STATE OF MAINE

SINGLE AUDIT REPORT
Uniform Guidance
Fiscal Year Ending June 30, 2020

Office of the State Auditor
Matthew Dunlap
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-50.

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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Deputy State Auditor

Letter of Transmittal

Honorable Troy D. Jackson
President of the Senate

Honorable Ryan M. Fecteau
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, 2020. 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 2020, $4.6 billion in Federal financial assistance was expended 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 the 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

- Schedule of Findings and Questioned Costs
- Financial Statement Findings
- Indexes to Federal Program Findings
- 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 2020 Single Audit of the State of Maine.

Respectfully submitted,

Matthew Dunlap
State Auditor

March 31, 2021

STATE OF MAINE
EXECUTIVE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2020

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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 2020 includes fifteen major Federal programs that represent 90 percent of the $4.6 billion in Federal expenditures for the 2020 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 identified three 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 13 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 (CHIP), Formula Grants for Rural Areas, Immunization Cooperative Agreements, Medicaid Cluster, Rehabilitation Services – Vocational Rehabilitation Grants to States, SNAP Cluster (SNAP), Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF), and Unemployment Insurance because of material noncompliance. The remaining six Federal programs complied in all material respects with program requirements.

Internal control over compliance

OSA identified 56 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-one 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 35 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 $37.4 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.

STATE OF MAINE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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General Purpose Financial Statements of the State of Maine

For the Fiscal Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Honorable Troy Jackson
President of the Senate

Honorable Ryan Fecteau
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, 2020, 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 50 percent of revenue of the aggregate remaining fund information (Maine Public Employees Retirement System and Maine Governmental Facilities Authority); and 4 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, 2020, 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.

Emphasis of Matter

Activity related to the COVID-19 global pandemic declared in March 2020 had significant effects on the State of Maine's finances, as discussed in Notes 1, 6, and 17 of the financial statements. In fiscal year 2020, the State received $1.25 billion of direct relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act through the Coronavirus Relief Fund (CRF). Approximately $289 million in CRF funds was expended during fiscal year 2020, $269 million of which was used to prevent Employment Security (a major Enterprise Fund) from becoming insolvent. There was a significant accumulation of unemployment benefits owed to claimants at the end of fiscal year 2020, primarily due to a significant increase in claims volume and an associated increase in fraudulent claims within that population. Estimated liabilities of $92.4 million for the Federal Fund and $20.0 million for Employment Security (a major Enterprise Fund) are included in the financial statements as of June 30, 2020. In addition, a significant portion of the unemployment benefits paid during the fiscal year was subsequently identified as fraudulent claim activity. The financial statements include these fraudulent amounts as unemployment insurance related receivables. Thus, the identification of fraudulent claims paid during the pandemic resulted in a significant increase to unemployment insurance receivables from the prior year.

The overall impact on the State of Maine's operations and finances is extremely difficult to predict due to uncertainties relating to the duration and severity of the COVID-19 outbreak. Our opinion is not modified with respect to these matters.

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-19, 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-120 to B-153, 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 purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* 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 December 11, 2020, 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.

Pola A. Buckley

Pola A. Buckley, CPA, CISA
State Auditor

B. Melissa Perkins

B. Melissa Perkins, CPA
Deputy State Auditor

<u>Audit Managers</u>
Single Audit - Desiree Willigar, CPA
Administration - Kristin Guerette, CPA
Quality Assurance - Sarah Dodge, CPA
Information Technology - Chad Flannery, CISA

Augusta, Maine
December 11, 2020

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LEADING THE WAY

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, 2020. 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

Coronavirus Disease (COVID-19) Pandemic:

During the fiscal year ended June 30, 2020, the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization and led to a declaration of a national state of emergency in the United States. The State of Maine declared a state of emergency and issued numerous other public health emergency orders that restrict movement and limit businesses and other activities. These actions and the effects of COVID-19 have significantly disrupted economic activity at all levels, including within the State, and have caused significant volatility in financial markets around the world, including in the United States.

In response to the public health crisis created by COVID-19, since early March, the Governor has issued multiple executive orders and declarations and taken various actions to protect the public health in an effort to reduce community spread of the virus and protect Maine's citizens. These measures have included, among others, closing or restricting access to certain businesses and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel, requiring self-quarantining by persons traveling into the State, suspension of lodging and short-term rental operations, and limiting movement of all persons in Maine to those necessary to obtain or provide essential services or conduct essential activities. The current state of emergency may be further extended if circumstances warrant. The Administration has implemented a phased reopening of the State, however, the speed and scope of the reopening process will depend upon progress toward limiting the continued spread of the disease.

Maine was well-poised, economically before the onset of the COVID- 19 pandemic: the State's population had grown for 4 straight years; the unemployment rate was lower than national average; the State's pension plan is funded at 82% with the fifth lowest discount rate of all the states; and, the State's Unemployment Insurance trust fund was the 11th strongest in the country.

The economic, financial and budgetary impacts on the State and its economy from the measures taken to combat the spread of COVID-19, have been and are expected to continue to be significant.

Government-wide:

- The net position of Governmental Activities decreased by $135.0 million, while net position of Business-Type Activities increased by $97.7 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by $1.074 billion at the close of fiscal year 2020. Of this amount $3.403 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 $3.302 billion, an increase of $161.2 million (5.1 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 $44.0 million from the previous year. The General Fund's total fund balance was $223.8 million, a decrease of $143.6 million from the previous year. The Other Special Revenue Fund total fund balance was $951.7 million, an increase of $176.8 million from the prior year.
- The proprietary funds reported net position at year-end of $983.9 million, an increase of $159.0 million from the previous year. The increase is primarily the result of an increase in the Employment Security Fund of $92.1 million and an increase in Employee Health Insurance, an Internal Service Fund, of $55.9 million.

Long-term Debt:

- The State's liability for general obligation bonds increased by $48.0 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued $141.3 million in bonds and made principal payments of $93.3 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 decreased by $37.3 million to $1.074 billion over the course of fiscal year ended June 30, 2020, as detailed in Tables A-1 and A-2. The decrease is primarily due to lower corporate and individual tax revenue for governmental activities primarily due to the impact of the coronavirus pandemic.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Current and other noncurrent assets	$ 4,474,168	$ 3,221,439	$ 720,204	$ 558,389	$ 5,194,372	$ 3,779,828
Total capital assets net of accum depr	4,346,711	4,322,196	37,205	32,690	4,383,916	4,354,886
Total Assets	8,820,879	7,543,635	757,409	591,079	9,578,288	8,134,714
Deferred Outflows of Resources	839,909	643,665	3,950	4,137	843,859	647,802
Current liabilities	2,511,440	1,366,107	105,160	36,583	2,616,600	1,402,690
Non-current liabilities	6,194,067	5,780,957	26,213	27,060	6,220,280	5,808,017
Total Liabilities	8,705,507	7,147,064	131,373	63,643	8,836,880	7,210,707
Deferred Inflows of Resources	509,385	459,341	1,986	1,283	511,371	460,624
Net Position (Deficit)						
Net Investment in Capital Assets	3,651,931	3,559,387	37,205	32,690	3,689,136	3,592,077
Restricted	182,644	176,632	605,378	513,319	788,022	689,951
Unrestricted (deficit)	(3,388,679)	(3,155,124)	(14,583)	(15,719)	(3,403,262)	(3,170,843)
Total Net Position	$ 445,896	$ 580,895	$ 628,000	$ 530,290	$ 1,073,896	$ 1,111,185

The State's fiscal year 2020 revenues totaled $10.626 billion. (See Table A-2) Taxes and Operating grants and contributions accounted for most of the State's revenue by contributing 39.8 percent and 46.1 percent, respectively. The remainder came from charges for services and other miscellaneous sources.

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is a $2.2 trillion dollar economic stimulus bill signed into law on March 27, 2020 in response to the economic fallout of the COVID-19 pandemic. Through federal legislation, the State of Maine received $1.25 billion dollars of Coronavirus Relief Funds (CRF).

The CARES Act requires that payments from CRF only be used to cover expenses that (1) are necessary expenditures incurred due to the public health emergency with respect to COVID-19; (2) were not accounted for in the budget most recently approved; and (3) were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

The State recorded operating grant revenues and operating expenses in the Coronavirus Relief Federal Expenditures Fund as costs were incurred. The current unexpended amount is recorded as a Due To Other Government.

The total cost of all programs and services totaled $10.663 billion for the year 2020. (See Table A-2) These expenses are predominantly (74.6 percent) related to health & human services, education and economic development & workforce training activities. The State's governmental support & operations activities accounted for 5.2 percent of total costs. Total net position decreased by $37.3 million, primarily due to a decrease in tax revenue of $119.0 million. The increase in operating grants and contributions was offset with increases in expenses in health & human services, education and economic development & workforce training primarily due to the impact of the COVID-19 pandemic.

TABLE A-2: CONDENSED STATEMENT OF ACTIVITIES
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Revenues:						
Program Revenues:						
Charges for Services	$ 581,995	$ 571,632	$ 703,242	$ 641,371	$ 1,285,237	$ 1,213,003
Operating grants and contributions	4,853,773	3,074,939	42,756	10,921	4,896,529	3,085,860
General Revenues:						
Taxes	4,232,398	4,351,358	-	-	4,232,398	4,351,358
Other	211,426	223,558	-	-	211,426	223,558
Total Revenues	9,879,592	8,221,487	745,998	652,292	10,625,590	8,873,779
Expenses:						
Governmental Activities:						
Governmental Support	552,526	475,715	-	-	552,526	475,715
Education	2,115,388	1,845,272	-	-	2,115,388	1,845,272
Health & Human Services	4,450,704	4,054,201	-	-	4,450,704	4,054,201
Justice & Protection	504,571	484,735	-	-	504,571	484,735
Transportation Safety	739,290	613,171	-	-	739,290	613,171
Economic Development & Workforce Training	1,386,867	168,963	-	-	1,386,867	168,963
Other	330,173	305,431	-	-	330,173	305,431
Interest Expense	56,707	51,140	-	-	56,707	51,140
Business-type Activities:						
Employment Security	-	-	92,125	82,683	92,125	82,683
Lottery	-	-	254,683	242,619	254,683	242,619
Alcoholic Beverages	-	-	158,350	144,600	158,350	144,600
Military Equipment Maintenance	-	-	802	1,104	802	1,104
Other	-	-	20,693	21,008	20,693	21,008
Total Expenses	10,136,226	7,998,628	526,653	492,014	10,662,879	8,490,642
Excess (Deficiency) before Special Items, Gain (Loss) on Sale of Assets and Transfers	(256,634)	222,859	219,345	160,278	(37,289)	383,137
Special Items	-	-	-	15,761	-	15,761
Gain (Loss) on Sale of Assets	-	-	-	(5,613)	-	(5,613)
Transfers	121,635	112,833	(121,635)	(112,833)	-	-
Increase (Decrease) in Net Position	(134,999)	335,692	97,710	57,593	(37,289)	393,285
Net Position, beginning of year	580,895	245,203	530,290	472,697	1,111,185	717,900
Ending Net Position	$ 445,896	$ 580,895	$ 628,000	$ 530,290	$ 1,073,896	$ 1,111,185

Governmental Activities

Revenues for the State's Governmental Activities totaled $9.880 billion while total expenses equaled $10.136 billion. The decrease in net position for Governmental Activities was $135.0 million in 2020, which was primarily the result of a decrease in tax revenue of $119.0 million. The increase in expense activities is offset in part with the increase in operating grants & contributions primarily due to the impact of COVID-19. In addition, the State's Business-Type Activities transfers of $121.6 million (net) 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.

The users of the State's programs financed $582.0 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $4.854 billion. $4.444 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 2020

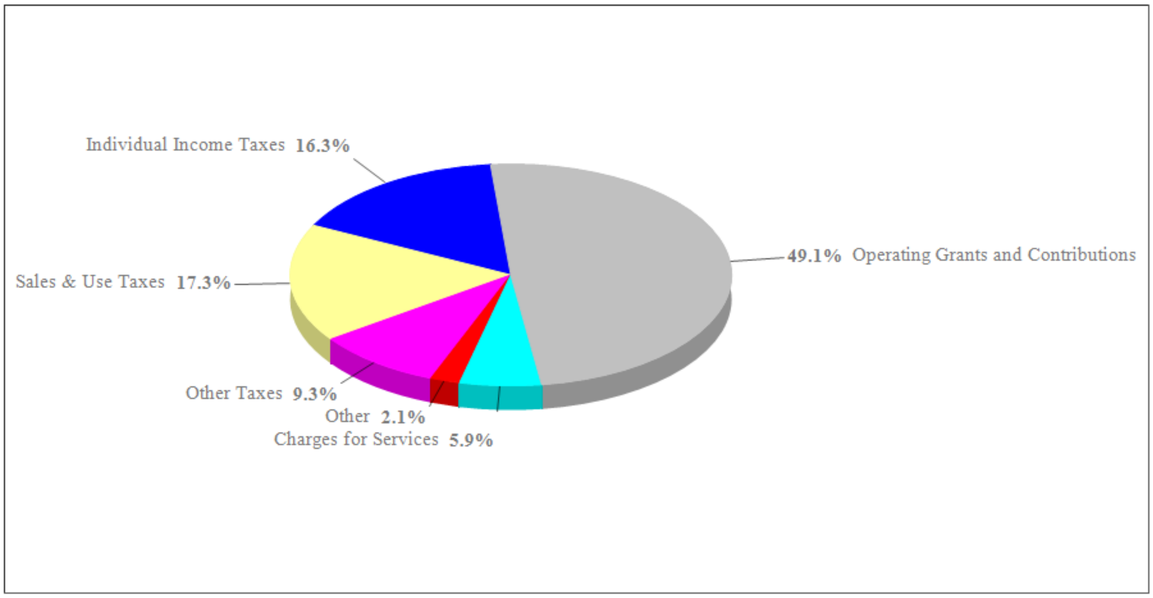
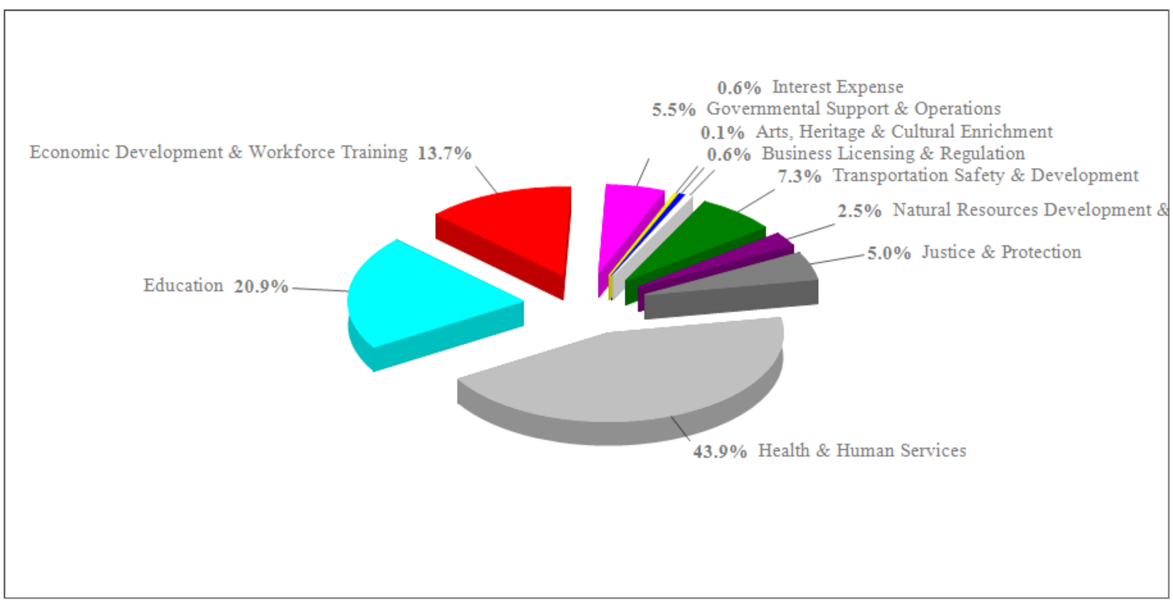


TABLE A-4: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2020



Business-Type Activities

Revenues for the State's Business-Type Activities totaled $746.0 million while expenses totaled $526.7 million. The increase in net position for Business-Type Activities was $97.7 million in 2020, due entirely to the decrease in expenses related to the Employment Security Fund

Table A-5 presents the revenue 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) or net revenue. The net cost shows the financial burden placed on the State's taxpayers by each of these functions.

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

	Total Cost		Net Revenue (Cost)	
	2020	2019	2020	2019
Employment Security	$ 92,125	$ 82,683	$ 98,918	$ 45,745
Alcoholic Beverages	158,350	144,600	60,090	58,330
Lottery	254,683	242,619	67,672	61,703
Ferry Services	13,841	13,632	(8,915)	(8,402)
Military Equipment Maintenance	802	1,104	(126)	1,626
Consolidated Emergency Communications	5,473	5,950	1,270	727
Other	1,379	1,426	436	549
Total	$ 526,653	$ 492,014	$ 219,345	$ 160,278

The cost of all Business-Type Activities this year was $526.7 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was $219.3 million. Employment Security, Alcoholic Beverages and Lottery contributed $98.9, $60.1 and $67.7 million of net revenue, respectively. The $121.6 million (net) transfers from the State’s Business-Type Activities 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)

	2020	2019	Change
General	$ 223,842	$ 367,487	$ (143,645)
Highway	19,181	34,859	(15,678)
Federal	36,192	15,367	20,825
Other Special Revenue	951,653	774,858	176,795
Other Governmental Funds	269,357	263,648	5,709
Total	$ 1,500,225	$ 1,456,219	$ 44,006

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 $44.0 million in comparison with the prior year. Of this total, $67.6 million (4.5 percent) is classified as non-spendable, either due to its form or legal constraints, and $962.8 million (64.2 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 2020, there was no unassigned fund balance on the GAAP basis in the General Fund.

General Fund expenditures and other uses surpassed General Fund revenues and other sources resulting in a decrease in the fund balance of $143.6 million. Revenues and other sources of the General Fund decreased by approximately $84.3 million (2.1 percent), as compared to fiscal year end 2019, which is mainly attributed to a decrease in tax revenue of $111.5 million as a result of the coronavirus pandemic. General Fund expenditures and other financing uses increased by $96.6 million (2.4 percent), as compared to fiscal year 2019. This is due, primarily, to an increase in expenditures for education of $122.8 million.

Other Special Revenue Fund balance increased $176.8 million, due mainly to an increase in net transfers of $26.4 million, and an increase in cash with fiscal agents of $154.8 million as a result of increased bond and COP financing issuances.

Budgetary Highlights

For the 2020 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $4.165 billion, an increase of about $253 million from the original legally adopted budget of approximately $3.911 billion. Actual expenditures on a budgetary basis amounted to approximately $336.3 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2020, including the budgeted starting balance for fiscal year 2020, there were no funds remaining to distribute in fiscal year 2020. Actual revenues were less than final budget forecasts by $28.8 million. For year end 2020, the Legislature approved transfers of $17.4 million from unappropriated surplus to the Budget Stabilization Fund. In addition, there was interest earnings of $4.5 million, offset by legislatively and statutorily approved transfers resulting in a decrease to the balance in the Budget Stabilization Fund to $258.7 million as of June 30, 2020. 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 2020, the State had roughly $4.384 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2020, the State acquired or constructed more than $109.2 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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Land	$ 649,952	$ 644,484	$ 2,389	$ 2,389	$ 652,341	$ 646,873
Buildings	881,631	866,161	4,655	4,655	886,286	870,816
Equipment	323,110	311,748	24,683	24,666	347,793	336,414
Improvements other than buildings	105,064	113,590	42,757	42,757	147,821	156,347
Software	118,777	118,777	-	-	118,777	118,777
Infrastructure	2,959,855	2,931,726	-	-	2,959,855	2,931,726
Construction in Progress	80,121	58,088	12,491	5,674	92,612	63,762
Total Capital Assets	5,118,510	5,044,574	86,975	80,141	5,205,485	5,124,715
Accumulated Depreciation	771,799	722,378	49,770	47,451	821,569	769,829
Capital Assets, net	$ 4,346,711	$ 4,322,196	$ 37,205	$ 32,690	$ 4,383,916	$ 4,354,886

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 8,802 highway miles or 17,880 lane miles within the State. Bridges have a deck area of 12.4 million square feet among 2,983 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2020, the actual average condition was 74.0. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 75.0 at June 30, 2020. Preservation costs for fiscal year 2020 totaled $180.3 million compared to estimated preservation costs of $145.0 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 2020. Of the amount authorized by Chapter 532, PL 2019, $50 million in General Fund bonds were spent during fiscal year 2020.

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 $1.581 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)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
General Obligation						
Bonds	$ 572,700	$ 543,400	$ -	$ -	$ 572,700	$ 543,400
Unmatured Premiums	79,098	60,378	-	-	79,098	60,378
Other Long-Term Obligations	927,893	840,527	948	779	928,841	841,306
Total	$ 1,579,691	$ 1,444,305	$ 948	$ 779	$ 1,580,639	$ 1,445,084

During the year, the State reduced outstanding long-term obligations by $93.3 million for general obligation bonds and $286.7 million for other long-term debt. Also during fiscal year 2020, the State incurred $515.5 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2020 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

The Maine Consensus Economic Forecasting Commission (CEFC) convened on October 23, 2020, to review and revise its forecast through 2025. This meeting follows the off-cycle forecast update of July 1, 2020, resulting from the extraordinary circumstances of the past eight months and recession caused by the onset of COVID-19.

As a critical part of the forecasting process, the Commission reviewed their key assumptions from the July 2020 off-cycle forecast. Overall, the CEFC agrees with the original assessment of the economic and public health conditions made during the summer. The Commission reiterates that current conditions are unprecedented, highly uncertain, and changing rapidly. The forecast update represents the best the Commission could do with the information available at that time. Several key assumptions had to be made, encompassing both the public health situation and economic conditions, increasing the level of uncertainty associated with the forecast. Unpredictability, while always an element in the forecasting process, is front and center at this time.

Since the last forecast, the CEFC has identified higher uncertainty regarding the timing of further federal stimulus and remains optimistic about Maine's opportunities to see increased immigration in the upcoming years. Additionally, the CEFC noted their concern that the exacerbation of inequality as different groups experience uneven paces of economic recovery will hold back the overall recovery of the state and place additional demands on state educational and social service programs while threatening to reduce the tax revenues that fund them.

Following the rapid declines of March and April 2020, Maine's employment situation has slowly improved over the summer. The CEFC continues to look for signs of change in the long-term trajectory of employment, immigration data, and labor force participation trends. The Commission is hopeful that this more optimistic medium-term forecast is confirmed with future data. This revised forecast anticipates employment will decline from 636.0 thousand in 2019 to 585.2 thousand in 2020, reaching a peak of 622.6 thousand in 2025. The July 2020 forecast projected a peak of 620.8 thousand. Still, this is significantly lower than the peak of 639.4 thousand in the February 2020 pre-pandemic forecast, reflecting the pronounced disruptions to employment in the state. Structural changes to the labor market complicate this forecast; the CEFC voiced concerns that retraining those who permanently lost jobs and reintegrating workers back into the labor force may take several years and will likely lead to a protracted recovery.

Total personal income was revised up to 5.3% in 2020, 1.4 percentage points higher than the July 2020 forecast. 2021-2025 were also revised up, from -1.2% to -0.5% in 2021; to 3.9% in 2022-2024, from 3.7%, 3.5%, and 3.6%, respectively; and from 3.6% to 4.0% in 2025.

Growth in wages and salaries, the largest component of personal income, was revised up for 2020 by 3.5 points compared to July's forecast, from -5.0% to -1.5%. 2021-2025 were each revised up by one percentage point, to 3.0% in 2021 and 4.0% in 2022-2025. The CEFC notes that heterogeneity in wage dynamics across industries complicates this forecast for total wage and salary income. While there have been signs of rising wages in some industries, both high unemployment and labor mismatch leaves short-term wage growth less certain. Additionally, the CEFC notes that COVID-19's effect on income inequality presents a major concern.

Growth in supplements to wages and salaries was unchanged for 2020-2025. Nonfarm Proprietors' income was also left unchanged for 2020-2025.

Growth in personal current transfer receipts was left unchanged for all years. While negotiations for a new stimulus package are currently underway, the CEFC believes any further federal aid will follow sometime in 2021 and is less likely to take place this year.

The CEFC revised its forecast for the Consumer Price Index (CPI) up for all years. The Commission projects inflation will be 1.3% in 2020, up from 0.9% in the previous forecast, though still well below the national inflation target. Forecasts for 2021 and 2022 were revised up to 2.2%, while 2023-2025 were revised up to 2.1%. These changes reflect the stated willingness of the Federal Reserve to exceed a 2.0% target each year in order to achieve 2.0% average inflation across years.

Finally, the forecast for corporate profits was revised up significantly for 2020, to growth of 0.6% compared to a decline of 30.0% in the July 2020 off-cycle forecast. No other years were revised.

Total personal income in Maine grew 41.0% in the second quarter of 2020, driven by sharp increases in transfer receipts. Wage and salary income, which is the largest component of total personal income, fell by 28.8%. Gross State Product fell by $5.7 billion, or 34.4% at an annualized rate in the second quarter of 2020 during the worst of the COVID-19 pandemic. The Consumer Price Index was up 1.4% year-over-year in September 2020, while energy prices remain 7.6% below September 2019 and food sits 3.9% over last year.

Nationwide, consumer sentiment plummeted in late March and has faced a rocky recovery. The October 2020 consumer sentiment index remained 15% under October 2019. However, the Small Business Optimism Index was up 2.2% in September compared to last year.

Following a massive drop in the second quarter, the price of crude oil rose by 46.4% from the second quarter to the third quarter of 2020. Gasoline prices averaged $2.19 on October 12, 2020, in New England.

Data for August 2020 show total exports in Maine decreased by 21.9% over August 2019 and by 14.1% for the year through August.

Single family existing-home sales in Maine in August 2020 were up 1.3% compared to August 2019, while the median sales price increased 17.4% from a year prior as the market maintains a tight supply. Maine's House Price Index rose by 8.4% in the first quarter of 2020, higher than both New England and the United States.

The first week of October had a year-over-year decline of 6.4% in vehicle miles traveled, up from a decline of 42% in the last week of March. New data from the U.S. Census Bureau shows that 38% of households in Maine have experienced a loss of employment income since March, while other analysis shows employment recovery has been slowest for low-income jobs. Credit and debit card data indicate that consumer spending has begun to stagnate and now sits 13.4% below January levels.

Overall, the commission felt generally comfortable with the assumptions made in the prior forecast. Several preliminary data points, particularly regarding new in-migration and a strong housing market and early signs of a robust winter tourism season, have renewed optimism for the Commission moving forward.

The key assumptions made by the CEFC are:

- A protracted and slow recovery from the current recession, highly uneven across sectors and different groups
- Although there is some concern that the holidays and winter months combined with "COVID fatigue" may lead to further spread of COVID-19, the State has developed resources that will help mitigate the effects
- The timeline for widespread availability and distribution of a vaccine remains uncertain
- Further federal stimulus will likely follow in 2021 including support for state and local governments, unemployed workers, and lower-income households
- Long-term structural changes are likely to occur as the labor market faces a skills mismatch; additionally, the challenges relating to the availability of childcare and K-12 education are seen as major factors in returning labor force participation rates to normal levels
- The Commission is optimistic that there is an opportunity for Maine to see increased in-migration in the coming years as telework becomes part of the "new normal" and people look for less densely populated places to live; however, this does have implications on the commercial real estate front, particularly for office space
- There is additional uncertainty in this forecast relating to the 2020 presidential election and subsequent policy action as well as the recent federal inflation target changes
- Human behavior underpins several key uncertainties at this time, including participation in testing and contact tracing; continued adherence to social distancing procedures; and winter tourism decisions

Of great concern to the CEFC were the structural changes to Maine's economy that COVID-19 may cause. For example, Commission members voiced concern for the potential long-term impacts of labor mismatch and increasing exits from the labor force, while recognizing that increased migration from out-of-state residents might accelerate the recovery process. The CEFC emphasized that improvements in labor conditions are dependent on policies that provide support for childcare and K-12 education. Additionally, further developments regarding another federal stimulus package have the potential to change these forecasts significantly.

Based on the July report of the CEFC, the Revenue Forecasting Committee (RFC) revised General Fund revenue estimates downward by $527.8 million for FY21, by $433.7 million for FY22 and by $449.5 million for FY23. The resulting forecasted overall rate of decline for General Fund revenue for FY21 is -10.8% from FY20 final revenue amounts, followed by growth of 5.6% for FY22 and 3.4% for FY23.

Almost 95% ($498.3 million) of the $527.8 million reduction in FY21 by the RFC is from sales and use and individual income taxes, and 100% of the FY22 and FY23 net reductions are attributable to these two revenue lines. In both cases, swift and unprecedented stimulus from the federal government and the Federal Reserve System has helped to moderate the initial impact on State revenues of the historic COVID-19 recession during the final quarter of FY20. While the CEFC assumes that Congress will provide an additional $1 trillion of stimulus during calendar year 2020, the temporary nature of that stimulus and a weak recovery for the Maine economy leads to significant ongoing reductions in the State's two largest sources of general fund revenue.

In the case of the sales and use tax line, approximately 60% of the $238 million reduction in FY21 is attributable to taxable prepared foods and lodging. Lodging sales are assumed to be down year-over-year by 50% during the third-quarter of 2020, the height of the summer tourism season. Lodging sales are assumed to improve slowly over the remainder of 2020 and are not expected to generate the same level of tax revenue as 2019 until 2022. Prepared food sales, mostly restaurant sales, are projected to perform better than lodging, but are assumed to be down approximately 30% year-over-year during the third-quarter of 2020. Like lodging, prepared food sales are assumed to slowly improve but not get back to the same level of tax revenue as 2019 until 2022. These key assumptions by the RFC about lodging and prepared food sales are consistent with the CEFC's employment forecast for the leisure and hospitality industry. The gradual improvement in both sales categories, representing 25% of total sales tax revenue in a typical year, is the primary reason for the lower decrease in sales tax revenue of $152 million in FY22 and $131.3 million in FY23. One bright note on sales tax is the additional tax revenue the State is collecting because of several recent law changes that require remote sellers to collect and remit sales tax on sales delivered into Maine.

The adjustments to individual income tax revenue are primarily the result of the CEFC's assumption of combined wage and salary and unemployment insurance (UI) benefits growth over the forecast period. The CEFC forecast assumes that the initial enhanced UI benefits that were part of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, and a continuation of those benefits at some reduced level in the next federal stimulus package, will almost offset the reduction in wages and salaries during calendar year 2020. After 2020 the CEFC assumes that UI benefits will fall back to normal levels and growth as unemployment declines, but wage and salary growth will be weaker than their previous forecast. These assumptions result in a growing gap between the February and July CEFC forecast for the combined level of wage and salary and UI benefits, which has a significant impact on individual income tax liability.

The RFC will meet to review and update the current revenue forecast to comply with the statutory reporting date in December 2020. Based on the November 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, 2020, the State of Maine reported an ending fund balance of $223.8 million in the General Fund on a GAAP basis, a decrease of more than $143 million since the end of fiscal year 2019. There was no "unassigned" fund balance on a GAAP basis in the General Fund at June 30, 2020.

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 the Governor's commitment to closing the structural gap in the budget, 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

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MAINE200

LEADING THE WAY

BASIC FINANCIAL STATEMENTS

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LEADING THE WAY

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STATE OF MAINE
STATEMENT OF NET POSITION

June 30, 2020
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 1,588,098	$ 282,551	$ 1,870,649	$ 86,055
Cash and Cash Equivalents	218	2,714	2,932	123,825
Cash with Fiscal Agent	335,742	-	335,742	-
Investments	146,906	-	146,906	657,432
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	88,219	-	88,219	-
Restricted Deposits and Investments	1,742	274,454	276,196	621,648
Inventories	11,960	4,056	16,016	2,487
Receivables, Net of Allowances for Uncollectibles:				
Taxes Receivable	490,048	-	490,048	-
Loans & Notes Receivable	3,541	-	3,541	115,610
Other Receivables	291,744	138,477	430,221	67,245
Internal Balances	21,964	(21,964)	-	-
Due from Other Governments	547,326	33,578	580,904	175,864
Due from Primary Government	-	-	-	19,507
Loans Receivable from Primary Government	-	-	-	56,703
Due from Component Units	105,084	-	105,084	-
Other Current Assets	7,186	225	7,411	39,815
Total Current Assets	3,639,778	714,091	4,353,869	1,966,191
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	717,503	6,113	723,616	38,879
Investments	-	-	-	519,386
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	39,857	-	39,857	-
Restricted Deposits and Investments	-	-	-	385,927
Pension Assets	8,502	-	8,502	-
Receivables, Net of Current Portion:				
Taxes Receivable	64,030	-	64,030	-
Loans & Notes Receivable	-	-	-	1,857,284
Other Receivables	465	-	465	8,200
Due from Other Governments	4,033	-	4,033	1,494,403
Loans Receivable from Primary Government	-	-	-	263,490
Due from Primary Government	-	-	-	3,401
Other Noncurrent Assets	-	-	-	13,350
Capital Assets:				
Land, Infrastructure, & Other Non-Depreciable Assets	3,689,928	14,880	3,704,808	768,342
Buildings, Equipment & Other Depreciable Assets	656,783	22,325	679,108	1,036,421
Total Noncurrent Assets	5,181,101	43,318	5,224,419	6,389,083
Total Assets	8,820,879	757,409	9,578,288	8,355,274
Deferred Outflows of Resources	$ 839,909	$ 3,950	$ 843,859	$ 102,599

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current Liabilities:				
Accounts Payable	$ 793,291	$ 78,395	$ 871,686	$ 63,514
Accrued Payroll	65,657	848	66,505	4,964
Tax Refunds Payable	270,020	-	270,020	-
Due to Component Units	19,507	-	19,507	-
Due to Primary Government	-	-	-	105,084
Current Portion of Long-Term Obligations:				
Compensated Absences	9,359	125	9,484	3,857
Due to Other Governments	1,091,224	-	1,091,224	1,430
Amounts Held under State & Federal Loan Programs	-	-	-	20,548
Claims Payable	19,803	-	19,803	-
Bonds & Notes Payable	90,236	-	90,236	232,808
Revenue Bonds Payable	21,980	-	21,980	34,272
Obligations under Capital Leases	6,200	-	6,200	1,306
Certificates of Participation & Other Financing Arrangements	13,852	-	13,852	-
Loans Payable to Component Unit	56,703	-	56,703	-
Accrued Interest Payable	8,265	-	8,265	28,257
Unearned Revenue	4,578	172	4,750	45,647
Other Post-Employment Benefits	31,782	-	31,782	-
Other Current Liabilities	8,983	25,620	34,603	73,161
Total Current Liabilities	2,511,440	105,160	2,616,600	614,848
Long-Term Liabilities:				
Compensated Absences	52,413	823	53,236	-
Due to Component Units	3,401	-	3,401	-
Due to Other Governments	-	-	-	4,763
Amounts Held under State & Federal Loan Program	-	-	-	43,472
Claims Payable	50,619	-	50,619	-
Bonds & Notes Payable	561,562	-	561,562	3,686,691
Revenue Bonds Payable	361,955	-	361,955	408,124
Obligations under Capital Leases	47,522	-	47,522	5,188
Certificates of Participation & Other Financing Arrangements	23,997	-	23,997	-
Loans Payable to Component Unit	263,490	-	263,490	-
Unearned Revenue	6,381	-	6,381	-
Net Pension Liability	2,378,949	12,703	2,391,652	67,021
Other Post-Employment Benefits	2,401,305	12,687	2,413,992	125,902
Pollution Remediation & Landfill Obligations	42,473	-	42,473	-
Other Noncurrent Liabilities	-	-	-	137,994
Total Long-Term Liabilities	6,194,067	26,213	6,220,280	4,479,155
Total Liabilities	8,705,507	131,373	8,836,880	5,094,003
Deferred Inflows of Resources	509,385	1,986	511,371	62,363
Net Position				
Net Investment in Capital Assets	3,651,931	37,205	3,689,136	1,179,020
Restricted:				
Business Licensing & Regulation	26,136	-	26,136	-
Governmental Support & Operations	4,181	-	4,181	-
Justice & Protection	4,321	-	4,321	-
Employment Security	-	605,378	605,378	-
Other Purposes	-	-	-	1,525,730
Funds Held for Permanent Investments:				
Expendable	88,675	-	88,675	-
Nonexpendable	59,331	-	59,331	287,907
Unrestricted	(3,388,679)	(14,583)	(3,403,262)	308,850
Total Net Position	$ 445,896	$ 628,000	$ 1,073,896	$ 3,301,507

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governmental Support & Operations	$ 552,526	$ 118,150	$ 5,857	$ -
Arts, Heritage & Cultural Enrichment	13,264	1,030	3,113	-
Business Licensing & Regulation	62,441	81,683	77	-
Economic Development & Workforce Training	1,386,867	7,731	1,258,211	-
Education	2,115,388	27,589	235,786	-
Health & Human Services	4,450,704	10,465	2,948,252	-
Justice & Protection	504,571	80,155	76,982	-
Natural Resources Development & Protection	254,468	100,990	54,968	-
Transportation Safety & Development	739,290	154,202	270,527	-
Interest Expense	56,707	-	-	-
Total Governmental Activities	10,136,226	581,995	4,853,773	-
Business-Type Activities:				
Employment Security	92,125	148,287	42,756	-
Alcoholic Beverages	158,350	218,440	-	-
Lottery	254,683	322,355	-	-
Ferry Services	13,841	4,926	-	-
Military Equipment Maintenance	802	676	-	-
Consolidated Emergency Communications	5,473	6,743	-	-
Other	1,379	1,815	-	-
Total Business-Type Activities	526,653	703,242	42,756	-
Total Primary Government	10,662,879	1,285,237	4,896,529	-
Component Units:				
Finance Authority of Maine	41,061	19,978	18,741	-
Maine Community College System	141,936	12,968	55,425	6,946
Maine Health & Higher Education Facilities Authority	23,402	21,587	2,950	-
Maine Municipal Bond Bank	68,103	51,790	24,140	28,031
Maine State Housing Authority	237,295	72,117	190,856	-
Maine Turnpike Authority	107,464	139,964	-	-
University of Maine System	740,475	295,910	197,701	3,387
All Other Non-Major Component Units	171,810	37,513	125,022	8,433
Total Component Units	$ 1,531,546	$ 651,827	$ 614,835	$ 46,797

