T001706, ME0089L1T001706, ME0093L1T001706

**Compliance Area:** Reporting

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.510(b); State Controller Bulletin's #FY20-01

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements which must include the total Federal awards expended. At a minimum, the SEFA must provide total Federal awards expended for each individual Federal program and

the Catalog of Federal Domestic Assistance (CFDA) number. The Department must complete and submit exhibits and related schedules to the Office of the State Controller (OSC) who is responsible for compiling this information on behalf of the State.

Continuum of Care Program (CFDA #14.267) expenditures were incorrectly reported as Shelter Plus Care (CFDA #14.238) program expenditures on the SEFA. Additionally, a portion of Continuum of Care Program expenditures were incorrectly recorded to the Shelter Plus Care program in the State accounting system.

**Context:** In fiscal year 2019, Continuum of Care Program expenditures totaling \$8.6 million were incorrectly recorded in the:

- SEFA as Shelter Plus Care expenditures.
- State accounting system as follows:
  - \$1.1 million to Shelter Plus Care
  - \$7.5 million to Continuum of Care Program

**Cause:**

- Lack of adequate internal controls relating to agency SEFA submissions to the OSC
- The Department did not obtain guidance from the Federal government.

**Effect:** Inaccurate amounts are reported by Federal program and CFDA number on the SEFA, which is submitted to the Federal government. This information may be used for programmatic, policy or statistical purposes.

**Recommendation:** We recommend that the Department work with the OSC to improve procedures related to SEFA submission to ensure Federal program expenditures are reported accurately by CFDA number on the SEFA. We further recommend that the Department make the necessary corrections in the State accounting system.

**Corrective Action Plan:** See F-12

**Management's Response:** The Department agrees with this finding. The Department has implemented changes to the SEFA reporting process to ensure that the correct CFDA number is used. The revised SEFA reporting process will be utilized for the year ending June 30, 2020.

**Contact:** Sarah Gove, Director, DHHS Service Center, 207-458-6626

(State Number: 19-1000-01)

(2019-027)

**Title:** Internal control over continuing eligibility needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-023	2017-006	2016-005	2015-031	2014-039	13-1302-01	12-1302-01	11-1302-06

**State Department:** Labor

**State Bureau:** Unemployment Compensation

**Federal Agency:** U.S. Department of Labor

**CFDA Title:** Unemployment Insurance (UI)

**CFDA #:** 17.225

**Federal Award Identification Number:** Unemployment Insurance Trust Fund, Maine

**Compliance Area:** Allowable costs/cost principles  
Eligibility

**Type of Finding:** Material weakness  
Material noncompliance  
Questioned costs

**Questioned Costs:**

Questioned Costs	Total	Federal*	State
<i>Known</i>	\$10,375	\$0	\$10,375
<i>Likely</i>	\$5,272,833	\$0	\$5,272,833
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

\*No Federally-funded benefit payments appeared in the exceptions taken by the auditor.

**Criteria:** 2 CFR 200.303; Unemployment Insurance Program Letter (UIPL) No. 5-13; 26 MRSA 1192 Eligibility Conditions; 26 MRSA 1194 Claims for Benefits; Pub. L No. 112-96; SSA Sec 303(12)[16]; 20 CFR 603.2; 20 CFR 615.8; 12-172 Maine Unemployment Insurance Commission Rules Chapter 10

**Condition:** A State administering the Unemployment Insurance (UI) program must have properly designed internal control procedures in place to ensure that claimants' continuing eligibility requirements are met.

Audit procedures identified four of sixty (approximately seven percent) randomly selected claimants as ineligible to receive the weekly unemployment benefit paid. An additional six of sixty (ten percent) randomly selected claimants were potentially ineligible to receive the weekly unemployment benefit paid. Further details of these testing results are outlined below.

Of the four claimants ineligible to receive the weekly benefit paid:

- one claimant reported not searching for work at all for three benefit weeks. In addition, this claimant filed two claims that included work search entries that could not be verified by the employer when contacted by program personnel. No further action was taken by program personnel.
- one claimant did not provide updated documentation needed to continue receiving benefits.
- one claimant was issued a demand by the Department to repay \$244 for failing to search for work as a result of a required fact-finding interview.
- one claimant did not provide any identifying employer information for eight work search entries, resulting in a lack of reasonable assurance that the claimant searched for work.

Of the six claimants potentially ineligible to receive the weekly benefit paid:

- five filed work search entries that were repeated at a rate higher than what the Department's internal standard operating procedure (SOP) allows. The exceptions noted by the auditor ranged between two to fifteen weeks of repetitive entries.
- one did not enter an identifiable business name for five claims but did provide correct addresses and/or phone numbers.

According to the Department's internal SOP for work search audits, the Department should have completed work search audits for at least one percent of total claims during the fiscal year. For the period from July through November 2018 (five of twelve months), the Department did not perform any internal work search audits relating to continuing eligibility. The workload associated with the ongoing implementation of the information system ReEmployME was cited by the Department as the reason.

For the period from December 2018 through June 2019 (seven of twelve months), the Department completed only 183 work search audits out of the 183,520 total claims paid during the seven-month period. In accordance with the internal SOP, a total of 1,835 audits should have been completed. The Department did select 1,447 claims for review; however, only 183 were actually completed. This provided coverage for only 0.09% of total unemployment benefits paid during the seven-month period. Of the 183 work search audits completed:

- four had potential issues that were ultimately deemed allowable,
- six were denied, and
- 173 had no identified issues.

Thus, the Department's own internal work search audit data results in an exception rate for noncompliance of 3.3% ( $6 / 183 = 3.3\%$ ).

This rate of 3.3% is far lower than what can be computed from the auditor's testing described above. The four of sixty auditor exceptions computes to an overall noncompliance rate of 6.7%. The other six claimants could potentially contribute to an additional 10.0%.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** Unemployment Insurance benefits paid in fiscal year 2019 totaled \$78.5 million. This includes \$77.5 million in employer-funded benefit payments and \$1.0 million in Federally-funded benefit payments.

**Cause:** Internal control procedures relating to continuing eligibility are not adequate. Though it is, in part, due to a lack of staff and competing priorities, the fact that this matter has been an audit finding since fiscal year 2011 provides clear evidence that management has not given this matter adequate priority. Additionally, there are no field or system controls nor edit checks active in the ReEmployME system that would enable the system to identify ineligible work search entries.

**Effect:** Claims funded by Maine's employers and potentially by Federal dollars were paid to persons who might not have been actively searching for work and obtaining timely re-employment. The effect for most claims would be to improperly reduce Maine's Unemployment Trust Fund held by the United States Treasury and increase the unemployment tax rate in an effort to replenish the Fund. If the claim pertained to a Federally-funded unemployment claim (for example, laid-off postal workers), ineligible claims for Federal funds could be paid.

**Recommendation:** We recommend that the Department implement control procedures including computer application controls to ensure that continuing eligibility requirements for Unemployment Insurance benefits are met and adequately supported.

The Department relies on ReEmployME as the primary tool for internal control over continuing eligibility. For this reason, we recommend that computer application controls be enabled within ReEmployME to identify and reject work search entries that are not consistent with the Department's standards. While we recognize that the existing internal SOP defines a benchmark for repetitious work search entries, we further recommend that the Department establish by public rulemaking or otherwise, what will be rejected by the system as a repetitious work search entry for the purpose of making a claim for benefits. In this manner, the frequency will not be considered arbitrary, but will be fixed by rulemaking or law.

**Corrective Action Plan:** See F-12

**Management's Response:** The Department partially agrees with this finding. For the most part, we agree that in the first four examples that staff did not follow established standard operating procedures or guidelines or made an oversight error. We have conducted staff training to correct this and we continue to call attention to the importance of following procedure in our adjudication trainings conducted twice a year. However, we disagree with the projected amount of potential benefit overpayment in some of these, especially for weeks where no fact-finding interview was held which would have provided the claimant an opportunity to show good cause, or in one case produce current documentation. Without due process, we would characterize these as potential ineligibility and overpayments. The one exception is where we did issue an overpayment which was noted. We disagree with the remaining examples as detailed below.

The remaining examples involved either claimants not providing the exact name of the business or employer listed as a job contact; or made multiple job contacts at the same business during their benefit series. Claimants often do not provide the full public name of the business or the name by

which it is registered in our system (which may differ from the public name). Additionally, it is not uncommon for individuals to list the name of an individual in a business that they spoke with about employment instead of identifying the business. Claimants are encouraged to speak directly with hiring managers or authorities within a business by career counselors to make a more direct and effective connection for possible work. Although it certainly would be advantageous for the claimant to list both the individual and the full business name contacted when completing their weekly job search logs, if enough identifying contact information is provided, we consider this a valid work search. We would not disqualify an individual for failing to list the full business name if we have enough information to validate the work search in an audit. Nor would we disqualify a claim if the correct business name was shown but the contact number might not be correct if we are able to find the correct information to follow up in an audit.

Maine law does not prohibit seeking work with the same employer in multiple weeks. Therefore, a decision denying benefits for this is not legally supportable. Such denials would be overturned on appeal or in court. The auditor cites that by not denying benefits, staff disregarded stated guidance and should have denied benefits. Current guidance instructs staff to speak with claimants when seeing repeated contacts with the same employer in a work search audit or encounter this in a fact finding interview but the purpose is to encourage them to expand their work search to multiple businesses (if this is reasonable where they reside), as a way to improve the effectiveness of their job search strategy. The auditor's recommendation is that the agency establish through rulemaking that multiple contacts with the same business be prohibited. Rules clarify existing laws or identify procedures for carrying out the intent of laws, they cannot add a restriction that is not present in the law. This would be a matter for the Maine Legislature to consider.

**Contact:** Laura Boyett, Bureau Director, Unemployment Compensation, DOL, 207-621-5156

**Auditor's Concluding Remarks:** The projected amount of potential benefit overpayments (likely questioned costs) is based on the first four examples of compliance exceptions that the Department noted agreement with in their response. The exception rate of 6.7% was projected across the total dollar amount of claims filed in fiscal year 2019. The other six claimants mentioned in the finding are possible overpayments and are not included in the projection of likely questioned costs.

The ReEmployME system requires the claimant to enter the complete business name and contact information for whom they spoke with as part of the weekly work search requirement. If required information is not properly input for program personnel to verify, the claim is not logical or reasonable. In the compliance exceptions noted in the Condition of the finding, there was enough identifying information so the claims were not deemed ineligible, nor were they included in the projection of likely questioned costs; however, there are no computer application controls or controls in place by the Department to ensure that a lack of information would be identified. This type of error by the claimant would only be identified during a work search audit.

**Auditor's Concluding Remarks** are continued on the following page.

Currently, the Department has an internal policy that includes a reasonableness standard for repetitious claims; however, the Department is unaware of repetitive claims unless discovered through a work search audit, as there are no system controls in place to flag this type of activity.

As stated in the Condition of the finding, the Department only completed work search audits for seven months of fiscal year 2019, and only reviewed 0.09% of claim activity during that seven-month period. This control activity is not sufficient to identify ineligible, illogical, or unreasonable work search entries, including overly repetitious claims and incomplete employer information.

The Office of the State Auditor (OSA) is not recommending that multiple contacts with the same business be prohibited. OSA's recommendation for public rulemaking or otherwise is to clarify the existing law to better define "actively seeking work" in relation to work search entries. This would establish a guideline for repetitive employer entries. This would then enable DOL to define system controls to reject claims for benefits falling outside of that guideline.

The Department relies on the ReEmployME system for continuing eligibility decisions. Therefore, it is important that computer application controls are in place to ensure that continuing eligibility requirements for Unemployment Insurance benefits are met and adequately supported, including controls to determine if the claim is logical and reasonable.

The finding remains as stated.

**(State Number: 19-1302-01)**

(2019-028) Confidential finding, see Condition Section below for more information

**Title:** The Department has no assurance that \_\_\_\_\_ over the \_\_\_\_\_ is adequate (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	None	*	*	*	*	*	*

*\*The system was not audited in this fiscal year.*

**State Department:** Labor

**State Bureau:** Unemployment Compensation

**Federal Agency:** U.S. Department of Labor

**CFDA Title:** Unemployment Insurance (UI)

**CFDA #:** 17.225

**Federal Award Identification Number:** Unemployment Insurance Trust Fund, Maine

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; \_\_\_\_\_; \_\_\_\_\_; State of Maine \_\_\_\_\_; State of Maine \_\_\_\_\_

**Condition:** The Maine Department of Labor (MDOL) does not have assurance that \_\_\_\_\_ over the \_\_\_\_\_ are adequate and that information is accurate, complete, available, and secure.

**Context:** MDOL has a \_\_\_\_\_ with the \_\_\_\_\_, for the \_\_\_\_\_ to manage and operate \_\_\_\_\_, which is the \_\_\_\_\_ system for the State of Maine. The total \_\_\_\_\_ paid by Maine in fiscal year 2019 was approximately \_\_\_\_\_, which includes approximately \_\_\_\_\_ in Maine \_\_\_\_\_ payments and approximately \_\_\_\_\_ in \_\_\_\_\_ payments.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Gay M. Gilbert, Administrator, U.S. Department of Labor, Office of Unemployment Insurance, Francis Perkins Building, Rm S4524, Washington, DC 20210



A copy of that correspondence has also been sent to:

- Melvin F. Reid, Director of Single Audit Oversight, U.S. Department of Labor, Office of the Inspector General, Frances Perkins Building, 200 Constitution Avenue, Washington, DC 20210

**Cause:** The current contract does not explicitly require the vendor to comply with \_\_\_\_\_ and provide \_\_\_\_\_ that includes a \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ of the technology controls.

**Effect:**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Recommendation:** We recommend that the Department add \_\_\_\_\_ to the \_\_\_\_\_ requiring the vendor to provide \_\_\_\_\_ that includes \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. This will provide assurance to the State regarding whether \_\_\_\_\_ over the \_\_\_\_\_ are adequate.

**Corrective Action Plan:** See F-13

**Management's Response:** The Department partially agrees with this finding. The Department agrees that the current system does not have \_\_\_\_\_; however, the system is \_\_\_\_\_. It is the Department's position that having \_\_\_\_\_ meets or exceeds the criteria that would be provided by \_\_\_\_\_ via a \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. \_\_\_\_\_ is a Government-wide program that provides \_\_\_\_\_ to \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ for \_\_\_\_\_. \_\_\_\_\_ was developed in collaboration with the \_\_\_\_\_, the \_\_\_\_\_, the \_\_\_\_\_ and the \_\_\_\_\_. \_\_\_\_\_ uses the \_\_\_\_\_, which is compliant with \_\_\_\_\_ and is based on the \_\_\_\_\_. In addition, due to the \_\_\_\_\_ that the bureau handles we are subject to the \_\_\_\_\_ by both the \_\_\_\_\_ and the \_\_\_\_\_.

**Contact:** Patricia O'Brien, Deputy Bureau Director, DOL, 207-621-5161

**Auditor's Concluding Remarks:** A \_\_\_\_\_ does not provide annual \_\_\_\_\_. The \_\_\_\_\_ only provides standards that the \_\_\_\_\_ must strictly follow in order to \_\_\_\_\_. The \_\_\_\_\_ does not \_\_\_\_\_ of the \_\_\_\_\_ provided to the State annually.

\_\_\_\_\_ does provide \_\_\_\_\_ and is required by the \_\_\_\_\_.

The \_\_\_\_\_ is not performed annually, and thus cannot provide assurance over \_\_\_\_\_ annually. Additionally, the \_\_\_\_\_ covers only \_\_\_\_\_. \_\_\_\_\_ requirements are only required guidelines that must be followed, and do not provide annual \_\_\_\_\_ over the \_\_\_\_\_. The \_\_\_\_\_ and the \_\_\_\_\_ over the \_\_\_\_\_ were not provided to the Office of the State Auditor.

The finding remains as stated.

(State Number: 19-0900-10)

(2019-029)

**Title:** Internal control over earmarking requirements needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	None	None	None	*	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Labor

**State Bureau:** Rehabilitation Services

**Federal Agency:** U.S. Department of Education

**CFDA Title:** Rehabilitation Services – Vocational Rehabilitation Grants to States

**CFDA #:** 84.126

**Federal Award Identification Number:** H126A170026, H126A170085,  
H126A180026, H126A180085,  
H126A190026, H126A190085

**Compliance Area:** Matching, level of effort, earmarking

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 29 USC 730(d)(1) and 733

**Condition:** The State must reserve and expend at least fifteen percent of the Vocational Rehabilitation (VR) allotment for the provision of pre-employment transition services (pre-ETS) to students with disabilities who are eligible, or potentially eligible, for VR services. State VR agencies may use the reserved funds to cover the cost of the following pre-ETS to students with disabilities:

- job exploration counseling
- work-based learning experiences, which may include in-school or after school opportunities, or experience outside the traditional school setting (including internships), that is provided in an integrated environment to the maximum extent possible
- counseling on opportunities for enrollment in comprehensive transition or postsecondary educational programs at institutions of higher education

- workplace readiness training to develop social skills and independent living
- instruction in self-advocacy, which may include peer mentoring

The auditor's sample of sixty transactions earmarked as pre-ETS expenditures included three journal entries made to transfer expenditures to the earmarking account. Review of the three journal entries revealed five instances of expenditures that did not meet the pre-ETS criteria outlined above. These expenditures included amounts for a laptop computer, driver's education, private driving lessons, assistive technology assessment, and transportation.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The Division of Vocational Rehabilitation and the Division of the Blind and Visually Impaired expended a total of \$15.8 million from the 2017 Vocational Rehabilitation grant award which was closed out during fiscal year 2019. Of this total, \$2.5 million was earmarked as pre-ETS expenditures.

**Cause:**

- Lack of staff training
- Lack of supervisory oversight

**Effect:**

- Noncompliance with Federal earmarking requirements
- Potential future disallowances which may result in repaying Federal funds and interest

**Recommendation:** We recommend that the Department implement procedures requiring a detailed review of expenditures within the journal entries noted in the Condition of this finding to ensure compliance with Federal earmarking requirements. In addition, the Department should implement periodic training for program personnel on criteria for pre-ETS expenditures.

In December 2018, the AWARE Vocational Rehabilitation case management information system (AWARE) was modified to enable coding of pre-ETS expenditures as such, prior to interfacing with the State accounting system. This eliminates the need for journal entry transfers. For this system modification to be effective, the training recommendation outlined above, as well as training on appropriate account coding, will be essential. If expenditures are classified and coded incorrectly in AWARE, the same issue will persist.

**Corrective Action Plan:** See F-13

**Management's Response:** The Department agrees with this finding. The initial Federal guidance for the newly mandated 15% earmarking requirement lacked clarity and consistency. The U.S. Rehabilitation Services Administration provided revised guidance during the summer of 2018 that was both clear and consistent. Based on the revised guidance, the AWARE system was modified in December 2018 to enable the proper coding of Pre-ETS expenditures prior to the interface with the AdvantageME system. The Department also initiated a comprehensive training program in October 2018 to ensure Bureau staff were properly trained on the Pre-ETS requirements and how to properly code these transactions in AWARE. As an additional internal control, carefully vetted

reports from the AWARE system are reconciled to AdvantageME by a financial analyst to ensure the proper coding of Pre-ETS expenditures.

**Contact:** Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942

(State Number: 19-1308-01)

(2019-030)

**Title:** Internal control over program income needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	None	None	None	*	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Labor

**State Bureau:** Rehabilitation Services

**Federal Agency:** U.S. Department of Education

**CFDA Title:** Rehabilitation Services – Vocational Rehabilitation Grants to States

**CFDA #:** 84.126

**Federal Award Identification Number:** H126A170085, H126A180085,  
H126A190085, H126A170026,  
H126A180026, H126A190026

**Compliance Area:** Program income

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.307; Vocational Rehabilitation Providers Handbook (Social Security Administration)

**Condition:** The Social Security Administration (SSA) administers a Vocational Rehabilitation (VR) Reimbursement Program to help people with disabilities gain employment. Under this program, the SSA reimburses State VR agencies through program income claims for the cost of services provided to beneficiaries with disabilities if such services result in the achievement of work at a specified earnings level.

Internal control systems must be established to ensure that program income claims are accurate and in accordance with the Vocational Rehabilitation Providers Handbook. These controls must provide reasonable assurance that potential errors are prevented or detected and corrected in a timely manner.

There are three components for claims billed to the SSA:

- direct case costs;
- administration, counseling, and placement (ACP) costs;
- and tracking costs.

ACP and tracking costs are calculated based on cost rates approved by the SSA and the timing of services provided.

In the auditor's sample of twenty-three program income claims submitted to the SSA for reimbursement of VR costs, the amount received from the SSA was different from the amount claimed by the Department for all twenty-three claims examined. The actual amount paid by the SSA ranged from 38% to 113% of the amount claimed by the Department. The average payment was 83% of the amount claimed. Calculations of program income claims made by the State for ACP and tracking costs are not consistent with the formula identified in the Vocational Rehabilitation Providers Handbook. The Department does not have controls in place to ensure that program income claims submitted to the SSA are accurate in accordance with program regulations.

Management does not have assurance that the amounts received from the SSA are accurate which impedes the ability to identify and correct potential underpayments or overpayments of program income. No analysis of claims paid is performed by the Department to identify the underlying cause of differences between the amount billed by the Department and the amount received from the SSA. Therefore, the Department cannot verify that the correct amount of program income was received.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The Vocational Rehabilitation program received \$1 million in program income and expended \$17.5 million in program funds during fiscal year 2019.

**Cause:**

- Application of outdated cost formulas result in errors in total ACP and tracking costs
- Lack of procedures in place to monitor and reconcile differences between the Department's claims to the SSA and payments made by the SSA
- Lack of management oversight

**Effect:**

- The State could be underpaid or overpaid by the SSA and these errors would remain undetected.
- Potential underpayments result in less program income funding available to provide vocational rehabilitation services.
- Potential overpayments result in amounts due back to the SSA.

**Recommendation:** We recommend that the Department adjust calculations utilized for ACP and tracking costs to be in accordance with the formula identified in the Vocational Rehabilitation Providers Handbook. We further recommend that the Department review the amounts received from the SSA to ensure that the amount received is accurate and in accordance with program guidelines. Differences between claims submitted and payments by the SSA should be analyzed to determine the cause. The Department should then take appropriate action.

**Corrective Action Plan:** See F-13

**Management's Response:** The Department agrees with this finding. In September 2017, SSA issued a revised edition of the Vocational Rehabilitation Providers' Handbook that changed how the annual ACP and Tracking cost formulas were applied. This revision was overlooked by the Division of Quality Assurance (QA), due in part to staff turnover at the time in the Contract and Procurement Specialist and Director of QA positions, and the Bureau continued to submit claims based solely upon the annual cost formula approval letters from SSA as had been the approved practice until then. Currently, the database that was used for the calculation of SSA cost reimbursement amounts has been replaced with a new SSA cost reimbursement module in the AWARE case management system. The Bureau is working closely with the vendor to ensure that the calculations conducted by the new module are error free. No new reimbursement claims will be submitted to SSA until that work is completed. The Bureau also notes that it does not have access to critical SSA beneficiary data, including whether the claims amount requested for a beneficiary exceeds the anticipated savings to the trust fund achieved by reducing or eliminating benefit dependency. That SSA data ultimately determines the claim amount that is approved.

**Contact:** Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942

**Auditor's Concluding Remarks:** While we acknowledge the corrective action efforts outlined above, the Office of the State Auditor recommends that program income claims continue to be submitted using the old database during the implementation of the new SSA cost reimbursement module in AWARE. By suspending program income claims until the root cause has been addressed, the State will experience an unfavorable delay in cash receipts, and a temporary decrease of program income funding available to provide vocational rehabilitation (VR) services. The monthly cash flow impact to the VR program averages over \$80,000 per month, and accumulates until claims to the SSA are up-to-date.

(State Number: 19-1308-03)

(2019-031)

**Title:** Internal control over the timeliness of eligibility determinations needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	2016-012	2015-035	2014-037	*	None	11-1308-02

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Labor

**State Bureau:** Rehabilitation Services

**Federal Agency:** U.S. Department of Education

**CFDA Title:** Rehabilitation Services – Vocational Rehabilitation Grants to States

**CFDA #:** 84.126

**Federal Award Identification Number:** H126A170085, H126A180085,  
H126A190085, H126A170026,  
H126A180026, H126A190026

**Compliance Area:** Eligibility

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 34 CFR 361.41(b)

**Condition:** Eligibility for vocational rehabilitation services must be determined within sixty days after an initial application unless the delay is the result of exceptional and unforeseen circumstances and the Department and the individual agree to a specific extension of time.

The auditor's random sample of forty eligibility determinations made in fiscal year 2019 by the Division of Vocational Rehabilitation and the Division for the Blind and Visually Impaired identified five cases in which the eligibility determination was made after the sixty-day requirement. All five cases identified as exceptions were within the Division of Vocational Rehabilitation. A review of these cases showed an average eligibility determination timeframe of seventy-five days, with the number of days overdue ranging from nine to twenty-nine days. In these five cases, no extension was documented as required by Federal regulations.

The Office of the State Auditor selected a non-statistical random sample.



**Context:** The Vocational Rehabilitation program provides services to individuals with disabilities so they may prepare for and engage in competitive employment. In fiscal year 2019, Vocational Rehabilitation program expenditures totaled \$17.5 million.

**Cause:**

- Lack of staff resources
- Lack of supervisory oversight

**Effect:**

- Eligible participants may not receive services in a timely manner.
- Noncompliance with Federal regulations

**Recommendation:** We recommend that the Department implement additional monitoring procedures to help ensure timely review of participant applications and eligibility determinations within the sixty-day timeframe. If the process for eligibility determination is delayed for reasons allowable by the Federal government, controls should be implemented to ensure that a specific time extension is offered and agreed to by the applicant.

**Corrective Action Plan:** See F-14

**Management's Response:** The Department agrees with this finding. The Bureau of Rehabilitation Services has multiple internal control procedures in place to monitor the requirement for a 60-day eligibility determination, or to get a signed eligibility extension from the applicant when extenuating circumstances prevent that timeline. The BRS Quality Assurance division will provide a refresher training on the eligibility determination procedures, including the tools available in the AWARE system, at the DVR Leaders' and DBVI Leaders' meetings in March of 2020 to ensure future compliance. Additionally, this information is posted on the BRS Intranet for future reference by staff to further encourage compliance with established procedures.

**Contact:** Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942

(State Number: 19-1308-02)

(2019-032)

**Title:** Internal control over provider site visits and corrective action follow up needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	None	*	*	None	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Health and Human Services

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

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Immunization Cooperative Agreements

**CFDA #:** 93.268

**Federal Award Identification Number:** NH23IP000749

**Compliance Area:** Special tests and provisions

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 USC 1396; Vaccines for Children Program Operations Guide

**Condition:** The Vaccines for Children (VFC) Program Operations Guide requires that Maine Center for Disease Control & Prevention (MECDC) conduct and record compliance site visits every twenty-four months for each site that covers provider details, eligibility, documentation, storage and handling, and inventory management. All VFC compliance site visits must be monitored/reviewed by MECDC management, and the review must be documented by either a signature and date, or by a listing of all site visits by date visited, the name of the site reviewer, and the date the review documentation was completed.

MECDC must provide training specifically developed for reviewers. As part of the training, the Operations Guide recommends that VFC Coordinators or designees participate annually as an observer of a site visit for each reviewer. Documentation of the observed site visit and other training must be documented in the reviewer's training file.

The Operations Guide requires that the VFC Coordinator sign an acknowledgement to attest that the site visit was completed, results were received, and that an understanding of all noncompliance issues and corrective action requirements were mutually understood.

The Operations Guide also requires that at or near the end of a site visit, deficiencies and deadlines for required corrective action are communicated to the site by the MECDC reviewer. MECDC must conduct follow up activities to establish whether corrective action has been taken. Providers that fail to complete corrective action within the required timeframe are sent an official reminder notice regarding noncompliance. Failure to comply after forty-five days results in suspended vaccine ordering abilities and probationary status. Probationary status could potentially result in termination from the program.

We tested a sample of 29 of the 141 site visits required during fiscal year 2019 and found:

- no documentary evidence of review by management or the VFC Coordinator.
- no documentary evidence that the reviewers received annual training, or that the VFC Coordinator participated as an observer for an annual compliance site visit for each reviewer.
- no documentary evidence that a sample of inventory records had been reviewed during the site visits.
- six of the twenty-nine sampled site visits did not have documentary evidence of a signed acknowledgement by the provider.

We also tested a sample of 26 of the 126 site reviews requiring corrective action during fiscal year 2019 and found:

- two site reviews with deficiencies did not result in timely follow-up by Department personnel.
- one site reviewer accepted an out-of-date calibration certificate as evidence of corrective action. The proper calibration certificate was not obtained until several months after corrective action was due.
- one of the site visits did not have adequate documentation of completed corrective action.

The Office of the State Auditor selected non-statistical random samples.

**Context:** In fiscal year 2019, there were 315 VFC providers that received vaccines valued at \$14.4 million. Of those, 141 were required to have a site visit in fiscal year 2019. These 141 site visits were completed and resulted in 126 providers being cited for at least one discrepancy requiring corrective action.

**Cause:**

- Staff turnover
- Lack of document retention policies
- Lack of coordinator oversight
- Lack of management oversight

**Effect:**

- Noncompliance with Federal regulations
- Increased likelihood and severity of improper vaccine storage and waste

**Recommendation:** We recommend that the Department implement procedures to ensure:

- the VFC Coordinator and/or program manager review all VFC compliance site visits and document that review.
- a record of completed annual training and VFC Coordinator observed site visits is documented in each reviewer's training file.
- provider inventory records are sampled to ensure proper recording of receipt, transfer, and usage of vaccine, and that the results of those procedures are properly documented to facilitate effective and efficient communication with the provider.
- acknowledgements attesting that the site visit was completed are signed by the providers and maintained in the site review documentation.
- proper oversight of site reviewer follow-up activities by the VFC Coordinator.

**Corrective Action Plan:** See F-14

**Management's Response:** The Department agrees with this finding. Immediate actions have taken place to correct the finding while documentation of the process is being updated.

**Contact:** Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541

(State Number: 19-1118-01)

(2019-033)

**Title:** Internal control over Federal cash management needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	None	*	*	None	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Administrative and Financial Services

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

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Immunization Cooperative Agreements

**CFDA #:** 93.268

**Federal Award Identification Number:** NH23IP000749

**Compliance Area:** Cash management

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 31 CFR 205

**Condition:** A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes.

The Office of the State Auditor reviewed fifteen Immunization grant drawdowns and the related Federal program disbursements. One drawdown received on June 21, 2019, duplicated funds already drawn on June 18, 2019. The duplicate draw resulted in excess program cash that was used to offset grant draws over the subsequent three months.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** During fiscal year 2019, there were eighty-eight Federal draws totaling \$2.4 million.

**Cause:**

- Lack of controls to ensure excess Federal funds are returned in a timely manner
- Lack of management oversight

**Effect:** The Federal government may impose more stringent program-specific cash management requirements based on prior noncompliance.

**Recommendation:** We recommend the Department revise current policies and procedures to ensure grant funds are only drawn for actual, immediate cash needs and excess funds must be promptly returned to the Federal government. The actual Federal cash balance should always be considered before drawing Federal funds.

**Corrective Action Plan:** See F-15

**Management's Response:** The Department agrees with this finding. Policies and procedures were reviewed, and training conducted on CMIA, draw procedures and reconciliations. A grant monitoring file will be created and used to monitor the Immunization grant activity and cash by December 2020.

**Contact:** Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626

(State Number: 19-1118-03)

(2019-034) Confidential finding, see Condition Section below for more information

**Title:** The Department has no assurance that \_\_\_\_\_ over the \_\_\_\_\_ is adequate (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	*	*	*	*	*	*

*\*The system was not audited in this fiscal year.*

**State Department:** Health and Human Services

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

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Immunization Cooperative Agreements

**CFDA #:** 93.268

**Federal Award Identification Number:** NH23IP000749

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; \_\_\_\_\_; \_\_\_\_\_; State of Maine \_\_\_\_\_; State of Maine \_\_\_\_\_

**Condition:** The Department of Health and Human Services (DHHS) does not have assurance that \_\_\_\_\_ over the \_\_\_\_\_ provided by the vendor is adequate and that information is \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_.

Though the Department required the vendor to follow the \_\_\_\_\_, the vendor did not provide \_\_\_\_\_ that includes a \_\_\_\_\_ over the \_\_\_\_\_.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Claude Mwanda, Audit Resolution Team, Center for Disease Control and Prevention, 1600 Clifton Rd. NE, Atlanta GA 30329

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, Kansas City, MO 64106

**Context:** The \_\_\_\_\_ supports the distribution of \_\_\_\_\_ for the State of Maine. In fiscal year 2019, total Federal expenditures for the \_\_\_\_\_ were approximately \_\_\_\_\_.

**Cause:** The Department did not require the vendor to provide \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ that includes a \_\_\_\_\_ of the \_\_\_\_\_.

**Effect:**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Recommendation:** We recommend that the Department add \_\_\_\_\_ requiring the vendor to provide the \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_. This will provide assurance to the State regarding whether vendor-provided controls over \_\_\_\_\_ are adequate.

**Corrective Action Plan:** See F-15

**Management's Response:** The Department, with consultation from the Office of Information Technology, agrees with this finding.

The contract renewal starting July 1, 2020 will have language added to include \_\_\_\_\_ that will be conducted annually, beginning on the contract renewal date. Each examination period will correspond to the state fiscal year, July 1 through June 30, with the \_\_\_\_\_ due within 3 months of the conclusion of each examination. The \_\_\_\_\_ will be transmitted to \_\_\_\_\_.

The \_\_\_\_\_ will specify the relevant \_\_\_\_\_ to be included in each examination and the \_\_\_\_\_ will be explicitly stated in the contract.

Language in the contract will address any deficiencies identified in the \_\_\_\_\_. A corrective action plan (CAP) for each exception noted in the \_\_\_\_\_ will be submitted by the vendor to the \_\_\_\_\_ within three months of the conclusion of each examination. The \_\_\_\_\_ will approve the CAP and transmit the approval to appropriate vendor contacts as soon as feasible. The vendor will submit CAP updates at least quarterly to the \_\_\_\_\_ until the CAP is fully implemented.

The contract will include language explicitly stating penalties on the vendor for failing to comply all \_\_\_\_\_ requirements outlined above.

**Contact:** Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541

(State Number: 19-0900-11)



(2019-035)

**Title:** Monitoring over subrecipient cash management needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-026	2017-009	None	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Division of Contract Management

**Federal Agency:** U.S. Department of Health and Human Services

U.S. Department of Agriculture

U.S. Department of Justice

**CFDA Title:** TANF Cluster (TANF)

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Crime Victim Assistance

Aging Cluster

Social Services Block Grant (SSBG)

Community Services Block Grant (CSBG)

HIV Care Formula Grant

**CFDA #:** 93.558; 10.557; 16.575; 93.044, 93.045, 93.053; 93.667; 93.569; 93.917

**Federal Award Identification Number:** 1601METANF, 1701METANF,  
1801METANF, 1901METANF;  
201616W500344, 201717W500344,  
201818W100344, 201818W100644,  
201818W500344, 201919W100344,  
201919W100644; 2015-VA-GX-0025,  
2016-VA-GX-0062, 2017-VA-GX-0082,  
2018-V2-GX-0065, 2019-V2-GX-0065;  
1901MEOASS, 1901MEOACM,  
1901MEOAHD, 1901MEOANS;  
G-1801MESOSR, G-1901MESOSR;  
G-1801MECOSR, G-1901MECOSR;  
X07HA00023, X08HA31243

**Compliance Area:** Cash management  
Subrecipient monitoring

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs: None**

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.305(b)

**Condition:** The Department is required to monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes is minimized. For cost-settled subawards, the Department did not monitor subrecipients to ensure they were drawing Federal funds in accordance with these cash management requirements. The Department's current procedures include making advance monthly payments for the same amount and reconciling to amounts reported on quarterly financial reports by the subrecipient. This procedure does not take into consideration the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes.

The Crime Victim Assistance, Aging Cluster, SSBG, CSBG, and HIV Care Formula Grant programs were not audited as major programs in fiscal year 2019. However, audit evidence obtained during the current audit period supported the inclusion of these programs in this repeat finding.

**Context:** During fiscal year 2019, the Department awarded:

- \$26.3 million to subrecipients from TANF grant funds of \$70.4 million.
- \$4.1 million to subrecipients from WIC grant funds of \$15 million.
- \$7.9 million to subrecipients from Crime Victim Assistance grant funds of \$8.6 million.
- \$6.3 million to subrecipients from Aging Cluster grant funds of \$6.7 million.
- \$6.1 million to subrecipients from SSBG grant funds of \$6.4 million.
- \$3.4 million to subrecipients from CSBG grant funds of \$3.6 million.
- \$142 thousand to subrecipients from HIV Care Formula Grant funds of \$3.1 million.

**Cause:**

- Lack of adequate procedures to monitor subrecipient compliance with cash management
- The Department has identified current procedures in place as sufficient.

**Effect:**

- Noncompliance with subrecipient cash management requirements may go undetected.
- Federal programs may not be effectively and efficiently administered.
- The Federal government may require the implementation of more stringent subrecipient cash management procedures.

**Recommendation:** We recommend that the Department implement monitoring procedures to ensure that the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes is minimized.

**Corrective Action Plan:** See F-15

**Management's Response:** The Department disagrees with this finding. The criteria given by the State Auditor also states that the timing and amounts of advance payments must be as close as is administratively feasible to the actual disbursements. The Department's process for monitoring the actual expenditures and reconciling those to the payments is as close as administratively feasible for the Department. We have provided the State Auditor with the monitoring procedures to ensure the timing of payments is as close as administratively feasible to actual expenditures of our subrecipients.

**Contact:** Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075

**Auditor's Concluding Remarks:** The Criteria cited in the finding is directed towards "non-Federal entities other than states"; thus, in this case, "administratively feasible" is the subrecipient's requirement. The Department's responsibility is to monitor the subrecipient's compliance with that requirement. The Department does not request additional documentation to support the amounts reported on the quarterly financial reports, to ensure funds are spent on actual cash disbursements, and to review the timing of those reimbursements, to ensure subrecipients are in compliance with the Criteria cited in the finding.

The finding remains as stated.

(State Number: 19-1111-02)

(2019-036)

**Title:** Internal control over subrecipient contracts needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-027	2017-009	None	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Division of Contract Management

**Federal Agency:** U.S. Department of Health and Human Services  
U.S. Department of Justice

**CFDA Title:** TANF Cluster (TANF)

Crime Victim Assistance

Aging Cluster

Social Services Block Grant (SSBG)

Community Services Block Grant (CSBG)

HIV Care Formula Grant

**CFDA #:** 93.558; 16.575; 93.044, 93.045, 93.053; 93.667; 93.569; 93.917

**Federal Award Identification Number:** 1601METANF, 1701METANF,  
1801METANF, 1901METANF;  
2015-VA-GX-0025, 2016-VA-GX-0062,  
2017-VA-GX-0082, 2018-V2-GX-0065,  
2019-V2-GX-0065; 1901MEOASS,  
1901MEOACM, 1901MEOAHD,  
1901MEOANS; G-1801MESOSR,  
G-1901MESOSR; G-1801MECOSR,  
G-1901MECOSR; X07HA00023,  
X08HA31243

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Material weakness

Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.331

**Condition:** Contracts with subrecipients must include Federal award information that enables subrecipients to identify the source of the Federal award. In addition, contracts must be updated to include references to the Federal Uniform Guidance, and to audit threshold amounts in effect since December 26, 2014. Of the ten subrecipient contracts tested:

- three contracts did not include the subrecipient's unique entity identifier (Data Universal Numbering System number also known as a DUNS number).
- eight contracts did not include the Federal award date.
- two contracts did not include the Federal Award Identification Number.
- three contracts incorrectly identified Federal Circular A-133 as the Federal guidance requirement, rather than the Uniform Guidance.
- three contracts did not include a reference to the correct threshold of \$750,000 or more expended in Federal awards during a fiscal year by non-Federal entities that requires them to receive a Single, or program-specific audit.

The Office of the State Auditor tested the one subrecipient deemed to be higher risk and selected a non-statistical random sample of all other TANF subrecipients.

The Crime Victim Assistance, Aging Cluster, SSBG, CSBG, and HIV Care Formula Grant programs were not audited as major programs in fiscal year 2019. However, audit evidence obtained during the current audit period supported the inclusion of these programs in this repeat finding.

**Context:** During fiscal year 2019, the Department awarded:

- \$26.3 million to subrecipients from TANF grant funds of \$70.4 million.
- \$7.9 million to subrecipients from Crime Victim Assistance grant funds of \$8.6 million.
- \$6.3 million to subrecipients from Aging Cluster grant funds of \$6.7 million.
- \$6.1 million to subrecipients from SSBG grant funds of \$6.4 million.
- \$3.4 million to subrecipients from CSBG grant funds of \$3.6 million.
- \$142 thousand to subrecipients from HIV Care Formula Grant funds of \$3.1 million.

**Cause:**

- Lack of adequate internal control
- Lack of supervisory oversight

**Effect:**

- Noncompliance with Federal requirements for pass-through entities
- Outdated references included in subrecipient contracts increase the possibility that subrecipients will apply the wrong Federal guidance to the grant award.

**Recommendation:** We recommend that the Department implement procedures to ensure all contracts with subrecipients are complete, accurate and in accordance with Federal regulations.

**Corrective Action Plan:** See F-16

**Management's Response:** The Department agrees with this finding. As of October 2018, agreement templates have been updated to include the required elements.

**Contact:** Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075

(State Number: 19-1111-03)

(2019-037)

**Title:** Internal control over Income Eligibility and Verification System procedures needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	2017-010	2016-017	2015-021	None	13-1111-02	12-1111-02	11-1111-01

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Federal Agency:** U.S. Department of Health and Human Services

U.S. Department of Agriculture

**CFDA Title:** Medicaid Cluster

Children's Health Insurance Program (CHIP)

SNAP Cluster (SNAP)

TANF Cluster (TANF)

**CFDA #:** 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;

1805ME5021, 1905ME5021;

184ME401S2514, 184ME401S2519,

184ME401S2520, 184ME401S8026,

184ME401S8036, 184ME401S8069,

184ME421Q3903, 184ME431Q7503,

194ME401S2514, 194ME401S2519,

194ME401S2520, 194ME401S8026,

194ME421Q3903, 194ME442Q7503;

1601METANF, 1701METANF,

1801METANF, 1901METANF

**Compliance Area:** Eligibility

Special tests and provisions

**Type of Finding:** Material weakness

Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 USC 1320b-7; 45 CFR 205.56; 42 CFR 435.952; Department of Health and Human Services-Office for Family Independence Income Eligibility and Verification System Policy and Procedures

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The Department is required to comply with Federal Income Eligibility and Verification System (IEVS) exchange rules and regulations in accordance with program agreements. IEVS is an exchange of information with State and Federal agencies to verify income and expense information needed to determine eligibility for Federal financial assistance. Alerts/discrepancies are noted on the following IEVS reports:

Weekly

- Prisoner Verification Details Report
- Client Deceased Report
- Bendex Income Discrepancy Report

Monthly

- Discrepancy in Unemployment Insurance Benefits Report
- Buy-In Discrepancy Report

Quarterly

- Quarterly Earnings Discrepancy Report

The Department must resolve alerts/discrepancies by initiating a notice of case action; or by making an appropriate entry in the case record that no case action is necessary. This must be completed within forty-five days of receiving the report.

Policies and procedures which ensure that IEVS information is utilized in determining eligibility and level of benefits or in maintaining case records in the Automated Client and Eligibility System (ACES) are not always followed. Testing of 150 IEVS alerts/discrepancies found that:

- one of twenty-five alerts on the *Prisoner Verification Details Report* was not addressed.
- one of twenty-five alerts on the *Client Deceased Report* was not addressed.
- one of twenty-five alerts on the *Discrepancy in Unemployment Insurance Benefits Report* was not addressed.
- three of twenty-five alerts on the *Buy-In Discrepancy Report* were addressed ten, eleven and sixty days late.
- one of twenty-five alerts on the *Quarterly Earnings Discrepancy Report* was addressed thirty-eight days late.
- one of twenty-five alerts on the *Bendex Income Discrepancy Report* was addressed seven days late.

The Office of the State Auditor selected a non-statistical random sample of twenty-five client alerts/discrepancies from each of the six IEVS reports, for a total of 150 alerts/discrepancies examined.



**Context:** There were 184 IEVS reports generated in fiscal year 2019. The number of alerts/discrepancies on each report can vary from zero to over 100 alerts.

**Cause:** Lack of supervisory oversight

**Effect:**

- Incorrect eligibility decisions could be made
- Failure to participate in IEVS may result in the U.S. Department of Health and Human Services penalizing the State for up to two percent of the State Family Assistance Grant, known as the TANF Cluster.

**Recommendation:** We recommend that the Department enforce procedures to ensure IEVS reports are properly reviewed, and that alerts/discrepancies are resolved and documented on a timely basis. We further recommend that the Department increase monitoring procedures to ensure that alerts/discrepancies are properly addressed.

**Corrective Action Plan:** See F-16

**Management's Response:** The Department agrees with this finding. The Office for Family Independence will be holding an annual IEVS training in May 2020, and these items will be discussed with the staff to reinforce the need to address business requirements in a timely manner. OFI's Regional Supervisors, who oversee the specific staff assigned to the IEVS team and the IEVS reports, will also begin a monthly monitoring process of all the IEVS reports, to ensure that any cases that have not yet been addressed within the 45-day timeframe, are worked immediately.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 19-1111-07)

(2019-038)

**Title:** Risk evaluation procedures to determine the extent of appropriate subrecipient monitoring need improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-030 2018-032	2017-013	None	None	None	None	None	None

**State Department:** Health and Human Services

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

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** TANF Cluster (TANF)

**CFDA#:** 93.558

**Federal Award Identification Number:** 1601METANF, 1701METANF,  
1801METANF, 1901METANF

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.331

**Condition:** The Department is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in 2 CFR 200.331(d) and (e).

The Department's Division of Audit completed a subrecipient risk evaluation rating form for some subrecipients during fiscal year 2019; however, there is no evidence that the risk evaluation process included input from and feedback to key program and Contract Management personnel responsible for monitoring subrecipient compliance. Of the ten subrecipients tested, five subrecipient risk evaluations were not performed for fiscal year 2019. In addition, despite requests from the Office

of the State Auditor, no evidence was provided to demonstrate that the Department considered the results of subrecipient risk evaluations in order to determine appropriate subrecipient monitoring in accordance with Federal regulations.

The Office of the State Auditor tested the one subrecipient deemed to be higher risk, and selected a non-statistical random sample of all other TANF subrecipients.

**Context:** The Department awarded \$26.3 million to subrecipients out of the \$70.4 million total TANF grant funds expended during fiscal year 2019.

**Cause:**

- Misinterpretation of Federal regulations
- Lack of adequate procedures
- Lack of supervisory oversight

**Effect:**

- Subrecipients that are deemed higher risk are not monitored on a more frequent basis.
- Subrecipients that are deemed lower risk are not monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.

**Recommendation:** We recommend that the Department implement a collaborative process between affected Bureaus that evaluates each subrecipient's risk of noncompliance specifically for the purposes of determining the appropriate subrecipient monitoring to be performed both during and after the subaward.

**Corrective Action Plan:** See F-16

**Management's Response:** The Department disagrees with this finding. The Department's subrecipient monitoring goes well beyond the requirements outlined in 200.331 and encompasses many of the tools that may be useful as stated in 200.331(e). The Department has provided evidence of site visits during the SFY 2019 period. The Department has its own regulations, Maine Uniform Accounting and Auditing Practices for Community Agencies, (MAAP) that apply more rigorous thresholds for audit and review requirements than those of the 2 CFR 200.501.

All of the Department's subrecipient's programs are being audited not only for the Uniform Guidance but also for MAAP. In addition to these tools principally utilized by the Department's Internal Audit division, Program Managers also take into consideration risk of sub-recipients (based on their knowledge and expertise in the field) in making determinations of on-site monitoring priorities and schedules.

There are multiple tools to evaluate subrecipient risk as indicated above. The risk evaluation tool developed by the Department's Internal Audit division is one of them. The Department is working to further integrate this risk evaluation tool to incorporate Program Manager feedback and anticipates implementing this beginning in fiscal year 2020.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**Auditor's Concluding Remarks:** The Department states that program managers consider the risk of the subrecipient when determining on-site review priorities and schedules. However, we were not provided evidence to support that their subrecipient monitoring activities were the direct result of the documented risk evaluations; this lack of incorporation was acknowledged in Management's Response. Additionally, as stated in the finding, documented risk evaluations were not completed in a timely manner.