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

	Governmental Activities	Business-type Activities	Total	Component Units
	Net (Expenses) Revenues and Changes in Net Position			
	Primary Government			
	$ (428,519)	$ -	$ (428,519)	$ -
	(9,121)	-	(9,121)	-
	19,319	-	19,319	-
	(120,925)	-	(120,925)	-
	(1,852,013)	-	(1,852,013)	-
	(1,491,987)	-	(1,491,987)	-
	(347,434)	-	(347,434)	-
	(98,510)	-	(98,510)	-
	(314,561)	-	(314,561)	-
	(56,707)	-	(56,707)	-
	(4,700,458)	-	(4,700,458)	-
	-	98,918	98,918	-
	-	60,090	60,090	-
	-	67,672	67,672	-
	-	(8,915)	(8,915)	-
	-	(126)	(126)	-
	-	1,270	1,270	-
	-	436	436	-
	-	219,345	219,345	-
	(4,700,458)	219,345	(4,481,113)	-
	-	-	-	(2,342)
	-	-	-	(66,597)
	-	-	-	1,135
	-	-	-	35,858
	-	-	-	25,678
	-	-	-	32,500
	-	-	-	(243,477)
	-	-	-	(842)
	$ -	$ -	$ -	$ (218,087)
General Revenues:				
Taxes:				
Corporate Taxes	189,252	-	189,252	-
Individual Income Taxes	1,607,510	-	1,607,510	-
Fuel Taxes	239,976	-	239,976	-
Property Taxes	74,531	-	74,531	-
Sales & Use Taxes	1,708,059	-	1,708,059	-
Other Taxes	413,070	-	413,070	-
Unrestricted Investment Earnings	40,005	-	40,005	22,502
Non-Program Specific Grants, Contributions & Appropriations	-	-	-	345,676
Miscellaneous Income	138,463	-	138,463	11,218
Gain (Loss) on Sale of Assets	-	-	-	(141)
Tobacco Settlement	32,958	-	32,958	-
Transfers - Internal Activities	121,635	(121,635)	-	-
Total General Revenues and Transfers	4,565,459	(121,635)	4,443,824	379,255
Change in Net Position	(134,999)	97,710	(37,289)	161,168
Net Position - Beginning	580,895	530,290	1,111,185	3,140,339
Net Position - Ending	$ 445,896	$ 628,000	$ 1,073,896	$ 3,301,507

1820 DIRIGO 2020

MAINE200

LEADING THE WAY

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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, 2020
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 372,343	$ 26,382	$ 977,657	$ 510,958	$ 1,112	$ 1,888,452
Cash & Short-Term Investments	99	76	-	41	-	216
Cash with Fiscal Agent	3,827	785	-	325,444	-	330,056
Investments	-	-	-	-	146,906	146,906
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	128,076	128,076
Inventories	3,254	1	4,500	-	-	7,755
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	520,103	19,687	-	14,288	-	554,078
Loans Receivable	1	-	-	3,540	-	3,541
Other Receivable	87,563	3,936	128,184	66,338	-	286,021
Due from Other Funds	40,068	15,897	10,958	26,027	-	92,950
Due from Other Governments	-	-	546,599	-	-	546,599
Due from Component Units	-	-	-	105,084	-	105,084
Other Assets	703	2	136	-	-	841
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 1,028,072	$ 66,766	$ 1,668,034	$ 1,051,720	$ 276,094	$ 4,090,686
Liabilities						
Accounts Payable	$ 184,028	$ 26,813	$ 484,412	$ 30,588	$ 958	$ 726,799
Accrued Payroll	32,180	11,732	6,217	11,634	-	61,763
Tax Refunds Payable	269,957	63	-	-	-	270,020
Due to Other Governments	-	-	1,091,211	-	-	1,091,211
Due to Other Funds	77,507	4,801	39,641	12,812	13	134,774
Due to Component Units	2,384	43	3,775	10,360	5,763	22,325
Unearned Revenue	-	3,295	4,500	3,083	3	10,881
Other Accrued Liabilities	2,119	23	2,073	6,833	-	11,048
Total Liabilities	568,175	46,770	1,631,829	75,310	6,737	2,328,821
Deferred Inflows of Resources	236,055	815	13	24,757	-	261,640
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	59,331	59,331
Inventories & Prepaid Items	3,628	-	4,637	-	-	8,265
Restricted	7,420	19,181	31,555	694,568	210,026	962,750
Committed	19,759	-	-	149,634	-	169,393
Assigned	193,035	-	-	107,451	-	300,486
Total Fund Balances	223,842	19,181	36,192	951,653	269,357	1,500,225
Total Liabilities, Deferred Inflows and Fund Balances	$ 1,028,072	$ 66,766	$ 1,668,034	$ 1,051,720	$ 276,094	$ 4,090,686

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

June 30, 2020
(Expressed in Thousands)

Total fund balances for governmental funds		$ 1,500,225
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.	4,665,810	
Accumulated Depreciation	518,339	
		4,147,471
Refunded Bond Deferred Outflows		2,070
Pollution Remediation Receivable		476
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	(1,035,733)	
Interest Payable Related to Long-term Financing	(6,125)	
Certificates of Participation and Other Financing Arrangements	(23,086)	
Capital Leases	(531)	
Loans Payable to Component Unit	(320,193)	
Compensated Absenses	(57,268)	
Pension Liabilities and Deferrals	(2,067,857)	
Other Post-Employment Benefit Liabilities and Deferrals	(2,273,390)	
Pollution Remediation and Landfill Obligations	(42,473)	
		(5,826,656)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		261,640
Other Revenue		4,736
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.		355,934
Net position of governmental activities		$ 445,896

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, 2020
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 3,683,195	$ 214,585	$ -	$ 344,976	$ -	$ 4,242,756
Assessments	89,132	97,054	-	172,255	-	358,441
Federal Grants & Reimbursements	1,903	-	4,839,559	11,369	-	4,852,831
Charges for Services	52,069	4,451	-	149,430	-	205,950
Investment Income	18,986	258	72	6,466	7,881	33,663
Miscellaneous Revenues	2,357	201	4,646	167,880	94	175,178
Total Revenues	3,847,642	316,549	4,844,277	852,376	7,975	9,868,819
Expenditures						
Current:						
Governmental Support & Operations	322,063	2,619	2,723	187,891	540	515,836
Economic Development & Workforce Training	44,460	-	1,269,921	57,912	17,500	1,389,793
Education	1,732,975	-	235,069	35,746	12,443	2,016,233
Health & Human Services	1,191,315	-	2,936,489	372,057	-	4,499,861
Business Licensing & Regulation	-	-	68	64,316	-	64,384
Natural Resources Development & Protection	85,122	33	53,822	117,744	4,892	261,613
Justice & Protection	341,748	26,945	76,931	92,289	455	538,368
Arts, Heritage & Cultural Enrichment	9,317	-	2,952	1,205	-	13,474
Transportation Safety & Development	8,000	308,433	230,668	119,366	5,344	671,811
Debt service:						
Principal Payments	101,200	7,610	16,135	36,120	-	161,065
Interest Expense	34,948	320	6,021	10,471	-	51,760
Capital Outlay	-	-	-	-	98,555	98,555
Total Expenditures	3,871,148	345,960	4,830,799	1,095,117	139,729	10,282,753
Revenue over (under) Expenditures	(23,506)	(29,411)	13,478	(242,741)	(131,754)	(413,934)
Other Financing Sources (Uses)						
Transfer from Other Funds	117,332	25,272	19,575	319,901	2,076	484,156
Transfer to Other Funds	(243,336)	(12,274)	(12,228)	(73,239)	(5,913)	(346,990)
COPs & Other	5,865	735	-	1,879	-	8,479
Bonds Issued	-	-	-	170,995	114,905	285,900
Premiums on Bond Issuance	-	-	-	-	26,395	26,395
Net Other Finance Sources (Uses)	(120,139)	13,733	7,347	419,536	137,463	457,940
Net Change in Fund Balances	(143,645)	(15,678)	20,825	176,795	5,709	44,006
Fund Balance at Beginning of Year	367,487	34,859	15,367	774,858	263,648	1,456,219
Fund Balances at End of Year	$ 223,842	$ 19,181	$ 36,192	$ 951,653	$ 269,357	$ 1,500,225

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, 2020
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 44,006
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	86,908	
Depreciation Expense	(49,186)	
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.	(21)	
		37,701
Refunded Bond Deferred Outflows		(554)
Pollution Remediation Receivable		422
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	(285,900)	
Premium on Bonds Issued	(26,395)	
Proceeds from Other Financing Arrangements	(6,600)	
Loan Proceeds from Component Unit	113	
Repayment of Bond Principal	108,810	
Repayment of Other Financing Debt	18,581	
Repayment of Pledged Revenue Principal	54,857	
Repayment of Capitalized Lease Principal	529	
Accrued Interest	(1,337)	
Amortization of Bond Premiums	7,675	
		(129,667)
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	(9,881)	
Pension Liabilities and Deferrals	(81,698)	
Other Post-employment Benefit Liabilities and Deferrals	(34,474)	
Pollution Remediation and Landfill Obligations	(643)	
		(126,696)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		(21,454)
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.		61,243
Changes in net position of governmental activities		$ (134,999)

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

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MAINE200

LEADING THE WAY

PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR FUNDS

Employment Security 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 FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2020
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Total	Internal Service Funds
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 269,022	$ 13,529	$ 282,551	$ 287,687
Cash & Short-Term Investments	1,960	754	2,714	2
Cash with Fiscal Agent	-	-	-	5,686
Restricted Assets:				
Restricted Deposits & Investments	274,454	-	274,454	1,742
Inventories	-	4,056	4,056	4,205
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	97,930	40,547	138,477	5,721
Due from Other Funds	478	2,516	2,994	41,152
Due from Other Governments	33,578	-	33,578	-
Other Assets	-	225	225	6,345
Total Current Assets	677,422	61,627	739,049	352,540
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	6,113	6,113	129,462
Capital Assets - Net of Depreciation	-	37,205	37,205	199,240
Total Noncurrent Assets	-	43,318	43,318	328,702
Total Assets	677,422	104,945	782,367	681,242
Deferred Outflows of Resources	$ -	$ 3,950	$ 3,950	$ 22,923
Liabilities				
Current Liabilities:				
Accounts Payable	$ 67,213	$ 11,182	$ 78,395	$ 19,915
Accrued Payroll	-	848	848	3,894
Due to Other Funds	3,835	21,045	24,880	24,017
Due to Component Units	-	-	-	583
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	6,808
Obligations under Capital Leases	-	-	-	5,669
Claims Payable	-	-	-	19,803
Compensated Absences	-	125	125	593
Unearned Revenue	-	172	172	78
Accrued Interest Payable	-	-	-	75
Other Accrued Liabilities	996	24,624	25,620	-
Total Current Liabilities	72,044	57,996	130,040	81,435
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Certificates of Participation & Other Financing Arrangements	-	-	-	7,955
Obligations under Capital Leases	-	-	-	47,522
Claims Payable	-	-	-	50,619
Compensated Absences	-	823	823	3,912
Net Pension Liability	-	12,703	12,703	73,313
Net Other Post-Employment Benefit Liability	-	12,687	12,687	72,047
Total Long-Term Liabilities	-	26,213	26,213	255,479
Total Liabilities	72,044	84,209	156,253	336,914
Deferred Inflows of Resources	$ -	$ 1,986	$ 1,986	$ 11,396
Net Position				
Net Investment in Capital Assets:	-	37,205	37,205	136,972
Restricted for:				
Unemployment Compensation	605,378	-	605,378	-
Other Purposes	-	-	-	531
Unrestricted	-	(14,505)	(14,505)	218,352
Total Net Position	$ 605,378	$ 22,700	628,078	$ 355,855
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			(78)	
Net Position of Business-Type Activities			$ 628,000	

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, 2020
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		
	Employment Security	Other Enterprise	Total	Internal Service Funds
Operating Revenues				
Charges for Services	$ -	$ 554,801	$ 554,801	$ 502,239
Assessments	148,169	-	148,169	-
Miscellaneous Revenues	118	38	156	318
Total Operating Revenues	148,287	554,839	703,126	502,557
Operating Expenses				
General Operations	-	431,232	431,232	390,522
Depreciation	-	2,332	2,332	23,161
Claims/Fees Expense	92,125	-	92,125	18,569
Other Operating Expenses	-	-	-	1,742
Total Operating Expenses	92,125	433,564	525,689	433,994
Operating Income (Loss)	56,162	121,275	177,437	68,563
Nonoperating Revenues (Expenses)				
Investment Revenue (Expenses) - net	11,448	-	11,448	6,342
Interest Expense	-	-	-	(13,416)
Operating Subsidy and Grants	31,308	-	31,308	-
Other Nonoperating Revenue (Expenses) - net	-	116	116	(64)
Total Nonoperating Revenues (Expenses)	42,756	116	42,872	(7,138)
Income (Loss) Before Capital Contributions, Transfers and Special Items	98,918	121,391	220,309	61,425
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	6,840	6,840	801
Transfer from Other Funds	-	5,928	5,928	2,053
Transfer to Other Funds	(6,859)	(127,544)	(134,403)	(4,000)
Total Capital Contributions, Transfers and Special Items	(6,859)	(114,776)	(121,635)	(1,146)
Change in Net Position	92,059	6,615	98,674	60,279
Net Position - Beginning	513,319	16,085		295,576
Net Position - End of Year	$ 605,378	$ 22,700		$ 355,855
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			(964)	
Changes in Business-Type Net Position			$ 97,710	

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, 2020
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Totals	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	$ 44,799	$ 542,331	$ 587,130	$ 13,116
Other Operating Cash Receipts (Payments):				
Cash Received from Interfund Services	3,835	12,397	16,232	504,882
Payments of Benefits	(28,252)	-	(28,252)	-
Payments to Prize Winners	-	(214,087)	(214,087)	-
Payments to Suppliers	(169)	(197,317)	(197,486)	(270,371)
Payments to Employees	-	(12,032)	(12,032)	(79,281)
Payments for Interfund Goods and Services	(427)	(3,508)	(3,935)	(66,609)
Net Cash Provided (Used) by Operating Activities	19,786	127,784	147,570	101,737
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	-	5,928	5,928	2,053
Transfers to Other Funds	(6,859)	(127,544)	(134,403)	(4,000)
Operating Subsidy and Grants	31,308	-	31,308	-
Net Cash Provided (Used) by Noncapital Financing Activities	24,449	(121,616)	(97,167)	(1,947)
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(7)	(7)	(13,758)
Proceeds from Financing Arrangements	-	-	-	5,500
Principal and Interest Paid on Financing Arrangements	-	-	-	(22,790)
Proceeds from Sale of Capital Assets	-	-	-	749
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(7)	(7)	(30,299)
Cash Flows from Investing Activities				
Interest Revenue	11,448	116	11,564	6,342
Net Cash Provided (Used) by Investing Activities	11,448	116	11,564	6,342
Net Increase (Decrease) in Cash/Cash Equivalents	55,683	6,277	61,960	75,833
Cash/Cash Equivalents - Beginning of Year	489,753	14,119	503,872	348,746
Cash/Cash Equivalents - End of Year	$ 545,436	$ 20,396	$ 565,832	$ 424,579
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$ 56,162	$ 121,275	$ 177,437	$ 68,563
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	2,332	2,332	23,161
Decrease (Increase) in Assets:				
Accounts Receivable	(69,910)	(6,865)	(76,775)	1,391
Interfund Balances	3,408	6,262	9,670	941
Due from Other Governments	(33,578)	-	(33,578)	-
Inventories	-	(444)	(444)	(149)
Other Assets	-	308	308	(1,516)
Deferred Outflows	-	187	187	816
Increase (Decrease) in Liabilities:				
Accounts Payable	63,873	1,658	65,531	9,469
Accrued Payroll Expense	-	169	169	710
Due to Other Governments	-	-	-	(1,916)
Compensated Absences	-	169	169	591
Deferred Inflows	-	703	703	3,962
Net Pension Liability	-	(23)	(23)	(695)
Other Accruals	(169)	3,024	2,855	2,430
Net OPEB Liability	-	(971)	(971)	(6,021)
Total Adjustments	(36,376)	6,509	(29,867)	33,174
Net Cash Provided (Used) by Operating Activities	$ 19,786	$ 127,784	$ 147,570	$ 101,737
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	65
Contributed Capital Assets	-	6,840	6,840	801
Disposal of Assets	-	-	-	(4,425)

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

FIDUCIARY FUND FINANCIAL STATEMENTS

Pension (and Other Employee Benefits) 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, 2020
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 732	$ 21,678
Cash & Short-Term Investments	36,942	3,984	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	30,420	-	-
Interest and Dividends	3,970	-	-
Due from Brokers for Securities Sold	275	-	-
Other Receivable	-	1,737	-
Investments at Fair Value:			
Equity Securities	2,557,862	-	-
Common/Collective Trusts	13,035,604	-	-
Investments - Other	-	22,686	-
Restricted Deposits & Investments	-	-	11
Securities Lending Collateral	206,266	-	-
Due from Other Funds	-	46,577	-
Investments Held on Behalf of Others	-	-	63,112
Capital Assets - Net of Depreciation	17,494	-	-
Other Assets	-	4,129	51
Total Assets	15,888,833	79,845	84,879
Liabilities			
Accounts Payable	3,549	743	30
Due to Other Funds	-	2	-
Agency Liabilities	-	-	83,020
Obligations Under Securities Lending	206,266	-	-
Other Accrued Liabilities	38,471	-	1,829
Total Liabilities	248,286	745	84,879
Net Position			
Restricted for Pension	15,198,307	-	-
Restricted for Other Post-Employment Benefits	442,240	-	-
Restricted for Individuals, Organizations and Other Governments	-	79,100	-
Total Net Position	$ 15,640,547	$ 79,100	$ -

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, 2020
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts
Additions:		
Contributions:		
Members	$ 214,635	$ -
State & Local Agency Employers	392,279	-
Non-Employer Contributing Entity	179,008	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	469,915	1,351
Interest & Dividends	125,910	463
Securities Lending Income & Borrower Rebates Refunded	2,859	-
Less Investment Expense:		
Investment Activity Expense	130,060	-
Securities Lending Expense	132	-
Net Investment Income (Loss)	468,492	1,814
Miscellaneous Revenues	-	26,791
Transfer from Other Funds	-	750
Transfer from Other Pension Plans	29,220	-
Total Additions	1,283,634	29,355
Deductions:		
Benefits Paid to Participants or Beneficiaries	1,143,727	11,813
Refunds & Withdrawals	29,132	-
Administrative Expenses	15,775	368
Claims Processing Expense	915	-
Transfer to Other Funds	-	7,494
Transfer to Other Pension Plans	29,220	-
Total Deductions	1,218,769	19,675
Net Increase (Decrease)	64,865	9,680
Net Position:		
Restricted		
Beginning of Year	15,575,682	69,420
End of Year	$ 15,640,547	$ 79,100

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

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Component Unit Financial Statements

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, 2020
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 43,704	$ 13,379	$ 4,254	$ -
Cash & Short-Term Investments	3,653	13,665	13,422	61
Investments	21,361	57,582	4,072	25,321
Restricted Assets:				
Restricted Deposits & Investments	-	-	17,490	378,114
Inventories	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	39,987	-	31,474	-
Other Receivable	2,799	7,113	233	632
Due from Other Governments	-	-	-	154,275
Due from Primary Government	-	2,728	-	6,658
Loans Receivable from Primary Government	-	-	-	56,703
Other Assets	660	2,302	310	27,991
Total Current Assets	112,164	96,769	71,255	649,755
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	19,745	6,045	1,922	-
Restricted Assets:				
Restricted Assets	19,682	1,154	56,382	207,729
Investments	-	15,106	26,570	-
Receivables, Net of Current Portion:				
Loans & Notes Receivable	54,752	-	352,024	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,494,403
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	263,490
Capital Assets - Net of Depreciation	1,331	183,243	-	1,132
Other Non-Current Assets	-	-	-	-
Total Noncurrent Assets	95,510	205,548	436,898	1,966,754
Total Assets	207,674	302,317	508,153	2,616,509
Deferred Outflows of Resources	$ 1,584	$ 11,428	$ -	$ 21,266
Liabilities				
Current Liabilities:				
Accounts Payable	$ 4,262	$ 5,990	$ 72	$ 584
Accrued Payroll	-	-	-	-
Compensated Absences	-	3,008	-	-
Due to Other Governments	-	-	-	865
Due to Primary Government	-	-	-	104,006
Amounts Held Under State & Federal Loan Programs	-	-	-	20,548
Bonds & Notes Payable	4,900	810	32,575	173,311
Obligations under Capital Leases	-	-	-	-
Accrued Interest Payable	304	-	8,961	13,368
Unearned Revenue	1,080	3,100	49	4,944
Other Accrued Liabilities	20,156	7,434	-	-
Total Current Liabilities	30,702	20,342	41,657	317,626
Long-Term Liabilities:				
Due to Other Governments	3,904	-	-	323
Amounts Held Under State & Federal Loan Programs	43,472	-	-	-
Bonds & Notes Payable	83,676	16,516	405,580	1,505,005
Obligations under Capital Leases	-	-	-	-
Net Pension Liability	-	48,215	-	598
Net Other Post-Employment Benefit Liability	-	2,368	-	927
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities:	131,052	67,099	405,580	1,506,853
Total Liabilities	161,754	87,441	447,237	1,824,479
Deferred Inflows of Resources	-	16,920	-	346
Net Position				
Net Investment in Capital Assets	1,331	167,070	-	1,132
Restricted	20,639	43,602	-	724,483
Unrestricted	25,534	(1,288)	60,916	87,335
Total Net Position	$ 47,504	$ 209,384	$ 60,916	$ 812,950

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
$ -	$ -	$ 24,718	$ -	$ 86,055
37,413	23,390	12,020	20,201	123,825
283,885	-	251,642	13,569	657,432
-	171,974	-	54,070	621,648
-	1,134	-	1,353	2,487
43,354	-	76	719	115,610
11,587	5,458	35,556	3,867	67,245
5,691	-	13,189	2,709	175,864
4,023	-	4,576	1,522	19,507
-	-	-	-	56,703
-	1,750	5,582	1,220	39,815
385,953	203,706	347,359	99,230	1,966,191
-	-	11,167	-	38,879
-	58,173	5,778	37,029	385,927
60,905	-	401,850	14,955	519,386
1,398,816	-	32,172	19,520	1,857,284
-	341	7,859	-	8,200
-	-	-	-	1,494,403
-	-	2,945	456	3,401
-	-	-	-	263,490
13,408	750,103	683,288	172,258	1,804,763
1,192	232	9,102	2,824	13,350
1,474,321	808,849	1,154,161	247,042	6,389,083
1,860,274	1,012,555	1,501,520	346,272	8,355,274
$ 15,198	$ 20,021	$ 31,407	$ 1,695	$ 102,599
$ 9,145	$ 19,556	$ 12,974	$ 10,931	$ 63,514
-	3,519	-	1,445	4,964
-	-	-	849	3,857
473	-	-	92	1,430
-	-	-	1,078	105,084
-	-	-	-	20,548
24,464	16,015	12,510	2,495	267,080
-	-	1,306	-	1,306
5,624	-	-	-	28,257
7,133	11,961	15,486	1,894	45,647
-	11,385	33,239	947	73,161
46,839	62,436	75,515	19,731	614,848
-	-	-	536	4,763
-	-	-	-	43,472
1,445,536	508,267	119,266	10,969	4,094,815
-	-	5,188	-	5,188
2,282	11,438	-	4,488	67,021
-	58,813	63,247	547	125,902
10,860	1,893	125,241	-	137,994
1,458,678	580,411	312,942	16,540	4,479,155
1,505,517	642,847	388,457	36,271	5,094,003
893	5,898	36,558	1,748	62,363
2,208	296,413	547,438	163,428	1,179,020
332,721	141,439	444,843	117,831	1,825,558
34,133	(54,021)	115,631	28,689	296,929
$ 369,062	$ 383,831	$ 1,107,912	$ 309,948	$ 3,301,507

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	Finance Authority Of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	$ 41,061	$ 141,936	$ 23,402	$ 68,103
Program Revenues				
Charges for Services	19,978	12,968	21,587	51,790
Program Investment Income	476	760	2,950	20,900
Operating Grants & Contributions	18,265	54,665	-	3,240
Capital Grants & Contributions	-	6,946	-	28,031
Net Revenue (Expense)	(2,342)	(66,597)	1,135	35,858
General Revenues				
Unrestricted Investment Earnings	1,835	3,147	473	540
Non-program Specific Grants, Contributions & Appropriations	-	73,862	-	-
Miscellaneous Revenues	-	1,259	131	1,385
Gain (Loss) on Assets Held for Sale	-	-	-	-
Total General Revenues	1,835	78,268	604	1,925
Change in Net Position	(507)	11,671	1,739	37,783
Net Position, Beginning of Year (as restated)	48,011	197,713	59,177	775,167
Net Position, End of Year	$ 47,504	$ 209,384	$ 60,916	$ 812,950

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
$ 237,295	$ 107,464	$ 740,475	$ 171,810	$ 1,531,546
72,117	139,964	295,910	37,513	651,827
13,197	-	(1,108)	43	37,218
177,659	-	198,809	124,979	577,617
-	-	3,387	8,433	46,797
25,678	32,500	(243,477)	(842)	(218,087)
401	6,223	9,074	809	22,502
-	-	257,957	13,857	345,676
-	6,510	-	1,933	11,218
-	49	(511)	321	(141)
401	12,782	266,520	16,920	379,255
26,079	45,282	23,043	16,078	161,168
342,983	338,549	1,084,869	293,870	3,140,339
$ 369,062	$ 383,831	$ 1,107,912	$ 309,948	$ 3,301,507

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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 353 Water Street Augusta, ME 04338	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 $788.0 million of restricted net position, of which $631.5 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 Benefits) 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 Benefits 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 $128.6 million of Workers' Compensation, $59.8 million of Bureau of Insurance, and $41.0 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 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.

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, 2020 is $268.8 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, 2020 but paid after the fiscal year end are also reported in the funds. Approximately 56 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

G. RISKS AND UNCERTAINTIES

The Worldwide Health Organization declared COVID-19 a global pandemic on March 11, 2020. The impact of the pandemic and significant related restrictive measures are likely to affect operations and performance in fiscal year 2021. In late March 2020, a variety of federal legislation was passed, including, but not limited to, the Coronavirus Aid, Relief, and Economic Security Act (CARES) that provides certain relief to partially mitigate the economic impact of the pandemic. The State of Maine received $1.25 billion of direct relief provided under the CARES Act through the Coronavirus Relief Fund (CRF). The COVID-19 pandemic has significantly affected travel, commerce and financial markets globally. The degree of impact on the State's operations and finance is extremely difficult to predict due to uncertainties relating to the duration and severity of the COVID-19 outbreak. In response, the Maine Consensus Economic Forecasting Commission and the Maine Revenue Forecasting Committee are meeting frequently to monitor and update the economic and revenue forecasts to reflect the impact of the COVID-19 pandemic.

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 ("BSF"), a fund designation established under Title 5 MRSA C. 142, is included in the General Fund fund balance. The BSF had a balance of $258.7 million. 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 also transferred $17.4 million from the General Fund unappropriated surplus to the Budget Stabilization Fund in accordance with Public Law 2019, Chapter 616, Part J-1.

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 2020 actual General Fund revenue, the statutory cap at the close of fiscal year 2020 and during fiscal year 2020 was $714.5 million. At the close of fiscal year 2020, the balance of the Maine Budget Stabilization Fund was $258.7 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 (as restated)*	$ 236,904
Increase in fund balance	21,843
Balance, end of year	$ 258,747

*Restated to exclude the Reserve for Riverview Disallowance

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, 2020, the Legislature increased appropriations to the General Fund by $20.8 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, 2020 are detailed on the following pages.

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
General Fund:				
Education	$ -	$ -	$ -	$ 24,086
Governmental Support & Operations	-	2,361	1,906	2,458
Treasury	-	-	-	10,859
Health & Human Services	-	-	15,848	143,736
Public Safety	-	1,466	-	-
Justice & Protection	-	-	-	8,919
Defense, Veterans & Emergency Management	-	-	-	1,467
Inland Fisheries & Wildlife	-	3,593	-	-
Transportation Safety & Development	-	-	2,005	-
All Other	3,628	-	-	1,510
Total	$ 3,628	$ 7,420	$ 19,759	$ 193,035
Highway Fund:				
Transportation, Highway & Bridge Construction	$ -	$ 19,181	$ -	$ -
Total	$ -	$ 19,181	$ -	$ -
Federal Fund:				
Governmental Support & Operations	$ -	$ 1,913	$ -	$ -
Centers for Disease Control	-	1,462	-	-
Office of Family Independence	-	1,475	-	-
Substance Abuse & Mental Health	-	1,915	-	-
Office of Child & Family Services	-	10,746	-	-
Justice & Protection	-	1,257	-	-
Public Safety	-	2,027	-	-
Transportation - Highway & Bridge Construction	-	8,528	-	-
All Other	4,637	2,232	-	-
Total	$ 4,637	$ 31,555	$ -	$ -
Other Special Revenue Fund:				
Business Licensing & Regulation	$ -	$ 4,571	$ 322	$ -
Workers Compensation Board	-	19,235	-	-
Professional & Financial Regulation	-	66,057	-	819
Public Utilities Commission	-	14,663	-	602
Education	-	2,801	-	7,012
Economic & Community Development	-	26,842	16,086	-
Governmental Support & Operations	-	91,807	27,056	15,665
Treasury	-	-	4,640	-
Liquor Bond	-	3,849	-	-
Bonds for Highway & Bridge Construction	-	140,689	-	-
Health & Human Services	-	1,683	-	-
Aging & Disability Services	-	-	-	1,061
Fund for Healthy Maine	-	-	43,223	-
Office of Family Independence	-	-	-	8,621
Substance Abuse & Mental Health	-	-	8,542	4,532
Centers for Disease Control & Prevention	-	-	3,951	1,254
MaineCare	-	17,056	-	37,509
Defense, Veterans & Emergency Management	-	2,120	-	-
Justice & Protection	-	211,669	4,531	7,177
Public Safety	-	11,714	-	2,003
Agriculture & Conservation	-	4,833	5,212	12,843
Environmental Protection	-	27,413	2,329	-
Inland Fisheries & Wildlife	-	12,103	-	-
Marine Resources	-	4,812	-	5,195
Transportation Safety & Development	-	6,277	1,868	3,020
Transportation - Highway & Bridge Construction	-	11,109	7,615	-
Motor Vehicles	-	8,004	-	-
Multimodal Transportation	-	-	24,259	-
Transcap	-	5,261	-	-
All Other	-	-	-	138
Total	$ -	$ 694,568	$ 149,634	$ 107,451

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Permanent
Other Governmental Funds:			
Capital Projects - Agriculture & Conservation	$ -	$ 7,634	$ -
Capital Projects - Higher Education	-	17,048	-
Capital Projects - Multimodal Transportation	-	49,567	-
Capital Projects - Economic & Community Development	-	12,978	-
Capital Projects - Environmental Protection	-	25,880	-
Capital Project - Treasury	-	7,841	-
Capital Projects - Other	-	403	-
Permanent Funds - Baxter Park	-	-	9,155
Permanent Funds - Baxter Park Wilderness Trust	-	-	24,657
Permanent Funds - All Others	-	-	25,519
Special Revenue Funds - Baxter Park	-	88,081	-
Special Revenue Funds - Baxter Park Wilderness Trust	-	475	-
Special Revenue Funds - All Other	-	119	-
Total	$ -	$ 210,026	$ 59,331

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

ACCOUNTING CHANGES

During fiscal year ended June 30, 2020, the State implemented the following accounting standard:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative* Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This change will improve financial reporting by providing governments with sufficient time to apply the authoritative guidance addressed in this Statement will help to safeguard the reliability of their financial statements, which in turn will benefit the users of those financial statements.

Restatement - Component Unit

A non-major discretely presented component unit increased its beginning net position balance $284 thousand as a result of correcting an error.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

PROPRIETARY FUNDS

Five internal service funds showed deficits for the fiscal year ended June 30, 2020. The Workers' Compensation Fund reported a deficit of $20.3 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of $5.6 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $14.3 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 $33.7 million and $56.2 million, respectively. These deficits are primarily the result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, which required the recognition of the entire net pension and postemployment benefits other than pension liability.

Two enterprise funds showed deficits for the fiscal year ended June 30, 2020. Maine Military Authority reported a deficit of $5.9 million. Maine Military Authority significantly reduced its operation and workforce in Fiscal Year 2019. As a result, the fund incurred a loss on the disposal of its assets. The Consolidated Emergency Communications Fund reported a deficit of $7.3 million. The deficit is primarily the result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, which required the recognition of the entire net pension and postemployment benefits other than pension liability.

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, 2020 are as follows:

Primary Government Deposits and Investments
(Expressed in Thousands)

	Governmental Activities	Business-Type Activities	Private Purpose Trusts	Agency Funds	Total
Equity in Treasurer's Cash Pool	$ 2,305,601	$ 288,664	$ 732	$ 21,678	$ 2,616,675
Cash and Cash Equivalents	218	2,714	3,984	27	6,943
Cash with Fiscal Agent	335,742	-	-	-	335,742
Investments	146,906	-	22,686	-	169,592
Restricted Equity in Treasurer's Cash Pool	128,076	-	-	-	128,076
Restricted Deposits and Investments	1,742	274,454	-	11	276,207
Investments Held on Behalf of Others	-	-	-	63,112	63,112
Total Primary Government	$ 2,918,285	$ 565,832	$ 27,402	$ 84,828	$ 3,596,347

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, 2020:

Maturities in Years
(Expressed in Thousands)

	Less than 1	1-5	6-10	11-20	More than 20	No Maturity	Fair Value
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	$ 51,848	$ 333,134	$ -	$ -	$ -	$ -	$ 384,982
US Treasury Notes	23,762	460,187	-	-	-	-	483,949
Corporate Notes and Bonds	-	25,930	-	-	-	-	25,930
Certificates of Deposit	173,189	37,446	-	-	-	-	210,635
Cash and Cash Equivalents	705	-	-	-	-	1,620,814	1,621,519
Unemployment Fund	-	-	-	-	-	274,454	274,454
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	427	2,734	384	472	1,011	-	5,028
US Treasury Notes	4,430	8,126	5,253	-	1,375	1,227	20,411
Corporate Notes and Bonds	-	2,931	805	9,047	512	43,696	56,991
Other Fixed Income Securities	241	-	-	69	-	43,548	43,858
Certificates of Deposit	9,143	308	-	-	-	2,901	12,352
Money Market	-	-	-	-	3,242	3,056	6,298
Cash and Cash Equivalents	3,984	-	-	-	-	28,979	32,963
Equities	-	-	-	-	-	74,368	74,368
Other	-	-	-	-	-	6,867	6,867
	$ 267,729	$ 870,796	$ 6,442	$ 9,588	$ 6,140	$ 2,099,910	$ 3,260,605
Other Assets							
Cash with Fiscal Agent							335,742
Total Primary Government							$ 3,596,347

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, 2020 are presented below:

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

	A1	A	AA	AAA	BB	BBB	Not Rated	Total
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds								
Corporate Notes and Bonds	$ -	$ -	$ -	$ 25,930	$ -	$ -	$ -	$ 25,930
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds								
Corporate Notes and Bonds	-	862	345	292	-	1,532	53,960	56,991
Money Market	-	-	-	-	-	-	6,298	6,298
Other Fixed Income Securities	-	-	-	-	-	-	6,867	6,867
Total Primary Government	$ -	$ 862	$ 345	$ 26,222	$ -	$ 1,532	$ 67,125	$ 96,086

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, 2020, 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 $225 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, 2020 was $113.2 million and was comprised of the following (expressed in thousands):

	Percival Baxter Trust	Baxter Park Wilderness Trust
U.S. Instrumentalities	$ 1,867	$ -
U.S. Treasury Notes	2,332	-
Corporate Notes and Bonds	3,072	-
Other Fixed Income Securities	15,715	6,745
Equities	57,753	17,982
Cash and Equivalents	935	417
Other	6,407	-
Total	$ 88,081	$ 25,144

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2020 these disbursements, on average, exceeded $188 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. Investments 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, 2020:

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
Corporate Notes and Bonds	$ 72,911	$ 43,696	$ 29,179	$ 36
U.S. Instrumentalities	388,972	-	388,972	-
U.S. Treasury Notes	490,265	490,265	-	-
Other Fixed Income Securities	43,810	36,401	1,002	6,407
Equities	74,331	74,331	-	-
Other	417	417	-	-
Total	$ 1,070,706	$ 645,110	$ 419,153	$ 6,443

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 fair 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, 2020 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, 2020 was $270.2 million and $264.0 million, respectively.

The system did not have any derivative investments as of June 30, 2020 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 5.63 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 $124.9 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 $22.3 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)

	Taxes	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:					
General	$ 619,976	$ 146,753	$ 1	$ (159,063)	$ 607,667
Highway	19,731	3,952	-	(60)	23,623
Federal	-	213,825	-	(85,641)	128,184
Other Special Revenue	14,561	125,446	4,003	(59,844)	84,166
Total Governmental Funds	654,268	489,976	4,004	(304,608)	843,640
Allowance for Uncollectibles	(100,190)	(203,955)	(463)		
Net Receivables	$ 554,078	$ 286,021	$ 3,541		$ 843,640
Proprietary Funds:					
Employment Security *	$ -	$ 157,662	$ -	$ (59,732)	$ 97,930
Nonmajor Enterprise	-	40,688	-	(141)	40,547
Internal Service	-	5,721	-	-	5,721
Total Proprietary Funds	-	204,071	-	(59,873)	144,198
Allowance for Uncollectibles	-	(59,873)	-		
Net Receivables	$ -	$ 144,198	$ -		$ 144,198

* Accounts receivable increased significantly in the Employment Security Major Enterprise Fund in fiscal year 2020. This is due primarily to a significant increase in fraudulent claims activity associated with Pandemic Unemployment Assistance and emergency benefits provided in response to the Coronavirus Pandemic.

Component Units - Receivables
(Expressed in Thousands)

	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Finance Authority of Maine	$ 2,799	$ 100,759	$ (6,020)	$ 97,538
Maine Community College System	8,279	-	(1,166)	7,113
Maine Health and Educational Facilities Authority	302	383,498	(69)	383,731
Maine Municipal Bond Bank	632	-	-	632
Maine State Housing Authority	11,587	1,450,731	(8,561)	1,453,757
Maine Turnpike Authority	5,799	-	-	5,799
University of Maine System	56,907	33,530	(14,774)	75,663
Net Receivables	$ 86,305	$ 1,968,518	$ (30,590)	$ 2,024,233

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. The balances of current interfund receivables and payables as of June 30, 2020 were:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 8,967	$ -	$ -
Highway	2	2	15,893	-	-
Federal	5	-	179	6,939	-
Other Special Revenue	15,777	317	800	915	13
Other Governmental	-	-	-	-	-
Employment Security	-	-	478	-	-
Non-Major Enterprise	2,452	59	-	5	-
Internal Service	12,694	4,423	13,324	4,953	-
Fiduciary	46,577	-	-	-	-
Total	$ 77,507	$ 4,801	$ 39,641	$ 12,812	$ 13

	Due to Other Funds				
Due from Other Funds	**Employment Security**	**Non-Major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General	$ -	$ 12,660	$ 18,441	$ -	$ 40,068
Highway	-	-	-	-	15,897
Federal	3,835	-	-	-	10,958
Other Special Revenue	-	7,963	242	-	26,027
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	478
Non-Major Enterprise	-	-	-	-	2,516
Internal Service	-	422	5,334	2	41,152
Fiduciary	-	-	-	-	46,577
Total	$ 3,835	$ 21,045	$ 24,017	$ 2	$ 183,673

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 2020, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The General Fund transferred $16.5 million, $4.0 million and $32.5 million to the Other Special Revenue Fund, respectively, for: Indigent Legal Services Fund, Maine Economic Development Fund and the Property Tax Relief Fund. The Liquor Operation Revenue Fund transferred $20.0 million to the unappropriated surplus of the General Fund.