The finding remains as stated.

(State Number: 19-1111-01)

(2019-039)

**Title:** Internal control over TANF performance reporting and work participation procedures needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-028	2017-012	None	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** TANF Cluster (TANF)

**CFDA #:** 93.558

**Federal Award Identification Number:** 1601METANF, 1701METANF,  
1801METANF, 1901METANF

**Compliance Area:** Reporting  
Special tests and provisions

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 45 CFR 261.60 through 261.62; 45 CFR 265.7 through 265.8

**Condition:** The Department must maintain adequate documentation, and must perform adequate verification and other control procedures over the actual work participation of TANF clients. Work participation activities include unsubsidized employment, job search and job readiness, job skills training directly related to employment, vocational education, and other work-related programs. The Department must report the actual hours that a work-eligible TANF client participates in these work-related activities, on the *ACF-199 TANF Data Report* and the *ACF-209 SSP-MOE Data Report* on a quarterly basis. These reports are required by the Federal government.

The Department reported incorrect information about work participation in the *ACF-199 TANF Data Report* and the *ACF-209 SSP-MOE Data Report*. Of the 120 cases tested, twenty-nine cases reported inaccurate work participation data, as follows:

- Eleven cases reported inaccurate unsubsidized employment hours, including:
  - one case reporting fifty-six hours rather than the correct amount of fifty-five.
  - one case reporting forty-eight hours rather than the correct amount of fourteen.
  - one case reporting forty-one hours rather than the correct amount of thirty-eight.
  - one case reporting thirty-nine hours rather than the correct amount of thirty-eight.
  - one case reporting thirty-eight hours rather than the correct amount of thirty-seven.
  - one case reporting thirty-four hours rather than the correct amount of forty-two.
  - one case reporting twenty-seven hours rather than the correct amount of forty-two.
  - one case reporting twenty-seven hours rather than the correct amount of twenty-six.
  - one case reporting twenty-five hours rather than the correct amount of fifteen.
  - one case reporting eighteen hours rather than the correct amount of fourteen.
  - one case reporting seven hours rather than the correct amount of five.
- Three cases reported inaccurate work participation status and unsubsidized employment hours, including:
  - one case reporting forty hours rather than the correct amount of thirty-two.
  - one case reporting forty hours rather than the correct amount of twenty-five.
  - one case reporting forty hours rather than the correct amount of one.
- One case reported inaccurate work participation status and job search and job readiness hours as four rather than the correct amount of one.
- Seven cases reported countable months towards the Federal time limit of sixty months as:
  - forty months rather than the correct amount of forty-one.
  - nineteen months rather than the correct amount of forty-two.
  - fifteen months rather than the correct amount of twenty-eight.
  - fourteen months rather than the correct amount of ten.
  - nine months rather than the correct amount of seventeen.
  - six months rather than the correct amount of seven.
  - three months rather than the correct amount of eight.
- Two cases reported inaccurate job search and job readiness hours, including:
  - one case reporting thirty-one hours rather than the correct amount of thirty-two.
  - one case reporting two hours rather than the correct amount of one.
- One case reported job skills training directly related to employment hours as fifty-six rather than the correct amount of fifty-five.
- One case reported unsubsidized employment hours as eleven rather than the correct amount of ten and vocational education hours as twenty rather than the correct amount of nineteen.
- One case reported education related to employment with no high school diploma hours as eight rather than the correct amount of four.
- One case reported vocational education training hours as twenty-five rather than the correct amount of twenty-four.
- One case reported vocational education hours as sixteen rather than the correct amount of fifteen and countable months towards the Federal time limit of sixty months as seven rather than the correct amount of twelve.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The Department must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of information reported to the Federal government and used to calculate work participation rates. The Department expended approximately \$4.7 million in General Fund expenditures for TANF's Worker Supplement Benefits (WSB) program during fiscal year 2019.

**Cause:**

- For TANF clients who receive WSB, the Department does not have a policy to ensure updated employment information is verified and entered as necessary in the Automated Client Eligibility System (ACES). Instead, the Department reports the higher of anticipated or actual hours as recorded in ACES for Federal performance reporting purposes.
- Lack of supervisory oversight:
  - Work participation data was entered incorrectly in ACES and resulted in incorrect amounts being used for Federal performance reporting purposes.
  - The formula used to calculate average weekly hours was inaccurate.

**Effect:**

- Incorrect work participation data reported to the Federal government may affect the Federal requirement for State Maintenance of Effort.
- The Federal government may penalize the State by an amount not less than one percent and not more than five percent of the adjusted State Family Assistance Grant, known as the TANF Cluster, for violation of the Federally-required Work Verification Plan provision.
- TANF clients may be incorrectly deemed eligible to receive WSB.

**Recommendation:** We recommend that the Department implement a systematic review process to improve the reliability of work participation data that is reported to the Federal government.

**Corrective Action Plan:** See F-17

**Management's Response:** The Department agrees with this finding. The ACF-199 TANF Data Report and the ACF-209 SSP-MOE Data Report are federally required reports. Accurately reporting data on these quarterly reports is essential. The Department will utilize all available resources and systems to ensure accuracy on these reports.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 19-1111-04)

(2019-040)

**Title:** Internal control over payments to and on behalf of TANF clients needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-031	None	None	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** TANF Cluster (TANF)

**CFDA #:** 93.558

**Federal Award Identification Number:** 1601METANF, 1701METANF,  
1801METANF, 1901METANF

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Material weakness  
Questioned costs

**Questioned Costs:** The Office of the State Auditor tested a sample of payments made to both TANF clients and providers on behalf of TANF clients. For each test, likely questioned costs were separately calculated by dividing the identified known overpayment by the total payments tested to establish an error rate. The error rate was then applied to the total payments made for each respective payment type to calculate likely questioned costs.

Questioned Costs	Total	Federal	State
<i>Known</i>	\$1,120	\$1,120	\$0
<i>Likely</i>	\$1,295,496	\$1,295,496	\$0
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 45 CFR 263.11; 2 CFR 200.403

**Condition:** The Department may use Federal TANF funds for expenditures that accomplish TANF objectives, and that are accurately calculated.

The Department did not have adequate procedures in place to ensure that payments to TANF clients and providers were accurate. Of the 20 payments tested that were paid directly to a TANF client and of the 100 payments tested that were paid to a provider on behalf of a TANF client:

- six clients were overpaid by a total of \$299 for Transitional Transportation.
- one client was underpaid by \$117 for Transitional Transportation.



- six providers were overpaid a total of \$1,086 for Transitional Child Care. For two of the six providers, the Department identified that an overpayment was made; however, after at least nine months, the overpayments still had not yet been returned to the Federal government.
- two providers were underpaid a total of \$148 for Transitional Child Care.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** Benefits paid to and on behalf of TANF clients totaled approximately \$26.5 million in fiscal year 2019.

**Cause:**

- Lack of adequate procedures to ensure payments are accurate
- Lack of supervisory oversight
- Human error

**Effect:**

- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

**Recommendation:** We recommend that the Department implement procedures to ensure payments made to TANF clients and providers are accurate and allowable. We further recommend that the Department increase monitoring procedures over these payments. This should improve accuracy and reduce human error.

**Corrective Action Plan:** See F-17

**Management's Response:** The Department agrees with this finding. The Transitional Transportation and Transitional Child Care programs cited in this finding are handled by a centralized unit. The department will update case processing procedures to ensure payments made are accurate and allowable. The department will update case monitoring expectations.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 19-1111-05)

(2019-041)

**Title:** Internal control over the retention of Income Eligibility and Verification System reports needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	None	None	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Federal Agency:** U.S. Department of Health and Human Services  
U.S. Department of Agriculture

**CFDA Title:** Medicaid Cluster

Children's Health Insurance Program (CHIP)

SNAP Cluster (SNAP)

TANF Cluster (TANF)

**CFDA #:** 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;

1805ME5021, 1905ME5021;

184ME401S2514, 184ME401S2519,

184ME401S2520, 184ME401S8026,

184ME401S8036, 184ME401S8069,

184ME421Q3903, 184ME431Q7503,

194ME401S2514, 194ME401S2519,

194ME401S2520, 194ME401S8026,

194ME421Q3903, 194ME442Q7503;

1601METANF, 1701METANF,

1801METANF, 1901METANF

**Compliance Area:** Eligibility

Special tests and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The Department is required to comply with Federal Income Eligibility and Verification System (IEVS) exchange rules and regulations in accordance with program agreements. IEVS is an exchange of information with State and Federal agencies to verify clients' income and expense information needed to determine eligibility for Federal financial assistance. Discrepancies are noted on the following IEVS reports:

Weekly

- Prisoner Verification Details Report
- Client Deceased Report
- Bendex Income Discrepancy Report

Monthly

- Discrepancy in Unemployment Insurance Benefits Report
- Buy-In Discrepancy Report

Quarterly

- Quarterly Earnings Discrepancy Report

Fifteen IEVS reports could not be located on a shared network drive or be recovered from a system backup. The loss of these reports was not discovered by the Department. The Department re-generated the missing IEVS reports only after it was brought to their attention by auditors.

**Context:** There were 184 IEVS reports generated in fiscal year 2019.

**Cause:**

- Lack of adequate procedures to ensure IEVS reports are appropriately saved and archived for future reference
- Lack of supervisory oversight

**Effect:**

- Noncompliance with Federal and State regulations regarding the safeguarding of information and records retention
- IEVS information may not be updated timely in ACES if it is not readily available, resulting in incorrect eligibility decisions that could be made.

**Recommendation:** We recommend that the Department work with the Department of Administrative and Financial Services' Office of Information Technology to strengthen procedures that will ensure all IEVS reports are appropriately saved and archived for documentation purposes.

**Corrective Action Plan:** See F-17

**Management's Response:** The Department agrees with this finding. OFI has already initiated a quality check on the automated IEVS reports and their secure folder on the OFI share drive. This quality check currently includes the IEVS report being saved both as an active report, as well as an archived report. Designated OFI IEVS staff will also initiate a monthly quality assurance check on these files, to ensure that they are saved in both file locations, so that there is a back-up of the report. OFI's Compliance Manager will also work with the appropriate OIT staff, in order to verify the process for the overall back-up and recovery of these files, should another circumstance arise that would require OIT's intervention to provide a back-up of any/all IEVS reports.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 19-1111-06)

(2019-042) Confidential finding, see Condition Section below for more information

**Title:** The Department has no assurance that \_\_\_\_\_ is adequate (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Redacted	Redacted	*	*	*	*	*	*

*\*The system was not audited in this fiscal year.*

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** TANF Cluster (TANF)

**CFDA #:** 93.558

**Federal Award Identification Number:** 1601METANF, 1701METANF,  
1801METANF, 1901METANF

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; \_\_\_\_\_; \_\_\_\_\_; State of Maine \_\_\_\_\_; State of Maine \_\_\_\_\_

**Condition:** There is no assurance that information-system related \_\_\_\_\_ and \_\_\_\_\_ provided by the vendor is adequate and that \_\_\_\_\_ is accurate, complete, available, and secure.

**Context:** The Department has a six-year, \$63 million service agreement with a vendor to operate the \_\_\_\_\_. This service agreement includes \_\_\_\_\_. The \_\_\_\_\_ accounted for over \_\_\_\_\_ in total expenditures with approximately \_\_\_\_\_ attributable to Federal expenditures during fiscal year 2019. Therefore, it is important that related \_\_\_\_\_ be provided because they measure \_\_\_\_\_ provided by the vendor.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Carol Monteiro, Regional Program Manager, Administration for Children and Families, Office of Family Assistance, Boston Regional Office, JFK Federal Building, Rm 2000, Boston, MA 02203

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12<sup>th</sup> Street, Suite 0429, Kansas City, MO 64106

**Cause:** The contract with the vendor does not require \_\_\_\_\_.

**Effect:**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Recommendation:** We recommend that the Department \_\_\_\_\_ and that the \_\_\_\_\_ be provided to the Department. This will provide assurance to the State regarding whether \_\_\_\_\_ are adequate.

**Corrective Action Plan:** See F-17

**Management's Response:** The Department agrees that the \_\_\_\_\_ should be contractually required to obtain \_\_\_\_\_ and provide the results to the Department. Correspondingly, OFI amended the contract effective July 1, 2019 to require the vendor to \_\_\_\_\_ and provide the results \_\_\_\_\_ to the Department.

**Contact:** Sheldon W. Wheeler, Compliance Manager, DHHS Office for Family Independence, 207-441-8957

(State Number: 19-0900-05)

(2019-043)

**Title:** Internal control over special reporting needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	2017-011	None	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** TANF Cluster (TANF)

**CFDA #:** 93.558

**Federal Award Identification Number:** 1601METANF, 1701METANF,  
1801METANF, 1901METANF

**Compliance Area:** Reporting

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 45 CFR 265.9

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Additionally, the Department must file an annual report containing accurate information on TANF and its Maintenance-of-Effort (MOE) programs.

The Department did not provide evidence that the Federal fiscal year 2018 *ACF-204 Annual Report including the Annual Report on State Maintenance-of-Effort Programs* was reviewed by someone other than the preparer to ensure information entered was accurate and complete prior to its submission to the Federal government. Additionally, for one TANF program included on the *ACF-204* report, the Department incorrectly reported the number of families served as seventy-six average monthly families, instead of seventy-six total families over the entire fiscal year.

**Context:** The *ACF-204* is an annual report providing information about TANF program participation and expenditures. The Department reported information for twenty-one MOE programs on the Federal fiscal year 2018 *ACF-204* report.

**Cause:**

- Lack of documented evidence of internal control
- Lack of supervisory oversight

**Effect:** Inaccurate information may be and was reported to the Federal government. This information may be used for programmatic, policy or statistical purposes.

**Recommendation:** We recommend that the Department implement procedures to ensure the information reported on the *ACF-204* report is accurate and complete. This should include documented supervisory review of the draft report.

**Corrective Action Plan:** See F-18

**Management's Response:** The Department agrees with this finding. The Department will work to create a standard operating procedure for the preparation and submission of the *ACF-204*. Additional quality control measures will be established to include supervisory level review of the draft report.

The responsible party is the TANF Program Manager.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 19-1111-08)



(2019-044)

**Title:** Internal control over monthly reconciliation procedures needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	16-1128-01	None	None	*	None	None

*\*The program was not audited as a major program in this fiscal year.*

**State Department:** Administrative and Financial Services  
Health and Human Services

**State Bureau:** Health and Human Services Service Center  
Office for Family Independence

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Child Support Enforcement

**CFDA #:** 93.563

**Federal Award Identification Number:** 1804MECSES, 1901MECSES

**Compliance Area:** Reporting

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.400

**Condition:** Monthly reconciliations of collections between the Child Support Enforcement System (CSEME) and the Statewide accounting system, AdvantageME, were not performed for August 2018 through June 2019. The last month that was fully reconciled was July 2018.

**Context:** The Child Support Enforcement program collected \$103 million of child support during fiscal year 2019.

**Cause:** Competing priorities

**Effect:** Errors may not be detected and corrected timely.

**Recommendation:** We recommend that the Department implement procedures to ensure that monthly reconciliations of cash collections between CSEME and AdvantageME are performed in a timely manner.

**Corrective Action Plan:** See F-18

**Management's Response:** The Department agrees with this finding. We are implementing procedures to ensure that monthly reconciliations of cash collections between CSEME and Advantage are performed in a timely manner. It is estimated that the reconciliations will be current by June 2021.

**Contact:** Sarah Gove, Director, DHHS Service Center, 207-458-6626

(State Number: 19-1128-01)

(2019-045)

**Title:** Internal control over individual client Cost of Care assessments needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-053	2017-017	None	None	2014-019	13-1106-01	None	None

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

**CFDA #:** 93.775, 93.777, 93.778

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Material weakness  
Material noncompliance  
Questioned costs

**Questioned Costs:** Undeterminable. Incorrectly calculated Cost of Care (COC) assessments may result in an overpayment or underpayment to the providers when the State makes a payment for long-term care. During the fiscal year, the Department calculated approximately 36,000 COC assessments. During the same period, the average number of MaineCare members with COC assessments was 10,000. There is not a claim or claim(s) for every assessment. Claims may or may not be paid using an incorrect assessment. There could be a timing difference between the date an assessment is calculated and the date the assessment is applied to provider payments.

Questioned Costs	Total	Federal	State
<i>Known</i>	Undeterminable		
<i>Likely</i>	Undeterminable		
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 CFR 435.725; MaineCare Eligibility Manual, Part 14, Section 6

**Condition:** The Department must reduce its payment to an institution for services provided to a Medicaid member in medical institutions and intermediate care facilities by the amount that remains after deducting certain items from the member's total income. These deductions can include a personal needs allowance, earned income or Federal disregard, Medicare Part B, other insurance, a spousal income allowance, Veterans Administration aid, a home maintenance allowance and other expenses not subject to a third-party payment. This net amount is known as the Cost of Care (COC) and is the monthly required maximum contribution that an individual is expected to pay toward care in a long-term care facility.

The Office of the State Auditor selected a sample of sixty members with COC assessments calculated in fiscal year 2019 and found that:

- one COC assessment with a social security retirement income increase was not updated in the Automated Client Eligibility System (ACES) in April 2019, resulting in the COC assessment being \$259.00 less than it should have been. The COC should have been \$990.00 for April and May but instead was \$731.00.
- one COC assessment that included a spousal allocation was not calculated correctly by ACES, resulting in the COC assessment being \$22.67 more than it should have been. The spousal allocation should have been \$889.00 but was incorrectly calculated at \$866.33. The COC assessment should have been zero.
- one COC assessment was not manually calculated correctly by the Eligibility Specialist, resulting in a COC assessment of \$10.00 more than it should have been. The COC assessment should have been \$1,493.00 was \$1,503.00. In addition, the client had an increase in income of \$244.00 that was not updated in ACES.

The Office of the State Auditor selected a non-statistical random sample.

**Context:**

- Approximately 36,000 assessments were calculated by the Department in fiscal year 2019. There was an average of 10,000 members with COC assessments this period. With an exception rate of 5.0% (3 incorrect assessments divided by our sample of 60 assessments), the projected number of incorrect assessments in 2019 is 1,807.
- In the sample of 60 members with COC assessments in fiscal year 2019, we reviewed approximately 60 months of actual COC deductions. The total dollar amount of incorrect COC deductions in this sample was \$32.67 under-assessed to the member by the Department. With an exception rate of .06%, the projected under-assessment in fiscal year 2019 is approximately \$101,000. This indicates that Medicaid members could have potentially underpaid for services and Federal and State dollars could have potentially overpaid if claims paid used these incorrect amounts.
- The total amount of payments paid to nursing facilities and residential care facilities in fiscal year 2019 was approximately \$372 million, net of COC.

**Cause:**

- The Department does not have adequate controls in place to prevent and detect errors.
- Human error occurred when entering data into ACES
- Human error occurred when manually calculating COC assessments

**Effect:** When a COC assessment is calculated in error and services are provided to the member, this could result in:

- overpayments to providers which would result in disallowed Federal funds and excess payments from the State General Fund.
- underpayments to providers which would result in a member overpaying for care in a long-term care facility.

**Recommendation:** We recommend that the Department implement a review and approval process to ensure that COC calculations are accurate. We also recommend that the Department adopt a

policy which would provide guidance for a systematic review process for all COC assessment calculations to ensure the deployment of the new Business Rules Engine implementation is effective.

**Corrective Action Plan:** See F-18

**Management's Response:** The Department agrees with this finding. The Senior MaineCare Program Manager will oversee the development of a policy to ensure COC calculations are accurate.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 19-1106-02)

(2019-046)

**Title:** Internal control over compliance with eligibility determination requirements needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-043	2017-018	None	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

Children's Health Insurance Program (CHIP)

**CFDA #:** 93.775, 93.777, 93.778; 93.767

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;  
1805ME5021, 1905ME5021

**Compliance Area:** Eligibility

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 CFR 435; MaineCare Eligibility Manual

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the award in compliance with Federal statutes, regulations, and the terms and conditions of the award.

The Department does not have a review process in place to ensure information entered into the Automated Client Eligibility System (ACES) is accurate and complete. This issue is addressed in finding 2019-052.

When determining eligibility for MaineCare coverage, the Department must:

- include in each applicant's case record facts to support the agency's decision on their application,
- maintain policies and procedures to ensure that eligibility is determined in a manner consistent with the best interests of the applicant or beneficiary,
- establish procedures for obtaining, using and verifying information relevant to determinations as to eligibility and the amount of assistance,
- establish time standards for determining eligibility and determine eligibility within those standards and must redetermine eligibility at least every twelve months, and
- document the individual's citizenship in the individual's eligibility file and must maintain copies of citizenship and identification documents. In order to qualify for benefits, an individual must be a U.S. citizen or qualified alien.

The Department does not have verifiable procedures in place to:

- ensure the completeness of household income,
- ensure the accuracy of citizenship verifications, or
- ensure that eligibility redeterminations are made within the required time frame.

Our audit test of sixty clients with Modified Adjusted Gross Income (MAGI) based MaineCare coverage in fiscal year 2019 found that:

- citizenship status was not verified for eight clients.
- one individual listed on a client's application was neither included in the case for the purpose of determining eligibility for the client, nor was the individual considered for eligibility.
- six clients received letters from the Department which contained missing or incorrect dates.
- one client received a Notice of Decision granting MaineCare coverage and a Notice of Decision denying the coverage on the same day.
- the case files for two clients contained incomplete household income records, causing eligibility determinations to be made with incorrect income information. The Department did not verify the client's household income with Maine Revenue Service (MRS), a procedure which would have identified this discrepancy. In the Department's MAGI-Based Eligibility Verification Plan with the Centers for Medicare and Medicaid Services (CMS) in effect for fiscal year 2019, CMS has given the Department approval to not verify information with MRS.
- the eligibility determination documentation which supported coverage for one client could not be located.
- the case files of thirty-two clients or their household, contained information that did not match or could not be verified with supporting documentation. Included with these clients are twenty-two clients for whom copies of documents used to verify citizenship were not maintained in the case file.
- eligibility for two clients was not redetermined within the required twelve-month time frame.

Our audit test of sixty clients with non-MAGI based MaineCare coverage in fiscal year 2019 found that:

- citizenship status was not verified for two clients.
- two clients received letters from the Department which contained incorrect dates.
- the case files of seven clients, or their household, contained information that did not match or could not be verified with supporting documentation. Included with these clients is one client for whom copies of documents used to verify citizenship were not maintained in their case file.
- eligibility for three clients was not redetermined within the required twelve-month timeframe.
- the case file of one client did not contain a signed application or recertification form for the relevant time frame.
- one client was incorrectly deemed eligible for coverage for which their income exceeded the income limitation.

The Office of the State Auditor selected non-statistical random samples.

The controls in ACES that automatically calculate and flag a case when a client's eligibility redetermination is due did not function consistently. A manual monthly exception report was generated to identify cases due for eligibility redetermination which may not have been flagged by ACES.

The manual exception report for June 30, 2019 identified 239 eligibility cases for which redetermination was overdue. The range of overdue redeterminations was from approximately four months to six years. The average overdue eligibility redetermination was two and a half years. The most common (mode) overdue eligibility redetermination was four years.

**Context:** Eligibility determination is a safeguard to ensure only eligible clients receive Federal benefits. The eligibility determination/redetermination process includes recording and updating client information in ACES. This client information includes household income, assets and other program specific criteria. An application or review recertification signed by the applicant, asserting that the information provided is accurate, is required.

In fiscal year 2019, approximately 300,000 Medicaid/CHIP eligible clients received approximately \$1.9 billion in Federal benefits.

**Cause:**

- Lack of resources
- Lack of supervisory oversight

**Effect:**

- Individuals not eligible for services could be deemed eligible or eligible individuals could be deemed ineligible.
- Potential benefits provided to ineligible individuals
- Potential incorrect benefits provided to eligible individuals
- Noncompliance with Federal regulations



**Recommendation:** We recommend that the Department implement a detailed review and approval process that occurs prior to the eligibility determination to ensure the information is accurate and complete. We further recommend that the Department establish procedures to ensure the completeness of income information and that the Department formalize a comprehensive post-determination review and monitoring process.

**Corrective Action Plan:** See F-18

**Management's Response:** The Department disagrees with the finding. Pre and Post review of determinations is not a requirement to ensure compliance with federal awards. There has been no citation provided during this review that contradicts this.

For the purpose of operational efficiency and accuracy in eligibility determinations, Eligibility Supervisors currently perform random case readings and phone observations to identify errors and instruct Eligibility Specialists with at least 1 case reading per staff member per month. OFI's task-based statewide processing system provides multiple points of review for eligibility criteria by different staff members (peer review) prior to eligibility determination.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**Auditor's Concluding Remarks:** As evidenced by the exceptions noted in the Condition above, the Department's existing procedures do not prevent, or detect and correct, inaccurate information from being used in the eligibility determination process. The Department also does not have procedures in place to ensure that eligibility determinations and redeterminations are performed in the required timeframes.

The Department must have verifiable procedures in place to ensure the completeness and accuracy of information used to determine eligibility, as well as to ensure the timely completion of eligibility determinations. Without these procedures, the Department does not ensure compliance with the requirements of the Federal awards.

The finding remains as stated.

(State Number: 19-1106-12)

(2019-047)

**Title:** Internal control over Long Term Care Facility Audits needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-049	2017-025	2016-025	2015-005	2014-003	13-1106-14	12-1106-01	11-1106-05
FY10							
10-1106-03							

**State Department:** Health and Human Services

**State Bureau:** Division of Audit

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

**CFDA #:** 93.775, 93.777, 93.778

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Special tests and provisions

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 CFR 447.253(g); Maine State Plan Under Title XIX of the Social Security Act (TN No. 13-020); MaineCare Benefits Manual, Ch. III, Sections 50 and 67

**Condition:** The Division of Audit did not issue Long Term Care Facility (LTCF) Audits in accordance with Federal regulations. LTCF Audits include both audits of Nursing Facilities and audits of Intermediate Care Facilities.

For Nursing Facility audits, the MaineCare Benefits Manual requires uniform desk reviews to be completed within 180 days after receipt of an acceptable cost report filing, including financial statements and other information requested from the provider except in unusual situations, including but not limited to delays in obtaining necessary information from a provider.

The population of Nursing Facility audits due for completion in fiscal year 2019 was ninety-two. We noted the following exceptions:

- Fifty-eight audits were not issued within the 180 day timeframe. Of those fifty-eight audits, twenty-three were issued from 3-218 days late and thirty-five had not been issued at the time of testing.

The MaineCare Benefits Manual section 13.4.1.3 provides for an exception to the 180 day rule “in unusual situations, including but not limited to, delays in obtaining necessary information from a provider” and section 13.4.1.4 states “unless the Division of Audit intends to schedule an on-site audit or requests additional information from the provider, it shall issue a written summary report of its findings and adjustments upon completion of the uniform desk review.” Prior to fiscal year 2017, requesting additional information was accepted as a reason for delay as the requests met the criteria of unusual situations. For fiscal year 2019, the Division of Audit requested additional information for every Nursing Facility audit, negating the “unusual situation” criteria. In addition, no on-site audits were scheduled, therefore the requirement that all Nursing Facility audits be completed and issued within the 180 day timeframe for uniform desk review is binding.

The Office of the State Auditor selected a non-statistical random sample.

For Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the MaineCare Benefits Manual requires ICF/MRs to submit cost reports annually based on the facility’s fiscal year end, and then the Department must provide for periodic audits of these reports. While the MaineCare Benefits Manual does not contain a specific time requirement to complete uniform desk reviews, it does require ICF/MRs to submit cost reports annually. Consequently, it is appropriate that the Department completes a uniform desk review for each of the ICF/MR’s cost reports annually. Furthermore, the Code of Federal Regulations (2 CFR 200.303) states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with the Federal statutes, regulations, and the terms and conditions of the Federal award.

The population of ICF/MR audits due for completion in fiscal year 2019 was sixteen. We noted the following exceptions:

- Four audits were not issued within one year of cost report acceptance. Of those four audits, two were issued after the one year timeframe (ten and ninety-seven days late) and two remained unissued at the time of testing.

The Division of Audit is currently in a legal dispute over allowable costs with the owner of nine of the thirty-five nursing facilities and the two ICF/MR’s with audits unissued. The Division of Audit takes the position that, due to the legal dispute, any audit reports issued will be appealed, therefore the audits should remain unissued pending settlement of the dispute. However, while the dispute was ongoing, the Division of Audit issued the audit of the 2015 cost report of an ICF/MR which is included in the dispute on March 18, 2019. The issuance of this audit contradicts the Division of Audit’s stated position that audits should remain unissued pending settlement of the dispute. Completed audits provide a baseline settlement amount to be adjusted pending the

settlement of the legal dispute, and therefore should be issued in accordance with 42 CFR 447.253(g).

**Context:** The Department provided \$313 million in Medicaid funding to LTCFs during fiscal year 2019.

**Cause:** Management override of controls

**Effect:** Noncompliance with Federal and State regulations

**Recommendation:** We recommend that the Department improve internal control processes related to the LTCF audits. This includes monitoring completion of audits and implementing an additional level of oversight. Effective internal control activities, including safeguards that cannot be circumvented, provide assurance that the Department is in compliance with Federal and State regulations.

We further recommend that the MaineCare Benefits Manual be updated to bring ICF/MR audit requirements (Ch. III, Sect. 50) in line with Nursing Facility audit requirements (Ch. III, Sect. 67) as both are Long Term Care Facilities. This will ensure both are in compliance with 42 CFR 447.253(g).

**Corrective Action Plan:** See F-19

**Management's Response:** The Department disagrees with the finding. The auditor is applying the Nursing Facility 180-day clock for Desk Reviews to Audits. There isn't a deadline to complete audits within the MaineCare Benefits Manual (MCBM). With regard to Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the Department believes that it is in compliance with the periodic audit requirement of 42 CFR. Additionally, the auditor cites 2 CFR 200.303 regarding establishing effective internal controls. However, Medicaid payments for providing patient care services to Medicaid-eligible individuals are not considered Federal awards under this part. We believe we have effective controls to comply with the current regulations.

**Contact:** Herb Downs, Director, DHHS Division of Audit, 207-287-2778

**Auditor's Concluding Remarks:**

Nursing Facility Audits: The MaineCare Benefits Manual defines two distinct processes for audits of cost reports – Uniform Desk Reviews (13.4.1) and On-Site Audits (13.4.2). Section 13.4.1.3 provides for an exception to the 180-day rule for completion of the Uniform Desk Review “in unusual situations, including but not limited to, delays in obtaining necessary information from a provider”. Section 13.4.1.4 states “unless the Division of Audit intends to schedule an on-site audit or requests additional information from the provider, it shall issue a written summary report of its findings and adjustments upon completion of the uniform desk review”. A request for additional information could provide for an exception to the 180-day rule as described above. For fiscal year 2019, the Division of Audit requested additional information for every Nursing Facility audit, negating the “unusual situation” criteria. In addition, no on-site audits were scheduled;

therefore, the requirement that all Nursing Facility audits be completed, and a written summary report issued, within the 180-day requirement for uniform desk review is binding.

ICF/MR Audits: 2 CFR 200.38 defines a Federal award as “the Federal financial assistance that a non-Federal entity receives directly from a Federal awarding agency or indirectly from a pass-through entity.” Payments from the state to Intermediate Care Facilities for providing patient care services to Medicaid-eligible individuals are Federal awards under this part.

Requirements for maintaining effective internal control are applicable.

The finding remains as stated.

**(State Number: 19-1106-01)**

(2019-048)

**Title:** Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-052	2017-027	2016-032	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Office of MaineCare Services

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

**CFDA #:** 93.775, 93.777, 93.778

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Special tests and provisions

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount <i>specifically</i> identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 CFR 455.13 through 42 CFR 455.15; MaineCare Benefits Manual, Section 1.17 and 1.18

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

When the State Medicaid agency receives a complaint of Medicaid fraud or abuse or identifies questionable practices, it must conduct a preliminary investigation to determine whether there is a sufficient basis to warrant a full investigation.

In the auditor's sample of sixty cases opened because of potential fraud, abuse, or questionable practices, we found:

- thirteen cases that were inactive for an extended period from 135 to 864 days, and
- three closed cases did not have evidence of supervisory review to support the closure of the case as required by Department policy and procedures.

There were 109 cases opened prior to fiscal year 2019 that remained open at the end of the fiscal year. Of those 109 cases:

- five were opened in fiscal year 2015,
- nine were opened in fiscal year 2016,
- twenty-nine were opened in fiscal year 2017, and
- sixty-six were opened in fiscal year 2018.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The State paid approximately \$2.5 billion to providers in fiscal year 2019, including a Federal portion of approximately \$1.8 billion. Appropriate supervisory review, follow-up and corrective action are important safeguards against unnecessary or inappropriate use of Medicaid services and funding.

**Cause:**

- Lack of supervisory review at each stage of the review and reporting process as required by Department policy and procedure
- Inadequate oversight of staff who are directly responsible for investigating potential fraud, abuse or questionable practices
- Competing priorities
- Staff turnover
- Lack of resources

**Effect:**

- Case reviews and investigations of potential provider or recipient fraud, abuse, or questionable practices are delayed or remain unresolved.
- There is an increased risk that fraud, abuse, or questionable practices will remain undetected.
- There is potential for not identifying costs that should be recovered.

**Recommendation:** We recommend that the Department improve supervisory review of open cases, including monitoring the progress of open cases over time. We further recommend that older cases be evaluated to determine whether they should be closed due to insufficient evidence or referred to another unit or law enforcement agency for a full investigation.

**Corrective Action Plan:** See F-19

**Management's Response:** The Department disagrees with this finding. The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities.

**Contact:** Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093

**Auditor’s Concluding Remarks:** Section 1.17 of the MaineCare Benefits Manual states that the Department is responsible for taking measures to “safeguard against excessive payments, unnecessary or inappropriate utilization of care and services, and assess the quality of services under MaineCare”. Allowing cases to remain open and inactive for extended periods of time (135 to 864 days) and not properly documenting oversight increases the likelihood of excessive payments and unnecessary or inappropriate utilization of care and services going undetected.

The finding remains as stated.

(State Number: 19-1106-08)



(2019-049)

**Title:** Internal control over provider enrollment packages needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	None	None	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Office of MaineCare Services

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

Children's Health Insurance Program (CHIP)

**CFDA #:** 93.775, 93.777, 93.778; 93.767

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;  
1805ME5021, 1905ME5021

**Compliance Area:** Special tests and provisions

**Type of Finding:** Material weakness

Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount <i>specifically</i> identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 CFR 455.412; 42 CFR 455.450

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Department must have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is actually licensed by such State. The Department must confirm that the provider's license has not expired and that there are no current limitations on the provider's license. The Department contracts with a third-party to perform provider enrollment processing and license verification; however, the Department is still responsible for monitoring whether licensing information is up to date and accurate.

The Department does not have a process to verify that licensing information is valid and retained prior to approval of all new provider enrollment packages and existing provider revalidations. For

four out of sixty provider enrollments tested, there was no evidence in the enrollment file that providers were licensed, or that licensing information was provided or available to the State at the time of enrollment. The Office of the State Auditor separately verified that the four providers were actually licensed at the time of service.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The State paid approximately \$2.5 billion to providers in fiscal year 2019, including a Federal portion of approximately \$1.8 billion. All provider enrollment packages must include licensing information in order to be approved prior to receiving Medicaid funds.

**Cause:**

- Lack of adequate procedures to ensure that evidence of licensing is retained
- Lack of supervisory oversight

**Effect:**

- Potential unlicensed providers participating in the program resulting in future questioned costs and disallowances
- Noncompliance with the required provider license verification requirements
- Potential health and financial risk to Maine people

**Recommendation:** We recommend that the Department ensure that only licensed providers participate in the Medicaid and CHIP programs. Department personnel must monitor whether all licensing information included by providers or Provider Enrollment Applications (PEAs) is complete and accurate. There should be a risk-based secondary review procedure for licensing information needed to enroll a provider. Licensing evidence should be retained in electronic files.

**Corrective Action Plan:** See F-19

**Management's Response:** The Department agrees with this finding. The Department is implementing an automated system that will verify licensure status on an ongoing, weekly basis. This automated system is in development and testing. The automated process will verify the information in the PEA against the licensing information in Maine's ALMS system. This will remove the chances of human error. In addition, the Department's credentialing vendor has been implementing an enhanced credentialing tool that will simplify the credentialing process and is expected to be completed by August 2020. This enhancement will prompt those verifying credentials as to what work objects remain incomplete before the case can be closed out.

**Contact:** Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

(State Number: 19-1106-11)

(2019-050)

**Title:** Internal control over Medicare Part B premium payments needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	2017-029	2016-026	2015-010	None	None	12-1106-08	11-1106-08
FY10							
10-1106-01							

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence  
Office of Information Technology

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

**CFDA #:** 93.775, 93.777, 93.778

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Material weakness  
Questioned costs

**Questioned Costs:** The Office of the State Auditor tested a sample of individually billed Medicare Part B premiums paid on behalf of clients. Questioned costs were calculated by dividing the identified unallowable premium paid by the total premiums tested to determine the error rate. The error rate was then applied to the total premium payments made for fiscal year 2019.

Questioned Costs	Total	Federal	State
<i>Known</i>	\$134	\$86	\$48
<i>Likely</i>	\$2,163,872	\$1,395,265	\$768,607
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 CFR 431.625

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the award in compliance with Federal statutes, regulations, and the terms and conditions of the award.

In cases where certain eligibility criteria as outlined in 42 CFR 431.625 are met, the State pays a portion of the Federal Medicare Part B premium on behalf of the client.

The Department receives invoices from the U.S. Centers for Medicare and Medicaid Services (CMS) for Medicare Part B premiums on a monthly basis. CMS sends a separate detailed listing of covered Medicaid members in support of the invoice. This detailed listing contains Buy-In codes for each client, indicating the reason the client is eligible. The Office of Information Technology is responsible

for producing a Monthly Reconciliation Report identifying potential discrepancies between the detailed listing produced by CMS and the eligibility information in the State's Automated Client Eligibility System (ACES). Office for Family Independence personnel are responsible for using this report to identify clients for whom payment should not be made and document action taken to correct the overpayment.

The Department could not provide the Monthly Reconciliation Report and related documentation for three of the twelve months in fiscal year 2019. Of the nine reports the Department provided, two did not demonstrate completion of review or follow-up procedures.

In the audit sample of sixty clients, one premium was billed by CMS and paid by the Department for a client with no Federal Buy-In code who was also not deemed eligible in ACES. The Monthly Reconciliation Report did not identify this exception.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** Approximately \$45 million in State funds and \$88 million in Federal funds were paid to CMS for Medicare Part B premiums in fiscal year 2019.

**Cause:**

- Inadequate supervisory oversight
- Lack of adequate procedures to ensure the production of, and the follow-up to, the Monthly Reconciliation Report
- Monthly Reconciliation Report is not adequately designed to identify all discrepancies.

**Effect:**

- Medicare Part B premiums may be paid by the State for ineligible clients.
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

**Recommendation:** We recommend that the Department establish procedures to ensure the production, review and follow-up to Monthly Reconciliation Reports, and that the Department improve procedures for the documentation and retention of those reports. We further recommend the Department design the Monthly Reconciliation Report to identify all discrepancies.

**Corrective Action Plan:** See F-19

**Management's Response:** The Department agrees with this finding. OFI currently has standard operating procedures and will take steps to further enhance these SOP's and tracking to ensure that each monthly buy-in procedure is reviewed in full, actions documented, and stored securely/archived.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 19-1106-15)

(2019-051)

**Title:** Internal control over Acute Care Critical Access Hospital supplemental pool payments needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	None	None	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Division of Audit

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

**CFDA #:** 93.775, 93.777, 93.778

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Material weakness

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 CFR 447; MaineCare Benefits Manual, Chapter III, Section 45

**Condition:** The Department did not apportion the annual supplemental pool payments for Acute Care Critical Access Hospitals (CAHs) in accordance with the terms of the MaineCare Benefits manual.

This supplemental pool in the amount of \$4 million annually has been established by the State to be distributed among CAHs. The supplemental pool allotment to each individual CAH is based on its relative share of total MaineCare payments made to CAHs during the latest State fiscal year for which there exists an As-Filed Medicare Cost Report or a Final Cost Settlement Report for all CAHs at the time the pool is allocated.

The supplemental pool was allocated among fifteen hospitals in State fiscal year 2019. The most recent year for which the Department received As-Filed Medicare Cost Reports for all fifteen facilities prior to State fiscal year 2019 was calendar year 2017. Therefore, MaineCare payment amounts for calendar year 2017 should have been utilized to allocate the supplemental pool. Instead, the Department utilized MaineCare payment amounts from calendar year 2014 to allocate the supplemental pool.

**Context:** The supplemental pool of \$4 million was distributed among CAHs in State fiscal year 2019.

**Cause:** Management directed personnel to calculate the CAH supplemental pool allotment using the incorrect calendar year based upon their interpretation of the MaineCare Benefits Manual.

**Effect:**

- Noncompliance with Federal and State regulations
- CAHs did not receive their appropriate share of the \$4 million supplemental pool that was distributed in State fiscal year 2019.

**Recommendation:** We recommend that the Department improve internal control processes to ensure the supplemental pool is allocated among CAHs based on their relative share of MaineCare payments from the correct calendar year. Effective internal control activities, including safeguards that cannot be circumvented, provide assurance that the Department is in compliance with Federal and State regulations.

**Corrective Action Plan:** See F-20

**Management's Response:** The Department disagrees with the finding. The MaineCare Benefits Manual Section 45, chapter III, 45.04C identifies the data used to determine the relative share will relate to the latest state fiscal year for which there exists an As-Filed Medicare Cost Report or a Final Cost Settlement Report for all critical access hospitals at the time the pool allocation is done. However, the Medicare as filed cost report does not include any MaineCare payment information, so it cannot be used to allocate the pool. The rule then identifies that allocation will be based on the last year when all Finals Cost Settlement reports have been issued. The last year for Maine would be 2011 since we still have outstanding reports from the Fiscal Intermediary for 2012. The Department utilized the 2014 interim audit report data since it would allocate the pool utilizing the same data as the tax is calculated on. The Department is amending the language on the allocation of the pool to better identify the Medicaid payments to be utilized for this calculation.

**Contact:** Herb Downs, Director, DHHS Division of Audit, 207-287-2778

**Auditor's Concluding Remarks:** The supplemental pool allotment to each individual CAH is based on its relative share of total MaineCare payments made to CAHs during the latest State fiscal year for which there exists an As-Filed Medicare Cost Report or a Final Cost Settlement Report for all CAHs at the time the pool is allocated. MaineCare payment information is filed by hospitals in conjunction with the As-Filed Medicare Cost Report. Therefore, MaineCare payment information for 2017 was available to the Department at the time of allocation of the 2019 supplemental pool.

The finding remains as stated.

(State Number: 19-1106-05)

(2019-052)

**Title:** Internal control over the eligibility determination process needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	None	None	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Office for Family Independence

**Federal Agency:** U.S. Department of Health and Human Services

U.S. Department of Agriculture

**CFDA Title:** Medicaid Cluster

Children's Health Insurance Program (CHIP)

SNAP Cluster (SNAP)

TANF Cluster (TANF)

**CFDA #:** 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;  
1805ME5021, 1905ME5021;  
184ME401S2514, 184ME401S2519,  
184ME401S2520, 184ME401S8026,  
184ME401S8036, 184ME401S8069,  
184ME421Q3903, 184ME431Q7503,  
194ME401S2514, 194ME401S2519,  
194ME401S2520, 194ME401S8026,  
194ME421Q3903, 194ME442Q7503;  
1601METANF, 1701METANF,  
1801METANF, 1901METANF

**Compliance Area:** Allowable costs/cost principles  
Eligibility

**Type of Finding:** Material weakness

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Department does not have a review process in place to ensure information entered into the Automated Client Eligibility System (ACES) is accurate and complete. Eligibility specialists manually enter information into ACES and initiate computerized eligibility determinations. Documentation supports that there is no secondary review by a supervisor or peer of the data that is manually entered.

**Context:** In fiscal year 2019, the State provided approximately:

- 300,000 Medicaid/CHIP clients with \$1.9 billion in benefits.
- 111,000 SNAP clients with \$208.3 million in benefits.
- 18,000 TANF clients with \$26.5 million in benefits.

**Cause:**

- Lack of resources
- Lack of supervisory oversight or other procedures to detect errors

**Effect:**

- Individuals not eligible for services could be deemed eligible or eligible individuals could be deemed ineligible.
- Potential future questioned costs and disallowances as a result of benefits provided to ineligible individuals
- Potential future questioned costs and disallowances as a result of incorrect benefits provided to eligible individuals

**Recommendation:** We recommend that the Department implement a documented detailed review and approval process that occurs prior to the eligibility determination. This will ensure the information entered is accurate and complete. We further recommend that the Department formalize a comprehensive post-determination review and monitoring process.

**Corrective Action Plan:** See F-20

**Management's Response:** The Department disagrees with this finding. The Department's management of all federal awards is within compliance with federal regulation. Extensive primary and secondary reviews and monitoring activities are properly designed, in place, and operating effectively.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**Auditor's Concluding Remarks:** Formal, documented supervisory review and other procedures to detect errors are necessary to ensure the Department maintains effective internal control over the Federal award. The Department did not provide evidence to support that they are managing all Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The finding remains as stated.

(State Number: 19-1106-09)



(2019-053)

**Title:** Riverview

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-054	2017-016	2016-027	2015-006	2014-006	None	None	None

**State Department:** Health and Human Services

Administrative and Financial Services

**State Bureau:** Office of MaineCare Services

Health and Human Services Service Center

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

**CFDA #:** 93.775, 93.777, 93.778

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

Questioned costs

**Questioned Costs:** The questioned cost identified below for fiscal year 2019 was returned to the Federal government by November 14, 2019.

Questioned Costs	Total	Federal	State
<i>Known</i>	\$9,047,317	\$9,047,317	\$0
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 CFR 482.1(a)(5)

**Condition:** The Centers for Medicare and Medicaid Services (CMS) decertified Riverview as a Medicare provider of psychiatric hospital services on September 2, 2013. CMS issued disallowance letters to the State stating that Medicaid services and disproportionate share hospital payments claimed for quarters ending December 31, 2013 through March 31, 2019, totaling \$77.5 million, related to Riverview, would be disallowed. Riverview was recertified as a Medicare provider on January 30, 2019.

**Context:** The State used Federal funds of approximately \$9 million in fiscal year 2019, \$14 million in fiscal year 2018, \$14 million in fiscal year 2017, \$14 million in fiscal year 2016, \$16 million in fiscal year 2015 and \$10.5 million in fiscal year 2014 subsequent to decertification by CMS. The total amount disallowed by CMS was approximately \$77.5 million.

**Cause:** The Department obtained legal advice to continue claiming these costs on the CMS-64 report.

**Effect:**

- Federal disallowances which resulted in repaying Federal funds and interest
- Noncompliance with Federal regulations

**Recommendation:** As of November 14, 2019, the Department had fully repaid the disallowances of \$77.5 million as well as interest of \$2 million totaling \$79.5 million; therefore, no further recommendation for this matter is required.

**Corrective Action Plan:** See F-20

**Management's Response:** The Department agrees with the finding and with the return of the funds, including interest, we believe this finding is closed and needs no further action.

**Contact:** Rodney Bouffard, Superintendent, Riverview Psychiatric Center, 207-624-4656

(State Number: 19-1106-06)

(2019-054)

**Title:** Internal control over payments to Health Homes and Behavioral Health Homes needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	None	None	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Office of MaineCare Services

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

**CFDA #:** 93.775, 93.777, 93.778

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency  
Questioned costs

**Questioned Costs:** Likely questioned costs were calculated by dividing the identified unallowable amounts paid to providers by the total payments paid to providers in our test to establish an error rate. The error rate was then applied to the total payments made to providers for Health Home and Behavioral Health Homes Payments, in fiscal year 2019 to calculate likely questioned costs.

Questioned Costs	Total	Federal	State
<i>Known</i>	\$29	\$19	\$10
<i>Likely</i>	\$266,420	\$171,574	\$94,846
A Known Questioned Cost is the amount <i>specifically</i> identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; Social Security Act, Section 1945; ACA Section 2703; Medicaid State Plan; MaineCare Benefits Manual

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

A State, at its option through a State Plan Amendment, may provide funding for eligible individuals with chronic conditions. States shall specify in the State Plan Amendment the methodology States used for determining payment.