Interfund transfers for the year ended June 30, 2020 consisted of the following:

Interfund Transfers
(Expressed in Thousands)

	Transferred From				
Transferred To	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 23	$ 22,046	$ -
Highway	1,689	-	11,764	11,819	-
Federal	-	-	-	12,716	-
Other Special Revenue	239,594	6,346	441	26,658	3,087
Other Governmental Funds	-	-	-	-	2,076
Non-Major Enterprise	-	5,928	-	-	-
Internal Service	2,053	-	-	-	-
Fiduciary	-	-	-	-	750
Total	$ 243,336	$ 12,274	$ 12,228	$ 73,239	$ 5,913

	Transferred From				
Transferred To	**Employment Security**	**Non-Major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General	$ -	$ 84,590	$ 4,000	$ 6,673	$ 117,332
Highway	-	-	-	-	25,272
Federal	6,859	-	-	-	19,575
Other Special Revenue	-	42,954	-	821	319,901
Other Governmental Funds	-	-	-	-	2,076
Non-Major Enterprise	-	-	-	-	5,928
Internal Service	-	-	-	-	2,053
Fiduciary	-	-	-	-	750
Total	$ 6,859	$ 127,544	$ 4,000	$ 7,494	$ 492,887

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, 2020:

Primary Government - Capital Assets
(Expressed in Thousands)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 644,484	$ 5,522	$ 54	$ 649,952
Construction in progress	58,088	45,008	22,975	80,121
Infrastructure	2,931,726	28,129	-	2,959,855
Total capital assets not being depreciated	3,634,298	78,659	23,029	3,689,928
Capital assets being depreciated				
Buildings	866,161	23,230	7,760	881,631
Equipment	311,748	22,492	11,130	323,110
Improvements other than buildings	113,590	907	9,433	105,064
Software	118,777	-	-	118,777
Total capital assets being depreciated	1,410,276	46,629	28,323	1,428,582
Less accumulated depreciation for				
Buildings	365,667	22,238	4,916	382,989
Equipment	224,015	23,836	8,578	239,273
Improvements other than buildings	63,878	10,864	9,433	65,309
Software	68,818	15,410	-	84,228
Total accumulated depreciation	722,378	72,348	22,927	771,799
Total capital assets being depreciated, net	687,898	(25,719)	5,396	656,783
Governmental Activities Capital Assets, net	$ 4,322,196	$ 52,940	$ 28,425	$ 4,346,711

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated				
Land	$ 2,389	$ -	$ -	$ 2,389
Construction in progress	5,674	6,817	-	12,491
Total capital assets not being depreciated	8,063	6,817	-	14,880
Capital assets being depreciated				
Buildings	4,655	-	-	4,655
Equipment	24,666	31	14	24,683
Improvements other than buildings	42,757	-	-	42,757
Total capital assets being depreciated	72,078	31	14	72,095
Less accumulated depreciation for				
Buildings	3,044	136	-	3,180
Equipment	11,476	708	14	12,170
Improvements other than buildings	32,931	1,489	-	34,420
Total accumulated depreciation	47,451	2,333	14	49,770
Total capital assets being depreciated, net	24,627	(2,302)	-	22,325
Business-Type Activities Capital Assets, net	$ 32,690	$ 4,515	$ -	$ 37,205

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)

	Amount
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	$ 32
Business Licensing and Regulation	412
Economic Development and Workforce Training	1,814
Education	272
Governmental Support and Operations	12,496
Health and Human Services	10,937
Justice and Protection	15,709
Natural Resources Development and Protection	5,928
Transportation Safety and Development	24,748
Total Depreciation Expense - Governmental Activities	$ 72,348

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, 2020, there were 74 employers participating in these plans. The 1,394 participants individually direct the $46.0 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, 2020 report may be obtained from the Maine Public Employees Retirement System, PO Box 349 Augusta, ME 04332-0349 or on-line at www mainepers.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, 2019. 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, 2020 there were 237 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, 2019:

Employees of single employer covered by benefit terms

	Judicial	Legislative
Inactive employees or beneficiaries currently receiving benefits	76	204
Terminated participants:		
Vested	3	124
Inactive employees due refunds	1	111
Active employees	61	179
Total participants	141	618

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 1.92 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[1] in effect for the fiscal years ended June 30, 2020 and June 30, 2019 are as follows:

	June 30, 2020	June 30, 2019
SETP - State Employees		
Employees [2]	7.65% - 8.65%	7.65% - 8.65%
Employer [1]	20.93% - 32.68%	23.44% - 47.64%
SETP - Teachers		
Employees [2]	7.65%	7.65%
Employer [1]	4.16%	3.97%
Non-employer entity [1]	14.33%	11.08%
Judicial Plan		
Employees [2]	7.65%	7.65%
Employer [1]	8.89%	14.94%
Legislative Plan		
Employees [2]	7.65%	7.65%
Employer [1]	0.00%	0.00%
Consolidated Participating Local Entities		
Employees [2]	3.85% - 9.50%	4.50% - 9.50%
Employer [1]	4.50% - 16.20%	4.10% - 16.30%

[1] Employer and non-employer contribution rates include normal cost and the UAAL required payment, expressed as a percentage of payroll.
[2] Employer and employee contribution rates vary depending on specific terms of plan benefits for certain classes of employees.

For the year ended June 30, 2020, 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	$ 152,815
1 Major and Non-major Component Unit and 1 formerly reported component unit.	8,494
Subtotal State & Component Unit Members	$ 161,309
Teacher Members (Non-employer contribution)	$ 132,564

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, 2019, 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)

	Judicial Pension Plan			Legislative Pension Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2019	$ 68,293	$ 71,235	$ (2,942)	$ 8,560	$ 12,756	$ (4,196)
Changes for the Year:						
Service Cost	1,597	-	1,597	297	-	297
Interest	4,582	-	4,582	578	-	578
Differences Between Expected and Actual Experience	(1,087)	-	(1,087)	239	-	239
Benefit Payments, Including Refunds	(4,068)	(4,068)	-	(607)	(607)	-
Employer Contributions	-	1,213	(1,213)	-	-	-
Member Contributions	-	620	(620)	-	221	(221)
Transfers	-	(3)	3	-	45	(45)
Net Investment Income	-	4,709	(4,709)	-	845	(845)
Administrative Expense	-	(68)	68	-	(12)	12
Net Changes	1,024	2,403	(1,379)	507	492	15
Balances at June 30, 2020	$ 69,317	$ 73,638	$ (4,321)	$ 9,067	$ 13,248	$ (4,181)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			106.2 %			146.1 %
Covered Payroll			$ 8,117			$ 2,660
Net Pension Liability as a Percentage of Covered Payroll			(53.2)%			(157.2)%

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, 2019, 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, 2020 and June 30, 2019 is as follows:

(Expressed in Thousands)

Pension Plan	Proportionate Share June 30, 2019	Proportionate Share June 30, 2020	Net Pension Asset June 30, 2020	Net Pension Liability June 30, 2020
SETP - State Employees [1]	$ 94.652308	94.775523 %	$ -	$ 991,147
SETP - Teachers [2]	95.298384	95.540502 %	-	1,400,505
Total Primary Government			-	2,391,652
SETP - 1 Major and Non-major Component Unit and 1 formerly reported component unit [1]	$ 5.347691	5.224477 %	$ -	$ 54,637

[1] Percentage of State Employees in the SETP
[2] 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, 2019	June 30, 2020	Change Increase (Decrease)
Governmental Funds	91.27 %	91.32 %	0.05 %
Internal Service Funds	7.45 %	7.40 %	(0.05)%
Enterprise Funds	1.28 %	1.28 %	0.00 %

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)

	SETP State of Maine	Component Units[1]	Total State of Maine Employees SETP	SETP Teachers
Total Pension Liability				
Service Cost	$ 75,013	$ 4,135	$ 79,148	$ 145,626
Interest	310,733	17,129	327,862	606,148
Differences Between Expected and Actual Experience	49,370	2,721	52,091	156,628
Benefit Payments, Including Refunds of Member Contributions	(296,753)	(16,358)	(313,111)	(538,358)
Change in Proportionate Share	6,077	(6,077)	-	-
Net Change in Total Pension Liability	144,440	1,550	145,990	370,044
Beginning Total Pension Liability	4,668,307	263,752	4,932,059	9,099,130
Ending Total Pension Liability	4,812,747	265,302	5,078,049	9,469,174
Plan Fiduciary Net Position				
Employer Contributions	153,056	8,437	161,493	56,910
Non-employer Contributions	-	-	-	132,981
Member Contributions	45,355	2,500	47,855	98,164
Transfers	(300)	(17)	(317)	1
Net Investment Income	244,127	13,457	257,584	511,403
Benefit Payments, Including Refunds of Member Contributions	(296,753)	(16,358)	(313,111)	(538,358)
Change in Proportionate Share	4,783	(4,783)	-	-
Administrative Expense	(3,537)	(195)	(3,732)	(7,449)
Net Change in Plan Fiduciary Net Position	146,731	3,041	149,772	253,652
Beginning Plan Fiduciary Net Position	3,674,869	207,624	3,882,493	7,749,687
Ending Plan Fiduciary Net Position	3,821,600	210,665	4,032,265	8,003,339
Ending Net Pension Liability	$ 991,147	$ 54,637	$ 1,045,784	$ 1,465,835
Proportion				
June 30, 2020	94.775523 %	5.224477 %	100 %	95.540502 %
June 30, 2019	94.652308 %	5.347692 %	100 %	95.298384 %
Change - Increase (Decrease)	0.123215 %	(0.123215)%	0 %	0.242118 %

[1]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, prior to 2012, the amortization method used a closed 16-year amortization of UAL. Beginning in 2012, the amortization method used individual, closed, 10-year amortization of UAL arising each year. 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, respectively. 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, 2020, the State recognized pension expense of $412,598 which includes $247,837 of teacher pensions recorded in grant expense.

PENSION COSTS
(Expressed in Thousands)

SETP - State of Maine Pension Expense	$ 163,598
SETP - Teachers Non-Employer Pension Expense (grant expense)	247,837
Legislative Pension Expense	65
Judicial Pension Expense	1,098
	$ 412,598

At June 30, 2020, the State reported $538,372 of deferred outflows of resources and $300,338 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of $329,330 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, 2021. 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	$ 34,599	$ -	$ 1,907	$ -	$ 36,506	$ -
Changes of assumptions	20,432	-	1,126	-	21,558	-
Net difference between projected and actual earnings on pension plan investments	-	99,070	-	5,461	-	104,531
Changes in proportion and differences between State contributions and proportionate share of contributions	917	672	809	1,053	1,726	1,725
State and component unit contributions subsequent to the measurement date	154,513	-	8,059	-	162,572	-
Total	$ 210,461	$ 99,742	$ 11,901	$ 6,514	$ 222,362	$ 106,256
For the Year Ended						
2021	20,291		1,330		21,621	
2022	(42,044)		(2,787)		(44,831)	
2023	(22,216)		(1,225)		(23,441)	
2024	176		9		185	
2025	-		-		-	

	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	$ 108,940	$ -	$ -	$ -	$ -	$ 544
Changes of assumptions	40,549	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	197,689	-	341	-	2,022
Changes in proportion and differences between State contributions and proportionate share of contributions	3,605	-	-	-	-	-
State and component unit contributions subsequent to the measurement date	174,093	-	8	-	716	-
Total	$ 327,187	$ 197,689	$ 8	$ 341	$ 716	$ 2,566
For the Year Ended						
2021	66,935		(62)		(974)	
2022	(67,705)		(203)		(1,166)	
2023	(44,426)		(76)		(430)	
2024	600		-		5	
2025	-		-		-	

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.

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
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 2019 and 2018 actuarial valuations for the State Employee and Teacher Plan. 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.

NET PENSION LIABILITY SENSITIVITY

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)

Defined Benefit Plans Administered Through MPERS	**1% Decrease (5.750%)**	**Current Discount Rate (6.750%)**	**1% Increase (7.750%)**
State Employee and Teacher Pension Plan:			
State & Component Unit Members			
State Employees	$ 1,198,608	$ 991,148	$ 267,041
Maine Community College System	58,307	48,215	12,991
2 Formerly Reported Component Units.	7,765	6,421	1,730
Subtotal State & Component Unit Members	1,264,680	1,045,784	281,762
Teacher Members (100%)	2,650,268	1,465,876	478,902
Total State Employee and Teacher Pension Plan	$ 3,914,948	$ 2,511,660	$ 760,664
Judicial Pension Plan	1,815	(4,321)	(9,663)
Legislative Pension Plan	(3,260)	(4,181)	(4,978)

RECOGNITION OF CHANGES - EXCEPTIONS

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 2019, this was one year for the Legislative Plan, two years for the Judicial Plan, three years for the State Employee and Teacher Plan and four for the PLD Consolidated Plan. Prior to 2017, this was two years for the Legislative Plan. With the exception of 2018, which reported three years, prior years reflected 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, 2019 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. Public Law 2019, Chapter 446 §2 changed a number of plan provisions. Effective July 1, 2021 the applicable premium subsidy is 55 percent. The State's premium subsidy is outlined in Title 5 MRSA §286-M ¶6, as referenced in Title 5 MRSA §285 ¶11-A, as being the 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 plan change also enables an enrollee to participate in the group health insurance plan in which the enrollee's spouse participates if that plan is offered in this State or in another group health insurance plan that is offered in this State. Active employees may elect to enroll in the plan on different dates based on date of hire. A special open enrollment period exists for all active employees from October 1, 2019 through December 31, 2021. 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 140 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, 2020 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349 or on-line at www mainepers.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	11,886	27,236	598	10,793	14,592
Retirees	8,848	10,292	121	8,329	7,437
Inactives Vested	134	533	-	-	-
Total	20,868	38,061	719	19,122	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.

Public Law 2019, Chapter 280 establishes a separate trust for the purpose of accumulating resources to assist in retiring the unfunded liability of the first responders plan. Beginning June 30, 2020, all monies not necessary to fund the normal costs and administrative costs of the program must be transferred from the Firefighters and Law Enforcement Officers Health Insurance Program Fund to the trust at the end of each fiscal year.

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 82 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)

	Healthcare Increase (Decrease) Teachers	First Responders
Balances at June 30, 2019	$ 1,235,862	$ 19,232
Changes for the Year:		
Service Cost	33,787	751
Interest	48,502	763
Contributions - Employee	-	(592)
Contributions - Non-Employer Contributing Entity	(33,032)	(48)
Administrative Expenses	-	92
Benefit Payments	-	8,247
Differences Between Expected and Actual Experience	59,296	(863)
Changes in Assumptions - Discount Rate	90,624	939
Changes in Assumptions - Others	6,221	(1,015)
Net Changes	205,398	8,274
Balances at June 30, 2020	$ 1,441,260	$ 27,506
Covered Payroll	$ 1,260,742	$ 66,360
Total OPEB Liability as a Percentage of Covered Payroll	114.3 %	41.4 %
State's Proportionate Share of the Collective Total OPEB Liability	75 %	23 %

The State's proportionate share for fiscal years ended June 30, 2020 and June 30, 2019 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)

	Healthcare	Group Life Insurance		
	State Employees	State Employees	Component Units and Others	Teachers
Total OPEB Liability				
Service Cost	$ (17,425)	$ (873)	$ (46)	$ (1,213)
Interest	(79,128)	(6,263)	(330)	(6,563)
Differences Between Expected and Actual Experience	51,593	-	-	-
Changes in Assumptions Other	(517)	-	-	-
Change in Proportion	-	180	(180)	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	70,524	3,779	199	3,140
Benefit Payments, Including Refunds of Member Contributions - Implicit	20,305	-	-	-
Net Change in Total OPEB Liability	45,352	(3,177)	(357)	(4,636)
Beginning Total OPEB Liability	(1,199,512)	(93,948)	(4,759)	(97,555)
Ending Total OPEB Liability	(1,154,160)	(97,125)	(5,116)	(102,191)
Plan Fiduciary Net Position				
Employer Contributions - Explicit	(72,524)	(3,998)	(211)	-
Employer Contributions - Implicit	(20,305)	-	-	-
Non-employer Contributions	-	-	-	(3,547)
Transfers	-	-	-	(4,061)
Net Investment Income	(18,846)	(2,238)	(121)	-
Changes in Proportion	-	63	(63)	-
Benefit Payments, Including Refunds of Member Contributions	90,829	3,779	199	3,140
Administrative Expense	3	253	14	460
Net Change in Plan Fiduciary Net Position	(20,843)	(2,141)	(182)	(4,008)
Beginning Plan Fiduciary Net Position	(256,860)	(32,968)	(1,670)	(59,648)
Ending Plan Fiduciary Net Position	(277,703)	(35,109)	(1,852)	(63,656)
Ending Net OPEB Liability	$ (876,457)	$ (62,016)	$ (3,264)	$ (38,535)
Proportion				
June 30, 2020	(100.000000)%	(94.999635)%	(5.000365)%	(100.000000)%
June 30, 2019	(100.000000)%	(95.182167)%	(4.817833)%	(100.000000)%
Change - Increase (Decrease)	0.000000 %	0.182532 %	(0.182532)%	0.000000 %
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	(24.061049)%	(36.148263)%	(36.200156)%	(62.291200)%

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, 2019. 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 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 6.40 percent at June 30, 2018 and 6.20 percent at June 30, 2019. 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, 2018 rolled forward to June 30, 2019. 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, 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, 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, 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.

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, 2019 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, 2019. 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, 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: using a 2.75 percent inflation rate and 3.00 percent 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 3.50 percent as of the measurement date, June 30, 2019, (3.87 percent as of June 30, 2018). The initial medical trend rate had been 6.40 percent at June 30, 2018 and 6.20 percent at June 30, 2019. 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, 2019. 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 3.50 percent as of the measurement date, June 30, 2019, (3.87 percent as of June 30, 2018). 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. Other significant actuarial assumptions employed by the actuary for June 30, 2019 and June 30, 2018 include using a 2.75 percent inflation rate and 3.00 percent annual salary increase. The initial medical trend rate had been 6.40 percent at June 30, 2019 and 6.20 percent at June 30, 2020. 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, 2020, the State recognized OPEB expense of $162,484. Costs related to non-State employees are charged to the General Fund.

OPEB COSTS

(Expressed in Thousands)

SETP - State of Maine Healthcare OPEB Expense	$ 68,805
SETP - Teachers Non-Employer Healthcare OPEB Expense	77,144
First Responders Healthcare OPEB Expense	7,804
Group Life Insurance OPEB Expense - State Employees	5,093
Group Life Insurance OPEB Expense - Teachers (grant expense)	3,638
	$ 162,484

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, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Healthcare
(Expressed in Thousands)

	State		Teachers		First Responders	
	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	$ 8,944	$ 41,594	$ 76,892	$ 3,778	$ -	$ 2,609
Changes of assumptions	417	-	83,740	146,260	-	4,103
Net difference between projected and actual earnings on OPEB plan investments	-	9,591	-	-	-	-
State and component unit contributions subsequent to the measurement date	88,619	-	31,133	-	649	-
Total	$ 97,980	$ 51,185	$ 191,765	$ 150,038	$ 649	$ 6,712
For the Year Ended						
2021	(10,413)		(5,145)		(1,457)	
2022	(10,414)		(5,145)		(1,457)	
2023	(9,459)		(5,145)		(1,457)	
2024	(9,957)		(5,145)		(1,457)	
2025	(1,581)		5,363		(674)	
Thereafter	-		25,811		(210)	

Group Life Insurance
(Expressed in Thousands)

	State		Teachers	
	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	$ 904	$ -	$ 486	$ -
Changes of assumptions	1,047	-	1,289	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,078	-	1,914
Changes in proportion and differences between State contributions and proportionate share of contributions	196	106	-	-
State and component unit contributions subsequent to the measurement date	4,623	-	4,478	-
Total	$ 6,770	$ 1,184	$ 6,253	$ 1,914
For the Year Ended				
2021	53		(573)	
2022	53		(573)	
2023	(272)		-	
2024	(409)		246	
2025	(388)		761	
Thereafter	-		-	

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.

	State Employee Healthcare		**Group Life Insurance**	
Asset Class:	**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, 2020, the annual money-weighted average rate of return on investments, net of investment expense was 6.0 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 3.50 percent. The discount rate used for funded group life insurance plans is 6.75 percent.

Discount Rate
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liabilities			
State Employee Healthcare Plan	$ 1,014,099	$ 876,457	$ 761,938
State Employee Group Life	$ 75,320	$ 62,014	$ 51,121
State Employee Group Life - DCU	$ 3,965	$ 3,266	$ 2,691
Teacher Group Life	$ 53,867	$ 38,535	$ 26,125
Total OPEB Liabilities			
Teacher Healthcare Plan	$ 1,730,596	$ 1,441,260	$ 1,213,428
First Responders Healthcare Plan	$ 29,968	$ 27,506	$ 25,282

Healthcare Cost Trend Rate
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB State Employee Healthcare Plan	$ 745,704	$ 876,457	$ 1,035,223
Total OPEB Teacher Healthcare Plan	$ 1,181,120	$ 1,441,260	$ 1,786,209
Total OPEB First Responder Healthcare Plan	$ 24,852	$ 27,506	$ 30,586

For all plans, the current trend rate is 6.20 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, 2020 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, 2020 were as follows:

(Expressed in Thousands)

	State Employee Healthcare Plan	State and Teachers Group Life Insurance Benefit Plan
Total OPEB liability	$ 1,180,487	$ 213,309
Plan fiduciary net position	291,559	105,617
State of Maine's net OPEB liability	$ 888,928	$ 107,692
Plan fiduciary net position as a percentage of the total OPEB liability	24.70 %	49.51 %

Actuarial assumptions for both funded OPEB plans used in the June 30, 2020 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 2020 healthcare valuation, actuaries decreased the initial medical trend rate from 6.20 percent to 6.00 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.

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class for the State Employee and Teacher Group Life Insurance Benefit Plan		
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 %
Asset Class for State Employee Healthcare Plan		
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, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 6.0 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)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 1,028,260	$ 888,928	$ 772,972
State Employee and Teacher Group Life Insurance Benefit Plan	$ 138,563	$ 107,692	$ 82,569

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 6.00 percent grading down to 4.29 percent.

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 746,393	$ 888,928	$ 1,062,502

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 2020 were:

Primary Government - Changes in General Obligation Bonds
(Expressed in Thousands)

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
General Obligation Debt:					
General Fund	$ 533,580	$ 114,905	$ 77,995	$ 570,490	$ 77,700
Special Revenue Fund	9,820	-	7,610	2,210	2,210
Unamortized Premiums:					
General Fund	60,378	26,395	7,675	79,098	10,326
Total	$ 603,778	$ 141,300	$ 93,280	$ 651,798	$ 90,236

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2020 until maturity, are summarized in the following table:

Future Debt Service on General Obligation Bonds
(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2021	$ 79,910	$ 26,332	$ 106,242
2022	83,845	23,018	106,863
2023	79,110	19,578	98,688
2024	79,105	15,800	94,905
2025	67,810	12,125	79,935
2026-2030	182,920	21,663	204,583
Total	$ 572,700	$ 118,516	$ 691,216
Unamortized Premiums	79,098		
Total Principal	$ 651,798		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2020 are as follows:

Primary Government - General Obligation Bonds Outstanding
(Expressed in Thousands)

	Amounts Issued	Outstanding June 30, 2020	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
General Fund:					
Series 2010	$ 31,755	$ -	2011	2020	1.41% - 4.00%
Series 2011	86,010	6,625	2012	2021	1.625% - 5.00%
Series 2012	49,265	9,470	2013	2022	1.00% - 5.00%
Series 2014	112,945	45,175	2015	2024	0.20% - 5.00%
Series 2015	102,555	51,275	2016	2025	0.85% - 5.00%
Series 2016	97,705	58,620	2017	2026	1.00% - 5.00%
Series 2017	98,060	68,635	2018	2027	2.00% - 5.00%
Series 2019A	111,255	89,000	2019	2028	3.125% - 5.00%
Series 2019B	140,875	126,785	2020	2029	2.50% - 5.00%
Series 2020	114,905	114,905	2021	2030	1.25% - 5.00%
		570,490			
Plus Unamortized Bond Premium		79,098			
Total General Fund		$ 649,588			
Special Revenue Fund:					
Series 2010	25,080	-	2011	2020	1.41% - 4.00%
Series 2011	22,125	2,210	2012	2021	1.625% - 5.00%
Total Special Revenue		$ 2,210			

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, 2020, general obligation bonds authorized and unissued totaled $64.6 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included $383.9 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, 2020, MGFA issued $171.0 million in 2020A bonds with interest rates between 2.50 percent and 5.00 percent.

At June 30, 2020, there were no 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 2020. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2020 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, 2020, are summarized as follows:

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

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
General Activities:					
MGFA Revenue Bonds	$ 236,699	$ 170,995	$ 23,759	$ 383,935	$ 21,980
COP's and Other Financing	51,269	12,100	25,520	37,849	13,852
Compensated Absences	51,299	18,242	7,769	61,772	9,359
Claims Payable	67,520	167,958	165,056	70,422	19,803
Capital Leases	58,577	4,626	9,481	53,722	6,200
Loans Payable to Component Unit	375,163	-	54,970	320,193	56,703
Total Government Activities	$ 840,527	$ 373,921	$ 286,555	$ 927,893	$ 127,897
Business-Type Activities:					
Compensated Absences	$ 779	$ 272	$ 103	$ 948	$ 125

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2020 until maturity, are summarized as follows:

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

	Governmental Funds			Internal Service Funds		
Fiscal Year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2021	$ 7,044	$ 376	$ 7,420	$ 28,787	$ 16,514	$ 45,301
2022	4,648	268	4,916	24,688	15,517	40,205
2023	3,912	189	4,101	23,789	14,537	38,326
2024	3,984	117	4,101	22,610	13,576	36,186
2025	2,349	45	2,394	21,753	12,615	34,368
2026 - 2030	1,150	23	1,173	99,785	49,047	148,832
2031 - 2035	-	-	-	92,855	27,641	120,496
2036 - 2040	-	-	-	84,430	7,958	92,388
Total	$ 23,087	$ 1,018	$ 24,105	$ 398,697	$ 157,405	$ 556,102

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 2020 were:

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

	Balance July 1, 2019	**Additions**	**Reductions**	**Balance June 30, 2020**	**Due Within One Year**
Loans Payable to Components Unit:					
Federal Funds	$ 156,752	$ -	$ 18,211	$ 138,541	$ 18,605
Special Revenue Fund	218,411	-	36,759	181,652	38,098
Total	$ 375,163	$ -	$ 54,970	$ 320,193	$ 56,703

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, 2020 are as follows:

GARVEE, TransCap and Liquor Revenue Bonds Outstanding
(Expressed in Thousands)

	Amounts Issued	Outstanding June 30, 2020	Fiscal Year Maturities: First Year	Fiscal Year Maturities: Last Year	Interest Rates
Federal Funds:					
Series 2010B	$ 24,085	$ 14,890	2018	2022	4.52% - 5.32%
Series 2014A	44,810	29,645	2015	2026	2.00% - 5.00%
Series 2016A	44,105	35,575	2017	2028	2.63% - 5.00%
Series 2018A	44,310	44,310	2023	2030	4.00% - 5.00%
Series 2018B	9,875	5,030	2019	2020	4.00%
Total Federal Funds		$ 129,450			
Special Revenue Fund:					
Series 2009A	105,000	19,855	2010	2023	2.50% - 5.00%
Series 2009B	30,000	2,140	2010	2024	2.00% - 5.00%
Series 2011A	55,000	46,395	2012	2026	2.00% - 5.00%
Series 2013	220,660	96,915	2015	2024	1.07% - 4.35%
Series 2015A	54,680	50,985	2019	2024	4.00% - 5.00%
Total Special Revenue Funds		$ 216,290			

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 2020 were $231.9 million. Current year payments to MMBB for GARVEE bonds were $22.4 million (9.7 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 $40.8 million in fiscal year 2020.

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 $62.3 million in fiscal year 2020.

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, 2020 capital assets include capitalized buildings of $98.3 million in Governmental Activities, with related accumulated depreciation of $49.8 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 $3.1 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
2021	$ 6,200	$ 3,088
2022	5,238	2,311
2023	4,872	1,988
2024	4,401	1,776
2025	4,098	1,648
2026-2030	15,919	5,321
2031-2035	10,112	2,943
2036-2040	7,125	735
2041-2045	5,534	736
2046-2050	3,206	797
2051-2055	-	290
Total Minimum Payments	66,705	$ 21,633
Less: Amount Representing Interest	12,983	
Present Value of Future Minimum Payments	$ 53,722	

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, 2020 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)

Component Unit	Interest Rates	Amount	Maturity Dates
Finance Authority of Maine	3.000% - 5.050%	$ 88,576	2020 - 2040
Maine Community College System	4.250% - 5.000%	$ 17,326	2020 - 2036
Maine Health and Higher Educational Facilities Authority	2.000% - 5.250%	438,155	2020 - 2049
Maine Municipal Bond Bank	0.500% - 6.120%	1,678,316	2020 - 2049
Maine State Housing Authority	0.000% - 5.000%	1,470,000	2020 - 2054
Maine Turnpike Authority	2.000% - 5.250%	524,282	2020 - 2047
University of Maine System	1.500% - 5.000%	$ 131,776	2020 - 2037

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.

On July 31, 2019 Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $54.6 million of bonds under the 2019A Reserve Resolution bonds 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 U.S. 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.

On July 31, 2019 MHHEFA issued a forward refunding of $42.4 million of 2019C Reserve Resolution bonds with a closing date of April 3, 2020. The bonds have an average interest rate of 5.0 percent. The bonds were used to defease $50.7 million of certain maturities within the 2010A bond series. The net proceeds of approximately $51.9 million, including other sources of funds and after payment of underwriting fees and other issuance costs, were used to purchase U.S. 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.

On June 30, 2020 MHHEFA issued $21.7 million in 2020A Reserve Resolution fund bonds with an average interest rate of 4.39 percent, all of which was used to in-substance defease $26.4 million of certain maturities within the 2010B bond series. The net proceeds of approximately $27.1 million, including other sources of funds and after payment of underwriting fees and other issuance costs, were used to purchase U.S. 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.

At June 30, 2020, MHHEFA had approximately $106.9 million of defeased bonds remaining outstanding with respect to all 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.

At June 30, 2020, the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $45.8 million.

For the period ended December 31, 2019, the Maine State Housing Authority redeemed prior to maturity $107.2 million of its Mortgage Purchase Fund Group bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund gains of $228 thousand were attributed to recognition of the related bond premium.

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

Component Units Principal Maturities
(Expressed in Thousands)

Fiscal Year Ending	FAME	MMBB	MCCS	MSHA	MTA	UMS	MHHEFA
2021	$ 4,535	$ 132,110	$ 810	$ 23,935	$ 16,015	$ 10,870	$ 32,575
2022	5,415	148,330	850	48,255	17,350	11,347	34,780
2023	6,335	139,080	895	48,880	18,435	10,831	31,835
2024	6,915	135,970	935	51,030	19,360	11,316	31,980
2025	7,445	142,275	980	49,825	23,790	9,820	31,250
2026 - 2030	28,905	479,446	5,370	246,070	136,850	43,655	132,530
2031 - 2035	17,395	215,690	5,202	263,255	99,920	26,455	90,245
2036 - 2040	8,295	139,135	245	262,235	67,620	865	44,080
2041 - 2045	-	13,960	-	218,805	52,040	-	7,130
2046 - 2050	-	5,000	-	184,160	28,660	-	1,750
2051 - 2055	-	-	-	49,165	-	-	-
Net Unamortized Premium (or Deferred Amount)	3,336	127,320	2,039	24,385	44,242	6,617	-
Total Principal Payments	$ 88,576	$ 1,678,316	$ 17,326	$ 1,470,000	$ 524,282	$ 131,776	$ 438,155

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:

Type of Insurance:	Coverage Per Occurrence	Risk Retention Per Occurrence	Excess Insurance Per Occurrence
Property*	$400 million	$2 million	$400 million
Ocean Marine Boat Liability*[1]	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[2]	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*[3]	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.
[1] 10 million is the maximum limit for per occurrence coverage. Some agencies have chosen $400 thousand.
[2] Excess insurance is only for out of state travel.
[3] $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, 2020. 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, 2020 and 2019 the present value of claims payable for the State's self-insurance plan was estimated at $11.7 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)

	2020	2019
Liability at Beginning of Year	$ 8,039	$ 8,026
Current Year Claims and Changes in Estimates	9,620	2,298
Claims/Fees Expense	5,957	2,285
Liability at End of Year	$ 11,702	$ 8,039

As of June 30, 2020, fund assets of $26.7 million exceeded fund liabilities of $13.2 million by $13.5 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 $620 thousand for the fiscal year ended June 30, 2020.

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, 2020 and 2019:

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

	2020	2019
Liability at Beginning of Year	$ 44,316	$ 46,149
Current Year Claims and Changes in Estimates	12,612	8,764
Claims Payments	9,497	10,597
Liability at End of Year	$ 47,431	$ 44,316

Based on the actuarial calculation as of June 30, 2020, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $61.7 million. The discounted amount is $47.4 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 36,175 covered individuals. This total includes approximately 26,850 active employees, retirees and their dependents in the PPO plan and 9,325 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 $11.3 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2020 follows:

(Expressed in Thousands)

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 11,374	$ 3,791
Claims and Changes in Estimate	116,036	29,690
Claims Payments	118,943	30,659
Liability at End of Year	$ 8,467	$ 2,822

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 $71.2 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $17.4 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 2020, 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 unaudited financial information as of the date of publication.

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

Current Assets	$ 15,051
Noncurrent Assets	20,409
Total Assets	$ 35,460
Current Liabilities	$ 13,728
Long-term Liabilities	14,710
Total Liabilities	$ 28,438
Designated Prize Reserves	$ 4,346
Reserve for Unrealized Gains	2,676
Total Net Position	7,022
Total Liabilities and Net Position	$ 35,460
Total Revenue	$ 72,892
Total Expenses	50,271
Allocation to Member States	22,621
Change in Unrealized Gain on Investments Held for Resale	674
Change in Net Position	$ 674

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 38 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 2020, 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	$ 362,307
Investments in US Government Securities	79,603
US Government Securities Held for Prize Annuities	64,127
Due from Party Lotteries	27,316
Other Assets	913
Total Assets	$ 534,266
Amount Held for Future Prizes	$ 452,465
Grand Prize Annuities Payable	64,186
Other Liabilities	2,905
	519,556
Net Position, Unrestricted	14,710
Total Liabilities and Net Position	$ 534,266
Total Revenue	$ 7,523
Total Expenses	5,981
Excess (Deficit) of Revenues over Expenses	1,542
Other Changes in Net Assets	(7,800)
Increase (Decrease) in Net Assets	(6,258)
Net Position, beginning	20,969
Net Position, ending	$ 14,711

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.

Spurwink, a non-profit organization, received $57.3 million in funding from the MaineCare program and $3.5 in funding for General Purpose Aid to Schools during fiscal year 2020. A member of the Maine Senate served on the board of directors during the fiscal year.

Children's Center of Maine received $2.0 million in funding from the MaineCare Program during fiscal year 2020. The spouse of an employee of the Department of Economic and Community Development served as the director during the fiscal year.

Maine Coalition Against Sexual Assault received $1.7 million in funding from the Crime Victim's Assistance Program and additional funding of $2.9 million from various other State programs during fiscal year 2020. An employee of the State of Maine served as the president of the board of directors during the fiscal year.

The Maine Technology Institute, a component unit of the State of Maine, received $16.6 million in funding from the Department of Economic and Community Development. The Director of MTI is an employee of the State of Maine and two board members are Commissioners of the State of Maine.

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, $250.2 million; Maine Community College System, $84.7 million; Maine Municipal Bond Bank (MMBB), $40.8 million; Finance Authority of Maine, $18.4 million; and Maine State Housing Authority, $36.6 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $26.8 million at June 30, 2020, 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 2020, the State expended $3.1 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 $7.2 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 2020, the amount billed totaled $9.7 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)

	Primary Government			
	Governmental Activities	**Business-Type Activities**	**Totals**	**Component Units**
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ -	$ -	$ -	$ 10,860
Refunding of Debt	2,070	-	2,070	39,184
Pension Related	535,839	2,533	538,372	18,598
OPEB Related	302,000	1,417	303,417	33,957
Total Deferred Outflows of Resources	$ 839,909	$ 3,950	$ 843,859	$ 102,599
Deferred Inflows of Resources:				
Grant Income	$ -	$ -	$ -	$ 6,486
Loan Origination Fees	-	-	-	473
Pension Related	299,060	1,278	300,338	12,357
OPEB Related	210,325	708	211,033	43,047
Total Deferred Inflows of Resources	$ 509,385	$ 1,986	$ 511,371	$ 62,363

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

Governmental Funds
(Expressed in Thousands)

	General	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental Funds**	**Total Governmental Funds**
Deferred Inflows of Resources:						
Tax Revenue or Assessments	$ 236,055	$ 815	$ 13	$ 24,757	$ -	$ 261,640
Total Deferred Inflows of Resources	$ 236,055	$ 815	$ 13	$ 24,757	$ -	$ 261,640

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, 2020, the State provided tax abatements through the following programs:

Program Name	Pine Tree Development Zone Tax Credit	Employment Tax Increment Financing	New Markets Capital Investment Tax Credit
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 FYE 6/30/2020	$2,779,119	$12,741,278	$13,396,078

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

Source: Maine Revenue Services

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.

ACA Connects - America's Communication Assoc., et al. v. Frey. Trade associations are challenging on constitutional grounds 35-A M.R.S. §9301, which restricts internet service providers from using, disclosing, or selling customers' personal information. Although plaintiffs are not seeking monetary damages, an adverse judgement could result in an order requiring the State to pay plaintiffs' attorneys' fees. 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.

Irish, et al. v. Maine State Police et. al. This lawsuit seeks damages for the fatal shooting of Kyle Hewitt, the kidnapping of Brittany Irish and the shooting of Kimberly Irish by Anthony Lord. Plaintiffs allege that defendant police officers failed to protect against the threat posed by 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.