In a sample of sixty monthly payments initiated to Health Homes and Behavioral Health Homes using the Value-Based Purchasing Management System (VMS), there were three cases when

payment was made without the required documentation of a recent qualifying chronic condition. This does not mean that they did not qualify for the program in the month that the provider received payment; rather, there is not enough data available in the VMS Portal for the Department to verify that the member was in fact eligible. However, in these three cases, the Department as a whole did not have a record of a recent qualifying chronic condition.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The State paid \$6.2 million to Health Home providers and \$56.7 million to Behavioral Health Home providers during fiscal year 2019. This includes the Federal portion of \$4.0 million and \$36.7 million, respectively. Providers receive a per member, per month payment for each member they attest to providing the minimum billable service, as outlined in the MaineCare Benefits Manual.

**Cause:** Lack of adequate procedures for this new program

**Effect:**

- Overpayments to providers for members who may not be eligible
- Potential future questioned costs and disallowances

**Recommendation:** We recommend that the Department establish a process to ensure that payments are only made to providers for members who have a recent qualifying chronic condition as defined in the MaineCare Benefits Manual.

**Corrective Action Plan:** See F-21

**Management's Response:** The Department agrees with the findings. The Health Homes Program Coordinator is currently working with contractor, DXC, to develop a report that will capture chronic conditions for those members enrolled in the Health Homes programs on a regular basis. This will allow the VBP unit to develop a quality review process for the purposes of ensuring that appropriate members are enrolled in the Health Homes program. The report is currently being developed and we expect this report will be completed by September 30, 2020.

**Contact:** Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

(State Number: 19-1106-13)

(2019-055)

**Title:** Provider eligibility procedures need to further integrate Automated Data Exchange

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-047	2017-030	2016-028	2015-008	None	None	None	11-1106-12

**State Department:** Health and Human Services

**State Bureau:** Office of MaineCare Services

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

Children's Health Insurance Program (CHIP)

**CFDA #:** 93.775, 93.777, 93.778; 93.767

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;  
1805ME5021, 1905ME5021

**Compliance Area:** Special tests and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount <i>specifically</i> identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; Request for Proposal associated with Fiscal Agent, sections 4.22.5.3.1.2, 4.22.5.3.1.10, 4.22.5.3.1.1, Automation/Data Exchange/Interface

**Condition:** Through the end of fiscal year 2016, the Maine Integrated Health Management Solution (MIHMS) system, as designed and implemented by the State of Maine's fiscal agent, did not automatically cross-reference license, accreditation, and sanction information, nor did it support automated data exchanges with the Centers for Medicare and Medicaid Services, the Drug Enforcement Agency, and other sources. Provider enrollment personnel employed by the fiscal agent manually linked to numerous websites to query sanction and license information that affect enrollment.

Beginning in January 2017, the fiscal agent contracted with a third-party vendor to process provider applications and make provider eligibility decisions using automated processes as required by the Request for Proposal (RFP) associated with the fiscal agent. All new provider applications, as well as existing provider revalidation applications, are processed through the third-

party vendor system. Approximately fifty-three percent of the existing provider community has been fully integrated into the system.

**Context:** Applications for all active providers have not been processed by the current third-party vendor using the required automated process. Prior to the third-party contract that began January 1, 2017, provider applications were processed manually by fiscal agent employees. This manual process was inherently subject to human error due to the extent of cross-referencing required for enrollment determinations.

**Cause:** The system that was used through 2016, MIHMS, as designed and implemented by the State of Maine's fiscal agent, did not comply with Section 4 of the RFP that enumerates responsibilities for automation, data exchange and interface.

**Effect:**

- Potential ineligible providers participating in the program
- Potential future questioned costs and disallowances

**Recommendation:** We recommend that the Department continue to process all provider eligibility applications and process all active provider revalidation applications using the "integrated data exchange interface" approach. Completion of this revalidation process for active providers will support provider eligibility compliance so that only eligible providers are participating in the Medicaid and CHIP programs.

**Corrective Action Plan:** See F-21

**Management's Response:** The Department agrees with this finding. The Department will continue to complete all new provider and specialties eligibility reviews, as well as active provider and specialties revalidations, through our fiscal agent's contracted vendor Digital Harbor. We expect to complete our active provider and specialties revalidation process by April 2020, at which point all providers and specialties will have been subjected to the integrated data exchange approach.

**Contact:** Michelle Probert, Director, Office of MaineCare Services, 207-287-2093

(State Number: 19-1106-03)

(2019-056)

**Title:** Provider eligibility procedures need to address Advance Directives

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
2018-050	2017-026	2016-029	2015-007	2014-004	13-1106-09	12-1106-14	11-1106-12
FY10	FY09						
10-1106-11	09-1106-08						

**State Department:** Health and Human Services

**State Bureau:** Office of MaineCare Services

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

Children's Health Insurance Program (CHIP)

**CFDA #:** 93.775, 93.777, 93.778; 93.767

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;  
1805ME5021, 1905ME5021

**Compliance Area:** Special tests and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount <i>specifically</i> identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 CFR 431.107(b)(4) Advance Directives; 42 CFR 455.105(b) Business Transactions

**Condition:** For provider agreements entered into prior to July 1, 2013, the Department did not ensure that these agreements contained all required provisions related to Advance Directive requirements and disclosure of certain types of business transactions. As of July 1, 2013, the new provider agreements contain the necessary information; however, the Department acknowledged that they did not revise the older provider agreements.

Twelve out of sixty providers tested did not have an agreement that contained the required terms and conditions.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** Provider agreements must include suspension and debarment language, business ownership disclosures, and Advance Directive requirements as required by Federal regulations.

**Cause:** Competing priorities

**Effect:**

- If the providers' requirements over Advanced Directives are not explicitly defined and included in the State's contract with the provider, the program could potentially be incurring costs for medical procedures that a client does not want.
- Medical staff employed by the provider may not receive required training pertaining to Advance Directives.
- Provider staff may not be aware of Community Education requirements for Advance Directives.
- Medicaid clients may not fully understand their rights as a patient.
- Ineligible providers could potentially participate in the program.
- Potential future questioned costs and disallowances
- Noncompliance with the required provider documentation requirements

**Recommendation:** We recommend that the Department continue to process all provider eligibility applications and process all active provider revalidation applications using updated language for Advance Directives and certain types of business transactions. Completion of this revalidation process for active providers will support provider eligibility compliance so that only eligible providers are participating in the Medicaid program.

**Corrective Action Plan:** See F-21

**Management's Response:** The Department agrees with this finding. All active providers in the MIHMS system have a signed provider agreement on file. As noted in the Department's response to the SFY2018 finding, language regarding advance directive requirements and disclosure of certain types of business transactions was added to the agreement on June 26, 2013. The provider agreement with the added language has been used since then for all newly enrolling providers. Also, all providers who add new locations have signed new provider agreements even if they have not revalidated yet. As part of the ACA provider revalidation initiative, all providers are required to re-enroll and will sign the revised agreement then. The system was upgraded on January 17, 2017 and provider revalidation began in July 2017. To date, cycles 1 – 7 are 100% complete. Cycles 8 – 13 are in process. The Department has cleared 2,579 cases through revalidation or provider disenrollment, with an additional 1,534 cases currently in the provider revalidation process.

**Contact:** Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

(State Number: 19-1106-07)



(2019-057) Confidential finding, see Condition Section below for more information

**Title:** Internal control over \_\_\_\_\_ assigned to \_\_\_\_\_ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Redacted	Redacted	None	None	None	*	*	*

*\*The system was not audited in this fiscal year.*

**State Department:** Administrative and Financial Services

**State Bureau:** Office of Information Technology

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

**CFDA #:** 93.775, 93.777, 93.778

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles  
Eligibility

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; \_\_\_\_\_; \_\_\_\_\_; State of Maine \_\_\_\_\_

**Condition:** The \_\_\_\_\_ associated with \_\_\_\_\_ needs improvement. These \_\_\_\_\_ allow personnel to \_\_\_\_\_. \_\_\_\_\_ should be restricted to \_\_\_\_\_ that a \_\_\_\_\_ to perform their job function. This must be determined by the State agency personnel most directly responsible for \_\_\_\_\_, regardless of whether \_\_\_\_\_.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Bob Parris, Branch Manager, Financial Management Group, Center for Medicare and Medicaid Services, 150 S. Independence Mall West, Philadelphia, PA 19106

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12<sup>th</sup> Street, Suite 0429, Kansas City, MO 64106

**Context:** State government is entrusted with a vast repository of \_\_\_\_\_. Reliance is placed on the State to maintain \_\_\_\_\_, to protect \_\_\_\_\_, and to protect \_\_\_\_\_ from \_\_\_\_\_, \_\_\_\_\_ or \_\_\_\_\_. Since \_\_\_\_\_, the State's \_\_\_\_\_ and \_\_\_\_\_ must continually \_\_\_\_\_ based on the \_\_\_\_\_.

**Cause:** The Office of Information Technology's (OIT) practice is to provide \_\_\_\_\_ to agency requestors as soon as possible to allow \_\_\_\_\_. OIT personnel \_\_\_\_\_ in an across-the-board manner, typically by \_\_\_\_\_; while relying on \_\_\_\_\_ as a secondary way of \_\_\_\_\_, rather than by \_\_\_\_\_, \_\_\_\_\_ as determined by the State agency personnel providing direct oversight to each \_\_\_\_\_.

**Effect:** \_\_\_\_\_

**Recommendation:** We recommend that OIT \_\_\_\_\_ on a \_\_\_\_\_, as determined by the State personnel most directly responsible for each user.

**Corrective Action Plan:** See F-21

**Management's Response:** The Department agrees with this finding. There is currently an initiative underway to review and revise \_\_\_\_\_. That work involves \_\_\_\_\_ and \_\_\_\_\_ to \_\_\_\_\_ accordingly. We are also in the early stages of implementing \_\_\_\_\_, which will further allow us to \_\_\_\_\_, and \_\_\_\_\_. Finally, we have a parallel project underway to implement the \_\_\_\_\_ functionality, which will be used to further \_\_\_\_\_, and when \_\_\_\_\_.

**Contact:** Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320

(State Number: 19-0905-01)

(2019-058) Confidential finding, see Condition Section below for more information

**Title:** Internal control over \_\_\_\_\_ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
Redacted	None	None	None	None	*	*	*

*\*The system was not audited in this fiscal year.*

**State Department:** Administrative and Financial Services

**State Bureau:** Office of Information Technology

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

**CFDA #:** 93.775, 93.777, 93.778

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles  
Eligibility

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; \_\_\_\_\_; \_\_\_\_\_; \_\_\_\_\_; \_\_\_\_\_; State of Maine \_\_\_\_\_

**Condition:** The Office of Information Technology (OIT) utilizes \_\_\_\_\_ to detect and document \_\_\_\_\_ within \_\_\_\_\_. The \_\_\_\_\_ assigns a \_\_\_\_\_ based on information contained in the related \_\_\_\_\_. The \_\_\_\_\_ classifies \_\_\_\_\_ as either \_\_\_\_\_, \_\_\_\_\_, or \_\_\_\_\_.

For fiscal year 2019 five \_\_\_\_\_ and five \_\_\_\_\_ were haphazardly selected for review. \_\_\_\_\_ were reviewed from the first quarter of 2019 and compared with a second \_\_\_\_\_ requested by the Office of the State Auditor in August 2019. The following number of \_\_\_\_\_, \_\_\_\_\_ and other types of \_\_\_\_\_ were observed:

\_\_\_\_\_ – Approximate \_\_\_\_\_:

- \_\_\_\_\_:
- \_\_\_\_\_:

\_\_\_\_\_ – Approximate \_\_\_\_\_:

- \_\_\_\_\_:
- \_\_\_\_\_:

Although OIT does address a multitude of \_\_\_\_\_ on an ongoing basis, there are \_\_\_\_\_ that are not being addressed timely due to competing priorities, or because correction is not possible due to \_\_\_\_\_.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Bob Parris, Branch Manager, Financial Management Group, Center for Medicare and Medicaid Services, 150 S. Independence Mall West, Philadelphia, PA 19106

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106

**Context:** OIT is responsible for the protection of the \_\_\_\_\_. State agencies paid OIT approximately \_\_\_\_\_ for \_\_\_\_\_ during fiscal year 2019.

**Cause:**

- Lack of \_\_\_\_\_
- High \_\_\_\_\_
- Difficulty \_\_\_\_\_

**Effect:**

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Recommendation:** We recommend that OIT implement a process to address \_\_\_\_\_. This process should include \_\_\_\_\_ that OIT Senior Management and \_\_\_\_\_ have agreed to assume.

**Corrective Action Plan:** See F-22

**Management's Response:** The Department agrees with this finding. OIT has implemented a \_\_\_\_\_ policy along with procedures that \_\_\_\_\_. This expanded \_\_\_\_\_ detects more \_\_\_\_\_ within the State's \_\_\_\_\_. At the same time, OIT staff work diligently to apply the \_\_\_\_\_ to reduce the \_\_\_\_\_. This is a continuous cycle of \_\_\_\_\_ and \_\_\_\_\_. OIT

recognizes the need to stay ahead of this curve, document acceptable risk, and prioritize mitigation efforts. To achieve these goals, there are efforts underway to increase staffing and secure funding for the retirement of \_\_\_\_\_.

**Contact:** Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320

**(State Number: 19-0905-03)**

(2019-059)

**Title:** Internal control over refunding overpayments needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	None	None	None	None	None	None	None

**State Department:** Health and Human Services

**State Bureau:** Office of MaineCare Services

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

**CFDA #:** 93.775, 93.777, 93.778

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 CFR 433.300 through 433.320

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the award in compliance with Federal statutes, regulations, and the terms and conditions of the award. The State Medicaid Agency has one year from the date of discovery of an overpayment to a provider to recover or seek to recover the overpayment before the Federal share must be refunded to the United States, Centers for Medicare and Medicaid Services.

Maine's Office of MaineCare Services (OMS) does not have procedures in place to ensure that overpayments to providers identified by Health Management Systems (HMS), a contractor, are accurately recorded in the OMS database and transmitted to the Department of Health and Human Services Service Center for refunding to the Federal government within one year of identification of the receivable. The receipt of this information, along with the recording and transmittal to the Service Center, was performed by one staff member. A documented secondary review of the information did not occur.

**Context:** The Federal share of OMS overpayments identified by HMS due to be refunded in fiscal year 2019 was approximately \$2.3 million.

**Cause:** Lack of supervisory oversight

**Effect:**

- Overpayments to providers could be incorrectly recorded and incorrectly communicated to the Service Center.
- The Federal share of overpayments may not be refunded to the Federal government in the required timeframe, or not at all. This could potentially result in an additional liability for interest on the non-refunded overpayment amount.
- Potential future questioned costs and disallowances

**Recommendation:** We recommend that the Department implement procedures to ensure that overpayments identified by HMS are properly reviewed for accuracy and completeness prior to transmission to the Service Center. We further recommend that the Department implement procedures to ensure that all overpayments identified by HMS are transmitted to the Service Center, and that the Federal portion of overpayments is returned to the Federal government within one year of the date of discovery. The addition of supervisory review could result in the identification of root causes of overpayments, ultimately leading to a reduction in the occurrence of overpayments.

**Corrective Action Plan:** See F-22

**Management's Response:** The Department agrees with this finding. The following procedures will be implemented to increase oversight. 1. A Third-Party Liability (TPL) employee reviews and enters HMS overpayment information into the Office of MaineCare Services OMS database. 2. A second (TPL) employee will review all documents and data entry performed by the employee in step one. Errors identified will be returned for corrections and reverified prior to moving forward for approval. 3. The second employee will then share the results of this review with the Director, Division of Operations. 4. The Director, Division of Operations, will advise the employee in step one of any corrections to be made in the database entries, if any, then authorize information to be sent to the DHHS Service Center. The Director, Division of Operations, shall be copied on the email with attached data sent to the DHHS Service Center.

**Contact:** Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

(State Number: 19-1106-10)

(2019-060)

**Title:** Internal control over the post-payment review process needs improvement

**Prior Year Findings:**

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
None	None	2016-031	2015-013	2014-011	13-1106-04	None	None

**State Department:** Health and Human Services

**State Bureau:** Office of MaineCare Services

**Federal Agency:** U.S. Department of Health and Human Services

**CFDA Title:** Medicaid Cluster

Children's Health Insurance Program (CHIP)

**CFDA #:** 93.775, 93.777, 93.778; 93.767

**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;  
1805ME5021, 1905ME5021

**Compliance Area:** Special tests and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount <i>specifically</i> identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 42 CFR 456; MaineCare Benefits Manual, Sections 1.17 and 1.18

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

To promote the most effective and appropriate use of available services and facilities, the Medicaid agency must have methods and criteria for identifying, on a sample basis, cases of fraud, waste, and abuse. Audit testing of the post-payment review process identified that:

- a post-payment review sampling plan (a basic level of surveillance and utilization review), as required by 42 CFR 456 Subpart B, was not implemented for the second half of fiscal year 2019.
- the sampling plan that was introduced in January 2018 was adequately designed and executed through December 2018. A formal sampling plan was not in place beginning January 2019.



**Context:** The State paid approximately \$2.5 billion to providers in fiscal year 2019. This includes the Federal portion of approximately \$1.8 billion. Post payment review sampling plans are important safeguards against fraud, waste, and abuse of Medicaid services.

**Cause:**

- Lack of resources
- Lack of supervisory oversight
- Competing priorities

**Effect:**

- Increased risk that certain transactions are not considered or sampled during the fiscal year, which could result in errors, fraud, waste and abuse that could remain undetected
- Undetected errors, fraud, waste, and abuse could result in questioned costs.
- Potential loss in program efficiency or effectiveness

**Recommendation:** We recommend that the Department implement procedures to ensure that a post-payment review process is established that is consistent with 42 CFR 456. The results of this post-payment review process should be monitored by financial and program personnel.

**Corrective Action Plan:** See F-22

**Management's Response:** The Department partially agrees with this finding. The Department agrees that it did not create a document that contained the sampling plan for the second half of fiscal year 2019. However, the Department disagrees with part of the finding, specifically the statement that it did not "implement" a post-payment review sampling plan. The Department did implement such a plan, it only failed to formally document said plan.

**Contact:** Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

**Auditor's Concluding Remarks:** A formal, documented post-payment review sampling plan is necessary to ensure compliance with 42 CFR 456, and to ensure the Department maintains effective internal control over the Federal award.

The finding remains as stated.

(State Number: 19-1106-04)

(2019-061)

**Title:** Internal control over cash management needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	*	*	*	*	*	*

*\*The program was not audited as a major program in this fiscal year.*

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

**State Bureau:** Maine Emergency Management Agency

**Federal Agency:** U.S. Department of Homeland Security

**CFDA Title:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**CFDA #:** 97.036

**Federal Award Identification Number:** 4367DRMEP1SME500, 4354DRMEP1SME500

**Compliance Area:** Cash management

**Type of Finding:** Material weakness

Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 31 CFR 205(B)

**Condition:** The Department did not minimize the time between drawdown and disbursement of Federal funds in accordance with Federal regulations. The Office of the State Controller issued guidance to all State agencies establishing that no more than seven days between the receipt and disbursement of Federal funds demonstrates compliance. In our review of eighteen Federal drawdowns, five instances of noncompliance with drawdown requirements were identified.

Additionally, the Disaster Grants - Public Assistance program began fiscal year 2019 with a significant negative cash balance of \$625,000, and ended with a cash balance of negative \$552,000. During the fiscal year 2019 audit, the auditor discovered that during fiscal year 2010, Federal funds were drawn down for the Disaster Grants - Public Assistance program but were inadvertently recorded to a different Federal program in the State accounting system. This clerical error was not caught by the Department, and continues to obscure the program's actual cash balance as of June 30, 2019.

The Office of the State Auditor tested all drawdowns exceeding \$112,000, and selected a non-statistical random sample of all other drawdowns below this threshold.

**Context:** The Department expended \$6.7 million in Disaster Grants - Public Assistance funds in fiscal year 2019.

**Cause:**

- The Department does not have effective procedures in place to minimize the number of days of cash on hand. Federal funds are drawn based on anticipated expenditures that have not yet been finalized for payment.
- Cash reconciliations were not completed separately for each Federal program. The overall negative cash balance that is offset in another Federal account in the State accounting system has not been corrected.

**Effect:**

- The Federal government may impose more stringent, program-specific cash management requirements based on prior noncompliance.
- The State could potentially incur an interest liability on excess Federal cash balances.

**Recommendation:** We recommend that the Department implement procedures to ensure that Federal cash is requested based on immediate cash needs. Additionally, we recommend that the Department implement reconciliation procedures to ensure the program's cash balance is accurate and monitored effectively. A general ledger journal entry should be recorded to properly account for the Disaster Grants - Public Assistance's program's cash balance.

**Corrective Action Plan:** See F-22

**Management's Response:** The Department agrees with this finding. The Maine Emergency Management Agency will be implementing procedures to ensure that Federal cash is drawn down based on the program's immediate cash needs. These procedures will also include the periodic reconciliation of the program's cash balance to ensure that it is accurate. In addition, a journal entry is planned to address the negative cash balance created during fiscal year 2010.

**Contact:** Jennifer Foster, Contract/Grant Manager, DVEM, 207-624-4450

(State Number: 19-1502-01)

(2019-062)

**Title:** Internal control over the evaluation of each subrecipient's risk of noncompliance needs improvement

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	*	*	*	*	*	*

*\*The program was not audited as a major program in this fiscal year.*

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

**State Bureau:** Maine Emergency Management Agency

**Federal Agency:** U.S. Department of Homeland Security

**CFDA Title:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**CFDA #:** 97.036

**Federal Award Identification Number:** 4367DRMEP1SME500, 4354DRMEP1SME500

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.331(b)

**Condition:** The Department is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

The Department did not evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring in fiscal year 2019.

**Context:** The Department awarded \$6.7 million to 204 subrecipients of the Disaster Grants - Public Assistance program, which is over ninety-nine percent of total program funds expended during fiscal year 2019.

**Cause:**

- Lack of adequate procedures
- Lack of supervisory oversight
- Staff turnover

**Effect:**

- Subrecipients that are deemed higher risk as a result of prior noncompliance are not monitored on a more frequent basis.
- Subrecipients that are deemed lower risk are not monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.

**Recommendation:** We recommend that the Department implement a process that evaluates each subrecipient's risk of noncompliance specifically for the purposes of determining the appropriate subrecipient monitoring to be performed during the subaward.

**Corrective Action Plan:** See F-23

**Management's Response:** The Department agrees with this finding. DVEM has created and filled a new position that will be responsible for the evaluation and monitoring of sub-recipients. A top priority of this new position will be the updating of DVEM's sub-recipient monitoring procedures as well as the implementation of necessary changes.

**Contact:** Jennifer Foster, Contract/Grant Manager, DVEM, 207-624-4450

(State Number: 19-1502-02)

(2019-063)

**Title:** Internal control over monitoring subrecipient Single Audits needs to be established

**Prior Year Findings:** None

FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11
*	*	*	*	*	*	*	*

*\*The program was not audited as a major program in this fiscal year.*

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

**State Bureau:** Maine Emergency Management Agency

**Federal Agency:** U.S. Department of Homeland Security

**CFDA Title:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)

**CFDA #:** 97.036

**Federal Award Identification Number:** 4367DRMEP1SME500, 4354DRMEP1SME500

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

Questioned Costs	Total	Federal	State
<i>Known</i>			
<i>Likely</i>			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

**Criteria:** 2 CFR 200.303; 2 CFR 200.331

**Condition:** The Department is required to verify that every subrecipient is audited as required by Subpart F of 2 CFR 200 when the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded \$750,000. Additionally, the Department is required to consider whether the results of subrecipient audits indicate conditions that necessitate adjustments to the Department's own records and taking enforcement action against noncompliant subrecipients.

The Department did not verify whether any of the program's subrecipients were the subject of a Single Audit as required by Subpart F of 2 CFR 200. Consequently, the Department did not consider whether the results of subrecipient audits indicated conditions that necessitated adjustments to the Department's own records or whether the Department should take enforcement action against noncompliant subrecipients.

**Context:** The Department awarded \$6.7 million to 204 subrecipients of the Disaster Grants - Public Assistance program, which is over ninety-nine percent of total program funds expended during fiscal year 2019.

**Cause:**

- Lack of adequate procedures
- Lack of supervisory oversight
- Staff turnover

**Effect:**

- Noncompliance with Federal requirements imposed on the Department
- Subrecipients may not be audited, and also may not be complying with Federal statutes, regulations, or the terms and conditions of the subaward. Without oversight, subrecipients with audit findings may not take corrective action in a timely manner.

**Recommendation:** We recommend that the Department implement procedures to verify that subrecipients of the Disaster Grants - Public Assistance program are audited as required by Federal regulations. We further recommend that the Department ensure that subrecipients take timely and appropriate action on deficiencies detected by the auditors.

**Corrective Action Plan:** See F-23

**Management's Response:** The Department agrees with this finding. DVEM has created and filled a new position that will be responsible for the evaluation and monitoring of sub-recipients. A top priority of this new position will be the updating of DVEM's sub-recipient monitoring procedures as well as the implementation of necessary changes.

**Contact:** Jennifer Foster, Contract/Grant Manager, DVEM, 207-624-4450

(State Number: 19-1502-03)

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**STATE OF MAINE  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2019**

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STATE OF MAINE  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES  
**OFFICE OF THE STATE CONTROLLER**  
14 STATE HOUSE STATION AUGUSTA, MAINE 04333-0014

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

KIRSTEN LC FIGUEROA  
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA  
STATE CONTROLLER

## **CORRECTIVE ACTION PLAN**

### ***Fiscal Year Ended June 30, 2019***

#### **Corrective Action Plan**

The *Corrective Action Plan* (CAP) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of this report is to document the corrective action steps that will be completed in response to each Single Audit Report finding, identify the individual(s) responsible for ensuring that corrective action is completed, and to provide an anticipated date for complete implementation of corrective action. The CAP complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up, (c) Corrective Action Plan.

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2019-001	Department:	Administrative and Financial Services
	Title:	_____ does not have a _____ in place (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	December 31, 2020
	Agency Contact:	Derek Higgins, Director of Accounting/Financial Risk Manager, 207-624-9738
2019-002	Departments:	Administrative and Financial Services Environmental Protection Health and Human Services Transportation
	Title:	Internal control over the physical inventory of fixed assets needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress; except for the Maine Department of Transportation (DOT) where it is management's opinion is that corrective action is not required
	Corrective Action:	<p>The Office of the State Controller (OSC) provides training to agencies regarding inventory procedures on an ad hoc basis. OSC will perform annual outreach to affected agencies through "pre-closing" meetings to ensure that agencies have a documented inventory schedule that complies with the SAAM and provide additional training where necessary.</p> <p>The Department of Health and Human Services (DHHS) will designate/assign personnel from the different offices to take a physical inventory annually and report that information on an inventory tracking sheet to the DHHS Service Center. The DHHS Service Center will facilitate this and review the information before submission to the Controller's Office.</p>

		<p>The Department of Environmental Protection (DEP) will reconcile physical counts to the assets recorded in Advantage and will have corrections/deletions approved in Advantage by Office of the State Controller in order to complete a fully accurate annual physical inventory for all DEP offices.</p> <p>While there were a few instances of assets not being timely disposed of, DOT does have proper procedures in place to ensure physical inventory counts of equipment are performed. The two individuals who were interviewed confirmed that they do in fact perform a physical inventory and in cases where the equipment isn't always visible, such as underground fuel tanks, the regions have processes in place to monitor the fuel levels; thereby, confirming that the asset still exists.</p>
	Completion Date:	June 30, 2020, September 30, 2020, July 1, 2020 and N/A
	Agency Contacts:	Shirley Browne, Deputy State Controller, OSC, 207-626-8420 Sarah Gove, Director, DHHS Service Center, 207-458-6626 Sherrie Kelley, Director of Resource Administration, DEP, 207-287-4852 Doreen Corum, Financial Processing Director, DOT, 207-624-3139
2019-003	Departments:	Administrative and Financial Services Education
	Title:	_____ is uniquely an imperative for _____ (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	Undetermined
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	December 31, 2020
	Agency Contact:	Dan Chuhta, Deputy Commissioner, DOE, 207-624-6620
2019-004	Departments:	Administrative and Financial Services Labor
	Title:	Internal control over the valuation of allowances for uncollectible accounts needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Office of the State Controller (OSC) is responsible for determining the estimates included in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC and the Department of Labor (DOL) accumulate relevant, sufficient and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with applicable accounting principles and that disclosure is adequate. OSC performed a five-year trend analysis of historical collections with information provided by the DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. DOL has implemented a new system and OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.

	Completion Date:	N/A
	Agency Contact:	Sandra Royce, CPA, Director of Financial Reporting and Analysis, OSC, 207-626-8451
2019-005	Department:	Transportation
	Title:	The Department has not completed a _____ that complies with State _____ (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	December 31, 2020
	Agency Contact:	Doreen Corum, Financial Processing Director, DOT, 207-624-3139
2019-006	Department:	Education
	Title:	The Department has no _____ that _____ over the _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	July 1, 2019
	Agency Contact:	Joanne Allen, Director, School Finance & Operations, Department of Education, 207-624-6790
2019-007	Departments:	Administrative and Financial Services Transportation
	Title:	_____ over the _____ or _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	December 31, 2020
	Agency Contact:	Doreen Corum, Financial Processing Director, Department of Transportation, 207-624-3139
2019-008	Department:	Administrative and Financial Services
	Title:	_____ and _____ over _____ need improvement (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.

	Completion Date:	April 1, 2020, December 1, 2020 and July 1, 2024
	Agency Contact:	Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320
2019-009	Departments:	Administrative and Financial Services Health and Human Services
	Title:	The State has _____ that _____ over the _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	December 31, 2020
	Agency Contact:	Douglas E. Cotnoir, CPA, CIA, State Controller, OSC, 207-626-8420
2019-010	Department:	Health and Human Services
	Title:	The Department _____ that _____ over the _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	December 31, 2020
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093
2019-011	Department:	Administrative and Financial Services
	Title:	Internal control over cash balances needs improvement
	Questioned Costs:	Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The State will continue to systematically reconcile older grants (prior to 2011) to determine what accounts the cash belongs in and take the necessary steps to put the cash balances where they belong.
	Completion Date:	June 30, 2022
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, 207-458-6626
2019-012	Department:	Health and Human Services
	Title:	Internal control over compliance with eligibility determination requirements, and the related automated data processing system requirements, needs improvement
	Questioned Costs:	Federal: Known: \$261 Likely: \$5,144,620
	Status:	Corrective action in progress
	Corrective Action:	The Training unit has already created an updated curriculum that underscores and emphasizes TANF requirements, which impact all programs. This will be first rolled out on March 30th in the Lewiston Regional Office.  Further regional and central office training in this curriculum will continue for 18 months.
	Completion Date:	September 30, 2021
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2019-013	Department:	Health and Human Services
	Title:	Internal control over the issuance of SNAP benefits needs improvement

	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Business Technology Division will generate a Standard Operating Procedure governing the frequency and distribution of death data in accordance with federal SNAP and Farm Bill regulations.
	Completion Date:	September 30, 2020
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2019-014	Department:	Health and Human Services
	Title:	Internal control over _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Department's explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2019-015	Department:	Education
	Title:	Internal control over State matching requirements needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department has modified the NEO system to ensure that the match attributable to State owned schools is funded from the General Fund. Additionally, the Department has implemented a procedure requiring the performance of a reconciliation near the year end to ensure compliance with the grant's matching requirements.
	Completion Date:	March 1, 2019 and June 1, 2020
	Agency Contact:	Walter Beesley, Child Nutrition Director, DOE, 207-624-6875
2019-016	Department:	Education
	Title:	National School Lunch Program and Summer Food Program Policy Statements and State-Sponsor Agreements are not consistent with Federal regulations
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The National School Lunch Program Free and Reduced-Price Policy Statement as well as the Summer Food Service Program State-Sponsor Agreements have been updated to contain all required information. Additionally, the Department has implemented new procedures that require the performance of an annual review of these documents each June to ensure that any required changes are made.
	Completion Date:	July 2, 2019 and February 28, 2020
	Agency Contact:	Walter Beesley, Child Nutrition Director, DOE, 207-624-6875
2019-017	Department:	Education
	Title:	Internal control over subrecipient monitoring procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	Training was provided for all staff, covering the items addressed in the finding including the importance of documentation.



		<p>The Department continues to follow the improved procedures of using a cloud-based service for data storage. All reviews are now backed up in the cloud and not on external storage devices.</p> <p>Training was provided on the use of the tracking spreadsheet and the method of documentation to ensure accuracy and timeliness.</p> <p>Staff have been trained on the correct steps for withholding and releasing funds.</p> <p>The tracking spreadsheet is being reviewed at monthly staff meetings for accuracy and adherence to time lines.</p>
	Completion Date:	October 7, 2019
	Agency Contact:	Walter Beesley, Child Nutrition Director, DOE, 207-624-6875
2019-018	Department:	Education
	Title:	Internal control over the donated food inventory needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<p>Discuss the inventory overages and shortages with contracted warehouse personnel.</p> <p>Review procedures submitted to USDA to ensure they address reconciliation.</p> <p>Review existing recordkeeping procedures and modify as needed.</p> <p>Establish a clear method to document year end transactions, including document retention.</p> <p>Complete the procurement of a new inventory software system.</p> <p>Fully deploy inventory software system including set up, staff training and full utilization.</p>
	Completion Date:	January 1, 2020, April 1, 2020, April 1, 2020, May 1, 2020, September 1, 2020, and February 1, 2021
	Agency Contact:	Walter Beesley, Child Nutrition Director, DOE, 207-624-6875
2019-019	Department:	Health and Human Services
	Title:	Internal control over subrecipient monitoring needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The positions responsible for conducting Management Evaluation Reviews were filled. Several of these new staff members are currently conducting the required Management Evaluation Reviews.
	Completion Date:	November 1, 2019
	Agency Contact:	Ginger Roberts-Scott, Director, Maine WIC Nutrition Program, DHHS 207-287-5342
2019-020	Department:	Health and Human Services
	Title:	Internal control over subrecipient contracts needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	Contract language that includes references to the Uniform Guidance and the \$750,000 threshold has been updated as of February 2018.

	Completion Date:	February 1, 2018
	Agency Contact:	Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075
2019-021	Department:	Health and Human Services
	Title:	Internal control over Federal cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Perform a reconciliation of the cash balance for all WIC related grants.  Implement oversight procedures to ensure the cash balance is considered when requesting Federal funds.
	Completion Date:	August 31, 2020
	Agency Contact:	Ginger Roberts-Scott, Director, Maine WIC Nutrition Program, DHHS, 207-287-5342
2019-022	Department:	Health and Human Services
	Title:	The Department has no assurance that _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Department's explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	N/A
	Agency Contact:	Ginger Roberts-Scott, Director, Maine WIC Nutrition Program, DHHS 207-287-5342
2019-023	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over payroll costs needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The DVEM Deputy Commissioner will approve the timesheet for the State employee who reports to a Federally employed Air National Guard Officer until such time as the new HR System is deployed. Once the new HR system is deployed, the Federally employed Air National Guard Officer should be able to approve this State employee's timesheet.  Every effort will be made to ensure that when an employee leaves their position, they sign their timesheet before they depart.  Human Resources will notify DVEM Finance when employees that are funded by the National Guard Military Operations and Maintenance Master Cooperative Agreement change positions to help ensure that payroll costs are properly charged.
	Completion Date:	March 9, 2020
	Agency Contact:	Scott A. Young, Deputy Commissioner, DVEM, 207-430-5997
2019-024	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over cash management for travel advances and the related reporting to the Federal government on the SF-270 report needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed

	Corrective Action:	Accounting personnel were provided feedback to address the human error aspect of this finding.  Accounting personnel reviewed and re-familiarized themselves with SAAM 10.80.60.  A spreadsheet was created to monitor travel advances.  The Business Manager and Senior Staff Accountant are now conducting a more thorough review of all travel advances to ensure compliance with SAAM 10.80.60.  Expenses included in the SF270 are now subjected to a more thorough review to ensure compliance with drawdown and reporting requirements.
	Completion Date:	March 10, 2020
	Agency Contact:	Frances LaPointe, Business Manager II, DVEM, 207- 430-5696
2019-025	Department:	Health and Human Services
	Title:	Internal control over subrecipient monitoring procedures needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. We have policies and procedures in place to ensure subrecipients use Continuum of Care funds in accordance with all award requirements and program regulations. We perform comprehensive annual on-site reviews to verify subrecipient compliance with all program rules and regulations and have the documentation to support it.
	Completion Date:	N/A
	Agency Contact:	Jessica Monahan Pollard, Director, Office of Behavioral Health, DHHS, 207-287-6484
2019-026	Department:	Administrative and Financial Services
	Title:	Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will utilize Advantage CFDA # and Program information to conduct an automated update of the SEFA files. Once updated, the information in the SEFA files will be reviewed for accuracy prior to being used for SEFA submissions.
	Completion Date:	September 30, 2020
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, 207-458-6626
2019-027	Department:	Labor
	Title:	Internal control over continuing eligibility needs improvement
	Questioned Costs:	State: Known: \$10,375 Likely: \$5,272,833
	Status:	Corrective action in progress
	Corrective Action:	The bureau will continue to conduct training with all adjudication and claims staff at least once, or twice a year when possible, and review standard operating procedures and guidance pertaining to work search requirements as part of the training curriculum.  The bureau will review its internal controls for ensuring that its target number of work search audits are being scheduled and conducted.

	Completion Date:	June 30, 2020
	Agency Contact:	Laura Boyett, Bureau Director, Unemployment Compensation, DOL, 207-621-5156
2019-028	Department:	Labor
	Title:	The Department has no assurance that _____ over the _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with this finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2020, April 30, 2021, December 31, 2021, and March 31, 2022
	Agency Contact:	Patricia O'Brien, Deputy Bureau Director, DOL, 207-621-5161
2019-029	Department:	Labor
	Title:	Internal control over earmarking requirements needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	<p>The New Counselor Training curriculum was updated to include training on proper identification and coding of pre-employment transition services (Pre-ETS).</p> <p>The AWARE system was modified to allow for the coding and identification of Pre-ETS expenditures.</p> <p>A monthly cross check is performed between the AWARE system and the AdvantageME accounting system to ensure Pre-ETS services are coded correctly.</p> <p>In-depth training on the proper identification and coding of Pre-ETS services was provided at the July 2019 quarterly Transition VR Counselor meeting (attended by DVR and DBVI VR Counselors) and continues as a regular agenda item for these meetings.</p> <p>In-depth training on the proper identification and coding of Pre-ETS services was provided for DBVI VR Counselors and Blindness Rehabilitation Specialists.</p> <p>In-depth refresher training on the proper identification and coding of Pre-ETS services was provided for DBVI VR Counselors and Blindness Rehabilitation Specialists.</p> <p>In-depth refresher training on the proper identification and coding of Pre-ETS services is scheduled for the April 2020 quarterly Transition VR counselor meeting.</p>
	Completion Date:	October 2018, December 2018, March 2019, July 2019, August 2019, January 2020, and April 2020.
	Agency Contact:	Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942
2019-030	Department:	Labor
	Title:	Internal control over program income needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress

	Corrective Action:	<p>Quality Assurance staff participate in monthly SSA Cost Reimbursement webinars; and access the SSA portal on a regular basis to monitor claims data and access informational bulletins from SSA.</p> <p>Director of Quality Assurance is in regular contact with Management Analyst to monitor processing of claims.</p> <p>Director of Quality Assurance, the Directors of DVR and DBVI and the Service Center Financial Analyst, receive claims data from the Management Analyst, at least quarterly, that is used in budget management of the SSA CR program income.</p> <p>The automated Tracker system that was being used to calculate SSA CR claims was retired effective July 1, 2019.</p> <p>A new SSA CR module was added to the AWARE case management system in August 2019. Maine BRS detected an issue with the calculations made by this new module and is working closely with Alliance Enterprises (owners of AWARE) to ensure that the correct cost formula is programmed into this module and that the SSA CR claims are free of errors.</p> <p>Maine BRS has suspended submission of new SSA Cost Reimbursement claims until confirmation that new SSA CR module in AWARE is error free.</p>
	Completion Date:	May 1, 2020
	Agency Contact:	Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942
2019-031	Department:	Labor
	Title:	Internal control over the timeliness of eligibility determinations needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<p>New Counselor Training includes the 60-day eligibility, or signed eligibility extension, requirement.</p> <p>Quarterly case reviews (including at least one review per vocational rehabilitation counselor) include checking the 60-day eligibility, or signed eligibility extension, requirement.</p> <p>Division of QA Management Analyst runs a quarterly report of overdue eligibilities per unit that is reviewed at the Regional Managers' meeting.</p> <p>The BRS Quality Assurance division will provide a refresher training to DVR Leaders and DBVI Leaders on the 60-day eligibility (or signed extension) requirement. Training will include instruction on several different tools in the AWARE case management system to assist in tracking compliance with this requirement; such as a "Cases Exceeding 60 Days in Application Status" report that can be set to run automatically on a set schedule.</p> <p>Training materials on the requirement for 60-day eligibility, or signed eligibility extension, are posted on the BRS Intranet for future reference by staff.</p>
	Completion Date:	April 1, 2020
	Agency Contact:	Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942
2019-032	Department:	Health and Human Services
	Title:	Internal control over provider site visits and corrective action follow up needs improvement
	Questioned Costs:	None

	Status:	Corrective action in progress
	Corrective Action:	Met with staff to review audit finding and began implementing corrective actions immediately.  Update the VFC Site Visit training manual to include: VFC Management Oversight, weekly monitoring and sign-off of Site Visit Reviewers visits, and an annual VFC Management visit reviewer sign-off sheet.  Update VFC Site Visit Reviewers training ensuring documentation exists for acknowledgements attesting that the site visit was completed and signed by the providers are maintained, and documentation of inventory validation in addition to notating the results within the VFC questionnaire in Pears.  Ensure a sign-in sheet is utilized for the VFC Site Visit Reviewers annual training. A Second training will occur for all VFC Site Visit Reviewers after Site Visit training manual is updated.
	Completion Date:	March 10, 2020, April 30, 2020, April 30, 2020 and May 15, 2020
	Agency Contact:	Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541
2019-033	Department:	Administrative and Financial Services
	Title:	Internal control over Federal cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Policies and procedures were reviewed, and training conducted on CMIA, draw procedures and reconciliations.  A grant monitoring file will be created and used to monitor the Immunization grant activity and cash.
	Completion Date:	December 31, 2020
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, 207-458-6626
2019-034	Department:	Health and Human Services
	Title:	The Department has no assurance that _____ over the _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	July 1, 2020
	Agency Contact:	Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541
2019-035	Department:	Health and Human Services
	Title:	Monitoring over subrecipient cash management needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The criteria given by the State Auditor also states that the timing and amounts of advance payments must be as close as is administratively feasible to the actual disbursements. The Department's process for

		monitoring the actual expenditures and reconciling those to the payments is as close as administratively feasible for the Department. We have provided the State Auditor with the monitoring procedures to ensure the timing of payments is as close as administratively feasible to actual expenditures of our subrecipients.
	Completion Date:	N/A
	Agency Contact:	Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075
2019-036	Department:	Health and Human Services
	Title:	Internal control over subrecipient contracts needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	Contract templates were updated to include required elements.
	Completion Date:	October 1, 2018
	Agency Contact:	Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075
2019-037	Department:	Health and Human Services
	Title:	Internal control over Income Eligibility and Verification system procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Hold annual IEVS staff training in May 2020  Initiate monthly monitoring process of all IEVS reports to ensure that the 45-day timeframe has been met for all IEVS cases
	Completion Date:	June 1, 2020
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2019-038	Department:	Health and Human Services
	Title:	Risk evaluation procedures to determine the extent of appropriate subrecipient monitoring need improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Department's subrecipient monitoring goes well beyond the requirements outlined in 200.331 and encompasses many of the tools that may be useful as stated in 200.331(e). The Department has provided evidence of site visits during the SFY 2019 period. The Department has its own regulations, Maine Uniform Accounting and Auditing Practices for Community Agencies, (MAAP) that apply more rigorous thresholds for audit and review requirements than those of the 2 CFR 200.501.  All of the Department's subrecipient's programs are being audited not only for the Uniform Guidance but also for MAAP. In addition to these tools principally utilized by the Department's Internal Audit division, Program Managers also take into consideration risk of sub-recipients (based on their knowledge and expertise in the field) in making determinations of on-site monitoring priorities and schedules.  There are multiple tools to evaluate subrecipient risk as indicated above. The risk evaluation tool developed by the Department's Internal Audit division is one of them. The Department is working to further integrate this risk evaluation tool to incorporate Program Manager feedback and anticipates implementing this beginning in fiscal year 2020.



	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2019-039	Department:	Health and Human Services
	Title:	Internal control over TANF performance reporting and work participation procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Review data input and system calculations for the ACF-199 TANF Data Report.  Review data input and system calculations for the ACF-209 SSP-MOE Data Report.  Update systems to ensure accuracy in reporting for the ACF-199 TANF Data Report and the ACF-209 SSP-MOE Data Report.
	Completion Date:	June 30, 2020
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2019-040	Department:	Health and Human Services
	Title:	Internal control over payments to and on behalf of TANF clients needs improvement
	Questioned Costs:	Federal: Known: \$1,120 Likely: \$1,295,496
	Status:	Corrective action in progress
	Corrective Action:	TANF Program Manager with work with the Training Unit to update case note guidance to staff to include transitional child care and transitional transportation specific instruction.  TANF Program Manager will work with the Work Support Team supervisory staff, and the Training Unit to create an eligibility specialist standard operating procedure for requesting and completing an override request for the transitional child care and transitional transportation programs.  TANF Program Manager will work with the Work Support Team supervisory staff to create a supervisory standard operating procedure for the review and acceptance of override requests.
	Completion Date:	June 30, 2020
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2019-041	Department:	Health and Human Services
	Title:	Internal control over the retention of Income Eligibility and Verification System reports needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Monthly Quality Assurance check on IEVS reports  Compliance Manager coordination with OIT staff to ensure back-up/recovery processes are in-place and followed
	Completion Date:	April 30, 2020 and June 30, 2020
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2019-042	Department:	Health and Human Services
	Title:	The Department has no assurance that _____ is adequate (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None



	Status:	Corrective action completed
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	July 1, 2019
	Agency Contact:	Sheldon W. Wheeler, Compliance Manager, Office for Family Independence 207-441-8957
2019-043	Department:	Health and Human Services
	Title:	Internal control over special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The TANF Program Manager will establish a standard operating procedure for the preparation and submission of the ACF 204 including quality control checks and a supervisory level review of the draft report.
	Completion Date:	April 30, 2020
2019-044	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over monthly reconciliation procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The backlog of monthly reconciliations between the cash collections recorded in CSEME and Advantage will be completed one month at a time until they are current. Procedures will then be implemented to ensure these monthly reconciliations are performed in a timely manner.
2019-045	Completion Date:	June 30, 2021
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, 207-458-6626
	Department:	Health and Human Services
	Title:	Internal control over individual client Cost of Care assessments needs improvement
	Questioned Costs:	Undeterminable
	Status:	Corrective action in progress
2019-046	Corrective Action:	The MaineCare Program Manager will review and implement a Standard Operating Procedure governing Cost of Care reviews to ensure accuracy. It should be noted that program staff have already drafted an SOP governing this process.
	Completion Date:	June 30, 2020
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
	Department:	Health and Human Services
	Title:	Internal control over compliance with eligibility determination requirements needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. Pre and Post review of determinations is not a requirement to ensure compliance with federal awards. There has been no citation provided during this review that contradicts this.