Maine SNAP Program. The Food and Nutrition Service (FNS) of the United States Department of Agriculture assessed a $2.6 million liability against the Maine Department of Health and Human Services (DHHS) arising out of DHHS's administration of the Supplemental Nutrition Assistance Program. DHHS has appealed FNS's assessment. 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.

The Hershey Comapny et al. v. State Tax Assessor. Hershey has filed a Petition for Review against the State Tax Assessor challenging the denial of a refund of all corporate taxes paid between 2014 and 2017, which totaled in excess of $2.8 million. Hershey claims that under federal law, its limited activities in Maine, during the years at issue, protect it from state corporate income taxes. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Express Scripts, Inc. v. State Tax Assessor. Taxpayers are challenging the method by which they are required to apportion certain sales to Maine under the Maine Corporate Income Tax. If the taxpayers prevail, they may be entitled to a refund of approximately $1 million from the State. 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 encumbrance balances are $79.9 million, $2.2 million, $212.4 million, $45.8 million and $12.7 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, 2020 is $20.9 million. Superfund sites account for approximately $7.2 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 $650 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 $2.0 million. Beginning in August of 2012, the State assumed 100 percent of the operation, maintenance and monitoring costs. As of June 30, 2020, the State has received $2.1 million in recoveries from the Department of Defense. The State expects to recover additional costs of $11 thousand.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately $4.5 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 $13.4 million (net of unrealized recoveries of $298 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 statues 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 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, 2020 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 FY2020 the DEP received $1,210,489 from the CDD fee. As required, the entirety of this fee was used to reimburse municipalities for eligible expenses. At the beginning of FY20, DEP's total outstanding reimbursement obligation to municipalities was $3,892,096. At the end of FY20 the outstanding match obligation was $3,187,658. Although the overall outstanding debt during the year decreased, $506,051 of additional debt was incurred due to qualifying 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 $1.4 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 2020 fiscal year, $3.77 million of general obligation bond funds and $2.46 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2020, amounts encumbered for pollution abatement projects totaled $10.62 million, and general obligation bonds authorized for these projects, but not yet encumbered, totaled $17.86 million. As of June 30, 2020, DEP estimates the total cost (federal, State, and local) of future projects to be $1 billion.

GROUND WATER OIL CLEAN-UP FUND

The Maine Ground and Surface Waters Clean-up and Response Fund is established in Title 38 MRSA § 551. 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 $750 thousand per occurrence for aboveground storage tanks and $1 million per occurrence for 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

	Completed	Remaining
2019	137	530
2018	91	540
2017	117	519
2016	126	525
2015	151	524

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 50.78 percent of the annual payments. As of June 30, 2020 outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $1.040 billion.

At June 30, 2020, the Department of Transportation had contractual commitments of approximately $269.9 million for construction of various highway projects. The State's share of that amount is expected to be approximately $62.3 million. Of these amounts, $8.2 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 2020, Maine received an annual tobacco settlement payment of $46.2 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, 2020, the Fund included $4.1 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2020 of approximately $260.0 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, 2020, the amount reported in the Fund for claimant liability is $51.2 million. The General Fund shows a $46.6 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, 2020, loans outstanding pursuant to these authorizations are $86.4 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, 2020.

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, 2020, 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, 2020.

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 [1]	Legal Citation
Maine Health and Higher Educational Facilities Authority	$ 438,155	$ 53,000	NIL	22 MRSA § 2075
Finance Authority of Maine	39,891	-	642,000	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	85,240	1,005	225,000	20-A MRSA §11424
Maine Municipal Bond Bank	1,269,325	157,057	NIL	30-A MRSA §6006
Maine State Housing Authority	1,419,645	92,564	2,150,000	30-A MRSA §4906
Total	$ 3,252,256	$ 303,626		

[1] NIL indicates a "no limit" obligation.

COMPONENT UNITS

CONSTRUCTION CONTRACTS

At June 30, 2020, UMS and MCCS had outstanding commitments on uncompleted construction contracts. They totaled $21.3 million and $4.8 million, respectively.

At December 31, 2019, the Maine Turnpike Authority had $123.3 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, 2019 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $104.1 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2019, single-family loans being processed by lenders totaled $42.0 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, 2020, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately $126.5 million. At June 30, 2020, FAME was insuring loans with an aggregate outstanding principle balance approximating $2.2 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately $1.3 million at June 30, 2020. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2020, these commitments under the Loan Insurance Program were approximately $13.4 million. FAME provides loan insurance on direct educational loans and consolidation loans made by participating financial institutions in the Maine Private Education Loan Network. At June 30, 2020, approximately $19.3 million of loans were insured under this program. Such loans are unsecured.

FEDERAL STUDENT LOAN RESERVE FUND

FAME held and administered the Federal Student Loan Reserve Fund for the US Department of Education (USDE) until December 1, 2019. The entire guarantee loan portfolio, including all associated guarantee obligations, transfered to another agency. At June 30, 2020, the reserve level, approximately $3.5 million, was transferred to USDE in fiscal year 2021.

CONTINGENT LIABILITIES

Overpayments made by the Office for Family Independence (OFI) client services are recorded as accounts receivable in the State financial statements. The total overpayments for Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP), applicable to federal funds, are $29.7 million as of June 30, 2020. All overpayments that are outstanding for more than one year, $23.2 million, are fully reserved.

Federal regulations in the former Aid to Families with Dependent Children (AFDC) require States to continue collection efforts until the full amount is recovered. The AFDC Program was repealed and replaced with the TANF Program effective October 1, 1996. The federal portion of any AFDC overpayments (made prior to October 1, 1996) that are recovered, must be returned to the federal government. For AFDC and TANF overpayment recoveries, made from October 1, 1996 and forward, States are not required to repay any portion to the federal government. Instead, the full amount of the recovered overpayments are to be retained by the State and used for TANF program costs during the grant year in which they are recovered, or later.

The liability for TANF and SNAP overpayments that may be recovered and remitted to the federal government or retained for program costs cannot be determined at this time.

During fiscal year 2020, a backlog of unemployment claims occurred primarily due to a significant increase in claims filed as a result of the COVID-19 pandemic and an associated increase in fraudulent unemployment claims included in that population. The exact amount of the liability for backlog claims cannot be determined. Based on a range of outstanding claims, the State has recorded an estimated liability of $92.4 million in the federal funds and $20.0 million in the Employment Security, Major Enterprise Fund.

NOTE 18 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

At June 30, 2020, $269 million was reported as Equity in Treasurer's Cash Pool in the Employment Security, Major Enterprise Fund, as the result of a transfer from the State's Coronavirus Relief Fund. On July 9, 2020, this amount was transferred to the Unemployment Insurance Trust Fund, which would be reported as Restricted Deposits & Investments.

On November 10, 2020 the Maine Municipal Bond Bank (MMBB) issued $60.9 million of Series 2020A Grant Anticipation Bonds on behalf of the Maine Department of Transportation. The bonds bear an interest rate of 5.00 percent and maturities from 2021 to 2033.

On November 24, 2020 the State issued $22.5 million of Certificates of Participation (COP's) for the purpose of consolidating and upgrading Maine Revenue Service's computer applications. The COP's carry interest rates of 1.62 percent and maturities from 2024 to 2028.

COMPONENT UNITS

Maine State Housing Authority (MSHA), has a December 31 fiscal year end. On January 22, 2020, MSHA issued at par $34.4 million of bonds in the General Mortgage Purchase Bond Resolution.

On July 29, 2020 Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $212.7 million of bonds under the General Bond Resolution with an interest rate of 4.0 percent, with principal payments beginning July 1, 2026 and maturing July 1, 2050. On September 29, 2020, MHHEFA issued $45.4 million in bonds under the General Bond Resolution with an interest rate of 2.25 percent, with principal payments beginning April 1, 2023 and maturing April 1, 2050. The debt of the General Bond Resolution is considered conduit debt and neither the Authority nor the State of Maine is under obligation for repayment.

On September 21, 2020, MHHEFA defeased certain maturities of Reserve Resolution bonds with a par value of $39.6 million within series 2011A, 2011C and 2012A bond issues with funds from other sources. The economic benefits associated with the refunding inure to the respective institutions and not the Authority.

On November 11, 2020, MHHEFA issued $13.1 million, on behalf of three borrowers, under the Reserve Fund Resolution with an average interest rate of 3.18 percent and a final maturity of July 1, 2040.

On October 29, 2020, MMBB issued $15.7 million of Series 2020B General Resolution Tax Exempt bonds for making loans to several municipal governments. Also on October 29, 2020, MMBB issued $44.5 million of refunding bonds that refunded the remaining outstanding bonds, totaling $46.3 million, for the Series 2011C General Resolution Tax Exempt bond issue.

On November 18, 2020, the Maine Turnpike Authority issued $130.0 million in bonds with net proceeds equaling $156.0 million.

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REQUIRED SUPPLEMENTARY INFORMATION

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STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2020
(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
Revenues								
Taxes	$ 3,800,675	$ 3,907,465	$ 3,893,218	$ (14,247)	$ 235,076	$ 235,076	$ 218,976	$ (16,100)
Assessments and Other	97,106	91,656	89,596	(2,060)	96,063	97,720	95,944	(1,776)
Federal Grants	1,585	2,029	1,903	(126)	-	-	-	-
Service Charges	40,724	48,711	51,664	2,953	6,208	6,342	6,137	(205)
Income from Investments	10,575	12,305	18,490	6,185	513	313	258	(55)
Miscellaneous Revenue	59,810	63,814	5,344	(58,470)	3,473	5,880	5,979	99
Total Revenues	4,010,475	4,125,980	4,060,215	(65,765)	341,333	345,331	327,294	(18,037)
Expenditures								
Governmental Support & Operations	354,412	387,903	364,576	23,327	40,238	45,000	42,051	2,949
Economic Development & Workforce Training	44,414	46,029	44,321	1,708	-	-	-	-
Education	1,726,550	1,756,291	1,720,925	35,366	-	-	-	-
Health and Human Services	1,323,872	1,487,897	1,247,062	240,835	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	86,394	87,826	84,233	3,593	33	33	33	-
Justice and Protection	366,701	378,597	350,032	28,565	31,629	28,607	26,040	2,567
Arts, Heritage & Cultural Enrichment	9,152	10,130	9,265	865	-	-	-	-
Transportation Safety & Development	-	10,000	8,000	2,000	270,015	293,815	265,730	28,085
Total Expenditures	3,911,495	4,164,673	3,828,414	336,259	341,915	367,455	333,854	33,601
Revenues Over (Under) Expenditures	98,980	(38,693)	231,801	270,494	(582)	(22,124)	(6,560)	15,564
Other Financing Sources (Uses)								
Operating Transfers Net	(108,667)	(108,054)	(123,152)	(15,098)	-	-	(6,346)	(6,346)
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	(108,667)	(108,054)	(123,152)	(15,098)	-	-	(6,346)	(6,346)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (9,687)	$ (146,747)	$ 108,649	$ 255,396	$ (582)	$ (22,124)	$ (12,906)	$ 9,218
Fund balances, beginning of year			814,399				59,337	
Fund balances, end of year			$ 923,048				$ 46,431	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ -	$ 349,528	$ 348,818	$ 344,954	$ (3,864)
366	366	-	(366)	195,857	203,859	172,354	(31,505)
3,526,091	4,928,785	5,245,011	316,226	12,744	14,730	11,355	(3,375)
6,023	6,027	-	(6,027)	226,022	227,385	217,275	(10,110)
-	-	2,181	2,181	1,186	1,312	2,627	1,315
252	252	4,646	4,394	214,437	234,577	222,915	(11,662)
3,532,732	4,935,430	5,251,838	316,408	999,774	1,030,681	971,480	(59,201)
4,719	7,651	1,740	5,911	194,999	253,274	228,492	24,782
100,461	1,222,466	1,127,819	94,647	72,003	78,584	55,173	23,411
241,251	387,743	226,131	161,612	46,938	51,316	35,522	15,794
2,719,069	2,974,391	2,555,338	419,053	627,487	566,741	518,386	48,355
123	123	68	55	70,665	79,509	64,123	15,386
46,833	67,411	42,861	24,550	138,508	160,156	120,263	39,893
74,757	126,763	66,936	59,827	77,262	85,772	65,970	19,802
3,864	4,770	2,901	1,869	2,000	2,081	1,090	991
248,659	295,122	262,436	32,686	53,294	165,025	125,408	39,617
3,439,736	5,086,440	4,286,230	800,210	1,283,156	1,442,458	1,214,427	228,031
92,996	(151,010)	965,608	1,116,618	(283,382)	(411,777)	(242,947)	168,830
91,347	(4,198)	12,827	17,025	16,119	116,030	211,695	95,665
-	-	-	-	21,100	76,100	50,215	(25,885)
91,347	(4,198)	12,827	17,025	37,219	192,130	261,910	69,780
$ 184,343	$ (155,208)	$ 978,435	$ 1,133,643	$ (246,163)	$ (219,647)	$ 18,963	$ 238,610
		9,374				497,647	
		$ 987,809				$ 516,610	

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STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2020
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 923,048	$ 46,431	$ 987,809	$ 516,610
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	10,754	(2,874)	-	13,461
Other Receivables	58,216	3,675	127,276	56,413
Inventories	3,244	-	4,500	-
Due from Component Units	-	-	-	106,211
Due from Other Governments	-	-	545,131	-
Due from Other Funds	30,541	19,591	10,773	347,717
Other Assets	2,462	-	84	4
Unearned Revenues	-	(3,295)	(4,500)	5,898
Deferred Inflows - Taxes and Assessment Revenues	(236,055)	(815)	(13)	(24,757)
Total Revenue Accruals/Adjustments	(130,838)	16,282	683,251	504,947
Expenditure Accruals/Adjustments:				
Accounts Payable	(182,535)	(26,893)	(485,850)	(30,023)
Due to Component Units	(1,923)	(43)	(2,292)	(11,263)
Accrued Liabilities	(32,180)	(11,732)	(8,282)	(13,085)
Taxes Payable	(269,957)	(63)	-	-
Intergovernmental Payables	-	-	(1,091,211)	-
Due to Other Funds	(81,773)	(4,801)	(47,233)	(15,533)
Total Expenditure Accruals/Adjustments	(568,368)	(43,532)	(1,634,868)	(69,904)
Fund Balances - GAAP Basis	$ 223,842	$ 19,181	$ 36,192	$ 951,653

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, 2020, the legislature increased appropriations to the General Fund by $20.8 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 2020 - 2021, 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 June 17, 2019, and includes encumbrances carried forward from the prior year.

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, 2020 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 Six Fiscal Years
(Expressed in Thousands)

	2020	2019	2018
Total Pension Liability			
Service Cost	$ 1,597	$ 1,487	$ 1,466
Interest	4,582	4,442	4,358
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(1,087)	469	(893)
Changes of Assumptions	-	698	-
Benefit Payments, Including Refunds of Member Contributions	(4,068)	(3,805)	(3,652)
Net Change in Total Pension Liability	1,024	3,291	1,279
Beginning Total Pension Liability	68,293	65,002	63,723
Ending Total Pension Liability	69,317	68,293	65,002
Plan Fiduciary Net Position			
Employer Contributions	1,213	1,179	1,144
Member Contributions	620	604	585
Net Investment Income	4,709	6,607	7,800
Transfers	(3)	-	-
Benefit Payments, Including Refunds of Member Contributions	(4,068)	(3,805)	(3,652)
Administrative Expense	(68)	(62)	(57)
Net Change in Plan Fiduciary Net Position	2,403	4,523	5,820
Beginning Plan Fiduciary Net Position	71,235	66,712	60,892
Ending Plan Fiduciary Net Position	73,638	71,235	66,712
Ending Net Pension Liability (Asset)	$ (4,321)	$ (2,942)	$ (1,710)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.2 %	104.3 %	102.6 %
Covered Payroll	$ 8,117	$ 7,894	$ 7,640
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(53.2)%	(37.3)%	(22.4)%

	2017	2016	2015
	$ 1,397	$ 1,606	$ 1,518
	4,155	3,863	3,736
	2,017	28	17
	(1,746)	2,238	(292)
	2,490	-	426
	(3,502)	(3,384)	(3,219)
	4,811	4,351	2,186
	58,912	54,561	52,375
	63,723	58,912	54,561
	1,078	979	932
	550	550	528
	130	1,055	8,416
	6,343	-	-
	(3,502)	(3,384)	(3,219)
	(48)	(49)	(42)
	4,551	(849)	6,615
	56,341	57,190	50,575
	60,892	56,341	57,190
	$ 2,831	$ 2,571	$ (2,629)
	95.6 %	95.6 %	104.8 %
	$ 7,188	$ 7,186	$ 6,742
	39.4 %	35.8 %	(39.0)%

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

Last Six Fiscal Years
(Expressed in Thousands)

	2020	2019	2018
Total Pension Liability			
Service Cost	$ 297	$ 282	$ 265
Interest	578	565	530
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	239	(91)	158
Changes of Assumptions	-	100	-
Benefit Payments, Including Refunds of Member Contributions	(607)	(460)	(469)
Net Change in Total Pension Liability	507	396	484
Beginning Total Pension Liability	8,560	8,164	7,680
Ending Total Pension Liability	9,067	8,560	8,164
Plan Fiduciary Net Position			
Employer Contributions	-	-	-
Member Contributions	221	154	202
Net Investment Income	845	1,176	1,366
Transfers	(607)	(460)	(469)
Benefit Payments, Including Refunds of Member Contributions	45	(460)	(469)
Administrative Expense	(12)	(11)	(9)
Net Change in Plan Fiduciary Net Position	492	399	621
Beginning Plan Fiduciary Net Position	12,756	11,897	10,807
Ending Plan Fiduciary Net Position	13,248	12,296	11,428
Ending Net Pension Liability (Asset)	$ (4,181)	$ (3,736)	$ (3,264)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	146.1 %	143.6 %	140.0 %
Covered Payroll	$ 2,660	$ 2,711	$ 2,651
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(157.2)%	(137.8)%	(123.1)%

2017	2016	2015
$ 412	$ 451	$ 450
549	545	503
-	4	4
(246)	(508)	(93)
(147)	-	86
(446)	(439)	(318)
53	53	632
7,558	7,505	6,873
7,558	7,558	7,505
-	4	4
138	193	140
48	206	1,622
(446)	(439)	(318)
(446)	(439)	(318)
(8)	(9)	(8)
(45)	(484)	1,122
11,075	11,120	9,680
11,075	10,636	10,802
$ (3,517)	$ (3,078)	$ (3,297)
146.0 %	140.7 %	143.9 %
$ 2,590	$ 2,528	$ 2,535
(139.0)%	(121.8)%	(130.1)%

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

Last Seven Fiscal Years
(Expressed in Thousands)

	2020	2019	2018
Judicial Pension Plan			
Actuarially Determined Contribution	$ 716	$ 1,213	$ 1,179
Contributions in Relation to the Actuarially Determined Employer Contribution	(716)	(1,213)	(1,179)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 8,054	$ 8,117	$ 7,894
Contributions as a percentage of covered payroll	8.89 %	14.94 %	14.94 %
Legislative Pension Plan			
Actuarially Determined Contribution	$ -	$ -	$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 2,814	$ 2,660	$ 2,711
Contributions as a Percentage of Covered Payroll	0.00 %	0.00 %	0.00 %

(continued)

2017	2016	2015	2014
$ 1,144	$ 1,078	$ 951	$ 932
(1,144)	(1,078)	(951)	(932)
$ -	$ -	$ -	$ -
$ 7,640	$ 7,188	$ 7,186	$ 6,742
14.97 %	15.00 %	13.23 %	13.82 %
$ -	$ -	$ -	$ -
-	-	-	(4)
$ -	$ -	$ -	$ (4)
$ 2,651	$ 2,590	$ 2,528	$ 2,535
0.00 %	0.00 %	0.00 %	0.16 %

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2020 can be found in the June 30, 2018 actuarial valuation report.

Notes to Schedule

Key Methods and Assumptions Used to Determine Contribution Rates	
Valuation date	June 30, 2017
	June 30, 2020 actuarially determined contribution rates are calculated based on 2018 liabilities developed as a roll-forward of the 2017 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2018 using assets as of June 30, 2018.
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.

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 Six Fiscal Years
(Expressed in Thousands)

	2020	2019	2018
State Employees			
Proportion of the Collective Net Pension Liability	94.775523 %	94.652308 %	94.829879 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 991,147	$ 993,438	$ 1,080,168
Covered Payroll	$ 627,615	$ 608,615	$ 601,904
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	157.92 %	163.23 %	179.46 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.41 %	78.70 %	76.10 %
Maine Community College System			
Proportion of the Collective Net Pension Liability	4.610452 %	4.695230 %	4.605776 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 48,215	$ 49,280	$ 52,462
Covered Payroll	$ 31,535	$ 31,106	$ 30,867
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	152.89 %	158.43 %	169.96 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.41 %	78.70 %	76.10 %
Non-Major and Formerly Reported Component Units			
Proportion of the Collective Net Pension Liability	0.614025 %	0.652461 %	0.564345 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 6,421	$ 6,848	$ 6,428
Covered Payroll	$ 4,115	$ 4,240	$ 3,700
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	156.04 %	161.51 %	173.73 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.41 %	78.70 %	76.10 %
Total SETP - State of Maine Employees			
Proportion of the Collective Net Pension Liability	100.000000 %	100.000000 %	100.000000 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 1,045,784	$ 1,049,566	$ 1,139,058
Covered Payroll	$ 663,265	$ 643,961	$ 636,471
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	157.67 %	162.99 %	178.96 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.41 %	78.70 %	76.10 %

Notes to Schedule:

As of June 30, 2020, 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, 2020 can be found in the June 30, 2018 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.

2017		2016		2015
94.498857 %		92.825250 %		92.853946 %
$ 1,269,080	$	950,597	$	837,743
$ 588,415	$	520,115	$	525,765
215.68 %		182.77 %		159.34 %
71.00 %		76.80 %		79.21 %
4.969634 %		6.640831 %		6.618303 %
$ 66,740	$	68,007	$	59,710
$ 32,627	$	32,008	$	31,679
204.55 %		212.47 %		188.48 %
71.00 %		76.80 %		79.21 %
0.531509 %		0.533919 %		0.527751 %
$ 7,138	$	5,468	$	4,760
$ 3,424	$	3,927	$	3,776
208.47 %		139.24 %		126.06 %
71.00 %		76.80 %		79.21 %
100.000000 %		100.000000 %		100.000000 %
$ 1,342,959	$	1,024,072	$	902,213
$ 624,466	$	556,050	$	561,220
215.06 %		184.17 %		160.76 %
71.00 %		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 Seven Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
State Employees				
Actuarially Determined Contribution	$ 155,628	$ 152,439	$ 148,115	$ 141,295
Contributions in Relation to the Actuarially Determined Employer Contribution	(155,628)	(152,439)	(148,115)	(141,295)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 688,817	$ 627,615	$ 608,615	$ 601,904
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.59 %	24.29 %	24.34 %	23.47 %
Maine Community College System				
Actuarially Determined Contribution	$ 7,030	$ 7,416	$ 7,347	$ 6,863
Contributions in Relation to the Actuarially Determined Employer Contribution	(7,030)	(7,416)	(7,347)	(6,863)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 32,713	$ 31,535	$ 31,106	$ 30,867
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	21.49 %	23.52 %	23.62 %	22.23 %
Combined Non-major and Formerly Reported Component Units				
Actuarially Determined Contribution	$ 1,005	$ 987	$ 1,021	$ 840
Contributions in Relation to the Actuarially Determined Employer Contribution	(1,005)	(987)	(1,021)	(840)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,571	$ 4,115	$ 4,240	$ 3,700
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	21.99 %	23.99 %	24.08 %	22.70 %
Total SETP - State of Maine Employees				
Actuarially Determined Contribution	$ 163,663	$ 160,842	$ 156,483	$ 148,998
Contributions in Relation to the Actuarially Determined Employer Contribution	(163,663)	(160,842)	(156,483)	(148,998)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 726,101	$ 663,265	$ 643,961	$ 636,471
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.54 %	24.25 %	24.30 %	23.41 %

(continued)

2016	2015	2014
$ 136,139	$ 107,807	$ 117,380
(136,139)	(107,807)	(117,380)
$ -	$ -	$ -
$ 588,415	$ 521,846	$ 525,765
23.14 %	20.66 %	22.33 %
$ 7,159	$ 8,135	$ 3,133
(7,159)	(8,135)	(3,133)
$ -	$ -	$ -
$ 32,627	$ 30,257	$ 31,679
21.94 %	26.89 %	9.89 %
$ 766	$ 635	$ 522
(766)	(635)	(522)
$ -	$ -	$ -
$ 3,424	$ 3,947	$ 3,776
22.37 %	16.09 %	13.82 %
$ 144,064	$ 116,577	$ 121,035
(144,064)	(116,577)	(121,035)
$ -	$ -	$ -
$ 624,466	$ 556,050	$ 561,220
23.07 %	20.97 %	21.57 %

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, 2017
	June 30, 2020 actuarially determined contribution rates are calculated based on 2018 liabilities developed as a roll-forward of the 2017 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2018 using assets as of June 30, 2018.
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, 20-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, 2020 can be found in the June 30, 2018 actuarial valuation report.

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 Six Fiscal Years
(Expressed in Thousands)

	2020	2019	2018
Non-employer Contributing Entity's Proportion of:			
Percentage of the Collective Net Pension Liability	95.540502 %	95.298384 %	95.016790 %
Amount of the Collective Net Pension Liability	$ 1,465,876	$ 1,349,443	$ 1,452,536
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	84.50 %	85.20 %	83.30 %

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.

2017	2016	2015
95.002519 %	95.036038 %	95.069591 %
$ 1,766,662	$ 1,350,118	$ 1,027,065
79.00 %	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 Seven Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
Teachers - Non-Employer Contributor				
Actuarially Determined Contribution	$ 174,530	$ 132,981	$ 129,422	$ 116,080
Contributions in Relation to the Actuarially Determined Non-Employer Contribution	(174,530)	(132,981)	(129,422)	(116,080)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Employer Contributors				
Actuarially Determined Contribution	$ 61,582	$ 56,761	$ 54,472	$ 47,659
Contributions in Relation to the Actuarially Determined Employer Contribution	(61,582)	(56,761)	(54,472)	(47,659)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Total SETP - Teachers				
Actuarially Determined Contribution	$ 236,112	$ 189,742	$ 183,894	$ 163,739
Contributions in Relation to the Actuarially Determined Employer Contribution	(236,112)	(189,742)	(183,894)	(163,739)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -

(continued)

2016	2015	2014
$ 112,478	$ 147,048	$ 146,362
(112,478)	(147,048)	(146,362)
$ -	$ -	$ -
$ 45,349	$ 38,404	$ 36,931
(45,349)	(38,404)	(36,931)
$ -	$ -	$ -
$ 157,827	$ 185,452	$ 183,293
(157,827)	(185,452)	(183,293)
$ -	$ -	$ -

Notes to Schedule:

Valuation date	June 30, 2017 June 30, 2020 actuarially determined contribution rates are calculated based on 2018 liabilities developed as a roll-forward of the 2017 valuation liability, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2018 using actual assets at June 30, 2018.
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, 20-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, 2020 can be found in the June 30, 2018 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 Four Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
Total OPEB Liability				
Beginning Total Liability	$ 1,226,111	$ 1,199,512	$ 1,161,320	$ 1,143,542
Service Cost	17,777	17,425	16,917	12,246
Interest	81,020	79,128	76,921	75,650
Differences Between Expected and Actual Experience	(56,455)	20,875	17,725	-
Changes of Assumptions Others	652	-	5,241	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(71,199)	(70,524)	(58,347)	(54,118)
Benefit Payments, Including Refunds of Member Contributions - Implicit	(17,419)	(20,305)	(20,265)	(16,000)
Net Change in Total OPEB Liability	(45,624)	26,599	38,192	17,778
Ending Total OPEB Liability	1,180,487	1,226,111	1,199,512	1,161,320
Plan Fiduciary Net Position				
Beginning Plan Fiduciary Net Position	277,703	256,860	233,596	203,088
Employer Contributions - Explicit	71,199	72,524	60,347	58,118
Employer Contributions - Implicit	17,419	20,305	20,265	16,000
Net Investment Income	13,859	18,846	21,270	26,513
Benefit Payments, Including Refunds of Member Contributions	(88,618)	(90,829)	(78,612)	(70,118)
Administrative Expense	(3)	(3)	(6)	(5)
Net Change in Plan Fiduciary Net Position	13,856	20,843	23,264	30,508
Ending Plan Fiduciary Net Position	291,559	277,703	256,860	233,596
Ending Net OPEB Liability	$ 888,928	$ 948,408	$ 942,652	$ 927,724
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	24.7 %	22.6 %	21.4 %	20.1 %
Covered Payroll	$ 687,595	$ 626,384	$ 612,195	$ 574,663
Net OPEB Liability as a Percentage of Covered Payroll	$ 129.3	$ 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 Four Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
Total OPEB Liability				
Beginning Total Liability	$ 204,432	$ 196,263	$ 183,723	$ 175,647
Service Cost	2,191	2,132	2,122	2,065
Interest	14,275	13,155	12,531	12,015
Differences Between Expected and Actual Experience	589	-	1,957	-
Changes of Assumptions Discount Rate	-	-	3,200	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(8,178)	(7,118)	(7,270)	(6,004)
Net Change in Total OPEB Liability	8,877	8,169	12,540	8,076
Ending Total OPEB Liability	213,309	204,432	196,263	183,723
Plan Fiduciary Net Position				
Beginning Plan Fiduciary Net Position	100,617	94,287	86,883	77,416
Employer and Non-Employer Contributions	9,311	7,756	7,639	6,921
Net Investment Income	4,886	6,418	7,805	9,886
Benefit Payments, Including Refunds of Member Contributions	(8,178)	(7,118)	(7,270)	(6,004)
Administrative Expense	(1,019)	(726)	(770)	(1,336)
Net Change in Plan Fiduciary Net Position	5,000	6,330	7,404	9,467
Ending Plan Fiduciary Net Position	105,617	100,617	94,287	86,883
Ending Net OPEB Liability	$ 107,692	$ 103,815	$ 101,976	$ 96,840
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	49.5 %	49.2 %	48.0 %	47.3 %
Covered Payroll	$ 1,484,373	$ 1,380,619	$ 1,343,669	$ 1,277,009
Change - Increase (Decrease)	7.3 %	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 Four Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
Total OPEB Liability				
Beginning Total Liability	$ 1,235,862	$ 1,248,326	$ 1,323,731	
Service Cost	33,787	35,795	42,214	-
Interest	48,502	45,495	38,521	-
Contribution - Non-Employer Contributing Entity	(33,032)	(26,855)	(28,848)	-
Differences Between Expected and Actual Experience	59,296	(5,178)	-	-
Changes of Assumptions Discount Rate	90,624	(61,721)	(170,420)	-
Changes of Assumptions - Others	6,221	-	-	-
Differences Between Expected and Actual Investment Earnings	-	-	43,128	-
Net Change in Total OPEB Liability	205,398	(12,464)	(75,405)	-
Ending Total OPEB Liability	$ 1,441,260	$ 1,235,862	$ 1,248,326	$ 1,323,731
Covered Payroll	$ 1,260,742	$ 1,156,592	$ 1,149,126	$ 1,125,444
Total OPEB Liability as Percentage of Covered Payroll	114.3 %	106.9 %	107.5 %	117.6 %
State's Proportionate Share of the Collective Total OPEB	75 %	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 Four Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
Total OPEB Liability				
Beginning Total Liability	$ 19,232	$ 18,980	$ 26,052	
Service Cost	751	776	1,836	-
Interest	763	698	786	-
Changes in Benefit Terms	8,247	-	-	-
Contribution - Employee	(592)	(617)	(618)	-
Contribution - Non-Employer Contributing Entity	(48)	(5)	(78)	-
Administrative Expenses	92	98	99	-
Differences Between Expected and Actual Experience	(863)	(191)	(2,909)	-
Changes of Assumptions Discount Rate	939	(507)	(1,325)	-
Changes of Assumptions - Others	(1,015)	-	(4,863)	-
Net Change in Total OPEB Liability	8,274	252	(7,072)	-
Ending Total OPEB Liability	$ 27,506	$ 19,232	$ 18,980	$ 26,052
Covered Payroll	$ 66,360	$ 64,427	$ 62,551	$ 55,651
Total OPEB Liability as Percentage of Covered Payroll	41.4 %	29.9 %	30.3 %	46.8 %
State's Proportionate Share of the Collective Total OPEB	23 %	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 Four Fiscal Years
(Expressed in Thousands)

	2020	2019	2018	2017
State Employee Healthcare				
Actuarially Determined Contribution	$ 56,241	$ 71,363	$ 71,179	$ 69,000
Contributions in Relation to the Actuarially Determined Employer Contribution	(88,618)	(92,829)	(80,612)	(74,000)
Contribution Deficiency (Excess)	$ (32,377)	$ (21,466)	$ (9,433)	$ (5,000)
Covered Payroll	$ 687,595	$ 626,384	$ 612,195	$ 582,934
Contributions as a Percentage of Covered Payroll	12.89 %	14.82 %	13.17 %	12.69 %
State Employee and Teacher Group Life Insurance Benefit Plan				
Actuarially Determined Contribution	$ 10,671	$ 9,040	$ 8,806	$ 8,240
Contributions in Relation to the Actuarially Determined Employer Contribution	(9,310)	(7,756)	(7,638)	(6,921)
Contribution Deficiency (Excess)	$ 1,361	$ 1,284	$ 1,168	$ 1,319
Covered Payroll	$ 1,484,373	$ 1,380,619	$ 1,343,669	$ 1,277,009
Contributions as a Percentage of Covered Payroll	0.63 %	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, 2019. 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, 2020 and June 30, 2019 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, 2020 and June 30, 2019 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 and plan changes are amortized over an 18 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. Every year thereafter, the medical trend rate has dropped by .20. At June 30, 2020, the medical trend rate was 6.00. 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. The only assumption changed has been the annual decline in medical trend rate of .20 annually since June 30, 2016.

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, 2020 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, 2020, there were 17 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 Four Fiscal Years

	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	6.00 %	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.

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 8,802 highway miles or 17,880 lane miles of roads and 2,983 bridges having a total deck area of 12.4 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.

Data Element	Point Rating (%)	Description
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).
	100	

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 percent to represent an entirely insufficient or deficient bridge, and 100 percent 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.

Data Element	Point Rating (%)	Description
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.

Adequacy Rating	Total
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.

Fiscal Year	Highways	Bridges
2020	74.0	75.0
2019	70.0	74.0
2018	71.8	74.0

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).

Actual Preservation Costs
(Expressed in millions)

	2020	2019	2018	2017	2016
Highways	$ 148.3	$ 119.6	$ 124.8	$ 123.3	$ 110.7
Bridges	32.0	13.2	16.4	18.8	4.9
Total	$ 180.3	$ 132.8	$ 141.2	$ 142.1	$ 115.6

Estimated Preservation Costs
(Expressed in millions)

	2020	2019	2018	2017	2016
Highways	$ 130.0	$ 112.0	$ 133.0	$ 142.2	$ 113.4
Bridges	15.0	13.5	21.0	23.7	8.8
Total	$ 145.0	$ 125.5	$ 154.0	$ 165.9	$ 122.2

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 FY2020. Of the amount authorized by Chapter 532, PL 2019, $50 million in General Fund bonds were spent during FY2020.

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LEADING THE WAY

STATE OF MAINE
INDEPENDENT AUDITOR'S REPORTS
ON INTERNAL CONTROL AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2020

STATE OF MAINE
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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 Ryan Fecteau
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, 2020, 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 December 11, 2020. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-006, 2020-008 and 2020-013 to be material weaknesses.

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 consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-001 to 2020-005, 2020-007, 2020-009 to 2020-012, and 2020-014 to 2020-016 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.

Pola A. Buckley

Pola A. Buckley, CPA, CISA
State Auditor

Augusta, Maine
December 11, 2020

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Matthew Dunlap
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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 Ryan M. Fecteau
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, 2020. The State of Maine's major Federal programs are identified in the Summary of Auditor's Results section (E-3 to E-4) of the accompanying Schedule of Findings and Questioned Costs (E-30 to E-203).

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, 2020. 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 major Federal programs. However, our audit does not provide a legal determination of the State of Maine's compliance.

Basis for Qualified Opinion on the SNAP Cluster (SNAP)
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the SNAP Cluster (SNAP) (CFDA #10.551, 10.561) as described in finding number 2020-017 for Reporting and finding number 2020-043 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 (SNAP)
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 (SNAP) for the year ended June 30, 2020.

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 number 2020-021 for Cash Management, finding number 2020-022 for Subrecipient Monitoring, and finding number 2020-042 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, 2020.

Basis for Qualified Opinion on Unemployment Insurance (UI)
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding Unemployment Insurance (UI) (CFDA #17.225) as described in finding number 2020-026 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 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, 2020.

Basis for Qualified Opinion on Formula Grants for Rural Areas
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding Formula Grants for Rural Areas (CFDA #20.509) as described in finding number 2020-028 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 Formula Grants for Rural Areas
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 Formula Grants for Rural Areas for the year ended June 30, 2020.

Basis for Qualified Opinion on 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 Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA #84.126) as described in finding number 2020-031 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 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 Rehabilitation Services – Vocational Rehabilitation Grants to States for the year ended June 30, 2020.

Basis for Qualified Opinion on Immunization Cooperative Agreements
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding Immunization Cooperative Agreements (CFDA #93.268) as described in finding number 2020-034 for Special Tests and Provisions and finding number 2020-035 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 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 Immunization Cooperative Agreements for the year ended June 30, 2020.

Basis for Qualified Opinion on Temporary Assistance for Needy Families (TANF)
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding Temporary Assistance for Needy Families (TANF) (CFDA #93.558) as described in finding number 2020-017 for Reporting, finding number 2020-039 for Allowable Costs/Cost Principles, finding number 2020-040 for Special Tests and Provisions, finding number 2020-041 for Reporting and Special Tests and Provisions, finding number 2020-042 for Cash Management and Subrecipient Monitoring, and finding number 2020-043 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 Temporary Assistance for Needy Families (TANF)
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 Temporary Assistance for Needy Families (TANF) for the year ended June 30, 2020.

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 2020-043 for Eligibility and Special Tests and Provisions; finding numbers 2020-048, 2020-050 and 2020-051 for Special Tests and Provisions; finding number 2020-049 for Allowable Costs/Cost Principles; and finding number 2020-052 for 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 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, 2020.

Basis for Qualified Opinion on the Children's Health Insurance Program (CHIP)
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 (CHIP) (CFDA #93.767) as described in finding number 2020-043 for Eligibility and Special Tests and Provisions, finding numbers 2020-0050 and 2020-051 for Special Tests and Provisions, and finding number 2020-052 for 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 Children's Health Insurance Program (CHIP)
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 (CHIP) for the year ended June 30, 2020.

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, 2020.

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 finding numbers 2020-018, 2020-053 and 2020-055. Our opinion on each major Federal program is not modified with respect to these matters.