		For the purpose of operational efficiency and accuracy in eligibility determinations, Eligibility Supervisors currently perform random case readings and phone observations to identify errors and instruct Eligibility Specialists with at least 1 case reading per staff member per month. OFI's task-based statewide processing system provides multiple points of review for eligibility criteria by different staff members (peer review) prior to eligibility determination.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2019-047	Department:	Health and Human Services
	Title:	Internal control over Long Term Care Facility Audits needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The auditor is applying the Nursing Facility 180-day clock for Desk Reviews to Audits. There isn't a deadline to complete audits within the MaineCare Benefits Manual (MCBM). With regard to Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the Department believes that it is in compliance with the periodic audit requirement of 42 CFR. Additionally, the auditor cites 2 CFR 200.303 regarding establishing effective internal controls. However, Medicaid payments for providing patient care services to Medicaid-eligible individuals are not considered Federal awards under this part. We believe we have effective controls to comply with the current regulations.
	Completion Date:	N/A
	Agency Contact:	Herb Downs, Director, DHHS Division of Audit, 207-287-2778
2019-048	Department:	Health and Human Services
	Title:	Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities.
	Completion Date:	N/A
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093
2019-049	Department:	Health and Human Services
	Title:	Internal control over provider enrollment packages needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Implementation of the new automated licensing process.  Implementation of an enhanced credentialing tool.
	Completion Date:	May 30, 2020 and August 30, 2020
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093
2019-050	Department:	Health and Human Services
	Title:	Internal control over Medicare Part B premium payments needs improvement
	Questioned Costs:	Federal: Known: \$86 Likely: \$1,395,265 State: Known: \$48 Likely: \$768,607
	Status:	Corrective action in progress

	Corrective Action:	Business Technology will modify the Standard Operating Procedures regarding monthly buy-in reconciliation reporting procedures, which will include specific methodology to document all action taken on each monthly report.
	Completion Date:	June 30, 2020
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2019-051	Department:	Health and Human Services
	Title:	Internal control over Acute Care Critical Access Hospital supplemental pool payments needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The MaineCare Benefits Manual Section 45, chapter III, 45.04C identifies the data used to determine the relative share will relate to the latest state fiscal year for which there exists an As-Filed Medicare Cost Report or a Final Cost Settlement Report for all critical access hospitals at the time the pool allocation is done. However, the Medicare as filed cost report does not include any MaineCare payment information, so it cannot be used to allocate the pool. The rule then identifies that allocation will be based on the last year when all Finals Cost Settlement reports have been issued. The last year for Maine would be 2011 since we still have outstanding reports from the Fiscal Intermediary for 2012. The Department utilized the 2014 interim audit report data since it would allocate the pool utilizing the same data as the tax is calculated on. The Department is amending the language on the allocation of the pool to better identify the Medicaid payments to be utilized for this calculation.
	Completion Date:	N/A
	Agency Contact:	Herb Downs, Director, DHHS Division of Audit, 207-287-2778
2019-052	Department:	Health and Human Services
	Title:	Internal control over the eligibility determination process needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The ACES system has been built from the ground up with a myriad of checks and edits to ensure accuracy of applications for an array of federal benefit programs. Workers conducting manual data entry undergo significant on-boarding training that typically consists of five weeks over several months. Additionally, ongoing training is also a component for every worker. Extensive supervisory reviews and work flow monitoring takes place on a daily basis within five regional offices. Support for workers conducting manual entry is also available through the ACES help desk. Additionally, The Office for Family Independence also has a Quality Assurance team who conducts independent case reviews and reports to the federal government. All federal programs supported by ACES are additionally reviewed by Federal Project Officers.
	Completion Date:	N/A
2019-053	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
	Department:	Administrative and Financial Services Health and Human Services
	Title:	Riverview
	Questioned Costs:	Federal: Known: \$9,047,317
	Status:	Corrective action completed
	Corrective Action:	The Department agrees with this finding and with the return of the funds, including interest, we believe this finding is closed and needs no further action.

	Completion Date:	November 14, 2019
	Agency Contact:	Rodney Bouffard, Superintendent, Riverview Psychiatric Center, 207-624-4656
2019-054	Department:	Health and Human Services
	Title:	Internal control over payments to Health Homes and Behavioral Health Homes needs improvement
	Questioned Costs:	Federal: Known: \$19 Likely: \$171,574 State: Known: \$10 Likely: \$94,846
	Status:	Corrective action in progress
	Corrective Action:	VBP Unit will continue working with its contractor to create chronic condition reports for the VMS portal. These reports will capture chronic conditions for enrolled Health Home members and allow quality assurance reviews of those identified conditions.  The VBP Unit staff will work directly with providers to request additional information from providers to verify qualifying conditions as a follow-up to our initial data quality review.
	Completion Date:	September 30, 2020 and December 31, 2020
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093
2019-055	Department:	Health and Human Services
	Title:	Provider eligibility procedures need to further integrate Automated Data Exchange
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Effective January 2017, the Department began using the fiscal agent's contracted vendor Digital Harbor to complete provider and specialties eligibility reviews, which fulfills the CMS requirements for provider and specialties eligibility validation. Additionally, the Department is continuing their provider and specialties revalidation process utilizing Digital Harbor to address the providers and specialties that were originally validated using the manual process. This revalidation process is expected to be completed by April 2020.
	Completion Date:	April 30, 2020
2019-056	Agency Contact:	Michelle Probert, Director, Office of MaineCare Services, 207-287-2093
	Department:	Health and Human Services
	Title:	Provider eligibility procedures need to address Advance Directives
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Providers will sign updated agreements as part of the provider revalidation that began in July 2017 and will continue for approximately three years.
	Completion Date:	July 30, 2020
2019-057	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093
	Department:	Administrative and Financial Services
	Title:	Internal control over _____ assigned to _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.

	Completion Date:	June 30, 2021, June 30, 2021 and November 30, 2021
	Agency Contact:	Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320
2019-058	Department:	Administrative and Financial Services
	Title:	Internal control over _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2023
	Agency Contact:	Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320
2019-059	Department:	Health and Human Services
	Title:	Internal control over refunding overpayments needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<p>New oversight procedures will be implemented for the refunding of overpayments identified by HMS.</p> <p>The following procedures will be implemented to increase oversight:</p> <ol style="list-style-type: none"> <li>1). A Third-Party Liability (TPL) employee will review and enter HMS overpayment information into the Office of MaineCare Services OMS database.</li> <li>2). A second TPL employee will review all documents and data entry performed by the employee in step one. Errors identified will be returned for corrections and reverified prior to moving forward for approval.</li> <li>3). The second employee will then share the results this review with the Director, Division of Operations.</li> <li>4). The Director, Division of Operations, will advise the employee in step one of any corrections to be made in database entries, if any, and then authorize information to be sent to the DHHS Service Center. The Director, Division of Operations, shall be copied on the email with attached data sent to the DHHS Service Center.</li> </ol>
	Completion Date:	April 1, 2020
	Agency Contact:	Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2019-060	Department:	Health and Human Services
	Title:	Internal control over the post-payment review process needs improvement
	Questioned Costs:	None
	Status:	Corrective action complete
	Corrective Action:	The Program Integrity supervisor documented a full year sampling plan for post payment reviews.
	Completion Date:	September 27, 2019
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093
2019-061	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over cash management needs improvement
	Questioned Costs:	None

	Status:	Corrective action in progress
	Corrective Action:	<p>The Department will prepare a journal entry to adjust the negative cash balance created during fiscal year 2010.</p> <p>Procedures will be put in place to periodically reconcile draws, expenditures and cash balances to identify and return any funds that have been drawn but not utilized within the allowable timeframe.</p> <p>Responsibility for the financial aspects of the Public Assistance grant will be reassigned to the Maine Emergency Management Agency's Business Office</p>
	Completion Date:	March 31, 2020, June 30, 2020 and August 31, 2020
	Agency Contact:	Jennifer Foster, Contract/Grant Manager, DVEM, 207-624-4450
2019-062	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over the evaluation of each subrecipient's risk of noncompliance needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<p>Create and fill a position responsible for evaluating and monitoring sub-recipients.</p> <p>Review and update current procedures to include the evaluation of each sub-recipient's risk of non-compliance specifically for the purpose of determining the appropriate monitoring to be performed during the subaward.</p>
	Completion Date:	March 16, 2020 and August 31, 2020
	Agency Contact:	Jennifer Foster, Contract/Grant Manager, DVEM, 207-624-4450
2019-063	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over monitoring subrecipient Single Audits needs to be established
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<p>Create and fill a position responsible for evaluating and monitoring sub-recipients.</p> <p>Review and update current procedures to ensure that sub-recipients are being audited in accordance with Federal regulations and any deficiencies identified by the auditors are promptly addressed.</p>
	Completion Date:	March 16, 2020 and August 31, 2020
	Agency Contact:	Jennifer Foster, Contract/Grant Manager, DVEM, 207-624-4450



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**STATE OF MAINE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

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STATE OF MAINE  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES  
**OFFICE OF THE STATE CONTROLLER**  
14 STATE HOUSE STATION AUGUSTA, MAINE 04333-0014

SERVING THE PUBLIC AND

DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

KIRSTEN LC FIGUEROA  
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA  
STATE CONTROLLER

## Summary Schedule of Prior Audit Findings *For Years Prior to Fiscal Year 2019*

### Summary Schedule of Prior Audit Findings

The *Summary Schedule of Prior Audit Findings* (SSPAF) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of the SSPAF is to report on the status of audit findings reported in the prior: (1) audit's schedule of findings and questioned costs, and (2) audit's summary schedule of prior audit findings.

For each prior year audit finding, the SSPAF reports the current status of corrective action; for findings in which corrective action has either not been taken, or not completed, explanations are generally provided that describe the reason(s) for the finding's recurrence, the planned corrective action, and any partial corrective action taken. In the event that corrective action differs significantly from previously reported corrective action, an additional explanation has been provided. The SSPAF complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up.

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
2016-005	Finding Title:	Internal control over continuing eligibility is not adequate
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2011
	Questioned Costs:	None
	FY19 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was issued on this finding indicating that it has been corrected.
	FY 2019 Finding:	2019-027
2016-008	Finding Title:	Internal control over _____ is not adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225

Summary Schedule of Prior Audit Findings					
Finding Number	Prior Audit Finding Status				
	Initial Finding FY:	2014			
	Questioned Costs:	None			
	FY19 Status:	Corrective action was taken during FY 2019			
2016-015	Finding Title:	Monitoring of subrecipients needs improvement			
	State Department:	Health and Human Services			
	CFDA Number:	93.558			
	Initial Finding FY:	2016			
	Questioned Costs:	None			
	FY19 Status:	Corrective action was taken during FY 2019			
2016-019	Finding Title:	Procedures over drug rebate accounting and reporting need improvement			
	State Department:	Administrative and Financial Services Health and Human Services			
	CFDA Number:	93.775, 93.777, 93.778, 93.767			
	Initial Finding FY:	2015			
	Questioned Costs:	Questioned Costs	Total	Federal	State
		<i>Known</i>	\$3,050 CHIP (\$3,050) Medicaid	\$2,775 CHIP (\$1,905) Medicaid	\$275 CHIP (\$1,145) Medicaid
		<i>Likely</i>	\$3,207,997 CHIP (\$3,207,997) Medicaid	\$2,918,716 CHIP (\$2,004,116) Medicaid	\$289,281 CHIP (\$1,203,881) Medicaid
	FY19 Status:	Corrective action was taken during FY 2019			
2016-020	Finding Title:	Inadequate management controls over _____ (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)			
	State Department:	Administrative and Financial Services			
	CFDA Number:	93.775, 93.777, 93.778, 10.551, 10.561			
	Initial Finding FY:	2014			
	Questioned Costs:	None			
	FY19 Status:	Corrective action was not completed in FY 2019			
	Explanation:	The Department is currently taking steps to effectively address and remediate this condition. Policies to address this issue have already been established, and implementation efforts are ongoing. Current estimates of the timing of completion will be revised if the Department is unsuccessful or delayed in acquiring requested resources.			
2016-022	FY 2019 Finding:	2019-008			
	Finding Title:	_____ controls over _____ are not adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)			
	State Department:	Health and Human Services			
	CFDA Number:	93.775, 93.777, 93.778, 93.767			
	Initial Finding FY:	2016			

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	Questioned Costs:	None
	FY19 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding.
	FY 2019 Finding:	2019-010
2016-024	Finding Title:	No _____ is in place over the _____ (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2016-025	Finding Title:	Procedures related to Long Term Care Facility audits need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The auditor is applying the Nursing Facility 180-day clock for Desk Reviews to Audits. There isn't a deadline to complete audits within the MaineCare Benefits Manual (MCBM). With regard to Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the Department believes that it is in compliance with the periodic audit requirement of 42 CFR. Additionally, the auditor cites 2 CFR 200.303 regarding establishing effective internal controls. However, Medicaid payments for providing patient care services to Medicaid-eligible individuals are not considered Federal awards under this part. We believe we have effective controls to comply with the current regulations.
2016-027	FY 2019 Finding:	2019-047
	Finding Title:	Riverview
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The Department has returned the funds, including interest, as of November 14, 2019.
	FY 2019 Finding:	2019-053

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
2016-028	Finding Title:	Provider eligibility procedures need to integrate Automated Data Exchange
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY19 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding.
	FY 2019 Finding:	2019-055
2016-029	Finding Title:	Provider eligibility procedures need to address Advance Directives
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2009
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	All active providers in the MIHMS system have a signed provider agreement on file. As noted in the Department's response to the SFY2018 finding, language regarding advance directive requirements and disclosure of certain types of business transactions was added to the agreement on June 26, 2013. The provider agreement with the added language has been used since then for all newly enrolling providers. Also, all providers who add new locations have signed new provider agreements even if they have not revalidated yet. As part of the ACA provider revalidation initiative, all providers are required to re-enroll and will sign the revised agreement then. The system was upgraded on January 17, 2017 and provider revalidation began in July 2017. To date, cycles 1 – 7 are 100% complete. Cycles 8 – 13 are in process. The Department has cleared 2,579 cases through revalidation or provider disenrollment, with an additional 1,534 cases currently in the provider revalidation process.
	FY 2019 Finding:	2019-056
2016-032	Finding Title:	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities.
	FY 2019 Finding:	2019-048

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
2017-002	Finding Title:	Insufficient documentation in support of payroll costs
	State Department:	Defense, Veterans and Emergency Management
	CFDA Number:	12.401
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	Procedures have been revised and improved to address this issue; however, some instances of non-compliance still occurred during FY 2019. Procedures are being further refined to address these situations.
	FY 2019 Finding:	2019-023
2017-003	Finding Title:	Controls related to the U.S. Treasury-State Agreement for cash management and the related reporting to the Federal government on the SF-270 report need improvement
	State Department:	Defense, Veterans and Emergency Management
	CFDA Number:	12.401
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2017-004	Finding Title:	Monitoring of cash balance needs to be improved
	State Department:	Defense, Veterans and Emergency Management
	CFDA Number:	12.401
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2017-006	Finding Title:	Internal control over continuing eligibility is not adequate
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2011
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	Systems and procedures have been revised and improved to address this issue; however, some instances of non-compliance still occurred during FY19. Current and ongoing training will be held to address any deviations from established procedures.
	FY 2019 Finding:	2019-027
2017-007	Finding Title:	Internal controls over _____ are not adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2017-008	Finding Title:	Performance monitoring of TANF subrecipients needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2017-009	Finding Title:	Subrecipient contracts need to be updated and monitoring of subrecipient financial information needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558, 93.044, 93.045, 93.053, 93.569
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019 for the Subrecipient contract portion of this finding.  Management disagrees with the Cash Management portion of this finding and does not believe that corrective is required.
	Explanation:	As of October 2018, agreement templates have been updated to include the required elements.  The criteria given by the State Auditor also states that the timing and amounts of advance payments must be as close as is administratively feasible to the actual disbursements. The Department's process for monitoring the actual expenditures and reconciling those to the payments is as close as administratively feasible for the Department. We have provided the State Auditor with the monitoring procedures to ensure the timing of payments is as close as administratively feasible to actual expenditures of our subrecipients.
	FY 2019 Findings:	2019-036 and 2019-035
2017-012	Finding Title:	Procedures related to TANF work participation need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The ACF-199 TANF Data Report and the ACF-209 SSP-MOE Data Report are federally required reports. Accurately reporting data on these quarterly reports is essential. The Department will utilize all available resources and systems to ensure accuracy on these reports.
	FY 2019 Finding:	2019-039
2017-013	Finding Title:	No evaluation of each subrecipient's risk of noncompliance
	State Department:	Health and Human Services
	CFDA Number:	93.558

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Management disagrees with this finding and does not believe that additional corrective action is required
	Explanation:	The Department implemented procedures in October of 2018 to ensure that there is a documented risk assessment performed on each of its subrecipients and has provided evidence of these subrecipient evaluations being completed. With the inclusion of these risk assessments, the Department believes that its subrecipient monitoring process meets or exceeds the requirements of this finding's criteria.
	FY 2019 Finding:	2019-038
2017-014	Finding Title:	Internal controls over the allocation of Community Services Block Grant funds to individual community action agencies need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.569
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department has written procedures for allocation purposes as outlined in Maine State Statute Title 22: Chapter 1477 and the Department rules 10-144: Chapter 2. The Department's CSBG program is in accordance with Federal and State regulations. The Department's method of allocation of 50% goes beyond that of the 20% required by statute. The allocation method has been in use for the last two decades and has passed several reviews by state and federal governments. Additionally, this allocation is outlined in Maine's CSBG State Plan, which is reviewed by the public via internet publication and by public hearing which is attended by community action agencies, The Maine Community Action Association, and any other interested parties. The CSBG Coordinator, with oversight and review of Coordinator's Supervisor, calculates CSBG allocations based on the CSBG award, which is then reviewed by the Finance Team Manager, Finance Team Management Analyst, and finally by the DHHS Program Financial Officer.
	FY 2019 Finding:	No finding was issued for FY 2019; however, this program was not audited as a major program
2017-015	Finding Title:	Procedures over drug rebate accounting and reporting need improvement
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2015
	Questioned Costs:	Undeterminable
	FY19 Status:	Corrective action was taken during FY 2019
2017-016	Finding Title:	Riverview
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778



Summary Schedule of Prior Audit Findings					
Finding Number	Prior Audit Finding Status				
	Initial Finding FY:	2014			
	Questioned Costs:	Questioned Costs	Total	Federal	State
		<i>Known</i>	\$14,000,000	\$14,000,000	
		<i>Likely</i>			
	FY19 Status:	Corrective action was not completed in FY 2019			
	Explanation:	The Department has returned the funds, including interest, as of November 14, 2019.			
	FY 2019 Finding:	2019-053			
2017-017	Finding Title:	Controls over Cost of Care assessments need improvement			
	State Department:	Health and Human Services			
	CFDA Number:	93.775, 93.777, 93.778			
	Initial Finding FY:	2017			
	Questioned Costs:	Undeterminable			
	FY19 Status:	Corrective action was not completed in FY 2019			
	Explanation:	The Senior MaineCare Program Manager will oversee the development of a policy to ensure COC calculations are accurate.			
2017-018	FY 2019 Finding:	2019-045			
	Finding Title:	Eligibility re-determination controls need improvement			
	State Department:	Health and Human Services			
	CFDA Number:	93.775, 93.777, 93.778			
	Initial Finding FY:	2017			
	Questioned Costs:	Undeterminable			
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required			
2017-019	Explanation:	Pre and Post review of determinations is not a requirement to ensure compliance with federal awards. There has been no citation provided during this review that contradicts this.			
		For the purpose of operational efficiency and accuracy in eligibility determinations, Eligibility Supervisors currently perform random case readings and phone observations to identify errors and instruct Eligibility Specialists with at least 1 case reading per staff member per month. OFI's task-based statewide processing system provides multiple points of review for eligibility criteria by different staff members (peer review) prior to eligibility determination.			
	FY 2019 Finding:	2019-046			
2017-019	Finding Title:	Management controls over _____ need improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)			
	State Department:	Administrative and Financial Services			
	CFDA Number:	93.775, 93.777, 93.778, 93.767, 10.551, 10.561			
	Initial Finding FY:	2014			
	Questioned Costs:	None			
	FY19 Status:	Corrective action was not completed in FY 2019			

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	Explanation:	The Department is currently taking steps to effectively address and remediate this condition. Policies to address this issue have already been established, and implementation efforts are ongoing. Current estimates of the timing of completion will be revised if the Department is unsuccessful or delayed in acquiring requested resources.
	FY 2019 Finding:	2019-008
2017-022	Finding Title:	_____ control assurance over _____ are not adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The Department's has taken steps effective 10/1/18 to address this finding. The program administrator will monitor the vendor's progress.
	FY 2019 Finding:	2019-010
2017-023	Finding Title:	No _____ is in place over the _____ (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2017-025	Finding Title:	Procedures related to Long Term Care Facility Audits and Hospital Interim Settlement Audits need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The auditor is applying the Nursing Facility 180-day clock for Desk Reviews to Audits. There isn't a deadline to complete audits within the MaineCare Benefits Manual (MCBM). With regard to Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the Department believes that it is in compliance with the periodic audit requirement of 42 CFR. Additionally, the auditor cites 2 CFR 200.303 regarding establishing effective internal controls. However, Medicaid payments for providing patient care services to Medicaid-eligible individuals are not considered Federal awards under this part. We believe we have effective controls to comply with the current regulations.
	FY 2019 Finding:	2019-047

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
2017-026	Finding Title:	Provider eligibility procedures need to address Advance Directives
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2009
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	All active providers in the MIHMS system have a signed provider agreement on file. As noted in the Department's response to the SFY2018 finding, language regarding advance directive requirements and disclosure of certain types of business transactions was added to the agreement on June 26, 2013. The provider agreement with the added language has been used since then for all newly enrolling providers. Also, all providers who add new locations have signed new provider agreements even if they have not revalidated yet. As part of the ACA provider revalidation initiative, all providers are required to re-enroll and will sign the revised agreement then. The system was upgraded on January 17, 2017 and provider revalidation began in July 2017. To date, cycles 1 – 7 are 100% complete. Cycles 8 – 13 are in process. The Department has cleared 2,579 cases through revalidation or provider disenrollment, with an additional 1,534 cases currently in the provider revalidation process.
	FY 2019 Finding:	2019-056
2017-027	Finding Title:	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities.
	FY 2019 Finding:	2019-048
2017-028	Finding Title:	Controls over reporting requirements need improvement
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2017-030	Finding Title:	Provider eligibility procedures need to further integrate Automated Data Exchange
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2015

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The Department will continue to complete all new provider and specialties eligibility reviews, as well as active provider and specialties revalidations, through our fiscal agent's contracted vendor Digital Harbor. We expect to complete our active provider and specialties revalidation process by April 2020, at which point all providers and specialties will have been subjected to the integrated data exchange approach.
	FY 2019 Finding:	2019-055
2017-032	Finding Title:	_____ inappropriately allow _____ (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	There is currently an initiative underway to address the condition contained within this finding. The anticipated completion date for full corrective action is November 2021. The Department disagrees with the Auditor's characterization of the overall effect of the stated condition.
2018-001	FY 2019 Finding:	2019-057
	Finding Title:	Procedures over subrecipient monitoring need improvement
	State Department:	Education
	CFDA Number:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
2018-002	Explanation:	Child Nutrition continues to follow the improved procedures of using a cloud-based service for data storage. Child Nutrition has also discussed the withholding procedure with staff. The discussion included: when to withhold, the documentation to withhold, granting documented extensions and recording extension information. Additionally, at the monthly staff meetings, prior and upcoming reviews are discussed, and cross checked with the tracking spreadsheet.
	FY 2019 Finding:	2019-017
	Finding Title:	Internal control over State matching requirements needs improvement
	State Department:	Education
	CFDA Number:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The Department modified the NEO system during the year under audit to ensure that the match attributable to State owned schools is funded from the General Fund. Additionally, going forward the Department will

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		perform reconciliations to ensure compliance with the grant's matching requirements.
	FY 2019 Finding:	2019-015
2018-003	Finding Title:	Eligibility documentation procedures need improvement
	State Department:	Education
	CFDA Number:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2018-004	Finding Title:	_____ over _____ to the _____ is not adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Education and Administrative and Financial Services
	CFDA Number:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2018-005	Finding Title:	Internal control over the donated food inventory needs improvement
	State Department:	Education
	CFDA Number:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	Child Nutrition has worked with USDA to develop procedures for inventory control and periodic reconciliations. Child Nutrition will review existing procedures and make changes as needed. Steps are already being taken to address the inventory procedures for the food shipments that occur after the end of the school year. Specifically, a new inventory system is being procured to track this activity because these transactions are outside of the scope of the NEO system.
	FY 2019 Finding:	2019-018
2018-006	Finding Title:	National School Lunch Program and Summer Food Program Policy Statements and State-Sponsor Agreements are not consistent with Federal regulations
	State Department:	Education
	CFDA Number:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
	Explanation:	The Department updated the NSLP Free and Reduced Price Policy Statement and the SFSP State-Sponsor Agreement in November 2018. The Department has also implemented procedures to perform an annual review of the NSLP Free and Reduced Price Policy Statement as well as the SFSP State-Sponsor Agreement prior to the issuance of the annual policy packet

Summary Schedule of Prior Audit Findings				
Finding Number	Prior Audit Finding Status			
		to ensure that these documents continue to comply with Federal requirements.		
	FY 2019 Finding:	2019-016		
2018-007	Finding Title:	Control over WIC's infant food and formula rebate process needs improvement		
	State Department:	Health and Human Services		
	CFDA Number:	10.557		
	Initial Finding FY:	2018		
	Questioned Costs:	Questioned Costs	Total	Federal
		Known	\$280,580	\$280,580
		Likely		
	FY19 Status:	Corrective action was not completed in FY 2019		
	Explanation:	<p>The Department agrees with this finding. As recommended:</p> <ul style="list-style-type: none"> <li>the \$7,341 attributable to the rebate received during July 2018 was wired to the banking intermediary on January 22, 2020;</li> <li>research was conducted on having rebates directly deposited with the banking intermediary, it was determined that State law prohibits the WIC Nutrition Program from receiving funds through ACH; and</li> <li>the WIC Nutrition Program will be implementing a quarterly review of rebate wire transfers by July 1, 2020 now that the Finance Manager position has been filled</li> </ul>		
	FY 2019 Finding:	ML-19-1113-01		
2018-008	Finding Title:	Control over WIC's food instrument disposition process needs improvement		
	State Department:	Health and Human Services		
	CFDA Number:	10.557		
	Initial Finding FY:	2018		
	Questioned Costs:	None		
	FY19 Status:	Corrective action was taken during FY 2019		
2018-009	Finding Title:	The Department has no assurance that vendor-provided internal controls over the outsourced WIC program subsidy system are adequate		
	State Department:	Health and Human Services		
	CFDA Number:	10.557		
	Initial Finding FY:	2018		
	Questioned Costs:	None		
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required		
	Explanation:	<p>The AICPA Statements on Auditing Standards (SAS) Section AU-C 402, "Audit Considerations Relating to an Entity Using a Service Organization", explicitly excludes the services provided by this vendor, "This section does not apply to services that are limited to processing an entity's transactions that are specifically authorized by the entity, such as the processing of checking account transactions by a bank". Furthermore, in the previous year's State Single Audit, finding 2018-007, the State</p>		

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		<p>Auditor recognizes that "The WIC Food Account is a bank account established by and held at WIC's banking intermediary." The State Auditor confirmed again in the present year's audit that "The WIC Food Account is a bank account" (19-1113-01 ML). It seems inconsistent that the Auditor references a bank in one finding but denies routine bank functions in another finding.</p> <p>The contract provides solid evidence that this vendor is a bank, "The purpose of this Agreement is to process WIC and FMNP Checks for payment and to provide necessary data for effective management of the payment service system. Vendors process WIC and FMNP Checks in the same manner as they process a negotiable personal check. The Federal Reserve banking system executes the logistics of processing each check until it is Presented to the Provider.</p> <p>We believe we are adhering to Generally Accepted Auditing Standards (GAAS) and that implementing the recommendations of the Auditor would also add complexity to DHHS operations and increase costs of providing DHHS services.</p>
	FY 2019 Finding:	2019-022
2018-010	Finding Title:	Internal control over WIC's high-risk vendor compliance investigations needs improvement
	State Department:	Health and Human Services
	CFDA Number:	10.557
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2018-011	Finding Title:	Subrecipient monitoring needs improvement
	State Department:	Administrative and Financial Services Agriculture, Conservation and Forestry
	CFDA Number:	10.565, 10.568, 10.569
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The Department has implemented procedures to ensure that the elements required by the Uniform Guidance are identified and included in the subrecipient agreements. Additionally, the Department will address the issue of obtaining and reviewing audit reports from subrecipients who expend \$750,000 or more during their fiscal year by enforcing the Department's existing policy. This policy states that the Resource Administrator for each Bureau will request and review the subrecipient's audit report with the appropriate Grant Program Manager and keep a copy on file. Lastly, the Department is working towards completing the required on-site reviews.
	FY 2019 Finding:	No finding was issued for FY 2019; however, this program was not audited as a major program

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
2018-012	Finding Title:	Internal control over earmarking of administrative grant funds needs improvement
	State Department:	Administrative and Financial Services Agriculture, Conservation and Forestry
	CFDA Number:	10.565, 10.568, 10.569
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2018-013	Finding Title:	Internal control over suspension and debarment needs improvement
	State Department:	Agriculture, Conservation and Forestry
	CFDA Number:	10.565, 10.568, 10.569
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	Beginning with the current grant period (FFY19), the Department will amend its Recipient Agency Agreement to include the "Certification Regarding Debarment, Suspension and Other Responsibility Matters - Primary Covered Transactions" to be reviewed and signed by its subrecipients (food pantries, soup kitchens, and temporary shelters) before receiving federal donated food. This will provide the verification required to demonstrate that they are not presently suspended, debarred or otherwise excluded from participating in covered transactions involving federal donated food.
2018-014	FY 2019 Finding:	No finding was issued for FY 2019; however, this program was not audited as a major program
	Finding Title:	Internal control over Federal cash management needs improvement
	State Department:	Administrative and Financial Services Agriculture, Conservation and Forestry
	CFDA Number:	10.565, 10.568, 10.569
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
2018-015	Explanation:	The Department has redistributed pre-existing federal draw policies to all staff drawing federal cash to ensure federal cash management requirements are being met.
	FY 2019 Finding:	No finding was issued for FY 2019; however, this program was not audited as a major program
	Finding Title:	Internal control related to the U.S. Treasury-State Agreement for cash management and the related reporting to the Federal government on the SF-270 report needs improvement
	State Department:	Defense, Veterans and Emergency Management
	CFDA Number:	12.401
2018-015	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019



Summary Schedule of Prior Audit Findings				
Finding Number	Prior Audit Finding Status			
2018-016	Finding Title:	Documentation that supports payroll costs needs improvement		
	State Department:	Defense, Veterans and Emergency Management		
	CFDA Number:	12.401		
	Initial Finding FY:	2017		
	Questioned Costs:	None		
	FY19 Status:	Corrective action was not completed in FY 2019		
	Explanation:	Procedures have been revised and improved to address this issue; however, some instances of non-compliance still occurred during FY 2019. Procedures are being further refined to address these situations.		
	FY 2019 Finding:	2019-023		
2018-017	Finding Title:	Monitoring of cash balance needs improvement		
	State Department:	Defense, Veterans and Emergency Management		
	CFDA Number:	12.401		
	Initial Finding FY:	2017		
	Questioned Costs:	None		
	FY19 Status:	Corrective action was taken during FY 2019		
2018-018	Finding Title:	Internal control over suspension and debarment needs improvement		
	State Department:	Inland Fisheries and Wildlife		
	CFDA Number:	15.605, 15.611		
	Initial Finding FY:	2018		
	Questioned Costs:	None		
	FY19 Status:	Corrective action was taken during FY 2019		
2018-019	Finding Title:	Internal control over the non-competitive bid process needs improvement		
	State Department:	Health and Human Services		
	CFDA Number:	16.575		
	Initial Finding FY:	2018		
	Questioned Costs:	Questioned Costs	Total	Federal
		Known	\$251,223	\$251,223
		Likely		
	FY19 Status:	Corrective action was taken during FY 2019		
2018-020	Finding Title:	Internal control over Federal cash management needs improvement		
	State Department:	Administration and Financial Services		
	CFDA Number:	16.575		
	Initial Finding FY:	2018		
	Questioned Costs:	None		
	FY19 Status:	Corrective action was taken during FY 2019		
2018-021	Finding Title:	Subrecipient contract specifications are not consistent with program regulations		
	State Department:	Health and Human Services		
	CFDA Number:	16.575		
	Initial Finding FY:	2018		

Summary Schedule of Prior Audit Findings				
Finding Number	Prior Audit Finding Status			
	Questioned Costs:	None		
	FY19 Status:	<p>Management disagrees with the first stated condition of this finding and does not believe that corrective action is required</p> <p>Corrective action was taken for the second stated condition of this finding during FY 2019</p>		
	Explanation:	<p>The Department disagrees with the recommendation regarding contract language “Illegal aliens ineligible for State and local public benefits” as this language is specific to state and local benefits and not Federal benefits.</p> <p>The Department has taken corrective action regarding the requirement to include special conditions in contracts. As of October 2018, the Department began ensuring a copy of the VOCA grant award and Special Conditions (specific to providers’ funding) is attached to each subrecipient contract. To ensure continued compliance with VOCA regulations, all VOCA funded contracts are reviewed by the VOCA Program Coordinator and/or Administrator before sending them to providers.</p>		
	FY 2019 Finding:	No finding was issued for FY 2019; however, this program was not audited as a major program		
2018-022	Finding Title:	The Department did not perform site visits for subrecipients as required		
	State Department:	Health and Human Services		
	CFDA Number:	16.575		
	Initial Finding FY:	2018		
	Questioned Costs:	None		
	FY19 Status:	Corrective action was taken during FY 2019		
2018-023	Finding Title:	_____ over _____ needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)		
	State Department:	Labor		
	CFDA Number:	17.225		
	Initial Finding FY:	2011		
	Questioned Costs:	Questioned Costs	Total	Federal*
		Known	Redacted	Redacted
		Likely	Redacted	Redacted
	*No federally funded benefit payments appeared in the randomly selected sample			
	FY19 Status:	Corrective action was not completed in FY 2019		
	Explanation:	Systems and procedures have been revised and improved to address this issue; however, some instances of non-compliance still occurred during FY19. Current and ongoing training will be held to address any deviations from established procedures.		
	FY 2019 Finding:	2019-027		
2018-024	Finding Title:	Internal control over the allowability of project expenditures needs improvement		
	State Department:	Transportation		

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	CFDA Number:	20.933
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2018-025	Finding Title:	The Department has no assurance that vendor-provided internal controls over the financial and Federal data collection system are adequate
	State Department:	Education
	CFDA Number:	10.555, 10.559; 84.010
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The Department has renewed the MEFS contract for another year and has included language in the contract renewal regarding the provision of applicable SOC reports to address application and data processing integrity, security, and availability. As there is no personally identifiable data held in the MEFS system, confidentiality and privacy will not need to be addressed in the SOC report. As the audit finding for FY2018 was received at the end of FY2019, the Department was unable to resolve the finding for FY2019 but has already completed the CAP steps for FY2020 to ensure the finding is resolved.
	FY 2019 Finding:	2019-006
2018-026	Finding Title:	Monitoring over subrecipient cash management needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558; 93.667; 10.557; 16.575; 93.044, 93.045, 93.053; 93.569; 93.917
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The criteria given by the State Auditor states that the timing and amounts of advance payments must be as close as is administratively feasible to the actual disbursements. The Department's process for monitoring the actual expenditures and reconciling those to the payments is as close as administratively feasible for the Department. We have provided the State Auditor with the monitoring procedures to ensure the timing of payments is as close as administratively feasible to actual expenditures of our subrecipients.
	FY 2019 Finding:	2019-035
2018-027	Finding Title:	Subrecipient contracts need to be updated
	State Department:	Health and Human Services
	CFDA Number:	93.558; 93.667; 16.575; 93.044, 93.045, 93.053; 93.569; 93.917
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	Explanation:	As of October 2018, agreement templates have been updated to include the required elements.
	FY 2019 Finding:	2019-036
2018-028	Finding Title:	Procedures related to TANF performance reporting and work participation need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The ACF-199 TANF Data Report and the ACF-209 SSP-MOE Data Report are federally required reports. Accurately reporting data on these quarterly reports is essential. The Department will utilize all available resources and systems to ensure accuracy on these reports.
	FY 2019 Finding:	2019-039
2018-029	Finding Title:	Monitoring of subrecipient compliance, including maintaining documentation of that monitoring, needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2018-030	Finding Title:	Internal control over pass-through awards needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department relied on the Uniform Guidance Section 330c (Use of judgement in making determination) in its determination that this was not a subrecipient relationship. The section states in determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgement in classifying each agreement as a subrecipient or a procurement contract. Whereas Maine State Housing Authority is a component unit of the State the Department's judgement was that this was not a subrecipient relationship.
	FY 2019 Finding:	2019-038
2018-031	Finding Title:	Control over payments to and on behalf of TANF clients needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558

Summary Schedule of Prior Audit Findings					
Finding Number	Prior Audit Finding Status				
	Initial Finding FY:	2018			
	Questioned Costs:	Questioned Costs	Total	Federal	State
		<i>Known</i>	\$381	\$381	
		<i>Likely</i>	\$139,925	\$139,925	
	FY19 Status:	Corrective action was not completed in FY 2019			
	Explanation:	Procedures have been revised and improved to address this issue; however, some instances of non-compliance still occurred during FY 2019. Procedures are being further refined to address these situations.			
	FY 2019 Finding:	2019-040			
2018-032	Finding Title:	Evaluation of each subrecipient's risk of noncompliance needs improvement			
	State Department:	Health and Human Services			
	CFDA Number:	93.558			
	Initial Finding FY:	2017			
	Questioned Costs:	None			
	FY19 Status:	Management disagrees with this finding and does not believe that additional corrective action is required			
	Explanation:	The Department implemented procedures in October of 2018 to ensure that there is a documented risk assessment performed on each of its subrecipients and has provided evidence of these subrecipient evaluations being completed. With the inclusion of these risk assessments, the Department believes that its subrecipient monitoring process meets or exceeds the requirements of this finding's criteria.			
2018-033	FY 2019 Finding:	2019-038			
	Finding Title:	The Department has no assurance that internal control over the outsourced ASPIRE information system is adequate			
	State Department:	Health and Human Services			
	CFDA Number:	93.558			
	Initial Finding FY:	2018			
	Questioned Costs:	None			
	FY19 Status:	Corrective action was not completed in FY 2019			
2018-034	Explanation:	The Department has amended the contract effective July 1, 2019 to require the vendor to obtain annual SOC 1 type 2 and SOC 2 type 2 audits and provide the results of those audits to the Department.			
	FY 2019 Finding:	2019-042			
	Finding Title:	Internal control over Federal cash management needs improvement			
	State Department:	Administrative and Financial Services			
	CFDA Number:	93.558			
	Initial Finding FY:	2018			
	Questioned Costs:	None			
2018-035	FY19 Status:	Corrective action was taken during FY 2019			
	Finding Title:	Internal control over Federal financial reporting needs improvement			
2018-035	State Department:	Administrative and Financial Services			

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	CFDA Number:	93.575, 93.596
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2018-036	Finding Title:	Internal control over subrecipient expenditures charged to Federal awards needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.667; 16.575
	Initial Finding FY:	2018
	Questioned Costs:	Undeterminable
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The Department is in the process of implementing procedures to ensure quarterly expenditure reports are based on each Federal award's actual expenditures. Additionally, the Department will revise current budgets to ensure the same.
2018-037	FY 2019 Finding:	No finding was issued for FY 2019; however, this program was not audited as a major program
	Finding Title:	Indirect costs charged by subrecipients are not consistent with the Uniform Guidance
	State Department:	Health and Human Services
	CFDA Number:	93.667; 16.575
	Initial Finding FY:	2018
	Questioned Costs:	Undeterminable
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required
2018-038	Explanation:	The Department has procedures in place to ensure each subrecipient is utilizing an appropriate indirect cost rate.
	FY 2019 Finding:	No finding was issued for FY 2019; however, this program was not audited as a major program
	Finding Title:	Internal control over Federal cash management needs improvement
	State Department:	Administrative and Financial Services
	CFDA Number:	93.667
	Initial Finding FY:	2018
2018-039	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
	Finding Title:	Internal control over financial reporting needs improvement
	State Department:	Administrative and Financial Services
	CFDA Number:	93.667
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019

Summary Schedule of Prior Audit Findings				
Finding Number	Prior Audit Finding Status			
2018-040	Finding Title:	Evaluation of each subrecipient's risk of noncompliance needs improvement		
	State Department:	Health and Human Services		
	CFDA Number:	93.667; 16.575		
	Initial Finding FY:	2018		
	Questioned Costs:	None		
	FY19 Status:	Corrective action was not completed in FY 2019		
	Explanation:	The Department implemented procedures in October of 2018 requiring a documented risk assessment be performed on all of the programs' subrecipients; however, the Department is still working to fully apply the results of these assessments to the subrecipient monitoring plans.		
	FY 2019 Finding:	No finding was issued for FY 2019; however, this program was not audited as a major program		
2018-041	Finding Title:	Procedures over drug rebate accounting and reporting need improvement		
	State Department:	Administrative and Financial Services Health and Human Services		
	CFDA Number:	93.775, 93.777, 93.778; 93.767		
	Initial Finding FY:	2015		
	Questioned Costs:	Questioned Costs	Total	Federal
		<i>Known</i>	\$2,765,686 CHIP (\$2,765,686) Medicaid	\$2,711,707 CHIP (\$1,779,746) Medicaid
		<i>Likely</i>		
	FY19 Status:	Corrective action was taken during FY 2019		
2018-042	Finding Title:	Internal control to ensure program expenditures are accounted for and reported in accordance with the Federally-approved State Plan needs improvement		
	State Department:	Administrative and Financial Services Health and Human Services		
	CFDA Number:	93.775, 93.777, 93.778		
	Initial Finding FY:	2018		
	Questioned Costs:	None		
	FY19 Status:	Management disagrees that there is a material control weakness and does not believe that corrective action is required		
		Corrective action was taken for the item reported as material noncompliance during FY 2019		
	Explanation:	<p>The Department disagrees there is a material control weakness as the Department takes a pragmatic approach to effectively and efficiently administer the Medicaid program, which often requires working with CMS on reporting reclasses and exceptions, for a variety of reasons.</p> <p>The Department took corrective action by working in collaboration with CMS to account for and report the hospital supplemental payments in a manner that was amenable to all parties on the quarter ending December 31, 2018 CMS-64 report.</p>		

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	FY 2019 Finding:	No finding was issued for 2019 and this program was audited as a major program
2018-043	Finding Title:	Eligibility re-determination needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	Undeterminable
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	<p>Pre and Post review of determinations is not a requirement to ensure compliance with federal awards. There has been no citation provided during this review that contradicts this.</p> <p>For the purpose of operational efficiency and accuracy in eligibility determinations, Eligibility Supervisors currently perform random case readings and phone observations to identify errors and instruct Eligibility Specialists with at least 1 case reading per staff member per month. OFI's task-based statewide processing system provides multiple points of review for eligibility criteria by different staff members (peer review) prior to eligibility determination.</p>
	FY 2019 Finding:	2019-046
2018-044	Finding Title:	The Department does not have a _____ plan in place over the _____ that complies with government standards (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Health and Human Services Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778; 93.767; 93.558; 10.551, 10.561
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY19 Status:	Corrective action was taken during FY 2019
2018-045	Finding Title:	_____ and _____ over _____ need improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778; 93.767; 10.551, 10.561
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The Department is currently taking steps to effectively address and remediate this condition. Policies to address this issue have already been established, and implementation efforts are ongoing. Current estimates of the timing of completion will be revised if the Department is unsuccessful or delayed in acquiring requested resources.
	FY 2019 Finding:	2019-008



Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
2018-046	Finding Title:	Contractor-provided _____ over _____ processing needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The Department's has taken steps effective 10/1/18 to address this finding. The program administrator will monitor the vendor's progress.
	FY 2019 Finding:	2019-010
2018-047	Finding Title:	Provider eligibility procedures need to further integrate Automated Data Exchange
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The Department will continue to complete all new provider and specialties eligibility reviews, as well as active provider and specialties revalidations, through our fiscal agent's contracted vendor Digital Harbor. We expect to complete our active provider and specialties revalidation process by April 2020, at which point all providers and specialties will have been subjected to the integrated data exchange approach.
	FY 2019 Finding:	2019-055
2018-048	Finding Title:	The State has no assurance that vendor-provided internal controls over the MainePays centralized payment processing system are adequate
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	We are working with OIT to revise the State policy regarding SOC audits to include: a review of the services provided by the vendor; the business use of the affected system; the risks and effects of a breach of any of the five trust principles and related vendor risk; and, any compensating controls mitigating those risks. The MainePays system is an electronic workflow system. The documents that are reviewed as a result of this electronic workflow are not stored in MainePays; rather, they are stored in FORTIS, a separate system that is not accessible to the MainePays vendor. Consequently, documents cannot be manipulated, deleted or corrupted by this vendor. Invoice processing data that is stored in MainePays is subject to review by Service Center personnel as well as OSC (for items over \$5,000). This review process validates the integrity of the MainePays data against the stored images. Transactions that fail this validation are rejected

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		from processing, thus addressing any risk of improper payment. Regarding potential downtime, documents can still be processed because the images are located in FORTIS and can be processed as transactions directly in Advantage. A SOC report by itself will not prevent a system from experiencing down time. OSC will work with OIT to conduct a cost benefit analysis to determine if a SOC report from this vendor is cost beneficial to the State.
	FY 2019 Finding:	2019-009
2018-049	Finding Title:	Procedures related to Long Term Care Facility Audits need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The auditor is applying the Nursing Facility 180-day clock for Desk Reviews to Audits. There isn't a deadline to complete audits within the MaineCare Benefits Manual (MCBM). With regard to Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the Department believes that it is in compliance with the periodic audit requirement of 42 CFR. Additionally, the auditor cites 2 CFR 200.303 regarding establishing effective internal controls. However, Medicaid payments for providing patient care services to Medicaid-eligible individuals are not considered Federal awards under this part. We believe we have effective controls to comply with the current regulations.
	FY 2019 Finding:	2019-047
2018-050	Finding Title:	Provider eligibility procedures need to address Advance Directives
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2009
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	All active providers in the MIHMS system have a signed provider agreement on file. As noted in the Department's response to the SFY2018 finding, language regarding advance directive requirements and disclosure of certain types of business transactions was added to the agreement on June 26, 2013. The provider agreement with the added language has been used since then for all newly enrolling providers. Also, all providers who add new locations have signed new provider agreements even if they have not revalidated yet. As part of the ACA provider revalidation initiative, all providers are required to re-enroll and will sign the revised agreement then. The system was upgraded on January 17, 2017 and provider revalidation began in July 2017. To date, cycles 1 – 7 are 100% complete. Cycles 8 – 13 are in process. The Department has cleared 2,579 cases through revalidation or provider disenrollment, with an additional 1,534 cases currently in the provider revalidation process.
	FY 2019 Finding:	2019-056

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
2018-051	Finding Title:	_____ assigned to _____ need improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	There is currently an initiative underway to address the condition contained within this finding. The anticipated completion date for full corrective action is November 2021. The Department disagrees with the Auditor's characterization of the overall effect of the stated condition.
	FY 2019 Finding:	2019-057
2018-052	Finding Title:	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY19 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities.
	FY 2019 Finding:	2019-048
2018-053	Finding Title:	Procedures to ensure that individual client Cost of Care assessments are accurate need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY19 Status:	Corrective action was not completed in FY 2019
	Explanation:	The Senior MaineCare Program Manager will oversee the development of a policy to ensure COC calculations are accurate.
	FY 2019 Finding:	2019-045
2018-054	Finding Title:	Riverview
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2014

Summary Schedule of Prior Audit Findings					
Finding Number	Prior Audit Finding Status				
	Questioned Costs:	Questioned Costs	Total	Federal	State
		<i>Known</i>	\$14,037,063	\$14,037,063	
		<i>Likely</i>			
	FY19 Status:	Corrective action was not completed in FY 2019			
	Explanation:	The Department has returned the funds, including interest, as of November 14, 2019.			
	FY 2019 Finding:	2019-053			
2018-055	Finding Title:	Office of Information Technology oversight and procedures over _____ needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)			
	State Department:	Administrative and Financial Services			
	CFDA Number:	93.775, 93.777, 93.778			
	Initial Finding FY:	2018			
	Questioned Costs:	None			
	FY19 Status:	Corrective action was not completed in FY 2019			
	Explanation:	The Department has implemented enhanced policies and procedures that will identify items to be addressed. Department staff is already working diligently to address these items. The Department is also working to secure additional resources to facilitate the resolution of the increased volume generated by the new policies and procedures.			
	FY 2019 Finding:	2019-058			