The State of Maine's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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 did identify 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 finding numbers 2020-013, 2020-017, 2020-021, 2020-022, 2020-026, 2020-028, 2020-031, 2020-034, 2020-035, 2020-039 through 2020-043, and 2020-048 through 2020-054 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 finding numbers 2020-010 through 2020-012, 2020-014 through 2020-016, 2020-018 through 2020-020, 2020-023 through 2020-025, 2020-027, 2020-029, 2020-030, 2020-032, 2020-033, 2020-036 through 2020-038, 2020-044 through 2020-047, and 2020-055 through 2020-065 to be significant deficiencies.

The State of Maine's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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.

Matthew Dunlap
State Auditor

Augusta, Maine
March 31, 2021

STATE OF MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Agency	CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total	
Department of Agriculture						
	10.025	Plant and Animal Disease, Pest Control, and Animal Care	40,486	384,066	424,552	
	10.025	COVID-19 - Plant and Animal Disease, Pest Control, and Animal Care	-	1,250	1,250	
	Total - Plant and Animal Disease, Pest Control, and Animal Care		40,486	385,316	425,803	
	10.163	Market Protection and Promotion	372,924	-	372,924	
	10.170	Specialty Crop Block Grant Program - Farm Bill	571,592	40,617	612,209	
	10.178	Storage and Distribution Trade Mitigation Program Foods	127,999	-	127,999	
	10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	-	403,561	403,561	
	10.475	COVID-19 - Cooperative Agreements with States for Intrastate Meat and Poulty Inspection	-	3,714	3,714	
	Total - Cooperative Agreements with States for Intrastate Meat and Poultry Inspection		-	407,275	407,275	
	10.534	CACFP Meal Service Training Grants	-	11,077	11,077	
	10.545	Farmers’ Market Supplemental Nutrition Assistance Program Support Grants	-	2,370	2,370	
	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	4,440,244	10,051,354	14,491,597	*
	10.558	Child and Adult Care Food Program	9,358,786	33,096	9,391,882	
	10.560	State Administrative Expenses for Child Nutrition	-	1,250,209	1,250,209	
	10.572	WIC Farmers' Market Nutrition Program (FMNP)	16,000	60,133	76,133	
	10.576	Senior Farmers Market Nutrition Program	762,402	103,245	865,647	
	10.576	COVID-19 - Senior Farmers Market Nutrition Program	-	1,016	1,016	
	Total - Senior Farmers Market Nutrition Program		762,402	104,261	866,663	
	10.578	WIC Grants To States (WGS)	-	800,622	800,622	
	10.579	Child Nutrition Discretionary Grants Limited Availability	85,469	-	85,469	
	10.582	Fresh Fruit and Vegetable Program	1,764,292	95,440	1,859,731	
	10.652	Forestry Research	-	550,292	550,292	
	10.664	Cooperative Forestry Assistance	302,614	860,191	1,162,805	
	10.674	Wood Utilization Assistance	-	31,416	31,416	
	10.676	Forest Legacy Program	-	15,450	15,450	
	10.680	Forest Health Protection	-	25,761	25,761	
	10.689	Community Forest and Open Space Conservation Program (CFP)	-	6,000	6,000	
	10.691	Good Neighbor Authority	-	14,405	14,405	
	10.902	Soil and Water Conservation	2,000	7,605	9,605	
	10.912	Environmental Quality Incentives Program	10,844	5,310	16,154	
	10.914	Wildlife Habitat Incentive Program	-	96,903	96,903	
SNAP Cluster						
	10.551	Supplemental Nutrition Assistance Program	-	231,364,137	231,364,137	*
	10.551	COVID-19-Supplemental Nutrition Assistance Program	-	14,071,852	14,071,852	*
	Total - Supplemental Nutrition Assistance Program		-	245,435,990	245,435,990	
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	3,795,094	14,316,254	18,111,348	*
SNAP Cluster Total			3,795,094	259,752,243	263,547,337	
Food Distribution Cluster						
	10.565	Commodity Supplemental Food Program	5,338,800	57,839	5,396,638	
	10.568	Emergency Food Assistance Program (Administrative Costs)	315,730	151,846	467,576	
	10.568	COVID-19 - Emergency Food Assistance Program (Administrative Costs)	-	4,220	4,220	
	Total - Emergency Food Assistance Program (Administrative Costs)		315,730	156,066	471,796	
	10.569	Emergency Food Assistance Program (Food Commodities)	5,991,313	-	5,991,313	
Food Distribution Cluster Total			11,645,843	213,905	11,859,747	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Agency	CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total
Child Nutrition Cluster					
	10.555	National School Lunch Program	31,076,063	5,290,270	36,366,333
	10.555	COVID-19 - National School Lunch Program	23,673,755	-	23,673,755
	Total - National School Lunch Program		54,749,818	5,290,270	60,040,088
	10.559	Summer Food Service Program for Children	2,402,979	67,283	2,470,262
Child Nutrition Cluster Total			57,152,797	5,357,553	62,510,350
Department of Agriculture Total			90,449,385	280,178,803	370,628,188
Department of Commerce					
	11.407	Interjurisdictional Fisheries Act of 1986	-	157,448	157,448
	11.419	Coastal Zone Management Administration Awards	497,799	2,581,344	3,079,143
	11.454	Unallied Management Projects	41,281	-	41,281
	11.472	Unallied Science Program	795,602	1,137,011	1,932,613
	[4] 11.473	Office for Coastal Management	34,366	29,685	64,051
	[5] 11.474	Atlantic Coastal Fisheries Cooperative Management Act	-	786,874	786,874
	11.549	State and Local Implementation Grant Program	-	212,749	212,749
Department of Commerce Total			1,369,048	4,905,110	6,274,159
Department of Defense					
	12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	-	437,826	437,826
	12.400	Military Construction, National Guard	-	7,781,712	7,781,712
	12.401	National Guard Military Operations and Maintenance (O&M) Projects	-	17,956,176	17,956,176
	12.617	Economic Adjustment Assistance for State Governments	-	5,726	5,726
Department of Defense Total			-	26,181,439	26,181,439
Department of Housing And Urban Development					
	14.171	Manufactured Home Dispute Resolution	-	16,112	16,112
	14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	-	7,936,217	7,936,217
	14.267	Continuum of Care Program	7,525,769	-	7,525,769
	14.401	Fair Housing Assistance Program State and Local	-	208,128	208,128
Department of Housing And Urban Development Total			7,525,769	8,160,457	15,686,226
Department of the Interior					
	15.608	Fish and Wildlife Management Assistance	82,568	-	82,568
	15.614	Coastal Wetlands Planning, Protection and Restoration	999,053	2,324	1,001,377
	15.615	Cooperative Endangered Species Conservation Fund	-	42,915	42,915
	15.616	Clean Vessel Act	221,679	68,251	289,931
	15.622	Sportfishing and Boating Safety Act	-	1,286,401	1,286,401
	15.634	State Wildlife Grants	31,493	617,928	649,421
	15.657	Endangered Species Conservation – Recovery Implementation Funds	-	87,319	87,319
	[1] 15.663	National Fish and Wildlife Foundation	3,022	7,250	10,272
	15.810	National Cooperative Geologic Mapping	-	183,949	183,949
	15.814	National Geological and Geophysical Data Preservation	-	598	598
	15.817	National Geospatial Program: Building The National Map	-	31,609	31,609
	15.904	Historic Preservation Fund Grants-In-Aid	136,032	595,726	731,757
	15.916	Outdoor Recreation Acquisition, Development and Planning	1,089,378	26,154	1,115,532
	15.925	National Maritime Heritage Grants	65,429	2,499	67,928
	[2] 15.931	Conservation Activities by Youth Service Organizations	-	62,008	62,008
	15.980	National Ground-Water Monitoring Network	-	14,050	14,050

Federal Agency	CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total	
Fish and Wildlife Cluster						
	15.605	Sport Fish Restoration	35,233	4,459,615	4,494,847	
	15.611	Wildlife Restoration and Basic Hunter Education	115,139	7,957,943	8,073,083	
Fish and Wildlife Cluster Total			150,372	12,417,558	12,567,930	
Department of the Interior Total			2,779,025	15,446,539	18,225,564	
Department of Justice						
	16.017	Sexual Assault Services Formula Program	286,140	-	286,140	
	16.540	Juvenile Justice and Delinquency Prevention	93,899	360,597	454,497	
	16.543	Missing Children's Assistance	-	158,841	158,841	
	16.544	Youth Gang Prevention	-	17,232	17,232	
	16.554	National Criminal History Improvement Program (NCHIP)	-	797,853	797,853	
	16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	-	14,236	14,236	
	16.575	Crime Victim Assistance	6,751,493	527,195	7,278,688	
	16.576	Crime Victim Compensation	-	179,271	179,271	
	16.585	Drug Court Discretionary Grant Program	-	39,650	39,650	
	16.588	Violence Against Women Formula Grants	568,766	112,760	681,526	
	[3] 16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	-	771	771	
	16.593	Residential Substance Abuse Treatment for State Prisoners	-	12,373	12,373	
	16.606	State Criminal Alien Assistance Program	-	163,416	163,416	
	16.609	Project Safe Neighborhoods	-	4,156	4,156	
	16.710	Public Safety Partnership and Community Policing Grants	-	77,123	77,123	
	16.738	Edward Byrne Memorial Justice Assistance Grant Program	170,254	479,253	649,507	
	16.741	DNA Backlog Reduction Program	-	387,276	387,276	
	16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	-	282,814	282,814	
	16.751	Edward Byrne Memorial Competitive Grant Program	25,206	-	25,206	
	16.816	John R. Justice Prosecutors and Defenders Incentive Act	-	32,861	32,861	
	16.922	Equitable Sharing Program	-	38,264	38,264	
Department of Justice Total			7,895,759	3,685,943	11,581,701	
Department of Labor						
	17.002	Labor Force Statistics	-	947,087	947,087	
	17.005	Compensation and Working Conditions	-	132,343	132,343	
	17.225	Unemployment Insurance	-	84,512,593	84,512,593	*
	17.225	COVID-19 - Unemployment Insurance	-	792,832,712	792,832,712	*
	Total - Unemployment Insurance		-	877,345,305	877,345,305	
	17.245	Trade Adjustment Assistance	-	730,047	730,047	
	17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects	-	221,596	221,596	
	17.270	Reentry Employment Opportunities	-	1,000	1,000	
	17.271	Work Opportunity Tax Credit Program (WOTC)	-	60,789	60,789	
	17.273	Temporary Labor Certification for Foreign Workers	-	241,572	241,572	
	17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	106,806	840,179	946,985	
	17.285	Apprenticeship USA Grants	-	105,469	105,469	
	17.503	Occupational Safety and Health State Program	-	491,669	491,669	
	17.504	Consultation Agreements	-	584,958	584,958	
	17.600	Mine Health and Safety Grants	-	102,876	102,876	
WIOA Cluster						
	17.258	WIA/WIOA Adult Program	2,302,470	417,679	2,720,148	
	17.259	WIA/WIOA Youth Activities	2,419,770	597,189	3,016,959	
	17.278	WIA/WIOA Dislocated Worker Formula Grants	1,597,272	969,413	2,566,685	
WIOA Cluster Total			6,319,512	1,984,281	8,303,792	

Federal Agency	CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total	
Employment Service Cluster						
	17.207	Employment Service/Wagner-Peyser Funded Activities	-	3,634,864	3,634,864	
	17.801	Disabled Veterans' Outreach Program (DVOP)	-	458,184	458,184	
	17.804	Local Veterans' Employment Representative Program	-	410,569	410,569	
Employment Service Cluster Total			-	4,503,617	4,503,617	
Department of Labor Total			6,426,317	888,292,788	894,719,105	
Department of Transportation						
	20.106	Airport Improvement Program	-	474,693	474,693	
	20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	-	99,477	99,477	
	20.509	Formula Grants for Rural Areas	6,491,003	723,891	7,214,894	*
	20.509	COVID-19 - Formula Grants for Rural Areas	2,523,644	2,000,000	4,523,644	*
	Total - Formula Grants for Rural Areas		9,014,647	2,723,891	11,738,538	
	20.514	Public Transportation Research, Technical Assistance, and Training	-	39,794	39,794	
	20.520	Paul S. Sarbanes Transit in the Parks	-	106	106	
	20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	-	53,680	53,680	
	20.700	Pipeline Safety Program State Base Grant	-	381,394	381,394	
	20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	81,027	3,100	84,127	
	20.721	PHMSA Pipeline Safety Program One Call Grant	-	52,200	52,200	
	20.933	National Infrastructure Investments	-	2,165,394	2,165,394	
	20.934	Nationally Significant Freight and Highway Projects	-	1,359,946	1,359,946	
Transit Services Programs Cluster						
	20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	535,501	144,008	679,509	
Transit Services Programs Cluster Total			535,501	144,008	679,509	
Highway Safety Cluster						
	20.600	State and Community Highway Safety	402,655	837,334	1,239,989	
	20.616	National Priority Safety Programs	389,308	2,914,866	3,304,174	
Highway Safety Cluster Total			791,963	3,752,200	4,544,163	
Highway Planning and Construction Cluster						
	20.205	Highway Planning and Construction	-	249,037,989	249,037,989	*
	20.219	Recreational Trails Program	1,024,509	83,456	1,107,965	*
Highway Planning and Construction Cluster Total			1,024,509	249,121,445	250,145,953	
Federal Transit Cluster						
	20.500	Federal Transit Capital Investment Grants	-	13,014	13,014	
	20.507	Federal Transit Formula Grants	545,794	-	545,794	
	20.507	COVID-19 - Federal Transit Formula Grants	379,516	-	379,516	
	Total - Federal Transit Formula Grants		925,310	-	925,310	
	20.526	Bus and Bus Facilities Formula Program	-	1,216,430	1,216,430	
Federal Transit Cluster Total			925,310	1,229,445	2,154,755	
Federal Motor Carrier Safety Assistance Cluster						
	20.218	Motor Carrier Safety Assistance	-	1,206,410	1,206,410	
	20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	-	1,079,925	1,079,925	
Federal Motor Carrier Safety Assistance Cluster Total			-	2,286,335	2,286,335	
Department of Transportation Total			12,372,956	263,887,109	276,260,065	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Agency	CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total	
Department of the Treasury						
	21.016	Equitable Sharing	-	251,936	251,936	
	21.019	COVID-19 - Coronavirus Relief Fund	-	289,205,225	289,205,225	*
	21.U01	NAEP Grant	-	113,321	113,321	
Department of the Treasury Total			-	289,570,482	289,570,482	
Equal Employment Opportunity Commission						
	30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964	-	220,586	220,586	
Equal Employment Opportunity Commission Total			-	220,586	220,586	
Institute Of Museum And Library Services						
	45.310	Grants to States	26,000	1,343,559	1,369,559	
Institute Of Museum And Library Services Total			26,000	1,343,559	1,369,559	
National Endowment For The Arts						
	45.025	Promotion of the Arts Partnership Agreements	409,533	232,431	641,964	
National Endowment For The Arts Total			409,533	232,431	641,964	
National Endowment For The Humanities						
	45.149	Promotion of the Humanities Division of Preservation and Access	-	89,914	89,914	
National Endowment For The Humanities Total			-	89,914	89,914	
Department of Veterans Affairs						
	64.203	Veterans Cemetery Grants Program	-	526,860	526,860	
	64.U01	Veterans Affairs	-	507,980	507,980	
Department of Veterans Affairs Total			-	1,034,840	1,034,840	
Environmental Protection Agency						
	66.032	State Indoor Radon Grants	-	16,890	16,890	
	66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	-	268,655	268,655	
	66.040	State Clean Diesel Grant Program	590,279	36,776	627,054	
	66.432	State Public Water System Supervision	-	992,166	992,166	
	66.454	Water Quality Management Planning	83,299	71,290	154,589	
	66.461	Regional Wetland Program Development Grants	-	174,699	174,699	
	66.472	Beach Monitoring and Notification Program Implementation Grants	-	225,359	225,359	
	66.605	Performance Partnership Grants	898,398	6,253,351	7,151,749	
	66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	21,273	196,612	217,885	
	66.804	Underground Storage Tank Prevention, Detection and Compliance Program	-	309,673	309,673	
	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	-	653,604	653,604	
	66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	-	131,385	131,385	
	66.817	State and Tribal Response Program Grants	-	1,174,904	1,174,904	
	66.818	Brownfields Assessment and Cleanup Cooperative Agreements	291,882	223,775	515,657	
Drinking Water State Revolving Fund Cluster						
	66.468	Capitalization Grants for Drinking Water State Revolving Funds	-	1,416,740	1,416,740	
Drinking Water State Revolving Fund Cluster Total			-	1,416,740	1,416,740	
Environmental Protection Agency Total			1,885,129	12,145,879	14,031,008	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Agency	CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total	
Department of Energy						
	81.041	State Energy Program	-	498,742	498,742	
	81.119	State Energy Program Special Projects	-	16,729	16,729	
	81.138	State Heating Oil and Propane Program	-	8,473	8,473	
Department of Energy Total			-	523,944	523,944	
Department of Education						
	84.002	Adult Education - Basic Grants to States	1,497,086	264,148	1,761,235	
	84.010	Title I Grants to Local Educational Agencies	52,891,499	696,076	53,587,575	
	84.011	Migrant Education State Grant Program	777,022	130,658	907,679	
	84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	-	122,180	122,180	
	84.048	Career and Technical Education -- Basic Grants to States	5,335,744	611,021	5,946,766	
	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	-	16,342,607	16,342,607	*
	84.144	Migrant Education Coordination Program	22,000	57,498	79,498	
	84.161	Rehabilitation Services Client Assistance Program	-	72,370	72,370	
	84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blinc	-	234,980	234,980	
	84.181	Special Education-Grants for Infants and Families	2,301,492	-	2,301,492	
	84.184	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	-	262,565	262,565	
	84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	-	41,868	41,868	
	84.196	Education for Homeless Children and Youth	149,840	69,112	218,952	
	84.287	Twenty-First Century Community Learning Centers	4,272,871	241,345	4,514,217	
	84.358	Rural Education	1,432,612	29,312	1,461,924	
	84.365	English Language Acquisition State Grants	495,570	71,075	566,646	
	84.367	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	8,495,405	275,202	8,770,607	
	84.369	Grants for State Assessments and Related Activities	-	3,847,432	3,847,432	
	84.377	School Improvement Grants	292,473	308,903	601,376	
	84.419	Preschool Development Grants	1,070,606	372,795	1,443,401	
	84.421	Disability Innovation Fund (DIF)	1,292,984	383,037	1,676,021	
	84.424	Student Support and Academic Enrichment Program	4,819,985	901,625	5,721,609	
	84.425	COVID-19 - Education Stabilzation Fund	-	756,701	756,701	
Special Education Cluster (IDEA)						
	84.027	Special Education Grants to States	53,750,736	3,883,612	57,634,349	*
	84.173	Special Education Preschool Grants	1,828,185	3,047	1,831,232	*
Special Education Cluster (IDEA) Total			55,578,921	3,886,660	59,465,581	
Department of Education Total			140,726,110	29,979,171	170,705,281	
National Archives And Records Administration						
	89.003	National Historical Publications and Records Grants	-	40,557	40,557	
National Archives And Records Administration Total			-	40,557	40,557	
U.S. Election Assistance Commission						
	90.401	Help America Vote Act Requirements Payments	-	10,677	10,677	
	90.404	2018 HAVA Election Security Grants	-	31,913	31,913	
	90.404	COVID-19 - 2018 HAVA Election Security Grants	-	34,588	34,588	
	Total - 2018 HAVA Election Security Grants		-	66,501	66,501	
U.S. Election Assistance Commission Total			-	77,178	77,178	
Northern Border Regional Commission						
	90.601	Northern Border Regional Development	-	37,842	37,842	
Northern Border Regional Commission Total			-	37,842	37,842	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Agency	CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total	
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	11,423	3,679	15,102	
	93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	85,819	8,758	94,578	
	93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	121,505	-	121,505	
	93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	211,248	39,562	250,810	
	93.048	COVID-19 - Special Programs for the Aging Title IVand Title II Discretionary Projects	-	115,350	115,350	
	Total - Special Programs for the Aging Title IV and Title II Discretionary Projects		211,248	154,912	366,160	
	93.052	National Family Caregiver Support, Title III, Part E	723,786	-	723,786	
	93.052	COVID-19 - National Family Caregiver Support, Title III, Part E	196,425	-	196,425	
	Total - National Family Caregiver Support, Title III, Part E		920,211	-	920,211	
	93.069	Public Health Emergency Preparedness	-	3,693,732	3,693,732	
	93.070	Environmental Public Health and Emergency Response	-	1,471,276	1,471,276	
	93.071	Medicare Enrollment Assistance Program	156,824	8,956	165,780	
	93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	-	1,256,929	1,256,929	
	93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	-	30,492	30,492	
	93.090	Guardianship Assistance	-	572,008	572,008	
	93.090	COVID-19 - Guardianship Assistance	-	28,948	28,948	
	Total - Guardianship Assistance		-	600,956	600,956	
	93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	203,772	-	203,772	
	93.103	Food and Drug Administration Research	-	497,331	497,331	
	93.110	Maternal and Child Health Federal Consolidated Programs	-	91,671	91,671	
	93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	-	203,380	203,380	
	93.127	Emergency Medical Services for Children	-	109,780	109,780	
	93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	-	155,483	155,483	
	93.136	Injury Prevention and Control Research and State and Community Based Programs	443,506	1,873,004	2,316,510	
	93.150	Projects for Assistance in Transition from Homelessness (PATH)	300,000	-	300,000	
	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	-	533,798	533,798	
	93.234	Traumatic Brain Injury State Demonstration Grant Program	-	71,820	71,820	
	93.241	State Rural Hospital Flexibility Program	-	328,644	328,644	
	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	691,204	3,240,031	3,931,235	
	93.268	Immunization Cooperative Agreements	-	15,210,861	15,210,861	*
	93.270	Adult Viral Hepatitis Prevention and Control	-	149,118	149,118	
	93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	-	74,257	74,257	
	93.301	Small Rural Hospital Improvement Grant Program	-	214,737	214,737	
	93.301	COVID-19 - Small Rural Hospital Improvement Grant Program	168,634	-	168,634	
	Total - Small Rural Hospital Improvement Grant Program		168,634	214,737	383,371	
	93.305	National State Based Tobacco Control Programs	-	894,055	894,055	
	93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	-	126,878	126,878	
	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	-	1,716,816	1,716,816	
	93.324	State Health Insurance Assistance Program	353,862	111,345	465,207	
	93.336	Behavioral Risk Factor Surveillance System	-	336,733	336,733	

Federal Agency	CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total	
	93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	151,392	3,287,637	3,439,029	
	93.354	COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	-	2,224,904	2,224,904	
	Total - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response		151,392	5,512,541	5,663,934	
	93.369	ACL Independent Living State Grants	287,316	-	287,316	
	93.426	Improving the Prevention and Management of Diabetes and Cardiovascular Disease	-	1,399,458	1,399,458	
	93.434	Preschool Development Grants	-	513,187	513,187	
	93.464	ACL Assistive Technology	257,517	236,619	494,136	
	93.471	Title IV-E Kinship Navigator Program	144,301	-	144,301	
	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	-	234,173	234,173	
	93.556	Promoting Safe and Stable Families	518,002	540,439	1,058,440	
	93.558	Temporary Assistance for Needy Families	27,634,632	32,198,054	59,832,686	*
	93.563	Child Support Enforcement	-	19,716,776	19,716,776	
	93.569	Community Services Block Grant	3,370,956	268,749	3,639,705	
	93.586	State Court Improvement Program	-	244,423	244,423	
	93.597	Grants to States for Access and Visitation Programs	-	77,623	77,623	
	93.599	Chafee Education and Training Vouchers Program (ETV)	-	132,834	132,834	
	93.603	Adoption and Legal Guardianship Incentive Payments	84,190	365,512	449,702	
	93.630	Developmental Disabilities Basic Support and Advocacy Grants	472,081	-	472,081	
	93.643	Children's Justice Grants to States	32,109	9,409	41,518	
	93.645	Stephanie Tubbs Jones Child Welfare Services Program	161,517	965,818	1,127,335	
	93.645	COVID-19 - Stephanie Tubbs Jones Child Welfare Services Program	-	4,914	4,914	
	Total - Stephanie Tubbs Jones Child Welfare Services Program		161,517	970,732	1,132,249	
	93.658	Foster Care Title IV-E	48,462	24,337,763	24,386,225	*
	93.658	COVID-19 - Foster CareTitle IV-E	-	259,705	259,705	*
	Total - Foster Care Title IV-E		48,462	24,597,468	24,645,930	
	93.659	Adoption Assistance	-	21,117,794	21,117,794	*
	93.659	COVID-19 - Adoption Assistance	-	911,922	911,922	*
	Total - Adoption Assistance		-	22,029,716	22,029,716	
	93.664	Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act	-	60,876	60,876	
	93.667	Social Services Block Grant	5,446,945	8,060,276	13,507,221	
	93.669	Child Abuse and Neglect State Grants	-	62,279	62,279	
	93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	656,638	12,976	669,613	
	93.674	Chafee Foster Care Independence Program	148,828	188,349	337,177	
	93.687	Maternal Opioid Misuse ModelMaine Maternal Opioid Model (MaineMOM)	-	15,081	15,081	
	93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	-	23,803	23,803	
	93.747	Elder Abuse Prevention Interventions Program	-	307,717	307,717	
	93.767	Children's Health Insurance Program	-	33,926,844	33,926,844	*
	93.767	COVID-19 - Children's Health Insurance Program	-	782,368	782,368	*
	Total - Children's Health Insurance Program		-	34,709,212	34,709,212	
	93.788	Opioid STR	5,747,662	1,324,039	7,071,701	
	93.791	Money Follows the Person Rebalancing Demonstration	-	89,718	89,718	
	93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	-	94,049	94,049	
	93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	5,708,111	278,431	5,986,542	
	93.889	National Bioterrorism Hospital Preparedness Program	-	804,220	804,220	
	93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	8,034	1,798,046	1,806,080	
	93.913	Grants to States for Operation of State Offices of Rural Health	-	295,355	295,355	
	93.917	HIV Care Formula Grants	127,146	2,907,287	3,034,433	

Federal Agency	CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total	
	93.940	HIV Prevention Activities Health Department Based	338,750	595,520	934,270	
	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	-	259,175	259,175	
	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	-	171,610	171,610	
	93.958	Block Grants for Community Mental Health Services	2,007,094	841,315	2,848,409	
	93.959	Block Grants for Prevention and Treatment of Substance Abuse	4,713,531	2,087,991	6,801,522	
	93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	162,833	138,397	301,230	
	93.991	Preventive Health and Health Services Block Grant	32,851	1,263,641	1,296,491	
	93.994	Maternal and Child Health Services Block Grant to the States	50,000	3,112,573	3,162,573	
Medicaid Cluster						
	93.775	State Medicaid Fraud Control Units	-	946,076	946,076	*
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	3,984,780	3,984,780	*
	93.777	COVID-19 - State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	11,359	11,359	*
	Total - State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		-	3,996,139	3,996,139	
	93.778	Medical Assistance Program	-	2,105,505,549	2,105,505,549	*
	93.778	COVID-19 - Medical Assistance Program	-	90,144,209	90,144,209	*
	Total - Medical Assistance Program		-	2,195,649,758	2,195,649,758	
Medicaid Cluster Total			-	2,200,591,973	2,200,591,973	
Head Start Cluster						
	93.600	Head Start	-	124,277	124,277	
Head Start Cluster Total			-	124,277	124,277	
CCDF Cluster						
	93.575	Child Care and Development Block Grant	-	30,109,513	30,109,513	*
	93.575	COVID-19 - Child Care and Development Block Grant	-	7,122,106	7,122,106	*
	Total - Child Care and Development Block Grant		-	37,231,619	37,231,619	
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	-	4,578,491	4,578,491	*
CCDF Cluster Total			-	41,810,110	41,810,110	
Aging Cluster						
	93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	2,125,416	602,318	2,727,733	
	93.044	COVID-19 - Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	394,331	-	394,331	
	Total - Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers		2,519,747	602,318	3,122,064	
	93.045	Special Programs for the Aging Title III, Part C Nutrition Services	3,138,046	-	3,138,046	
	93.045	COVID-19 - Special Programs for the Aging Title III, Part C Nutrition Services	2,150,915	-	2,150,915	
	Total - Special Programs for the Aging Title III, Part C Nutrition Services		5,288,961	-	5,288,961	
	93.053	Nutrition Services Incentive Program	562,963	-	562,963	
Aging Cluster Total			8,371,671	602,318	8,973,989	
Department of Health And Human Services Total			70,350,577	2,445,017,758	2,515,368,336	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Agency	CFDA#	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	CFDA Total
Corporation For National And Community Service					
	94.003	State Commissions	-	247,369	247,369
	94.006	AmeriCorps	1,081,395	496,251	1,577,646
	94.009	Training and Technical Assistance	4,590	193,804	198,394
	94.021	Volunteer Generation Fund	44,164	63,069	107,233
Corporation For National And Community Service Total			1,130,148	1,000,493	2,130,641
Executive Office Of The President					
	95.001	High Intensity Drug Trafficking Areas Program	-	10,999	10,999
Executive Office Of The President Total			-	10,999	10,999
Social Security Administration					
Disability Insurance/SSI Cluster					
	96.001	Social Security Disability Insurance	-	7,488,781	7,488,781
Disability Insurance/SSI Cluster Total			-	7,488,781	7,488,781
Social Security Administration Total			-	7,488,781	7,488,781
Department of Homeland Security					
	97.012	Boating Safety Financial Assistance	-	1,208,013	1,208,013
	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	2,628,128	267,090	2,895,218
	97.039	Hazard Mitigation Grant	1,690	14,334	16,024
	97.041	National Dam Safety Program	-	72,328	72,328
	97.042	Emergency Management Performance Grants	1,826,974	1,516,058	3,343,032
	97.045	Cooperating Technical Partners	-	144,262	144,262
	97.047	Pre-Disaster Mitigation	501	23,892	24,394
	97.056	Port Security Grant Program	-	8,709	8,709
	97.067	Homeland Security Grant Program	2,492,287	2,197,237	4,689,523
Department of Homeland Security Total			6,949,580	5,451,924	12,401,503
Total Federal Expenditures			**350,295,338**	**4,285,004,525**	**4,635,299,863**

**Amounts Provided to Subrecipients may include non-cash distributions of food commodities or other donated items.

Funding provided to the State of Maine from external entities

[1] 15.663	National Fish & Wildlife Foundation
[2] 15.931	Appalachian Trail Commission
[3] 16.590	Cumberland County
[4] 11.473	The Nature Conservancy
[5] 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, 2020

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, 2020, 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 $13.9 million in expenditures, distributions, or issuances for the year ended June 30, 2020. 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	$ 70,866,368
Federal Funds	806,478,938
CFDA 17.225 Total	877,345,306
Subsidy from CFDA 21.019	
Coronavirus Relief Fund	271,656,841
Maine's UI Program Total	$1,149,002,147

4. Supplemental Nutrition Assistance Program

In response to the COVID-19 pandemic, the Supplemental Nutrition Assistance Program (SNAP, CFDA 10.551) issued two types of COVID-19 related benefits – emergency allotment benefits and Pandemic EBT (P-EBT) benefits. P-EBT expenditures were accounted separately from regular SNAP expenditures; however, the State of Maine is unable to identify the amount of emergency allotment expenditures. Therefore, emergency allotment expenditures are included in regular SNAP expenditures on the Schedule of Expenditures of Federal Awards.

5. 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)	$245,435,990
10.555	National School Lunch Program	$5,207,371
10.565	Commodity Supplemental Food Program	$4,884,528
10.569	Emergency Food Assistance Program	$5,991,313
10.664	Cooperative Forestry Assistance	$68,056
12.401	National Guard Military Operations & Maint. Proj.	$40,372
93.268	Immunization Grants	$12,838,240
97.067	Homeland Security Grant Program	$863,830

6. Donated Personal Protective Equipment

In response to the COVID 19 pandemic, the federal government donated PPE with an estimated fair market value of $1,955,011.12 to the State of Maine. Per the 2020 Compliance Supplement Addendum, this amount is not included in the Schedule of Expenditures of Federal Awards and is not subject to Audit. Therefore, this amount is unaudited.


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STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section I – Summary of Auditor's Results

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 ☑	NO ☐
• Significant deficiencies identified that were not considered to be material weaknesses?	YES ☑	NO ☐
• Noncompliance material to financial statements noted?	YES ☐	NO ☑

Federal Awards:

Internal control over major programs:		
• Material weaknesses identified?	YES ☑	NO ☐
• Significant deficiencies identified that were not considered to be material weaknesses?	YES ☑	NO ☐

Type of auditor's report issued on compliance for major programs:

Unmodified
Adoption Assistance
CCDF Cluster
Coronavirus Relief Fund
Foster Care – Title IV-E
Highway Planning and Construction Cluster
Special Education Cluster (IDEA)

Qualified
Children's Health Insurance Program (CHIP)
Formula Grants for Rural Areas
Immunization Cooperative Agreements
Medicaid Cluster
Rehabilitation Services – Vocational Rehabilitation Grants to States
SNAP Cluster (SNAP)
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Temporary Assistance for Needy Families (TANF)
Unemployment Insurance (UI)

Any audit findings that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516?	YES ☑	NO ☐

Clusters Identified as Major Programs:

CFDA #	**Name of Federal Program or Cluster**
CCDF Cluster	
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund

Highway Planning and Construction Cluster

20.205	Highway Planning and Construction (Federal-Aid Highway Program)
20.219	Recreational Trails Program

SNAP Cluster (SNAP)

10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Special Education Cluster (IDEA)

84.027	Special Education – Grants to States (IDEA, Part B)
84.173	Special Education – Preschool Grants (IDEA Preschool)

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 (WIC)
17.225	Unemployment Insurance (UI)
20.509	Formula Grants for Rural Areas
21.019	Coronavirus Relief Fund
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families (TANF)
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.767	Children's Health Insurance Program (CHIP)

Dollar threshold used to distinguish between type A and type B programs: $13,905,900

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 (SNAP)	$74	2020-018
U.S. Department of Health and Human Services	Temporary Assistance for Needy Families (TANF)	$18,606	2020-039
	Medicaid Cluster	$187 $289,186	2020-053 2020-055
U.S. Department of Labor	Unemployment Insurance (UI)	$37,047,183	2020-026

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section II – Financial Statement Findings

(2020-001)

Title: Internal control over the valuation of the allowance for uncollectible taxes receivable needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	None	None	None	None	ML 14-0204-01	ML 13-0204-01	ML 12-0204-01

FY11	FY10
ML 11-0204-01	ML 10-0204-01

State Department: Administrative and Financial Services
State Bureau: Maine Revenue Services
Office of the State Controller

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 5 MRSA 1547; State Administrative and Accounting Manual 80.30.05

Accounting and reporting activities of the State of Maine are required by statute to be in conformance with U.S. Generally Accepted Accounting Principles (GAAP). Accounting estimates used in the financial statements require the use of judgment by management which should be based on actual knowledge and experience with historical and current data. Annual review of these estimates and the circumstances that give rise to the estimates is necessary.

Condition: The valuation of the allowance for uncollectible taxes receivable reported on the State's financial statements is not supported by current and historical collections experience. Department of Administrative and Financial Services (DAFS) personnel were unable to provide specific documentation supporting the calculation when requested by the auditor.

Maine Revenue Services (MRS) does not have a procedure and review process in place to ensure that receivables information provided to the Office of the State Controller (OSC) for financial reporting purposes is substantiated by actual collections experience, and thus is complete and accurate. The OSC reviews the allowance information submitted by MRS for any significant changes from the prior year, but does not review detailed or summary documentation of actual collections experience that proves the mathematical assumptions supporting the calculations are correct.

Context: MRS collects over $3 billion per year in tax revenue. As of June 30, 2020, taxes receivable totaled approximately $654 million. This balance was then reduced by the estimated allowance for uncollectible amounts of $100 million, resulting in management's presentation of $554 million in tax receivables.

Cause:

- Lack of documented policies and procedures
- Lack of supervisory oversight

Effect:

- Potential misstatement of the allowance for uncollectible accounts and the resulting net balance of taxes receivable, including the separately disclosed amount for the allowance for uncollectible accounts in Note 6 of the financial statements
- Without a formalized, documented process in place for calculating the estimates for the allowance based on actual collections experience and supervisory review, the valuation of the allowance for uncollectible taxes receivable is not supported.

Recommendation: We recommend that the allowance for uncollectible accounts be estimated based on actual collections experience, and that the basis for the valuation be supported and documented. This should include a detailed secondary review of the estimate by MRS management personnel.

In addition, we recommend that OSC request and analyze detailed collection data from MRS that proves the allowance for uncollectible taxes receivable is reasonable, complete and accurate.

Corrective Action Plan: See F-5

Management's Response: The Department disagrees with this finding. MRS uses a weighted average of the write-off percentages, beginning in year 2012, of those receivables with 25% or less of an outstanding balance. This method of calculating the allowance is consistent with prior years. While MRS would prefer to have at least 10 years of write-off data to review, the tracking reports were not created until 2012. Using this weighted average approach and factoring in the current economic situation MRS calculated a reserve of approximately $100 million collectively on sales, 1040, corporate, and withholding taxes.

The reserve estimates are based on subjective, as well as, objective factors; therefore, professional judgment is required to estimate an amount for uncollectible receivables using a weighted average methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is conservative, not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, MRS accumulates relevant, sufficient and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate.

Contact: Vicki Roy, Deputy Executive Director, MRS, 207-624-9853

Auditor's Concluding Remarks: As noted in the finding, quantitative support presenting actual collections data was not made available to the Office of the State Auditor (OSA) in order to substantiate the valuation assumptions used to calculate the allowances for uncollectible taxes receivable. Estimates generated using the current methodology are not consistent with actual collection activity as described by management at MRS. DAFS personnel could not provide OSA with any support behind the estimate calculation, including any objective or subjective factors that were considered and incorporated into the weighted average calculation.

We continue to recommend that MRS calculate the allowance estimate on actual collections experience, and that the basis for the valuation be supported and documented. We further recommend MRS management personnel perform a secondary review of the estimate calculation, and for OSC to request and analyze collection data from MRS that proves the allowance for uncollectible taxes receivable is reasonable, complete and accurate.

The finding remains as stated.

(State Number: 20-0204-01)

(2020-002)

Title: Internal control over receivable reconciliations needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	None	None	None	15-0305-01	14-0305-01	13-0305-01	12-0305-01

State Department: Administrative and Financial Services
State Bureau: General Governmental Service Center

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: Government Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control

The GAAFR states that sound internal control policies require general ledger accounts to be supported by subsidiary accounts which are periodically reconciled both to internal and external records.

Condition: The Maine State Liquor and Lottery Commission has a contract with a vendor to administer instant and lottery games. The General Governmental Service Center (GGSC) relies on the vendor's records to record revenue generated from the sale of lottery tickets. Procedures are not in place to reconcile the overall balance of accounts receivable recorded in the State's general ledger and resulting financial statements to the contracted vendor's list of lottery accounts receivable by retail customer. The accumulated discrepancy appears to be within an estimated range of $4 to $6 million. An accounts receivable reconciliation was not performed at any point during fiscal year 2020. GGSC did not perform alternative procedures to corroborate the valuation of the accounts receivable balance.

Context: According to the State's financial records for June 30, 2020, the accounts receivable balance for the State Lottery Fund was $38.7 million. This amount is not substantiated by a report of receivables by lottery retailer and aging category that is reconciled at the end of the fiscal year.

Cause:
- Subsidiary reports provided by the vendor require time-consuming manual manipulation to ensure an accurate reconciliation.
- Lack of GGSC resources

Effect: Lack of timely reconciliations increase the risk that the State's accounting records are incomplete or inaccurate.

Recommendation: We recommend that GGSC work with the vendor to provide appropriately designed receivable reports in a timely manner, and that GGSC establish procedures to ensure that timely reconciliations of accounts receivable are performed.

Corrective Action Plan: See F-6

Management's Response: The Department agrees with this finding. The Department has engaged a third-party vendor to liaise with the gaming vendor to obtain the requisite data that will lead to a full reconciliation of the accounts receivable as of June 30, 2020. Additionally, the engagement will develop a streamlined accounting process, update the current procedure manual and provide training that will facilitate staff in producing timely reconciliations.

Contact: Janre Mullins, Director, GGSC, DAFS, 207-624-7399

(State Number: 20-0305-01)

(2020-003)

Title: The Department of Administrative and Financial Services' ________ over the ________ and ________ of ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
*	*	None	Redacted	*	*	*	*

**The system was not audited in this fiscal year.*

State Department: Administrative and Financial Services
State Bureau: Human Resources

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: National Institute of Standards and Technology (NIST) Special Publication ________; State of Maine ________

________ and ________ addresses the establishment of policy and procedures for the effective implementation of selected ________ and ________. The organization must:

- prepare ________;
- develop a ________ and ________ for the ________ and ________; and
- develop ________.

In addition, the State of Maine ________ states that the ________ must ensure a ________ ________, ________, and ________.

Condition: ________ results can measure the degree to which the Department is able to ________ and ________. The Department received ________ over two ________ for fiscal year 2020. The Department did not perform an ________ and thus did not ________.

Context: In fiscal year 2020, the State paid ________ and ________.

Cause: Lack of ________ to ensure that ________ in the ________ and ________.

Effect: Identified ________ and ________ will not be ________ or ________.

Recommendation: We recommend that the Department implement ________ that require the ________ and the ________. This would provide ________ that the ________ are being ________ in a timely manner.

Corrective Action Plan: See F-6

Management's Response: The Department agrees with this finding. The Department will be implementing a ________ and ________ that require the annual review of ________ including the requirement to develop and implement a ________ to address any ________.

Contact: Shonna Poulin-Gutierrez, Executive Director, Employee Health & Wellness, 207-624-7367

(State Number: 20-0903-01)

(2020-004)

Title: ________ over the Maine Revenue Services ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Redacted	Redacted	Redacted	Redacted	None	None	*	*

**The system was not audited in this fiscal year.*

State Department: Administrative and Financial Services
State Bureau: Maine Revenue Services
Office of Information Technology

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: National Institute of Standards and Technology (NIST) Special Publication ________; NIST Special Publication ________; and State of Maine Office of Information Technology (OIT) Policies: ________, ________, and ________

NIST Special Publication ________ states that an organization must have the ability to ________ and ________. These ________, such as ________, or ________. A ________ focuses on ________. A ________ is an ________, ________, or ________.

NIST Special Publication ________ describes the process to develop and maintain an effective ________. ________.

NIST Special Publication ________ provides that the organization ________, ________, and ________:

- a ________; and
- procedures to facilitate ________.

NIST Special Publication ________ provides that the organization ________.

Condition: Maine Revenue Services (MRS) does not have a ________ related to the ________. Although MRS has proven resilient during the COVID-19 pandemic with or without the support of their ________, MRS does not have a ________ that would ________, ________, ________.

Context: ________ was used to ________ and ________ approximately ________ in ________ in fiscal year 2020. ________.

Cause: ________

Effect: Without the authoritative guidance of a well-documented ________, ________ processes may ________, ________, and ________. In addition, in the event of a ________, the ________ could potentially result in ________ and/or ________.

Recommendation: We recommend that MRS develop a ________ that will support their operations. Additionally, we recommend that MRS ________, ________, ________, ________, and ________ the processes in accordance with government standards, established policy, and best practices.

Corrective Action Plan: See F-6

Management's Response: The Department agrees with this finding. The ability to ________ and/or ________ the ________ necessary to ________ is a priority for MRS. The ________ resides on Maine Office of Information Technology (OIT) ________, correspondingly, the development and implementation of ________ will require significant assistance from OIT. MRS will continue to work with our partners at OIT on the development of a ________, including our commitment to provide the necessary financial and staffing resources.

Contact: Vicki Roy, Deputy Executive Director, MRS, 207-624-9853

(State Number: 20-0903-04)

(2020-005)

Title: Internal control over the recording of OFI overpayments needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
ML 19-0203-01	None	None	None	None	None	None	None

State Department: Health and Human Services (DHHS)
Administrative and Financial Services (DAFS)
State Bureau: Office for Family Independence, a Unit of DHHS
Health and Human Services Service Center, a Unit of DAFS
Office of the State Controller, a Unit of DAFS

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.410; 45 CFR 75.426

Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal government in accordance with instructions from the Federal agency that determined the costs as unallowable unless Federal statute or regulation directs otherwise. Additionally, bad debts (debts which have been determined to be uncollectible), including losses (whether actual or estimated) arising from uncollectible accounts and other claims, are unallowable, and therefore, prohibited from being applied to a Federal grant as they are unallowable.

Condition: The Office for Family Independence (OFI) tracks improper payments made to, or on behalf of, clients in a subsidiary ledger. These payments, totaling $32.3 million in Federal and State dollars at June 30, 2020 and dating back to 1983, are for services provided to Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) clients. OFI provides the fiscal year end subsidiary ledger to the Office of the State Controller (OSC) for financial reporting.

The OSC records the overpayments made by the State for OFI client services as a receivable owed by the client to whom the service was provided. The collectability of receivables is evaluated, and an allowance is established based on that evaluation. At the end of fiscal year 2020, management estimates $25 million to be uncollectible, with $23 million in the Federal Fund and $2 million in the General Fund. The $23 million was recorded and disclosed as an allowance for uncollectible accounts within the Federal Fund, and the related $23 million expense associated with the allowance was also recorded in the Federal Fund. The related expense should have been recorded in the General Fund since Federal funds cannot be used to pay for unallowable costs such as improper payments made by the State.

The amount of improper payments made with Federal dollars and therefore owed to the Federal awarding agency is $29.7 million as of June 30, 2020. The $29.7 million is the Federal portion of the $32.3 million total improper payments identified by OFI. The OSC recorded a liability for only the amount deemed collectible of $6.4 million rather than the total $29.7 million of improper payments identified.

Context:

- The amount owed to the Federal awarding agency was recorded at $6.4 million and should have been recorded at $29.7 million.
- The $23 million management estimate of the allowance for uncollectible accounts was recorded in the Federal Fund and should have been recorded in the General Fund.

Cause: Policies and procedures utilized by the Departments do not provide guidance to appropriately account for identified overpayments (improper payments) made to OFI clients.

Effect:

- Assets (Due from the General Fund) and Liabilities in the Federal Fund are understated by $23.3 million.
- For the General Fund, Fund Balance is overstated by $26.3 million, Expenditures are understated by $3.0 million, and Liabilities are understated by $23.3 million.

Recommendation: We recommend that the OSC work in conjunction with the Departments to properly record amounts owed to the Federal awarding agency for identified improper payments. We also recommend that the amount deemed uncollectible from clients be recorded in the General Fund and that Federal dollars are not utilized for these identified improper payments.

Corrective Action Plan: See F-6

Management's Response: Management disagrees with this finding. The receivable balance in question primarily originates from two Federal programs; Temporary Assistance for Needy Families (TANF) and the Supplemental Nutrition Assistance Program (SNAP).

The U.S. Department of Health and Human Services' Office of Family Assistance provides guidance on the recovery of overpayments for the TANF program. Program Instruction TANF-ACF-PI-2006-03 (Collecting and Repaying Overpayments Made to Families under the Aid to Families with Dependent Children (AFDC) Program and the Temporary Assistance for Needy Families (TANF) Program) makes it clear that as of October 1, 1996 the collection of overpayments should be utilized for program purposes. It is implicit in these same instructions that no liability is created for the State for uncollected funds. It is for these reasons that recording a general fund liability for TANF overpayments would be erroneous.

The recovery of overpayments for SNAP households is covered by 7 CFR 273.18 (a)(2). This CFR specifies that claims against households, the action required to be established for the overpayment of benefits, is specifically identified as a Federal debt. This proclamation would preclude the State from recording this as a general fund liability.

In addition to the citations provided above, the Office of the State Controller requested and received confirmation that supports our position that recording a liability is not necessary from the Federal Office of Administration for Children and Families, and, the U.S. Department of Agriculture for the TANF and SNAP programs, respectively.

Contact: Sandra Royce, CPA, Director of Financial Reporting and Analysis, OSC, 207-626-8451

Auditor's Concluding Remarks: The finding is a result of the *recording* of overpayments, not the *recovery* of overpayments.

We agree that the U.S. Department of Health and Human Services' Office of Family Assistance provides guidance on the *recovery* of overpayments for the TANF program. The referred to TANF-ACF-PI-2006-03 states that its purpose is "to update policy with regard to treatment of overpayment recoveries received by the state…" and as such, only provides guidance on policies related to the treatment of overpayments *recovered* and does not state that "no liability is created for the State for uncollected funds."

TANF-ACF-PI-2006-03 guidance on the treatment of overpayment *recoveries* for payments originating before October 1, 1996 and for overpayments originating after that date states, "For recoveries of former AFDC program overpayments made before October 1, 1996, States are required to repay the Federal government the Federal share of these recoveries using the Federal Medicaid Assistance Percentage (FMAP) rate in effect for the state during fiscal year 1996." A portion of the $32 million overpayments balance identified above originated before October 1, 1996. This guidance implies that overpayments are owed back to the Federal government and are not forgiven debts. TANF-ACF-PI-2006-03 also outlines that States are not required to "repay" the Federal government for recoveries related to overpayments occurring on or after October 1, 1996 and instead may retain and use these recoveries for TANF program costs during the grant year in which they are recovered, or later. By doing so, this effectively reduces the Federal revenue drawn from the current year grant award and indirectly "pays back" amounts owed.

The SNAP CFR cited by the Department (7 CFR 273.18(a)(2)) states that the overpayment is a Federal debt, which we agree; it is a debt that is owed to the Federal government. However, this does not mean that a Federal Fund liability should be established only for the amount that is deemed to be collectible for financial reporting purposes.

The Office of the State Auditor requested and received clarification from the Federal Office of Administration for Children and Families in response to the inquiry made by the OSC. This clarification confirmed that 45 CFR 75.426 applies, "bad debts (debts which have been determined to be uncollectible), including losses (whether actual or estimated) arising from uncollectible accounts and other claims, are unallowable, and therefore, prohibited from being applied to a Federal grant as they are unallowable." Unless other guidance or correspondence is provided by the Federal cognizant agency that relieves the State of its obligation to repay the unallowed cost, a liability to the Federal government should be established for the full amount of the identified overpayment.

The finding remains as stated.

(State Number: 20-0203-02)

(2020-006)

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:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
*	*	**	**	**	**	**	**

**The system was not audited in this fiscal year.*
*** The system was not operating in this fiscal year.*

State Department: Judicial Branch
State Bureau: Administrative Office of the Courts

Type of Finding: Material weakness

Questioned Costs: None

Criteria: National Institute of Standards and Technology (NIST) Special Publication ________; and State of Maine Office of Information Technology (OIT) policies and procedures

NIST Special Publication ________ are developed to address and support the ________ and ________ needs of U.S. Federal Government ________. NIST develops Special Publication ________ in accordance with its statutory responsibilities under the ________.

State of Maine OIT Policy follows NIST guidelines for ________ and requires that all agencies across the State of Maine adhere to ________.

Condition: The ________ is the ________ and ________ by the Information Technology (IT) Department for the Administrative Office of the Courts (AOC). The ________ was used to ________ in fiscal year 2020. The ________ is being ________ in November 2020 to support the ________. The Judicial Branch does not have ________ or other type of ________. This type of ________ covers ________, ________, ________, and ________; and covers ________, ________, ________, ________, and ________. AOC management provided auditors with ________; however, these ________ did not provide ________ over the ________.

Context: The ________ was used to ________ and ________ approximately ________ in revenue during fiscal year 2020.

Cause:

- ________
- ________
- ________

Effect:

- ________
- ________
- ________

Recommendation: We recommend that the IT Department for the AOC establish ________ and ________ to implement ________ over the ________. These ________ should be in line with State of Maine OIT policies, NIST guidance, and industry best practice to ensure the ________ of ________, ________, ________, ________, and ________ are implemented within ________.

Corrective Action Plan: See F-7

Management's Response: The Administrative Office of the Courts (AOC) disagrees with this finding. The AOC has taken steps to ensure the inclusion of ________ over the ________ current and future functionality. The ________ covering the currently active ________ for the fiscal year 2019 audit was provided to the Office of the State Auditor (OSA) during the fiscal year 2019 audit. The current year (Fiscal year 2020) ________ has just been completed for the currently ________ and is also being provided to OSA. A ________ covering the existing ________ along with the ________ being launched during Fiscal year 2021 will be included in the Fiscal year 2021 ________. The implementation of these additional ________ is being completed utilizing appropriate ________ including ________ and ________. It should be noted that the AOC has its own IT Department that functions separately from the State's Office of Information and Technology (OIT), however, any ________ is conducted in accordance with OIT policies and procedures.

Contact: Dennis Corliss, Chief of Finance and Administration, 207-822-0709

Auditor's Concluding Remarks: The Office of the State Auditor made repeated attempts throughout the course of the audit to acquire documentation of ________ over the ________. As noted in Management's Response, the AOC provided a ________ covering fiscal year 2020 at the conclusion of the audit. This ________ outlined ________ and not State-hosted ________. The ________ is ________ and ________ by the State. Therefore, the ________ provided does not ensure that the State has ________ assurance over ________.

The finding remains as stated.

(State Number: 20-0903-02)

(2020-007)

Title: Internal control over the valuation of the allowance for uncollectible fines and fees receivable needs improvement

Prior Year Findings: None

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	None	None	None	None	None	None	None

State Department: Judicial Branch
Administrative and Financial Services (DAFS)
State Bureau: Administrative Office of the Courts, a Unit of the Judicial Branch
Office of the State Controller, a Unit of DAFS

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 5 MRSA 1547; State Administrative and Accounting Manual 80.30.05

Accounting and reporting activities of the State of Maine are required by statute to be in conformance with U.S. Generally Accepted Accounting Principles (GAAP). Accounting estimates used in the financial statements require the use of judgment by management which should be based on actual knowledge and experience with historical and current data. Annual review of these estimates and the circumstances that give rise to the estimates is necessary.

Condition: The valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables reported on the State's financial statements is not supported by documented, current and historical collections experience, and other factors that support professional judgment.

The Office of the State Controller (OSC) reviews the receivables aging report provided by the Judicial Branch Revenue Manager. The OSC then estimates the uncollectible amount and records the allowance in the State's financial statements. Receivables outstanding for more than 180 days are automatically deemed uncollectible. This method is not supported by documented, current and historical collection experience, and other factors that support professional judgment, and is not fully evaluated on an annual basis.

Context: Fines and fees receivable for the Judicial Branch is approximately $29 million as of fiscal year end 2020. The financial statements present receivables net of the allowance for uncollectibles, resulting in a presentation of approximately $5 million.

Cause:

- Lack of documented policies and procedures
- Lack of supervisory oversight

Effect:

- Potential misstatement of the allowance for uncollectible amounts and the resulting net balance of fines and fees receivable, including the separately disclosed amount for the allowance for uncollectible amounts in Note 6 of the financial statements
- Without a formalized, documented process in place for calculating the estimates for the allowance based on documented, current and historical collection experience, and factors that support professional judgment, the valuation of the allowance for uncollectible receivables is not supported.

Recommendation: We recommend that the OSC and the Judicial Branch coordinate to:

- establish a formal method to estimate the allowance for uncollectibles based on documented, current and historical collection experience, and other factors that support professional judgment. This includes documenting how the estimates are calculated, and how relevant data and other information is incorporated into the model. This will provide a comprehensive and consistent approach.
- implement a secondary review of the estimate calculation, logic, and other supporting information. This ensures that a single person is not solely responsible for the development of estimates.

Corrective Action Plan: See F-7

Management's Response: The Administrative Office of the Courts and OSC agree with the process description. Judicial provides the aging report and OSC calculates the reserve. OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgment 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 conservative, not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC accumulates relevant, sufficient and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. The OSC will continue to reserve 100% of all fines over 180 days old, which has been the acceptable method for many years.

Contact: Thomas Randall, Financial Coordinator/Audit Analyst, OSC, 207-626-8492

Auditor's Concluding Remarks: As noted in the finding, the valuation assumptions and methodology used to estimate the allowance for uncollectible fines and fees is not supported by documented, current and historical collections experience and other factors which support professional judgment. Based on collection information obtained by the Office of the State Auditor, estimates generated using the current methodology are not consistent with actual collection activity. Additionally, the methodology is not fully evaluated on an annual basis and therefore does not encompass any significant or unusual factors as compared to the prior year, such as current economic conditions. We continue to recommend that the Judicial Branch and OSC work together to establish a formal methodology, supported by documented current and historical collection data and professional judgment used to estimate the allowance for uncollectibles in order to ensure reasonable valuation and presentation of receivable assets in the State's financial statements.

The finding remains as stated.

(State Number: 20-0203-01)

(2020-008)

Title: Internal control over unemployment insurance financial reporting needs improvement

Prior Year Findings: None

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	None	None	None	None	None	None	None

State Department: Labor (MDOL)
Administrative and Financial Services (DAFS)
State Bureau: Unemployment Compensation, a Unit of MDOL
Security and Employment Service Center, a Unit of DAFS
Office of the State Controller, a Unit of DAFS

Type of Finding: Material weakness

Questioned Costs: None

Criteria: State Administrative and Accounting Manual 80.30.05

Accounting and reporting activities of the State of Maine are required by statute to be in conformance with U.S. Generally Accepted Accounting Principles (GAAP). Specifically, GAAP requires accurate and reliable financial reporting.

Condition: The Office of the State Controller (OSC) requires agencies to submit financial reporting packages at the end of each fiscal year. The reporting package response should include complete and accurate information, including the supporting data, to be utilized by OSC to prepare the State's financial statements. The reporting package prepared by the Maine Department of Labor (MDOL) and the Security and Employment Service Center (SESC) was not complete or accurate and did not include all supporting data. OSC relied on the response to the reporting package provided by MDOL and SESC, and did not request the supporting data.

The Office of the State Auditor (OSA) requested this supporting data from OSC and MDOL in order to prove amounts reported on the State's financial statements. The data provided to OSA did not agree with the response to the reporting package provided to OSC.

Context: The Unemployment Insurance (UI) program administered by the MDOL provided \$361.0 million in State Employment Security Trust Fund (ESTF) UI benefits and \$886.6 million in Federal UI benefits during fiscal year 2020. Total State ESTF and Federal UI benefits increased by \$277.0 million and \$885.2 million, respectively, from the prior year. These extraordinary increases are a direct result of the economic impact of the COVID-19 pandemic. The fiscal year 2020 totals above are inclusive of an audit adjustment prepared by OSA.

The following table compares the original responses to the closing package reported by MDOL and SESC and relied upon by OSC for financial reporting; to the amounts established during the audit.

Description	Original Closing Package Total	Revised Total	Discrepancy
State ESTF UI benefits liability	$15.8 million	$35.7 million	$19.9 million
Federal UI benefits liability	$60.9 million	$153.4 million	$92.5 million
Fraudulent benefit overpayments	$136.0 million	$98.5 million	($37.5 million)
Benefit overpayment recoveries	$36.0 million	$35.4 million	($0.6 million)

Cause:

- Lack of procedures over financial reporting to ensure that information presented and disclosed in the State's financial statements is complete and accurate
- Lack of managerial and supervisory oversight

Effect: Prior to an audit adjustment prepared by OSA, the State's financial statements contained the following misstatements:

- Accounts payable and the related benefit expense account for State ESTF UI benefits were understated by approximately $19.9 million.
- Accounts payable and the related benefit expense account for Federal UI benefits were understated by approximately $92.5 million.

The expense and liability totals outlined above are based on supporting data provided by MDOL; however, OSA found inconsistencies in the data as compared to the ReEmployME information system. OSA believes that these amounts are likely still understated. OSC discloses this matter as a contingent liability in the notes to the financial statements.

In addition, since OSC did not make adjustments to the financial statements proposed by OSA to correct errors related to fraudulent benefit overpayments and benefit overpayment recoveries:

- Accounts receivable for fraudulent benefit overpayments and the related allowance for uncollectible accounts is overstated by approximately $37.5 million.
- Benefit overpayment recoveries is overstated by $0.6 million. This overstatement changed the allocation of recoveries to the State ESTF and Federal Fund by four percent. This allocation change results in the following errors:
  - Amounts due to other governments, representing recoveries of benefit overpayments payable to the Federal government, is overstated by approximately $1.8 million. This may result in overpayment of recovered funds owed to the Federal government.
  - Federal UI benefit expenses are understated by approximately $1.8 million, and State UI benefit expenses are overstated by approximately $1.2 million.
- Note 6 to the State's financial statements reflects inaccurate accounts receivable information.

Recommendation: We recommend that MDOL and SESC work together to establish policies and procedures that will ensure complete, accurate, and supported responses to information requested by OSC as part of the closing package. A secondary review and approval by management personnel should always be performed before this critical information is provided to OSC and other entities. Responsible management and other personnel should remain vigilant for unusual activity and circumstances when preparing information for financial reporting.

We recommend that OSC request and analyze detailed documentation in support of annual closing packages received from agencies to ensure that significant errors and omissions in the financial statements and related notes are prevented, or detected and corrected, prior to the issuance of final financial statements.

Corrective Action Plan: See F-8

Management's Response: The Departments partially agree with this finding.

The Department of Labor agrees that procedures for reporting liabilities and fraud should be updated. The unprecedented level of unemployment claims and of those that required backdating meant that prior procedures did not cover all scenarios that affected benefit payments during the COVID-19 pandemic.

The Office of the State Controller (OSC) prepares the State's CAFR based on the best information available at the time of preparation. As a matter of administrative efficiency, financial reporting controls are established at the statewide level; correspondingly, reliance is often placed on information coming from qualified personnel at other Departments as well as other units within DAFS. During these unique times, the data sets necessary to prepare the financial statements continued to be updated through the CAFR preparation process. With the benefit of hindsight, the final CAFR was ultimately adjusted to ensure that its presentation is free from any material misstatements.

Contact: Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431

Auditor's Concluding Remarks: OSC is ultimately responsible for preparation of the State's financial statements. Therefore, the "information available at the time of preparation" should include supporting documentation and data in order to place reliance on that information. As noted in the condition, the reporting package prepared by MDOL and SESC and provided to OSC for financial reporting was not complete or accurate and did not include all supporting data. The presentation of the financial statements would not have been accurate in the absence of OSA's audit procedures.

The finding remains as stated.

(State Number: 20-0308-02)

(2020-009)

Title: Internal control over the valuations of the allowances for uncollectible unemployment insurance-related receivables needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-004	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 (MDOL)
Administrative and Financial Services (DAFS)
State Bureau: Unemployment Compensation, a Unit of MDOL
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: 5 MRSA 1547; State Administrative and Accounting Manual 80.30.05

Accounting and reporting activities of the State of Maine are required by statute to be in conformance with U.S. Generally Accepted Accounting Principles (GAAP). Accounting estimates used in the financial statements require the use of judgment by management which should be based on actual knowledge and experience with historical and current data. Annual review of these estimates and the circumstances that give rise to the estimates is necessary.

Condition: The valuations of the allowances related to uncollectible unemployment insurance (UI) receivables reported on the State's financial statements are not supported by documented, current and historical collections experience and other knowledge.

Calculations of the estimated allowances for uncollectibles are based on the following assumptions:

- Benefit Overpayment and Unemployment Taxes Receivable:
    - 100% of receivables less than one year old are considered collectible.
    - 100% of receivables more than one year old are considered uncollectible.
- Penalties and Interest Receivable: All interest and penalties, regardless of age, are considered uncollectible.

During this year's and in prior years' audits, Maine Department of Labor (MDOL) personnel stated to auditors that ReEmployME, the relatively new information system used to calculate and store UI information, is not capable of producing a Receivables Report that lists all records for each debtor as of a past date with information to identify the age and other details about the receivable. This missing management and accounting tool has been attributed to information system limitations for more than fifteen years. The information needed to produce this report is stored in

ReEmployME. MDOL does not produce this report at fiscal year-end for financial statement or other management purposes.

As part of the Office of the State Controller's (OSC) procedure to review the estimated allowance account, personnel analyze five years of Employment Security Trust Fund (ESTF) benefit receivables and write-offs. The analysis does not include employer contributions receivable or interest and penalties receivable that are accounted for in the Other Special Revenue Fund. This procedure is not done by aging period and does not incorporate historical data or current economic trends. From 2013 to 2019, the State's unemployment rate dropped from nearly eight percent to approximately two percent. In addition, during fiscal year 2020, the State's unemployment rate increased to nearly eleven percent during the fourth quarter. These changes were not factored into how the allowance for uncollectible amounts was calculated. There was no change to reflect the unprecedented impacts of the COVID-19 pandemic in the fourth quarter of fiscal year 2020.

Context: UI receivables for the ESTF totaled $116.5 million as of June 30, 2020, reduced by the estimated allowance for uncollectible amounts of $32.2 million. This results in management's presentation of $84.3 million in net UI receivables, not including interest and penalties as described in the following paragraph. Fraudulent benefit overpayments relating to identity theft attacks in May 2020 are excluded from these amounts.

As of June 30, 2020, a receivable for interest and penalties related to the ESTF totaling $60.4 million was included in the Other Special Revenue Fund. This significant balance was then reduced by the estimated allowance for uncollectible amounts of $60.4 million, resulting in management's presentation of $0 in Employment Security-related receivables for interest and penalties.

In total, ESTF receivables for benefits and contributions, and related interest and penalties recorded in the Other Special Revenue Fund, are approximately $176.9 million. The corresponding allowances for uncollectible accounts are approximately $92.6 million.

Cause:

- Lack of documented policies and procedures
- Management has identified long-term and ongoing information system limitations and has not taken action to resolve them. As a result, accurate and complete receivables information is not available for review by management. This is needed to properly manage receivables and to provide for a reasonable and credible valuation of receivable assets.
- Lack of supervisory oversight

Effect:

- Potential misstatement of the allowances for uncollectible amounts and the resulting net receivables balances, including the separately disclosed amount for the allowances for uncollectible amounts in Note 6 of the financial statements
- Without a formalized, documented, evidence-based process in place for calculating the allowances for uncollectible amounts, including supervisory review, the presentation and disclosure of uncollectible receivables information is not supported.

Recommendation: We recommend that MDOL management create a Receivables Report 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 the date and age of the receivable, and with pertinent categories, subtotals, and totals. This report should be used by MDOL and the Security and Employment Service Center (SESC) to analyze actual collection data, make collections, and update the estimates used to value the allowances for uncollectible accounts. MDOL management personnel should perform a detailed secondary review of estimates used to calculate the allowance for uncollectible accounts.

In addition, we recommend that OSC request and analyze detailed collection data from MDOL that proves the allowance for uncollectible amounts is reasonable, complete, and accurate.

Corrective Action Plan: See F-8

Management's Response: The Department disagrees with this finding. OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgment 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 the applicable accounting principles and that disclosure is adequate. OSC recently performed a five-year trend analysis of historical collections with information provided by 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 implemented a new system and OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.

Contact: Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431

Auditor's Concluding Remarks: As noted in the finding, quantitative support presenting actual collection data was not made available to OSA in order to substantiate the valuation assumptions used to calculate the allowances for uncollectible amounts. Estimates generated using the current methodology are not consistent with actual collection activity as described by management at the MDOL. In addition, valuation assumptions were not updated during fiscal year 2020 to reflect the unprecedented economic impacts of the COVID-19 pandemic, most notably on the State's UI program. We continue to recommend that MDOL and SESC work together to improve receivables reporting so OSC can utilize accurate and complete information to ensure reasonable valuation of estimates.

The finding remains as stated.

(State Number: 20-0308-01)

(2020-010) Confidential finding, see 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:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Redacted	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 Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP

Compliance Area: Allowable costs/cost principles
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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: National Institute of Standards and Technology (NIST) Special Publication ________; State of Maine ________; State of Maine ________

NIST Special Publication ________ states that organizations are responsible and accountable for the ________ by the use of ________ provided by ________. Ultimately, the responsibility for adequately ________ remains with ________. Organizations require that appropriate chains of trust be established with ________ when dealing with the many issues associated with ________. Organizations must establish and retain a level of trust that ________ in the________ provide adequate ________ to organizations.

Condition: ________ refers to ________ that are owned and maintained by ________ to ________. These ________ and ________.

________ and ________ over ________ are not sufficient to ________ that are ________. The Office of Information Technology (OIT) has not been provided ________, ________, or ________ relevant to ________.

Context: The State Department ________ are at risk from ________ because they are ________. The ________ is the largest program affected. ________ for this program processed approximately ________ in expenditures during fiscal year 2020. Programs must comply with Federal rules and regulations to avoid potential disallowance of Federal funding.

OIT is in the process of developing and implementing ________ by the end of 2020. Currently, OIT has effectively ________. However, there remains ________.

Cause: ________

Effect: ________ and ________ are a major focus of internal and external threats. The current ________ can potentially lead to the ________, ________, or the ________.

Recommendation: We recommend that the Department continue efforts to ________, thereby lowering the overall ________.

Corrective Action Plan: See F-8

Management's Response: The Department agrees with this finding. The status of the ________ is progressing as ________ on the ________ have been ________. The remaining ________ are scheduled to ________ before the end of calendar year 2020.

Contact: Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Chris Thibault, Administrative Specialist, Centers for Medicare and Medicaid Services, John F. Kennedy Federal Building, Room 2325, 15 New Sudbury Street, 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 the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106

(State Number: 20-0905-01)

(2020-011) Confidential finding, see below for more information

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:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Redacted	Redacted	*	*	*	*	*	*

**The system was not audited in this fiscal year.*

State Department: Education
State Bureau: School Finance and Operations
Federal Agency: U.S. Department of Education
CFDA Title: Special Education Cluster (IDEA)
CFDA Number: 84.027, 84.173
Federal Award Identification Number: H173A170115, H173A180115, H173A190115, H027A170109, H027A180109, H027A190109

Compliance Area: Reporting
Subrecipient monitoring

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: National Institute of Standards and Technology (NIST) Special Publication ________; State of Maine ________

NIST Special Publication ________ provides that organizations consider ________. ________, ________, and ________ are made available to ________ and ________. If ________ are provided to ________, arrangements must be made with the ________. ________.

NIST Special Publication ________ states that organizations are responsible and accountable for ________. Ultimately, the responsibility for ________ remains with ________. Organizations require that ________. Organizations must ________ and ________.

The State of Maine ________ state that ________, ________, and ________, and must also ________.

Condition: The Department ________ with the ________ to provide ________ and a ________; however, the ________ was unable ________ for the audit period. Therefore, the department did not have ________ that ________ were in place over the ________ provided by ________ to ensure that ________.

Context: ________ with a ________ to provide ________ and ________, including ________. ________ results can ________.

________ to determine the amount of ________ provided by the State to approximately ________ and ________. In fiscal year 2020, approximately ________ was provided. This includes ________ for the ________ of approximately ________.

Cause: Although the Department required _______, the _______ was unable _______ for the audit period.

Effect:

- ________
- ________
- ________

Recommendation: We recommend that ________ require the ________, ________, and ________; and ________. DOE would then ________ that the ________, ________, ________, and ________.

Corrective Action Plan: See F-9

Management's Response: The Department agrees with this finding. ________ is a ________, which ________ used to meet state and Federal reporting requirements. ________ is not a ________ which contains ________, nor does it ________, or ________. ________ is a ________ that ________. The ________ is ________ in the ________ and as such, the Department expected that ________ to meet all ________ and ________ and ________, to include applicable ________ and ________.

To address the issues surrounding ________, the Department has renewed the ________ and has included ________ regarding the ________ to address ________ and ________, ________, and ________. As there is no ________ held in the ________, ________ and ________ will not need to be addressed in the ________. The Department was unable to resolve the finding for FY2020 as the ________ had ________, and the ________ was beyond the ________. The Department will request, through the state budget process, adequate resources to have ________.

Contact: Joanne Allen, Director, School Finance & Operations, DOE, 204-624-6790

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Christine Pilgrim, Associate Division Director, Office of Special Education Program, U.S. Department of Education, 550 12th Street SW, Washington, DC 20202

A copy of that correspondence has also been sent to:

- Mark Priebe, Director Non-Federal Audit Team, U.S. Department of Education, Office of the Inspector General, 550 12th Street SW, Room 8153, Washington, DC 20202

(State Number: 20-0900-05)

(2020-012) Confidential finding, see below for more information

Title: The Department of Health and Human Services has no ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Redacted	Redacted	Redacted	Redacted	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 Number: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP; 1905ME5021, 2005ME5021

Compliance Area: Allowable costs/cost principles

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: National Institute of Standards and Technology (NIST) Special Publication ________; State of Maine ________; State ________

NIST Special Publication ________ states that the organizations consider ________. ________, ________, and ________. If ________, arrangements must be made with ________. Information obtained from ________.

NIST Special Publication ________ states that ________ and ________. Ultimately, the responsibility for adequately ________ remains with ________. Organizations require that appropriate ________ with ________. Organizations must ________.

The State of Maine ________ state that ________ must ensure a ________, ________, and ________; and must also ________.

The ________ requires the ________ to ________.

Condition: The Department has not received ________ from ________ that ________ is adequate. The ________ must ________ that ________, ________, ________, ________, and ________. Specifically, the ________ is the ________. The Department stated that a ________ will start in early 2021 and the ________ will be provided in late 2021.

Context: ________ is the ________ used to ________. These ________ totaled approximately ________ in ________, including approximately ________ during fiscal year 2020. ________ is an integral part of Maine's ________.

Cause: The ________ did not comply with the ________. The ________ requires that the ________ be provided to the State.

Effect:
- ________
- ________
- ________

Recommendation: We recommend that the Department implement procedures to ensure that ________. This will provide the Department assurance that ________ related ________, ________, ________, ________, and ________ are adequate.

Corrective Action Plan: See F-9

Management's Response: The Department agrees with this finding. The ________ requires an ________. An initial ________ requires a ________, a ________, and then the ________. The ________ is currently being conducted and is anticipated to be done before the end of 2020, with the final ________ completed for review in early 2021. The second year of the audit will start in early 2021 with the final ________ later in 2021. The procedure will be that the program administrator will monitor the progress of the ________, to ensure the contractual requirements are met.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:
- Chris Thibault, Administrative Specialist, Centers for Medicare and Medicaid Services, John F. Kennedy Federal Building, Room 2325, 15 New Sudbury Street, 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 the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106

(State Number: 20-0900-07)

(2020-013) Confidential finding, see below for more information

Title: The Department of Labor has no ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Redacted	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 Number: 17.225
Federal Award Identification Number: Unemployment Insurance Trust Fund, Maine

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: National Institute of Standards and Technology (NIST) Special Publication ________; Federal Information Processing Standards (FIPS); State of Maine ________

NIST Special Publication ________ states that ________, ________, ________, ________, ________, or ________, ________, and ________.

State of Maine ________ state that ________, ________, and ________, and ________.

Condition: The Office of the State Auditor continues to report that the Maine Department of Labor (MDOL) does not have ________ that ________ related ________ over the ________ provided by ________ are adequate and that ________ is ________, ________, ________, and ________.

In ________, all ________ over potential ________ were ________ despite ________ for ________ and a sudden ________. In ________, there was a ________ on the State of Maine ________ that resulted in ________ and ________. This is due to ________ and ________ within

________. Management of the Department immediately focused their efforts solely on ________. Additional procedures were implemented to ________.

Context: MDOL has a ________, for the ________ to ________ and ________, the ________ for the State of Maine, at a cost of ________. The total ________ for Maine in fiscal year 2020 was approximately ________, which includes approximately ________ and approximately ________. Additionally, the State ________ approximately ________. Approximately ________. The ________ and ________ caused ________.

Cause: The ________ does not explicitly require ________ with the State Office of Information Technology ________ and provide ________ that includes a ________ on ________ and ________, ________, ________, ________ and ________ of the ________.

Effect:

- ________
- ________
- ________
- ________
- ________
- ________
- ________

Recommendation: We recommend that the Department ________ to the ________ requiring the ________ to provide ________ that includes a ________ on ________ and ________, ________, ________, ________ and ________. This will provide assurance to the State regarding whether ________ are adequate. This will reduce ________.

Corrective Action Plan: See F-9

Management's Response: The Department partially agrees with this finding.

The Department agrees that a ________ has not been performed on ________, it should be noted that other ________ are routinely performed.

The Department does not agree with the assertion that the circumstances described in the finding would have been ________. Additionally, the Department does not agree with the characterization of the events highlighted in this finding as described below.

Most ________ remained in place throughout the COVID-19 pandemic. Despite pressures to ________, the Department kept ________ in mind with each decision that was made and in implementation of the new federal programs. In response to the pandemic, the Department did review certain procedures and modified them to accommodate the rapid and drastic loss of employment by Maine workers. Steps were taken to limit the risk of the modifications.

In ________, the Department and Maine workers were ________. This was not ________ on the Department. ________. The ________ that were in place ________, which was largely limited to ________. ________ were temporarily paused, but the program was not shutdown. Legitimate ________ were ________.

From ________, The Maine Office of Information Technology (OIT) contracted with a third-party to conduct a ________, a ________, a ________ and a ________ of the ________. The ________.

The Department has taken steps to help ensure ________. Partnerships with other state and federal agencies were enhanced and have been instrumental. These include: the Office of Inspector General; the U.S. Attorney's Office; FBI; U.S. Secret Service; National Association of State Workforce Agencies and other states; OIT; the Maine Office of the Attorney General; and, the Maine Office of the State Treasurer. In addition, the Department has hired additional staff, both to address the ________ as well as to expand ________. Contractors have been hired to improve timeliness and to better assess ________. For the ________, changes were made to build in certain ________, which are constantly revised based on trends in Maine and across the country.

The Department remains committed to compassionate actions ________. The Department will continue its aggressive approach toward ________, ________, ________ and ________, and is constantly reassessing risk based on ever-changing threats.

Contact: Patricia O'Brien, Deputy Bureau Director, DOL, 207-621-5161

Auditor's Concluding Remarks: ________ was ________ in ________. Inconsistent with the statement above that ________, audit procedures discovered an additional ________ at fiscal year-end for ________ totaling ________ in State ________ and ________ in ________. The total ________ to ________ at fiscal year-end was ________ and ________, at ________ in ________, and ________.

A ________ is designed to provide ________ over the ________ of ________ that are relevant to ________, ________, or ________ of the ________, or the ________ or ________ of that ________. Without ________ over ________ we cannot validate that ________ or ________ either ________ or ________ the ________ and ________. ________ over ________ and ________ may have helped ________ and ________ and provided information on the overall ________ of ________. The ________ of a ________, ________, ________ and ________ of the ________ were not provided to OSA, despite multiple information requests surrounding these matters.

________ is needed over ________ and ________. Without ________ both the ________ and ________ the State cannot ensure ________ are ________, ________, and ________, ________ and ________.

The finding remains as stated.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Jim Garner, Administrator, U.S. Department of Labor, Office of Unemployment Insurance, Frances Perkins Building, Room S-4524, 200 Constitution Avenue NW, Washington, DC 20210

A copy of that correspondence has also been sent to:

- Grover L. Fowler, Assistant Director, Financial Management Audits, U.S. Department of Labor, Office of the Inspector General, Frances Perkins Building, Room N-4633, 200 Constitution Avenue NW, Washington, DC 20210

(State Number: 20-0900-03)

(2020-014) Confidential finding, see below for more information

Title: ________ over the Department of Transportation ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Redacted	Redacted	Redacted	Redacted	None	None	*	None

**The system was not audited in this fiscal year.*

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
Federal Agency: U.S. Department of Transportation
CFDA Title: Highway Planning and Construction Cluster
Formula Grants for Rural Areas
CFDA Number: 20.205, 20.219; 20.509
Federal Award Identification Number: Various Highway Planning and Construction Cluster Grants; ME-2016-008-03, ME-2017-011-00, ME-2018-024-00, ME-18-X054-01, ME-18-X056-02, ME-2019-002-01, ME-2019-019-00, ME-2020-005-00

Compliance Area: Allowable costs/cost principles

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: National Institute of Standards and Technology (NIST) Special Publication ________; NIST Special Publication ________; and State of Maine Office of Information Technology (OIT) Policies: ________, ________, and ________

NIST Special Publication ________ states that an organization must have the ability to ________ and ________. These ________, such as ________ or ________, or ________. ________ describes the process to ________ and ________ an ________. Step ________.

NIST Special Publication ________ provides that the organization ________, ________, and ________:

- ________; and
- ________

NIST Special Publication ________.

Condition: The Department of Transportation (DOT) is unable to provide a ________ that governs their overall ________ program which includes ________. The Department provided a copy of the ________ as documentation of compliance. This plan, last updated in 2009, does not comply with State policy or industry best practices for ________.

Context: ________ is the ________ system used by DOT to ________ prior to interfacing to the State's ________. The system ________ in fiscal year 2020. This includes ________.

Cause: ________

Effect: Without the authoritative guidance of a well-documented ________, ________ processes may lack the clarity for implementation, monitoring, and evolution. In addition, in the event of a ________, the lack of a ________ could potentially result ________.

Recommendation: We recommend that DOT work with the Office of Information Technology (OIT) to develop a ________ that will govern their ________ program. Additionally, we recommend that DOT design, develop, formally approve, regularly update, and test ________ in accordance with government standards and the established ________.

Corrective Action Plan: See F-9

Management's Response: The Department agrees with this finding. The Department will be reaching out to the OIT ________ point person at the beginning of calendar year 2021 to establish a timeline on the development of a ________.

Contact: Doreen Corum, Financial Processing Director, DOT, 207-624-3139

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Julie O'Dell, Program Analyst, Management Programs & Analysis, Federal Highway Administration, 1200 New Jersey Avenue SE, Washington, DC 20590

(State Number: 20-0900-01)

(2020-015) Confidential finding, see below for more information

Title: The Department of Transportation has not completed a ________ that complies with State policy or industry best practice (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Redacted	Redacted	Redacted	Redacted	None	None	*	None

**The system was not audited in this fiscal year.*

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
Federal Agency: U.S. Department of Transportation
CFDA Title: Highway Planning and Construction Cluster
Formula Grants for Rural Areas
CFDA Number: 20.205, 20.219; 20.509
Federal Award Identification Number: Various Highway Planning and Construction Cluster Grants;
ME-2016-008-03, ME-2017-011-00,
ME-2018-024-00, ME-18-X054-01,
ME-18-X056-02, ME-2019-002-01,
ME-2019-019-00, ME-2020-005-00

Compliance Area: Allowable costs/cost principles

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: National Institute of Standards and Technology (NIST) Special Publication ________; NIST Special Publication ________, and ________; and State of Maine Office of Information Technology (OIT) Policies: ________, ________, and ________

NIST Special Publication ________ states that the ________ is a key step in implementing ________; the ________ purpose is to ________ and ________, and based on that information, ________. The ________ should be ________ and ________.
NIST Special Publication ________:

- ________,
- ________, and
- ________

NIST Special Publication ________ provides that the organization's ________, ________, and established ________.

Condition: The Department of Transportation (DOT) has not prepared a ________ to determine the effect of an ________. This ________ is used to determine the appropriate ________. The ________ is the ________ that DOT ________. The ________ is the ________. The established and approved ________ are used to determine the ________. The Department has not ________ or established an ________.

Those responsible for developing a ________ for the Department must know the ________ requirements in order to establish an acceptable ________. The absence of a ________ is communicated in a separate finding.

Context: ________ is the ________ system used by DOT to ________ prior to interfacing to the State's ________. The system ________ in fiscal year 2020. This includes ________.

Cause: ________

Effect: The lack of a ________ and systems will not be ________.

Recommendation: We recommend that DOT work with the Office of Information Technology to ________ that complies with State policy or industry best practices. Additionally, we recommend that DOT identify and approve ________ for ________ and ________ that support DOT business functions, which includes their ________.

Corrective Action Plan: See F-10

Management's Response: The Department agrees with this finding. The Department will be reaching out to the OIT ________ point person at the beginning of calendar year 2021 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

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Julie O'Dell, Program Analyst, Management Programs & Analysis, Federal Highway Administration, 1200 New Jersey Avenue SE, Washington, DC 20590

(State Number: 20-0900-02)

(2020-016) Confidential finding, see below for more information

Title: ________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	None	None	None	None	None	*	None

**The system was not audited in this fiscal year.*

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
Federal Agency: U.S. Department of Transportation
CFDA Title: Highway Planning and Construction Cluster
Formula Grants for Rural Areas
CFDA Number: 20.205, 20.219; 20.509
Federal Award Identification Number: Various Highway Planning and Construction Cluster Grants; ME-2016-008-03, ME-2017-011-00, ME-2018-024-00, ME-18-X054-01, ME-18-X056-02, ME-2019-002-01, ME-2019-019-00, ME-2020-005-00

Compliance Area: Allowable costs/cost principles

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: National Institute of Standards and Technology (NIST) Special Publication ________; and State of Maine Office of Information Technology (OIT) Policies: ________

NIST Special Publication ________:
- ________;
- ________; and
- ________

NIST Special Publication ________provides that the organization adhere to the principle of ________, ________ and ________.

NIST Special Publication ________, ________:

- ________, and
- ________

NIST Special Publication ________ states that the organization ________.

OIT ________ provides that agencies ________ and ________ to ________, ________, ________, ________ and ________. These procedures include ________ and ________.

The ________ for State of Maine ________ requires ________.

Condition: The Department ________ to ________ without a ________. Of the ________, ________. In addition, the ________ with a ________ did not ________.

There is no ________ that ________ were ________.

Of the ________, ________ was not ________ with ________. The ________ was set to ________, when it should have been ________.

Additionally, ________ is not being ________. Of the ________ during the audit period, ________ were not ________. ________ was ________ between ________ after ________. The average ________ was ________ after the ________. ________ did not have a ________ established regarding the required ________ for ________ for ________. Industry best practice indicates that ________ should be ________.

Context: ________ is the ________ system used by ________ to ________ prior to interfacing to the State's ________. The system ________ in fiscal year 2020. This includes ________.

Cause: Lack of ________ and ________ over ________

Effect:

- ________
- ________
- ________
- ________

Recommendation: We recommend that DOT implement ________ that align with the the State of Maine OIT ________. These ________ should ________ based on a ________ and ________; ________ the use of agency ________ through ________; align ________ with State of Maine ________ and ________; and ________ in a timely manner. DOT should work with OIT to develop ________ and ________ where the State of Maine OIT ________ to align with industry best practice.

Corrective Action Plan: See F-10

Management's Response: The Department agrees with this finding. We will work with the OIT group to implement ________ and ________ to align with the State of Maine OIT ________.

Contact: Doreen Corum, Financial Processing Director, DOT, 207-624-3139

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Julie O'Dell, Program Analyst, Management Programs & Analysis, Federal Highway Administration, 1200 New Jersey Avenue SE, Washington, DC 20590

(State Number: 20-0900-04)

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section III - Indexes to Federal Program Findings

INDEXES TO FEDERAL PROGRAM FINDINGS

Seven findings (2020-010 through 2020-016) 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.

Index to Federal Findings
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
SNAP Cluster (SNAP) CFDA# 10.551, 10.561			
2020-017	Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement	DAFS	E-69
2020-018	Internal control over SNAP benefit calculations within the automated data processing system needs improvement	DHHS	E-71
2020-019	Internal control over the issuance of SNAP benefits needs improvement	DHHS	E-74
2020-020	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-76
2020-043	Internal control over Income Eligibility and Verification System procedures needs improvement	DHHS	E-138
2020-054	Internal control over the eligibility determination process needs improvement	DHHS	E-171
2020-064	________ over the Office for Family Independence ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-197
2020-065	________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-200
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) CFDA# 10.557			
2020-021	Internal control over cash balances needs improvement	DHHS DAFS	E-79
2020-022	Internal control over subrecipient monitoring needs improvement	DHHS	E-82
2020-023	Internal control over the WIC infant formula rebate process needs improvement	DHHS DAFS	E-84
2020-024	Internal control over subrecipient awards needs improvement	DHHS	E-86
2020-025	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-88
2020-042	Internal control over subrecipient cash management needs improvement	DHHS	E-135
Unemployment Insurance (UI) CFDA# 17.225			
2020-013	The Department of Labor has no ________ that ________ over the ________ information system is adequate (The content of this finding has been redacted. This appears as blank underlining)	DOL	E-37
Unemployment Insurance continued on next page			

Program / Finding #	Brief Summary of Finding	State Dept	Page
Unemployment Insurance continued from previous page			
2020-026	Internal control over Unemployment Insurance claim payments needs improvement (A portion of this finding has been redacted. This appears as blank underlining)	DOL	E-91
2020-027	________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)	DOL	E-98
<u>Highway Planning and Construction Cluster</u> CFDA# 20.205, 20.219			
2020-014	________ over the Department of Transportation ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DOT DAFS	E-41
2020-015	The Department of Transportation has not completed a ________ that complies with State policy or industry best practice (The content of this finding has been redacted. This appears as blank underlining)	DOT DAFS	E-43
2020-016	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DOT DAFS	E-45
<u>Formula Grants for Rural Areas</u> CFDA# 20.509			
2020-014	________ over the Department of Transportation ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DOT DAFS	E-41
2020-015	The Department of Transportation has not completed a ________ that complies with State policy or industry best practice (The content of this finding has been redacted. This appears as blank underlining)	DOT DAFS	E-43
2020-016	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DOT DAFS	E-45
2020-028	Internal control over subrecipient monitoring procedures needs improvement	DOT	E-101
<u>Rehabilitation Services – Vocational Rehabilitation Grants to States</u> CFDA# 84.126			
2020-031	Internal control over claim reimbursements needs improvement	DOL	E-108
2020-032	Internal control over the timeliness of eligibility determinations needs improvement	DOL	E-111
2020-033	Internal control over Federal cash management needs improvement	DAFS DOL	E-114

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Index to Federal Findings
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
Special Education Cluster (IDEA) CFDA# 84.027, 84.173			
2020-011	The Department has no ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining)	DOE	E-32
2020-029	Internal control over cash management needs improvement	DAFS	E-103
2020-030	________ and ________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)	DOE	E-105
Aging Cluster CFDA# 93.044, 93.045, 93.053			
2020-042	Internal control over subrecipient cash management needs improvement	DHHS	E-135
Immunization Cooperative Agreements CFDA# 93.268			
2020-034	Internal control over provider site visits needs improvement	DHHS	E-116
2020-035	Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement	DHHS	E-118
2020-036	Internal control over Federal cash management needs improvement	DAFS	E-120
2020-037	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-122
2020-038	________ and ________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-125
Temporary Assistance for Needy Families (TANF) CFDA# 93.558			
2020-017	Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement	DAFS	E-69
2020-020	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-76
2020-039	Internal control over payments made on behalf of TANF clients needs improvement	DHHS	E-128
2020-040	Internal control over TANF client child support sanction procedures needs improvement	DHHS	E-130
2020-041	Internal control over TANF performance reporting and work participation procedures needs improvement	DHHS	E-132

TANF continued on next page

Program / Finding #	Brief Summary of Finding	State Dept	Page
TANF continued from previous page			
2020-042	Internal control over subrecipient cash management needs improvement	DHHS	E-135
2020-043	Internal control over Income Eligibility and Verification System procedures needs improvement	DHHS	E-138
2020-044	Internal control over risk evaluation procedures needs improvement	DHHS	E-140
2020-045	Internal control over special reporting needs improvement	DHHS	E-143
2020-046	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-145
2020-054	Internal control over the eligibility determination process needs improvement	DHHS	E-171
2020-064	________ over the Office for Family Independence ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-197
2020-065	________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-200
Community Services Block Grant (CSBG) CFDA# 93.569			
2020-042	Internal control over subrecipient cash management needs improvement	DHHS	E-135
CCDF Cluster CFDA# 93.575, 93.596			
2020-047	________ and ________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-148
Foster Care - Title IV-E CFDA# 93.658			
2020-047	________ and ________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-148
Adoption Assistance CFDA# 93.569			
2020-047	________ and ________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-148

Program / Finding #	Brief Summary of Finding	State Dept	Page
Social Services Block Grant (SSBG) CFDA# 93.667			
2020-042	Internal control over subrecipient cash management needs improvement	DHHS	E-135
Children's Health Insurance Program (CHIP) CFDA# 93.767			
2020-012	The Department of Health and Human Services has no ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-35
2020-043	Internal control over Income Eligibility and Verification System procedures needs improvement	DHHS	E-138
2020-050	Internal control over Automated Data Processing Risk Analysis and System Security Reviews needs improvement	DHHS DAFS	E-158
2020-051	Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement	DHHS	E-161
2020-052	Internal control over compliance with eligibility determination requirements needs improvement	DHHS	E-163
2020-054	Internal control over the eligibility determination process needs improvement	DHHS	E-171
2020-055	Internal control over the Medicaid and CHIP payment files needs improvement	DHHS DAFS	E-174
2020-060	Internal control over the financial reporting process needs improvement	DHHS DAFS	E-186
2020-061	Internal control over provider license verification procedures needs improvement	DHHS	E-188
2020-064	________ over the Office for Family Independence ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-197
2020-065	________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-200
Medicaid Cluster CFDA# 93.775, 93.777, 93.778			
2020-010	________ and ________ over ________ need improvement (The content of this finding has been redacted. This appears as blank underlining)	DAFS	E-30
2020-012	The Department of Health and Human Services has no ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-35
Medicaid Cluster continued on next page			

Program / Finding #	Brief Summary of Finding	State Dept	Page
Medicaid Cluster continued from previous page			
2020-043	Internal control over Income Eligibility and Verification System procedures needs improvement	DHHS	E-138
2020-048	Internal control over Hospital and Long Term Care Facility audits needs improvement	DHHS	E-151
2020-049	Internal control over Medicaid Cost of Care assessments and deductions needs improvement	DHHS	E-156
2020-050	Internal control over Automated Data Processing Risk Analysis and System Security Reviews needs improvement	DHHS DAFS	E-158
2020-051	Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement	DHHS	E-161
2020-052	Internal control over compliance with eligibility determination requirements needs improvement	DHHS	E-163
2020-053	Internal control over Medicare Part B premium payments needs improvement	DHHS DAFS	E-168
2020-054	Internal control over the eligibility determination process needs improvement	DHHS	E-171
2020-055	Internal control over the Medicaid and CHIP payment files needs improvement	DHHS DAFS	E-174
2020-056	Internal control over payment of claims needs improvement	DHHS	E-177
2020-057	Internal control over Prospective Interim Payments to hospitals needs improvement	DHHS	E-179
2020-058	Internal control over Patient Service Revenue needs improvement	DHHS	E-181
2020-059	Internal control over the outsourced medical claims coding process needs improvement	DHHS	E-184
2020-060	Internal control over the financial reporting process needs improvement	DHHS DAFS	E-186
2020-061	Internal control over provider license verification procedures needs improvement	DHHS	E-188
2020-062	________ over the Office of Information Technology's ________ procedures needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DAFS	E-191
2020-063	________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DAFS	E-194
2020-064	________ over the Office for Family Independence ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-197
2020-065	________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-200

Program / Finding #	Brief Summary of Finding	State Dept	Page
HIV Care Formula Grant CFDA# 93.917			
2020-042	Internal control over subrecipient cash management needs improvement	DHHS	E-135

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
DOT Department of Transportation

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
Department of Administrative and Financial Services														
2020-010	Medicaid Cluster		✓		✓									E-30
2020-014	Highway Planning and Construction Cluster, Formula Grants for Rural Areas		✓											E-41
2020-015	Highway Planning and Construction Cluster, Formula Grants for Rural Areas		✓											E-43
2020-016	Highway Planning and Construction Cluster, Formula Grants for Rural Areas		✓											E-45
2020-017	SNAP Cluster, TANF										✓			E-69
2020-021	WIC			✓										E-79
2020-023	WIC			✓										E-84
2020-029	Special Education Cluster (IDEA)			✓										E-103
2020-033	Rehabilitation Services – Vocational Rehabilitation Grants to States			✓										E-114
2020-036	Immunization Cooperative Agreements			✓										E-120
2020-050	Medicaid Cluster, CHIP												✓	E-158
2020-053	Medicaid Cluster		✓											E-168
2020-055	Medicaid Cluster, CHIP		✓								✓			E-174
2020-060	Medicaid Cluster, CHIP										✓			E-186
2020-062	Medicaid Cluster		✓											E-191
2020-063	Medicaid Cluster		✓		✓									E-194

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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
Department of Education														
2020-011	Special Education Cluster (IDEA)										✓	✓		E-32
2020-030	Special Education Cluster (IDEA)										✓	✓		E-105
Department of Health and Human Services														
2020-012	Medicaid Cluster, CHIP		✓											E-35
2020-018	SNAP Cluster		✓										✓	E-71
2020-019	SNAP Cluster		✓		✓									E-74
2020-020	SNAP Cluster, TANF		✓								✓		✓	E-76
2020-021	WIC			✓										E-79
2020-022	WIC											✓		E-82
2020-023	WIC			✓										E-84
2020-024	WIC											✓		E-86
2020-025	WIC		✓											E-88
2020-034	Immunization Cooperative Agreements												✓	E-116
2020-035	Immunization Cooperative Agreements										✓			E-118
2020-037	Immunization Cooperative Agreements												✓	E-122
2020-038	Immunization Cooperative Agreements												✓	E-125
2020-039	TANF		✓											E-128
2020-040	TANF												✓	E-130
2020-041	TANF										✓		✓	E-132
2020-042	Multiple Programs			✓								✓		E-135
2020-043	Multiple Programs				✓								✓	E-138
Department of Health and Human Services continued on next page														

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
Department of Health and Human Services continued from previous page														
2020-044	TANF											✓		E-140
2020-045	TANF										✓			E-143
2020-046	TANF		✓								✓		✓	E-145
2020-047	Multiple Programs		✓		✓									E-148
2020-048	Medicaid Cluster												✓	E-151
2020-049	Medicaid Cluster		✓											E-156
2020-050	Medicaid Cluster, CHIP												✓	E-158
2020-051	Medicaid Cluster, CHIP												✓	E-161
2020-052	Medicaid Cluster, CHIP				✓									E-163
2020-053	Medicaid Cluster		✓											E-168
2020-054	Multiple Programs		✓		✓									E-171
2020-055	Medicaid Cluster, CHIP		✓								✓			E-174
2020-056	Medicaid Cluster		✓		✓									E-177
2020-057	Medicaid Cluster		✓											E-179
2020-058	Medicaid Cluster		✓								✓			E-181
2020-059	Medicaid Cluster												✓	E-184
2020-060	Medicaid Cluster, CHIP										✓			E-186
2020-061	Medicaid Cluster, CHIP												✓	E-188
2020-064	Multiple Programs		✓											E-197
2020-065	Multiple Programs		✓		✓									E-200
Department of Labor														
2020-013	Unemployment Insurance		✓		✓									E-37
2020-026	Unemployment Insurance		✓		✓									E-91
2020-027	Unemployment Insurance		✓		✓									E-98
Department of Labor continued on next page														

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
Department of Labor continued from previous page														
2020-031	Rehabilitation Services – Vocational Rehabilitation Grants to States									✓				E-108
2020-032	Rehabilitation Services – Vocational Rehabilitation Grants to States				✓									E-111
2020-033	Rehabilitation Services – Vocational Rehabilitation Grants to States			✓										E-114
Department of Transportation														
2020-014	Highway Planning and Construction Cluster, Formula Grants for Rural Areas		✓											E-41
2020-015	Highway Planning and Construction Cluster, Formula Grants for Rural Areas		✓											E-43
2020-016	Highway Planning and Construction Cluster, Formula Grants for Rural Areas		✓											E-45
2020-028	Formula Grants for Rural Areas											✓		E-101

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Finding #	Page	Compliance Area	Finding Type			
			Material Non-compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2020-010*	E-30	Allowable Costs/ Eligibility			✓	
2020-011	E-32	Reporting/ Subrecipient Monitoring			✓	
2020-012	E-35	Allowable Costs/Cost Principles			✓	
2020-013	E-37	Allowable Costs/ Eligibility		✓		
2020-014	E-41	Allowable Costs/Cost Principles			✓	
2020-015	E-43	Allowable Costs/Cost Principles			✓	
2020-016	E-45	Allowable Costs/Cost Principles			✓	
2020-017	E-69	Reporting	✓	✓		
2020-018	E-71	Allowable Costs/ Special Tests and Provisions			✓	$74 / $111,273
2020-019	E-74	Allowable Costs/ Eligibility			✓	
2020-020	E-76	Allowable Costs/ Reporting/ Special Tests and Provisions			✓	
2020-021	E-79	Cash Management	✓	✓		
2020-022	E-82	Subrecipient Monitoring	✓	✓		
2020-023	E-84	Cash Management			✓	
2020-024	E-86	Subrecipient Monitoring			✓	
2020-025	E-88	Allowable Costs/Cost Principles			✓	

* For findings 2020-001 through 2020-009 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	
2020-026	E-91	Allowable Costs/ Eligibility	✓	✓		$37,047,183 / Undeterminable
2020-027	E-98	Allowable Costs/ Eligibility			✓	
2020-028	E-101	Subrecipient Monitoring	✓	✓		
2020-029	E-103	Cash Management			✓	
2020-030	E-105	Reporting/ Subrecipient Monitoring			✓	
2020-031	E-108	Program Income	✓	✓		
2020-032	E-111	Eligibility			✓	
2020-033	E-114	Cash Management			✓	
2020-034	E-116	Special Tests and Provisions	✓	✓		
2020-035	E-118	Reporting	✓	✓		
2020-036	E-120	Cash Management			✓	
2020-037	E-122	Special Tests and Provisions			✓	
2020-038	E-125	Special Tests and Provisions			✓	
2020-039	E-128	Allowable Costs/Cost Principles	✓	✓		$18,606 / $608,524
2020-040	E-130	Special Tests and Provisions	✓	✓		
2020-041	E-132	Reporting/ Special Tests and Provisions	✓	✓		
2020-042	E-135	Cash Management/ Subrecipient Monitoring	✓	✓		
2020-043	E-138	Eligibility/ Special Tests and Provisions	✓	✓		
2020-044	E-140	Subrecipient Monitoring			✓	
2020-045	E-143	Reporting			✓	

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	
2020-046	E-145	Allowable Costs/ Reporting/ Special Tests and Provisions			✓	
2020-047	E-148	Allowable Costs/ Eligibility			✓	
2020-048	E-151	Special Tests and Provisions	✓	✓		
2020-049	E-156	Allowable Costs/Cost Principles	✓	✓		
2020-050	E-158	Special Tests and Provisions	✓	✓		
2020-051	E-161	Special Tests and Provisions	✓	✓		
2020-052	E-163	Eligibility	✓	✓		
2020-053	E-168	Allowable Costs/Cost Principles		✓		$187 / $3,136,240
2020-054	E-171	Allowable Costs/ Eligibility		✓		
2020-055	E-174	Allowable Costs/ Reporting			✓	$289,186 / None
2020-056	E-177	Allowable Costs/ Eligibility			✓	
2020-057	E-179	Allowable Costs/Cost Principles			✓	
2020-058	E-181	Allowable Costs/ Reporting			✓	
2020-059	E-184	Special Tests and Provisions			✓	
2020-060	E-186	Reporting			✓	
2020-061	E-188	Special Tests and Provisions			✓	
2020-062	E-191	Allowable Costs/Cost Principles			✓	

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	
2020-063	E-194	Allowable Costs/ Eligibility			✓	
2020-064	E-197	Allowable Costs/Cost Principles			✓	
2020-065	E-200	Allowable Costs/ Eligibility			✓	

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Section III – Federal Findings and Questioned Costs

(2020-017)

Title: Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
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 Agriculture
U.S. Department of Health and Human Services
CFDA Title: SNAP Cluster (SNAP)
Temporary Assistance for Needy Families (TANF)
CFDA Number: 10.551, 10.561; 93.558
Federal Award Identification Number: 184ME421Q3903,194ME442Q7503, 194ME401S2520, 204ME401S2520, 204ME401S2519, 204ME442Q7503, 204ME401S2514, 194ME401S2514, 194ME401S2519, 194ME421Q3903, 204ME421Q3903, 194ME442Q7503, 194ME401S8026, 204ME401S8026, 194ME401S8036, 194ME401S8069; 1701METANF, 1801METANF, 1901METANF, 2001METANF

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

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. A 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)

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 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 CFDA number.

Condition: Departments must complete and submit exhibits and related schedules to the Office of the State Controller (OSC). OSC compiles this information and prepares the SEFA for the State. The SEFA is included in the annual submission to the Federal Audit Clearinghouse (FAC). The Department provided incorrect information to OSC for SEFA reporting.

Context: In fiscal year 2020:

- SNAP benefit expenditures were incorrectly reported to OSC as $259.8 million and should have been reported as $245.4 million.
- TANF expenditures were incorrectly reported to OSC as $45.4 million and should have been reported as $59.8 million.

Cause: Lack of adequate internal controls over Department SEFA submissions to OSC

Effect:

- Noncompliance with Federal regulations
- Incorrect information reported on the SEFA may be used for programmatic, policy or statistical purposes.

Recommendation: We recommend that the Department collaborate with OSC to implement additional procedures to ensure that SEFA submission exhibits and related schedules provided to OSC are complete and accurate. This will ensure that Federal program expenditures are accurately reported on the SEFA prior to submitting to the FAC.

Corrective Action Plan: See F-10

Management's Response: The Department of Health and Human Services and its Service Center agree with this finding. Training was conducted on SEFA submissions and we are developing a procedure for SEFA review similar to our federal financial report reviews prior to submission. This entails training a second person in SEFA submissions and updating our SOP.

Contact: Sarah Gove, Director, DHHS Service Center, 207-458-6626

(State Number: 20-1108-01)

(2020-018)

Title: Internal control over SNAP benefit calculations within the automated data processing system needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-012	*	*	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 Number: 10.551, 10.561
Federal Award Identification Number: 184ME421Q3903,194ME442Q7503, 194ME401S2520, 204ME401S2520, 204ME401S2519, 204ME442Q7503, 204ME401S2514, 194ME401S2514, 194ME401S2519, 194ME421Q3903, 204ME421Q3903, 194ME442Q7503, 194ME401S8026, 204ME401S8026, 194ME401S8036, 194ME401S8069

Compliance Area: Allowable costs/cost principles
Special tests and provisions

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs: Likely questioned costs were projected by dividing the identified known overpayment by the total Transitional Food Assistance (TFA) benefit payments tested to establish an error rate. The error rate was then applied to total TFA benefit payments made in fiscal year 2020 to project likely questioned costs.

Questioned Costs	Total	Federal	State
Known	$74	$74	$0
Likely	$111,273	$111,273	$0
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. A 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 273.26

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 is required to sufficiently automate SNAP operations and computerize systems. The system must determine eligibility and calculate benefits, or validate the eligibility worker's calculations, by processing and storing all client information necessary for eligibility determination and benefit computation, and redetermine or revalidate eligibility and benefits based on changing circumstances.

The Department provides TFA benefits to a household under the SNAP program when the household is leaving the Temporary Assistance for Needy Families (TANF) program.

Condition: TANF benefits are generally considered a source of household income when calculating basic SNAP benefits. However, when calculating TFA benefits, TANF benefits are excluded from income based on the final month of eligibility under the program. The Department relies on its automated data processing system, Automated Client Eligibility System (ACES), to accurately calculate TFA benefits for SNAP clients.

The Department does not have procedures in place to ensure TFA benefits are calculated correctly. In our test of 60 benefit payments, one client was overpaid by $74 related to their TFA benefit.

The Office of the State Auditor selected a non-statistical random sample.

Context: In fiscal year 2020, the State provided approximately 114,000 SNAP clients with $231 million in benefits.

Cause:
- Lack of adequate procedures
- Lack of supervisory oversight

Effect:
- Questioned costs
- Potential future questioned costs and disallowances as a result of 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 benefit issuance to ensure that the information entered into ACES is accurate and complete.

Corrective Action Plan: See F-10

Management's Response: The Department disagrees with this finding. We do not agree that this finding rises to the level of a significant deficiency; additionally, we disagree with the assertion that there are not procedures in place to ensure that the information entered into ACES is accurate and complete. We do agree that there was one TFA client with an overpayment; however, this does not represent a structural or programmatic deficiency. Our federally funded Quality Control unit follows federal standards and requirements which further represent an additional internal control for both SNAP and TFA.

A total of 60 cases were reviewed for audit, 2 of them were TFA cases and 58 were SNAP. TFA is included in the Payment Error Rate determined by FNS and should be for the purpose of this audit. A sample size of only 2 TFA cases reviewed does not provide statistical evidence of non-compliance (or compliance).

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

Auditor's Concluding Remarks: TFA is a SNAP program. The two TFA cases randomly selected in our test of 60 SNAP benefit issuances are representative of the entire SNAP benefit population and provide a reasonable basis for drawing conclusions about the population tested. In the prior year audit, a similar finding (2019-012) was identified for the single TFA case randomly selected in our test of 60 SNAP benefit issuances. The finding reported that TFA benefits were inappropriately paid to a SNAP client which resulted in questioned costs; the Department agreed with this prior year finding and documented a corrective action plan. Therefore, these test results do indicate that there is a control deficiency within the SNAP program.

The classification of findings is determined after a thorough, comprehensive analysis performed by multiple Certified Public Accountants with over 60 years of combined auditing experience. The Office of the State Auditor (OSA) follows auditing standards when considering internal control over compliance. According to auditing standard AU-C 265, 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 […] important enough to merit attention by those charged with governance. OSA determined that the issue noted in the Condition of this finding warrants the attention of those charged with governance, as well as the Federal cognizant agency.

The finding remains as stated.

(State Number: 20-1108-03)

(2020-019)

Title: Internal control over the issuance of SNAP benefits needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-013	*	*	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 Number: 10.551, 10.561
Federal Award Identification Number: 184ME421Q3903,194ME442Q7503, 194ME401S2520, 204ME401S2520, 204ME401S2519, 204ME442Q7503, 204ME401S2514, 194ME401S2514, 194ME401S2519, 194ME421Q3903, 204ME421Q3903, 194ME442Q7503, 194ME401S8026, 204ME401S8026, 194ME401S8036, 194ME401S8069

Compliance Area: Allowable costs/cost principles
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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 2 CFR 200.403

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.

Costs must be necessary and reasonable for the performance of the Federal award.

Condition: The Department receives date of death (DOD) information from the Maine Center for Disease Control & Prevention (MeCDC) on a quarterly basis and from the Social Security Administration on a weekly basis. The Office of the State Auditor (OSA) obtained DOD information from MeCDC and compared it to clients who received SNAP benefits during fiscal year 2020.

Of the 524 cases that had benefit transactions after the client's DOD, OSA reviewed eight cases where the electronic benefits transfer transaction date was 150 or more days after the client's DOD. For five of the eight cases, we noted that the Department continued to provide benefits one to four months after the client's DOD.

Context: In fiscal year 2020, the State provided approximately 114,000 SNAP eligible clients with $231 million in benefits. Of the 114,000 SNAP eligible clients, approximately 1,400 had a DOD in fiscal year 2020.

Cause:
- Lack of adequate procedures
- Lack of supervisory oversight

Effect:
- Benefits paid on behalf of deceased clients may go undetected.
- Potential future questioned costs and disallowances

Recommendation: We recommend that the Department improve procedures to ensure that DOD information is received, reviewed, and updated in the eligibility system on a biweekly or monthly basis in order to prevent incorrect issuances of benefits.

Corrective Action Plan: See F-11

Management's Response: The Department agrees with the finding that encompassed a review of 524 cases and discovered exceptions with 8 of them. We will review and improve as necessary DOD standard operating procedures.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 20-1108-02)

(2020-020) Confidential finding, see below for more information

Title: ________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
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 Agriculture
U.S. Department of Health and Human Services
CFDA Title: SNAP Cluster (SNAP)
Temporary Assistance for Needy Families (TANF)
CFDA Number: 10.551, 10.561; 93.558
Federal Award Identification Number: 184ME421Q3903, 194ME442Q7503, 194ME401S2520, 204ME401S2520, 204ME401S2519, 204ME442Q7503, 204ME401S2514, 194ME401S2514, 194ME401S2519, 194ME421Q3903, 204ME421Q3903, 194ME442Q7503, 194ME401S8026, 204ME401S8026, 194ME401S8036, 194ME401S8069; 1701METANF, 1801METANF 1901METANF, 2001METANF

Compliance Area: Allowable costs/cost principles
Reporting
Special tests and provisions

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; National Institute of Standards and Technology (NIST) Special Publication ________; State of Maine ________ Policy

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.

NIST Special Publication ________ states that organizations consider ________ from the use of ________. If ________ are ________ by ________, arrangements must be made with ________ to ________.

NIST Special Publication ________ states that organizations are responsible and accountable for the ________ provided by ________. The responsibility for ________ services remains with authorizing officials.

NIST Special Publication ________ states that ________ is the measure of confidence that ________, ________, and ________ with respect to meeting the requirements for the system.

NIST Special Publication ________ states that the organization must develop a plan of action for the information system to document the planned ________ over the ________ to reduce ________.

The State of Maine ________ Policy sections ________and ________ require ________ to ensure a ________ of the utmost ________, ________, and ________, and to ________.

Condition: The State of Maine ________ with a ________ to provide ________ and ________ for the ________ system. The ________ system processes ________ and ________ for the SNAP and TANF programs. The ________ utilizes a ________ to support ________ services.

The contract requires the ________ to provide ________ and ________ and to ensure that an ________ is established and maintained in accordance with Federal program regulations. ________ measures the degree that the State can ________ and ________ of ________ provided by the ________ and ________.

The Office for Family Independence (OFI) is responsible for oversight of this contract. OFI did not ________ for the ________ or ________ as required by the contract. In addition, documentation of the ________ and ________ of ________ in the ________ could not be provided by OFI.

Context: The Department has a ________, ________ with a ________ to ________ and ________ the ________ system. ________ processed through ________ totaled approximately ________, and ________ totaled approximately ________ in fiscal year 2020.

Cause:

- ________
- ________

Effect:

- ________
- ________
- ________

Recommendation: We recommend that the Department implement procedures to ensure that ________ are ________ and ________ annually, and ________ are ________. This annual process should be documented, approved, and retained by management.

Corrective Action Plan: See F-11

Management's Response: The Department agrees we are responsible for ________, and that we did not ________. We are also in agreement that documentation of ________ and ________ of ________ needs improvement. In response, the Department will develop and implement a standard operating procedure documenting the ________ and ________ of ________.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Jessica Shahin, Associate Administrator, U.S. Department of Agriculture, Supplemental Nutrition Assistance Program, 1320 Braddock Place, Alexandria, VA 22314; and
- Carol Monteiro, Regional Program Manager, Administration for Children and Families, Office of Family Assistance, John F. Kennedy Federal Building, Room 2000, 15 New Sudbury Street, Boston, MA 02203

A copy of that correspondence has also been sent to:

- Kimberly Edwards, Audit Liaison, U.S. Department of Agriculture, Food and Nutrition Services, Northeast Regional Office, 10 Causeway Street, Room 501, Boston, MA 02222-1069; and
- 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

(State Number: 20-0900-12)

(2020-021)

Title: Internal control over cash balances needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-021	None	*	*	None	None	None	None

**The program was not audited as a major program in this fiscal year.*

State Department: Health and Human Services
Administrative and Financial Services
State Bureau: Maine Center for Disease Control & Prevention
Health and Human Services Service Center
Federal Agency: U.S. Department of Agriculture
CFDA Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA Number: 10.557
Federal Award Identification Number: 174ME743W5003, 184ME743W5003, 194ME743W5003, 194ME701W1003, 194ME701W1006, 204ME701W1003, 204ME701W1006

Compliance Area: Cash management

Type of Finding: Material weakness
Material noncompliance

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. A 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; State Administrative and Accounting Manual (SAAM) Section 50.40.80

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 and the disbursement of these funds for Federal program purposes. The timing and amount of fund transfers must be as close as administratively feasible to the Department's actual cash outlay for program costs. Section 50.40.80 of the SAAM has defined administratively feasible as Federal funds shall be held for no more than seven business days.

Condition: The cash balance was not taken into consideration when requesting Federal funds for the Breastfeeding Peer Counsel, WIC Administrative, and WIC Food grants for fiscal year 2020, which resulted in:

- the Breastfeeding Peer Counsel and WIC Administrative grants having a negative cash balance ranging from $400,000 to $1.2 million throughout the fiscal year; and
- the WIC Food grant having an excess cash balance ranging from $700,000 to $1.4 million throughout the fiscal year.

The Breastfeeding Peer Counsel and WIC Administrative grants' funding technique is reimbursement basis. The WIC Food grant uses an advanced draw funding technique. Therefore, a separate analysis for each grant was required.

Context: At June 30, 2020, the ending cash balances for the WIC grants were as follows:

- The Breastfeeding Peer Counsel and WIC Administrative grants had an ending cash balance of negative $410,000.
- The WIC Food grant had an ending cash balance of $930,000.

Cause:

- Lack of procedures to ensure that the cash balance is considered before requesting Federal funds
- 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, and 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 to determine the cause and remediation for both the negative and excess cash balances, and
- implement 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 of Health and Human Services and its Service Center agree with this finding. The Service Center will reconcile current and prior year grants and implement a standardized template for grant daily reconciliations which includes monitoring cash.

Contact: Sarah Gove, Director, DHHS Service Center, 207-458-6626

(State Number: 20-1113-01)

(2020-022)

Title: Internal control over subrecipient monitoring needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-019	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 Number: 10.557
Federal Award Identification Number: 174ME743W5003, 184ME743W5003, 194ME743W5003, 194ME701W1003, 194ME701W1006, 204ME701W1003, 204ME701W1006

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 7 CFR 246.19

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 shall establish an ongoing management evaluation system which includes 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 implementation of the corrective action plans, and on-site visits. The results of such actions must 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 Department must conduct monitoring reviews of each local agency at least once every two years. Reviews must include on-site reviews of a minimum of 20 percent of the clinics in each local agency, or one clinic, whichever is greater.

Condition: The Department was required to perform full-year management evaluation reviews for four local agencies during fiscal year 2020. In the Office of the State Auditor's testing:

- one local agency management evaluation review due in September 2019 was not performed until July 2020, and the finance portion of the review was not completed;
- one local agency management evaluation review due in November 2019 was not performed until December 2020, and the finance portion of the review was not completed;
- one local agency management evaluation review due in February 2020 had not been completed as of audit testing in February 2021; and
- one local agency management evaluation review due in June 2020 had not been completed as of audit testing in February 2021.

Follow-up procedures over four management evaluation reviews that were due but not fully completed in fiscal year 2019 found that the finance portion of the reviews had not been completed as of audit testing in February 2021.

Context: In fiscal year 2020, the Department provided $4.4 million to eight local agencies.

Cause:

- Unfilled vacancies from fiscal year 2019 (Finance Manager and three WIC staff positions that perform management evaluation reviews) created a backlog of reviews
- Lack of supervisory oversight

Effect:

- Federal programs may not be effectively and efficiently administered.
- Potential future questioned costs and disallowances

Recommendation: We recommend that the Department implement a process to ensure that the backlog of reviews are completed. We further recommend additional oversight procedures to ensure all portions of management evaluation reviews are fully completed.

Corrective Action Plan: See F-11

Management's Response: The Department agrees with this finding. Limited human resources were assigned to higher priorities during the fiscal year. The Senior Health Program Manager will implement procedures to complete all outstanding Management Evaluation Reviews by March 31, 2021.

Contact: Ginger Roberts-Scott, Program Manager, WIC Nutrition Program, DHHS, 207-287-5342

(State Number: 20-1113-04)

(2020-023)

Title: Internal control over the WIC infant formula rebate process needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
ML 19-1113-01	2018-007	*	*	None	None	None	None

**The program was not audited as a major program in this fiscal year.*

State Department: Health and Human Services
Administrative and Financial Services
State Bureau: Maine Center for Disease Control & Prevention
Health and Human Services Service Center
Federal Agency: U.S. Department of Agriculture
CFDA Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA Number: 10.557
Federal Award Identification Number: 174ME743W5003, 184ME743W5003, 194ME743W5003, 194ME701W1003, 194ME701W1006, 204ME701W1003, 204ME701W1006

Compliance Area: Cash management

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 7 CFR 246.14

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.

WIC infant formula rebates received by the State from manufacturers must be wire transferred by WIC staff to the WIC Food Account in the month in which the payments are received. These rebates must be used to offset the cost of food.

Condition: One rebate totaling $359,552 received in September 2019 was not wire transferred to the WIC Food Account until October 2019. The WIC Food Account is a bank account established by and held at WIC's banking intermediary.

Context: In fiscal year 2020, the WIC program received $3.8 million in rebates that must be used to offset the cost of food.

Cause:

- Lack of adequate procedures
- Lack of supervisory oversight

Effect: WIC infant formula rebates must be transferred in a timely manner to the banking intermediary to defray food costs. If rebates are not wire transferred timely, the program could potentially draw Federal funds unnecessarily.

Recommendation: We recommend that the Departments collaborate efforts to identify and implement additional procedures to ensure that infant formula rebates are processed timely.

Corrective Action Plan: See F-12

Management's Response: The Department of Health and Human Services and its Service Center agree with this finding. The Service Center will review, identify and implement additional procedures needed to ensure timely rebates and document them in a Standard Operating Procedure by June 2021.

Contact: Sarah Gove, Director, DHHS Service Center, 207-458-6626

(State Number: 20-1113-02)

(2020-024)

Title: Internal control over subrecipient awards needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-020	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
Division of Contract Management
Federal Agency: U.S. Department of Agriculture
CFDA Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA Number: 10.557
Federal Award Identification Number: 174ME743W5003, 184ME743W5003, 194ME743W5003, 194ME701W1003, 194ME701W1006, 204ME701W1003, 204ME701W1006

Compliance Area: Subrecipient monitoring

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 2 CFR 200.332

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.

Awards to subrecipients must include Federal award information that enables subrecipients to identify the source of the Federal award.

Condition: The Division of Contract Management (DCM) is responsible for the preparation of subrecipient grant awards. The program information in the awards provided to subrecipients is the responsibility of the Maine Center for Disease Control & Prevention (MeCDC). MeCDC communicates the award information by providing it for upload to the DHHS grants database.

DCM then utilizes that database to prepare the subrecipient awards and sends the drafted subrecipient awards to program personnel for final review. The subrecipient awards must include accurate Federal award identification information to ensure that subrecipients can properly identify the source of the subrecipient awards.

For the eight subrecipients who administer the WIC program, all eight subrecipient awards:

- incorrectly identified the Center for Disease Control and Prevention as the Federal awarding agency for the WIC Administrative grant. The U.S. Department of Agriculture is the Federal awarding agency.
- incorrectly identified the Federal Award Identification Number for the WIC Breastfeeding Peer Counsel grant and the WIC Administrative grant.

Context: In fiscal year 2020, the Department provided $4.4 million to the eight subrecipients that administer the WIC program.

Cause:

- Lack of adequate internal control
- Lack of supervisory oversight

Effect: Federal pass-through dollars may not be correctly reported by subrecipients

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

Corrective Action Plan: See F-12

Management's Response: The Department agrees with this finding. During the time period of the audit, grant information was not entered into the Grants Database which is used by DCM to properly identify the FAIN and correct Federal awarding agencies. The Department transferred oversight of the CDC grant from the CDC staff to the DHHS Service Center staff to ensure grant information is correctly identified in the Grants Database.

Contact: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075

(State Number: 20-1113-03)

(2020-025) Confidential finding, see below for more information

Title: ________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Redacted	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 Number: 10.557
Federal Award Identification Number: 174ME743W5003, 184ME743W5003, 194ME743W5003, 194ME701W1003, 194ME701W1006, 204ME701W1003, 204ME701W1006

Compliance Area: Allowable costs/cost principles

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; National Institute of Standards and Technology (NIST) Special Publication ________; State of Maine ________ Policy

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.

NIST Special Publication ________ states that organizations consider ________ from the use of common controls. If common controls are provided to organizations by ________, arrangements must be made with ________ to ________.

NIST Special Publication ________ states that organizations are responsible and accountable for the ________ provided by ________. The responsibility for ________ services remains with authorizing officials.

NIST Special Publication ________ states that ________ is the measure of confidence that ________, ________, and ________ with respect to meeting the requirements for the system.

The State of Maine ________ Policy sections ________and ________ require ________ to ensure a ________ of the utmost ________, ________, and ________, and to ________.

Condition: The Department of Health and Human Services does not have ________ that ________ within the ________ system is ________, ________, ________, and ________. The ________ provided a ________ covering the ________ of fiscal year 2020. This ________ identified ________ related to ________, ________, and ________. The Department did not respond to the ________ nor did they require the ________ to ________ that the ________ were ________. For the remaining ________ of fiscal year 2020, the Department did not receive any ________.

________ from ________ that the ________ was also not provided. The ________ did not ________. Therefore, the Department did not have ________ over ________ provided by ________.

Context: The ________ system processed ________ in ________ in fiscal year 2020.

Cause: Although the ________ was ________ to comply with Federal and State policies, rules, laws, and regulations, the ________ over the ________ and ________ of ________, including ________ specific to the ________ system from ________ to ________, was not provided.

Effect:

- ________
- ________
- ________

Recommendation: We recommend that the Department enforce ________, agreed to by the ________, to provide ________ and the ________. We further recommend that the Department implement procedures which require ________ by management of these ________. The ________ and the ________ should be documented and monitored.

Corrective Action Plan: See F-12

Management's Response: The Department agrees with this finding. We will enforce ________ to obtain ________. We will also develop procedures to identify ________ and to ________ and ________.

Contact: Ginger Roberts-Scott, Program Manager, WIC Nutrition Program, DHHS, 207-287-5342

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Michelle D'Auria, Branch Chief, U.S. Department of Agriculture, Food and Nutrition Services, Northeast Regional Office, 10 Causeway Street, Room 501, Boston, MA 02222-1069

A copy of that correspondence has also been sent to:

- Kimberly Edwards, Audit Liaison, U.S. Department of Agriculture, Food and Nutrition Services, Northeast Regional Office, 10 Causeway Street, Room 501, Boston, MA 02222-1069

(State Number: 20-0900-10)

(2020-026) Confidential finding, see below for more information

Title: Internal control over Unemployment Insurance claim payments needs improvement (A portion of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted	Redacted
FY11							
Redacted							

State Department: Labor
State Bureau: Unemployment Compensation
Federal Agency: U.S. Department of Labor
CFDA Title: Unemployment Insurance (UI)
CFDA Number: 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
Known	$63,371,162	$37,047,183	$26,323,979
Likely	Undeterminable	Undeterminable	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; 20 CFR 615.8; Public Law 112-96 – Middle Class Tax Relief and Job Creation Act of 2012; Public Law 116-136 – Coronavirus Aid, Relief, and Economic Security (CARES) Act; Social Security Act (SSA) Title III, Section 303; 26 MRSA 1199; Unemployment Insurance Program Letter (UIPL) Nos. 5-13 and 24-20

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.

A State administering Unemployment Insurance (UI) must have State laws and policies in place that are consistent with Federal provisions and required by 20 CFR 615.8; Public Law 112-96; SSA Title III, Section 303; and UIPL No. 5-13, as follows:

- Standards for claim filing and processing including appeals and reviews, communication with claimants and employers, eligibility standards and disqualifications, and Interstate Benefit Payments and agreements
- Standards for reasonable work search criteria and policies requiring performance of internal audits of work search activity
- Standards for program integrity outlining procedures for identification and recovery of overpayments and penalties, including recovery through offset of future benefit payments

In March 2020, as a nationwide response to the effects of the COVID-19 pandemic, including rapidly increasing unemployment rates, the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law (Public Law 116-136). The CARES Act created three temporary Federal unemployment compensation entitlement programs, as follows:

- Pandemic Unemployment Assistance (PUA) provides UI benefits for workers not otherwise eligible for regular UI benefits, self-employed individuals, contract workers, and business owners.
- Pandemic Emergency Unemployment Compensation (PEUC) provides an additional 13 weeks of UI benefits for unemployed workers who have exhausted regular UI benefits.
- Federal Pandemic Unemployment Compensation provides an additional $600 weekly to all unemployed workers receiving traditional UI benefits, PUA or PEUC.

On March 17, 2020, the Governor of Maine enacted emergency legislation that defines exceptions and waivers to requirements of the State's UI program. The legislation established as 26 MRSA 1199:

- waives the requirement for the ability and availability to work in order to provide benefits to individuals who are under medical quarantine or temporary layoff due to mandated pandemic-related closures;
- waives the usual one week waiting period for individuals dislocated or temporarily laid off due to mandated pandemic-related closures; and
- expands temporary leaves of absence qualifications to include medical quarantine or isolation restrictions, a COVID-19 exposure or infection, or pandemic-related dependent care needs as long as claimants maintain contact with employers and are expected to return to work.

In May 2020, the U.S. Department of Labor issued UIPL No. 24-20 which states that all Extended Benefit (EB) program costs would be covered by the Federal government, so long as claimants meet all eligibility requirements and the State enforces statutory provisions. The EB program provides up to an additional 13 weeks of unemployment to those who have exhausted all 26 weeks of regular UI benefits. An EB claimant is required to be able to and be available for work, to make a systematic and sustained effort to seek work, and to provide evidence of meeting these requirements prior to payment of benefits.

Condition: Internal control over UI benefit claim payments includes ________. ________ is used by the Maine Department of Labor (MDOL) to ________. The system's ________ include, but are not limited to:

- ________
- ________
- ________
- ________
- ________

________ system controls ________ and ________ are prevented or detected ________. The system is ________. In addition, the system ________.

The ________ system generates ________; however, formal review and completion of such procedures is at the Department's discretion. Often, ________, and the Department must ________. Additionally, in some cases, MDOL did not follow standard operating procedures such as issuing warnings for failures to meet eligibility requirements, establishing overpayments when warranted, applying temporary holds on benefit payments when additional information is required, and conducting follow-up procedures such as fact-finding interviews when appropriate.

The Department has complementary controls in place over claimant eligibility, including:

- internal work search audits performed by MDOL personnel required for one percent of weekly claims, and
- establishment of a Benefits Quality Control (BQC) Unit who is tasked with investigating a prescribed number of UI paid claims and denied claims each week.

Federal entitlement programs and the enactment of emergency legislation as a result of the pandemic response required extensive claims processing modifications by MDOL. Due to overwhelming claims volume and a lack of resources available to address these modifications, and in an effort to expedite benefit payments to the citizens of Maine, the Department suspended the following controls over eligibility for all UI entitlement programs in March 2020:

- ________
- ________
- Work search audits
- Weekly BQC Unit investigations of paid and denied claims

The Federal government provided authorization to suspend operations of the BQC Unit to realign resources for fraudulent claim investigations. MDOL also suspended ________ and work search audits. Written authorization from the Federal government was not received. After the removal of embedded controls, the MDOL UI program was targeted by imposter fraud attacks, notably in May and June 2020. These imposter fraud attacks created a spike in fraud during fiscal year 2020, with over $98.5 million in fraudulent payments identified. Of the $98.5 million, MDOL identified fraudulent payments of $41.2 million in State UI benefits and $57.3 million in Federal UI benefits.

In the Office of the State Auditor's (OSA) test of 60 claimants with benefit year start dates prior to March 2020, 13 claimants (approximately 22 percent) were deemed ineligible to receive benefits. Of the 13 ineligible claimants identified, MDOL established overpayments for 3 claimants, and 10 were undetected until procedures were performed by OSA.

In OSA's test of 60 claimants with benefit year start dates subsequent to March 2020, 11 claimants (approximately 18 percent) were deemed ineligible to receive benefits. All 11 claimants were subsequently marked as fraudulent and are included in the known fraud totals above.

The Office of the State Auditor selected a non-statistical random sample.

Additional audit procedures identified that:

- five ineligible claimants received UI benefits after their date of death. Of the five cases, four were subsequently marked as fraudulent claims and included in the fraud totals above, and one remained active and received benefits totaling $5,670 through the end of fiscal year 2020.
- all claims paid under the EB program are deemed ineligible due to the Department's removal of automated system controls and payment of benefits prior to fulfillment of EB eligibility requirements.

Context: The UI program provided $361 million in State UI benefits and $886.6 million in Federal UI benefits during fiscal year 2020. Of these benefits, the Department identified $98.5 million in fraudulent payments. Total State and Federal UI benefits increased by $277 million and $885.2 million, respectively, from the prior year, which is a direct result of the COVID-19 pandemic.

Cause:

- Lack of resources due to the COVID-19 pandemic response prioritization
- Removal of embedded system controls in response to the COVID-19 pandemic
- Lack of adequate supervisory oversight over information system application controls for all of fiscal year 2020

Effect:

- Questioned costs of $63.4 million comprised of:
  - $57.3 million in identified fraudulent Federal UI benefit payments, reduced by a recovery of $20.5 million, resulting in net questioned costs of $36.8 million;
  - $41.2 million in identified fraudulent State UI benefit payments, reduced by a recovery of $14.9 million, resulting in net questioned costs of $26.3 million;
  - approximately $200,000 in ineligible Federal Extended Benefit program payments; and
  - approximately $16,000 in Federal and State UI benefit payments deemed ineligible as a result of audit testing.
- Potential liability, and applicable interest, due to the Federal government for claims paid to ineligible or fraudulent Federal UI benefit claimants, as detailed above
- Potential future questioned costs and disallowances
- The Federal government may impose stricter requirements or eliminate Federal funding available to the State.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement additional control procedures, including ________, to ensure that eligibility requirements are met and adequately supported prior to issuance of benefit payments. We also recommend that the Department immediately review and reinstate all routine controls that were suspended in response to the COVID-19 pandemic. In addition, the Department should work with the U.S. Department of Labor to obtain authorization for the State to be held harmless from the financial impacts resulting from the suspension of routine controls and noncompliance with Federal program requirements.

Corrective Action Plan: See F-12

Management's Response: The Department disagrees with this finding.

The finding states that "all claims paid under the Extended Benefit (EB) program are deemed ineligible…" because the Department set aside certain controls and eligibility reviews. Specifically, the finding states that the Department set aside the work search audits without authorization from the U.S. Department of Labor (USDOL). However, the Department consulted with USDOL on the changes that were being considered and continues to do so throughout the pandemic. In addition, USDOL reviewed emergency provisions and Maine's draft legislation. USDOL recommendations were incorporated into the proposed legislation that was submitted and ultimately enacted.

The finding cites Unemployment Insurance Program Letter (UIPL) 24-20, which outlines the normal requirements of EB, including work search. However, UIPL 24-20 Section 4c allows states to temporarily modify or suspend the work search requirement in response to COVID-19. This section also makes reference to UIPL 13-20 Change 1, which indicates on page I-2 that state agencies "may also choose to implement flexibilities in response to COVID-19 that are broader than the minimum". UIPL 13-20 Section 5A also indicated that states "may consider applying this emergency temporary flexibility to all individuals collecting UC and not just those recently separated. This allows individuals to more effectively comply with the social distancing recommendations of federal, state and local government officials to mitigate the spread of COVID-19. States can also continue using the flexibilities for able-and-available requirements set out in UIPL No. 10-20."

The finding further states that the unemployment system requirement for a one week waiting period prior to payment was suspended by the Department as a result of the lack of resources available to respond to the claims volume. However, this change was not implemented because of a lack of resources, but rather in accordance with Maine law and guidance from USDOL. Maine enacted emergency legislation through 2019 Public Law Chapter 617 that temporarily suspended the first week waiting period. This was also subsequently supported by the federal legislation and the UIPLs referenced in the preceding paragraph.

The finding also states that the Department's system does not ensure that benefit payments to ineligible claimants are prevented or detected prior to the issuance of payments. The Department collects necessary information to determine initial and ongoing eligibility. It is important to note that both federal and state law prohibit the withholding of payment from someone who is already receiving benefits when a potential eligibility issue is identified. The Department must gather additional information and issue a written determination, which also includes notification of the right to appeal the determination. In the meantime, payments must be made. If the Department issues a determination that the individual was ineligible, an overpayment is created and repayment is required.

Most internal controls remained in place throughout the COVID-19 pandemic. Despite pressures to process benefit payments faster, the Department kept program integrity in mind with each decision that was made and in implementation of the new federal programs. In response to the pandemic, the Department did review certain procedures and modified them to accommodate the rapid and drastic loss of employment by Maine workers. Steps were taken to limit the risk of the modifications.

Despite this, identities stolen in past nation-wide data breaches were used against unemployment programs across the country at the same time. The internal controls that were in place prevented a larger loss of funds, which was largely limited to a two-week period in May 2020. The Department does not dispute the unemployment imposter fraud payments identified.

The Department has taken steps to help ensure program integrity. Partnerships with other state and federal agencies were enhanced and have been instrumental. These include: the USDOL Office of Inspector General; the U.S. Attorney's Office; FBI; U.S. Secret Service; National Association of State Workforce Agencies and other states; MaineIT; the Maine Office of the Attorney General; and, the Maine Office of the State Treasurer. In addition, the Department has hired additional staff, both to address the increased claim volume as well as to expand fraud prevention activities. Contractors have been hired to improve timeliness and to better assess program risk. For the ________ system, changes were made to build in certain risk-assessments, which are constantly revised based on trends in Maine and across the country.

The Department remains committed to compassionate actions that pay benefits expeditiously to eligible people while maintaining program integrity. The Department will continue its aggressive approach toward identifying fraudulent claims, recovering funds, assisting with investigations and prosecutions, and is constantly reassessing risk based on ever-changing threats.

Contact: Laura Boyett, UC Bureau Director, DOL, 207-530-2579

Auditor's Concluding Remarks: The Federal legislation referenced in Management's Response was enacted subsequent to the Department's suspension of controls. Therefore, the Department's suspension of controls was not a result of this legislation.

The Department also contends that "the Department consulted with USDOL on the changes that were being considered and continues to do so throughout the pandemic" regarding the suspension of controls. The Department was unresponsive to OSA's multiple requests for supporting documentation to verify the veracity that authorization was obtained from the U.S. Department of Labor.

The Department correctly asserts that 26 MRSA 1199 (Public Law 617) was enacted as emergency legislation and provided relief for the suspension of the first week waiting period. However, this relief is only applicable to claimants adversely affected by mandated COVID-19 pandemic-related closures or medical quarantine. The Department erroneously suspended controls for all UI claimants, rather than only those that were adversely affected by the COVID-19 pandemic.

The Condition of this finding does not specifically cite work search audits as a direct factor in EB program ineligibility as incorrectly noted in Management's Response. It states that EB program claims are deemed ineligible because the Department did not enforce fulfillment of EB eligibility requirements prior to payment as required by Federal program regulations.

OSA has reported a material weakness in internal control resulting in material noncompliance with Federal UI program regulations for at least 10 years. The magnitude of exceptions noted in fiscal year 2020 were exacerbated by the COVID-19 pandemic. While we recognize the efforts of the Department to maintain program integrity while responding to the extraordinary impacts of a global pandemic, the existing control environment does not provide and has not provided assurance that all eligibility requirements are met and adequately supported prior to the issuance of benefit payments.

The finding remains as stated.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Jim Garner, Administrator, U.S. Department of Labor, Office of Unemployment Insurance, Frances Perkins Building, Room S-4524, 200 Constitution Avenue NW, Washington, DC 20210

A copy of that correspondence has also been sent to:

- Grover L. Fowler, Assistant Director, Financial Management Audits, U.S. Department of Labor, Office of the Inspector General, Frances Perkins Building, Room N-4633, 200 Constitution Avenue NW, Washington, DC 20210

(State Number: 20-1302-01)

(2020-027) Confidential finding, see below for more information

Title: ________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	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 Number: 17.225
Federal Award Identification Number: Unemployment Insurance Trust Fund, Maine

Compliance Area: Allowable costs/cost principles
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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; National Institute of Standards and Technology (NIST) Special Publication ________; State of Maine Office of Information Technology (OIT) Policies

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.

NIST Special Publication ________ and OIT policies state that the organization must ________.

Condition: The ________ system is used by the Maine Department of Labor to process ________ program ________ and ________. Audit procedures over ________ found that of the ________ tested:

- _______ did not have _______;
- _______did not have a _______; and
- _______ were _______ after _______.

The Office of the State Auditor selected a non-statistical random sample.

Context: The UI program provided approximately ________ in State benefits and ________ in Federal UI benefits during fiscal year 2020. Total State and Federal UI benefits increased by ________ and ________, respectively, from the prior year. In order to administer this increase in benefits, ________ were ________ to the ________ system in fiscal year 2020, as compared to ________ in fiscal year 2019. These significant increases are a direct result of the COVID-19 pandemic.

Cause:

- ________
- ________

Effect:

- ________
- ________

Recommendation: We recommend that the Department implement and subsequently monitor policies and procedures to ensure that:

- ________, ________ or ________ are documented; and
- ________ are provided to the Department before ________.

Corrective Action Plan: See F-13

Management's Response: The Department agrees with the finding. The ________ process was expedited to address the dramatic and rapid increase in unemployment claims. During fiscal year 2019, the Department ________ and during fiscal year 2020, ________, with ________ between March 2020 and June 2020. The Department ________ from ________ and ________ to help with the large workload due to the pandemic. The ________ process is handled by the same staff that were handling the ________ within the ________ system as a result of the CARES Act of 2020. Under the circumstances of ________ and concurrently implementing ________ related to federal legislation, unfortunately gaps in the process occurred. Standard operating procedures will be reviewed and updated as necessary. The Department doesn't anticipate this scenario reoccurring.

Contact: Michelle Hein, Business Systems Manager, DOL, 207-530-0073

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Jim Garner, Administrator, U.S. Department of Labor, Office of Unemployment Insurance, Frances Perkins Building, Room S-4524, 200 Constitution Avenue NW, Washington, DC 20210

A copy of that correspondence has also been sent to:

- Grover L. Fowler, Assistant Director, Financial Management Audits, U.S. Department of Labor, Office of the Inspector General, Frances Perkins Building, Room N-4633, 200 Constitution Avenue NW, Washington, DC 20210

(State Number: 20-0900-18)

(2020-028)

Title: Internal control over subrecipient monitoring procedures needs improvement

Prior Year Findings: None

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
*	*	*	*	*	*	*	*

**The program was not audited as a major program in this fiscal year.*

State Department: Transportation
State Bureau: Transportation Systems Planning
Federal Agency: U.S. Department of Transportation
CFDA Title: Formula Grants for Rural Areas
CFDA Number: 20.509
Federal Award Identification Number: ME-2016-008-03, ME-2017-011-00, ME-2018-024-00, ME-18-X054-01, ME-18-X056-02, ME-2019-002-01, ME-2019-019-00, ME-2020-005-00

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 2 CFR 200.331; State Management Plan approved by the Federal Transit Administration

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.

Per the State Management Plan and Federal requirements, the Department is required to perform a site visit for each subrecipient once every five years. During the site review, the Department must evaluate and monitor performance, review financial and performance reports, review policies and procedures, and review vehicle maintenance records.

Condition: The Department was required to perform site reviews for 22 subrecipients during fiscal year 2020. In the Office of the State Auditor's testing of five subrecipients:

- one subrecipient should have had a site visit performed by December 12, 2012. The site visit was completed on January 28, 2021.
- one subrecipient should have had a site visit performed by March 25, 2014. The site visit had not been completed as of audit testing in February 2021.
- one subrecipient should have had a site visit performed by October 30, 2018. The site visit had not been completed as of audit testing in February 2021.

The Office of the State Auditor selected a non-statistical random sample.

Context: In fiscal year 2020, the Department provided approximately $9.5 million to 22 subrecipients. $2.5 million of these funds were provided from grants related to COVID-19.

Cause:

- Lack of resources
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal requirements for pass-through entities
- Federal programs may not be effectively and efficiently administered.
- Potential future questioned costs and disallowances

Recommendation: We recommend that the Department implement a process to ensure that the backlog of site visits is completed. We further recommend implementation of additional oversight procedures to ensure that site visits and follow-up occur in the timeframe approved by the Federal Transit Administration.

Corrective Action Plan: See F-13

Management's Response: The Department agrees with this finding. A corrective action plan has been developed to ensure that the backlog of site visits is completed and that additional oversight procedures have been established to ensure that site visits and follow-up occur in the timeframe approved by the Federal Transit Administration.

Contact: Doreen Corum, Financial Processing Director, DOT, 207-624-3139

(State Number: 20-1402-01)

(2020-029)

Title: Internal control over cash management needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
*	*	None	*	*	None	*	*

**The program was not audited as a major program in this fiscal year.*

State Department: Administrative and Financial Services
State Bureau: General Government Service Center
Federal Agency: U.S. Department of Education
CFDA Title: Special Education Cluster (IDEA)
CFDA Number: 84.027, 84.173
Federal Award Identification Number: H173A170115, H173A180115, H173A190115, H027A170109, H027A180109, H027A190109

Compliance Area: Cash management

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 31 CFR 205.33; State Administrative and Accounting Manual (SAAM) Section 50.40.80

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 must minimize the time between the drawdown of Federal funds and the disbursement of these funds for Federal program purposes. The timing and amount of fund transfers must be as close as administratively feasible to the Department's actual cash outlay for program costs. Section 50.40.80 of the SAAM has defined administratively feasible as Federal funds shall be held for no more than seven business days.

Condition: The Department draws Federal funds to reimburse Special Education expenditures multiple times each week. In November 2019, in an effort to appropriately transfer expenditures from one grant to another, the Department requested a $60,462 draw for expenditures that had been previously reimbursed. The Department did not return the excess funds that resulted from this duplicative draw. Instead, the Department suspended drawdown requests through March 2020 until the duplicate funds were expended, which resulted in cash balances in excess of the State's administratively feasible threshold of seven business days during that period.

Context: In fiscal year 2020, there were 359 Federal grant drawdowns totaling $59.6 million for the Special Education program.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect: The Federal government may impose more stringent program-specific cash management requirements based on noncompliance.

Recommendation: We recommend that the Department develop and implement policies and procedures to address the identification and timely return of excess grant funds to the Federal government.

Corrective Action Plan: See F-13

Management's Response: The Department agrees with this finding. The General Government Service Center recently provided training to staff to reinforce the existing procedures that include the requirement to return excess funds in this type of situation rather than the suspension of draws and the utilization of the funds over an extended period.

Contact: Laurie Andre, Deputy Director – Accounting, General Government Service Center, DAFS, 207-592-0725

(State Number: 20-1201-01)

(2020-030) Confidential finding, see below for more information

Title: ________ and ________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	Redacted	Redacted	*	*	*	*	*

**The system was not audited in this fiscal year.*

State Department: Education
State Bureau: School Finance and Operations
Federal Agency: U.S. Department of Education
CFDA Title: Special Education Cluster (IDEA)
CFDA Number: 84.027, 84.173
Federal Award Identification Number: H173A170115, H173A180115, H173A190115, H027A170109, H027A180109, H027A190109

Compliance Area: Reporting
Subrecipient monitoring

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; National Institute of Standards and Technology (NIST) Special Publication ________; NIST Special Publication ________; State of Maine Office of Information Technology (OIT) Policies

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.

NIST Special Publication ________ states that an organization must have the ability to ________.

NIST Special Publication ________ states that a ________ is key to implementing ________ and in the ________ process overall.

NIST Special Publication ________ states that the organization:

- monitor the use of ________ and ________ for compliance with ________ requirements;
- ________, ________, and ________; and
- ________ a ________ for the information system.

OIT policies state that:

- agencies must ________ based on ________ and other attributes as required by the organization;
- ________ are to meet minimum State requirements; and
- an agency system owner defines a ________ consistent with:
  - the ________ which represents ________;
  - the ________ which represents ________; and
  - the impact on business.

Condition: The Department uses information generated from the ________ system to prepare State and Federal reports. The information includes ________, ________, ________, ________, and other data points submitted by individual ________ and ________. Audit procedures over the ________ system identified the following exceptions:

- For the ________ during fiscal year 2020:
  - ________ did not have documented ________;
  - ________ did not have documented ________; and
  - the documented ________ for ________ did not match the ________ in the ________ system.
- ________ did not meet the State's ________.
- The Department has not completed a ________. A ________ is used to determine the appropriate ________ and ________. The established and approved ________ and ________ are used to determine the ________.
- The Department does not have a system specific ________ or ________.

Context: In fiscal year 2020, the Special Education Cluster used data from ________ to report ________ of approximately ________.

Cause:

- ________
- ________
- ________

Effect:

- ________
- ________
- ________

Recommendation: We recommend that the Department implement and subsequently monitor policies and procedures to ensure that:

- ________ is administered based on a ________ and ________;
- ________ are aligned with State of Maine policy;

- a ________ is conducted in compliance with government standards to facilitate the ________; and
- ________ are ________, ________, ________, ________ and ________ in accordance with State policy and industry best practices.

Corrective Action Plan: See F-13

Management's Response: The Department agrees with this finding. We have been improving our ________ process over the last two years and will continue to implement improvements. ________ and ________ are existing policies. These findings represent a specific area of internal compliance that needs to be fixed. DOE Data Team Help Desk is currently implementing updated ________ procedures to expand the implementation of our updated procedures to include the ________ and the documentation for internal ________.

DOE will review and refine the ________ and existing ________ to include ________ and ________ by the next audit.

There is a dependency on OIT to improve OIT ________ capabilities. OIT will continue to work to acquire the resources to fund and then hire an appropriate resource to conduct ________ planning for the State. However, there are currently no real prospects on how to accomplish this through the FY 22/23 budget.

MDOE and DOE AppDev are currently in the Assessment phase regarding ________ related to the ________ and ________ policy. Development initiatives to remediate identified deficiencies will be planned and implemented in our upcoming development cycles.

Contact: Katherine Warren, Education Data Systems Manager, DOE, 207-624-6716

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Christine Pilgrim, Associate Division Director, Office of Special Education Program, U.S. Department of Education, 550 12th Street SW, Washington, DC 20202

A copy of that correspondence has also been sent to:

- Mark Priebe, Director Non-Federal Audit Team, U.S. Department of Education, Office of the Inspector General, 550 12th Street SW, Room 8153, Washington, DC 20202

(State Number: 20-0900-14)

(2020-031)

Title: Internal control over claim reimbursements needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-030	*	*	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 Number: 84.126
Federal Award Identification Number: H126A180085, H126A190085, H126A200085, H126A180026, H126A190026, H126A200026

Compliance Area: Program income

Type of Finding: Material weakness
Material noncompliance

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. A 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)

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.

Program income claims must be accurate and in accordance with the calculations outlined in the Vocational Rehabilitation Providers Handbook. Internal control must provide reasonable assurance that potential errors are prevented or detected and corrected in a timely manner.

Condition: The Social Security Administration (SSA) administers a Vocational Rehabilitation (VR) Reimbursement Program to assist people with disabilities gain employment. Under this program, the SSA reimburses the Bureau of Rehabilitation Services, comprised of the Division of

Vocational Rehabilitation and the Division for the Blind and Visually Impaired, for the cost of services provided to beneficiaries with disabilities if such services result in the achievement of work at a specified earnings level.

Reimbursable VR service costs require calculations that utilize client eligibility periods and SSA-approved monthly cost rates. The Bureau relies on State information systems to correctly calculate costs for submission of claims to the SSA. The information system calculations apply a single cost rate across multiple Federal fiscal years rather than applying multiple cost rates depending on Federal fiscal year.

The amount of claim payments received from the SSA often differs from the amount that was submitted by the Bureau. The multiple cost rates applied by the SSA for each Federal fiscal year included in the eligibility period, consistent with the formula outlined in the VR Providers Handbook, is the main factor in the variance. The Bureau does not have controls in place to ensure that these claim payments received from the SSA are accurate. Therefore, identification and correction of potential underpayments or overpayments will not be detected and corrected.

In the 30 VR claim reimbursements examined by the auditor:

- claim calculations submitted by the Bureau were not consistent with the formula outlined in the VR Providers Handbook;
- the amount approved and paid by the SSA varied from 5 percent to 106 percent of the amount submitted by the Bureau; and
- the payment received by the Bureau averaged 85 percent of the amount submitted to the SSA and the Bureau did not perform a formal analysis of this activity.

The Bureau became aware of the calculation discrepancies in February 2020 as a result of prior year audit procedures performed by the Office of the State Auditor. The Bureau then initiated a review of system programming with the third-party vendor responsible for the system; however, timely remediation was not possible due to information system limitations. In May 2020, the Bureau suspended the submission of program income claims until the information system can be programmed to accurately calculate claims. The Bureau notified the SSA of the suspension and underlying cause. The SSA may grant a waiver which would allow the Bureau to file retroactive claims; however, this is not guaranteed.

The Office of the State Auditor selected a non-statistical random sample.

Context: In fiscal year 2020, the Vocational Rehabilitation program received $1.3 million from the SSA and $14.7 million in Federal grant funding.

Cause:

- Reliance on outdated information system claim calculations due to a lack of supervisory oversight, until the Bureau became aware of the miscalculations in February 2020
- Limitations of the outdated existing information system
- Lack of adequate policies and procedures to ensure that claims to the SSA and payments received from the SSA are reconciled

Effect:

- Potential underpayments or overpayments by the SSA may go undetected. Underpayments result in less program income funding available to provide VR services and overpayments result in amounts due back to the SSA.
- Due to the current suspension of claim submission to the SSA, there will be a delay in receipts as well as a decrease in program income funding available to provide VR services. If program income claim submission is not reactivated within applicable SSA deadlines and retroactive claim submission is not permitted, the temporary decrease in funding may become a permanent loss of program income revenue.

Recommendation: We recommend that the Bureau continue to collaborate with the third-party vendor to adjust current information system calculations to be in accordance with the formula outlined in the VR Providers Handbook. We further recommend that the Bureau implement policies and procedures which require:

- formal documentation of the review of claim payments from the SSA to ensure that the amount received is accurate and in accordance with program guidelines;
- analysis of variances between claims submitted by the State and payments received from the SSA;
- documentation of the analysis and results; and
- initiation of appropriate action to resolve underlying issues.

Corrective Action Plan: See F-13

Management's Response: The Department agrees with this finding. Since February of 2020, the BRS Quality Assurance (QA) Division, with assistance from Maine IT, is working closely with the AWARE case management system vendor to resolve issues with the SSA cost reimbursement module. The QA Division does have a number of internal controls in place regarding the processing of SSA cost reimbursement claims, including the review of each payment received to confirm which client and claim it is associated with and assessing any difference between the claim and payment amount. In addition, bureau management reviews a quarterly report indicating claims submitted, potential reimbursement, number of denials and approvals and total reimbursement amount. Going forward, BRS will enhance its claims review process. On a quarterly basis the Bureau will analyze the report and identify any patterns or discrepancies to determine which need further investigation. Keeping in mind that BRS does not have access to some of the data SSA uses in determining the final claim amount, such as beneficiary eligibility periods and anticipated savings to the SSA trust fund, it is likely that differences in the claim amount requested and received will continue for a significant percentage of claims.

Contact: Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942

(State Number: 20-1308-02)

(2020-032)

Title: Internal control over the timeliness of eligibility determinations needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-031	*	*	2016-012	2015-035	2014-037	*	None

FY11
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 Number: 84.126
Federal Award Identification Number: H126A180085, H126A190085, H126A200085, H126A180026, H126A190026, H126A200026
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)

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.

Eligibility for vocational rehabilitation (VR) services must be determined within 60 days after an initial application, unless the delay is the result of exceptional and unforeseen circumstances and the Bureau of Rehabilitation Services and the individual agree to a specific extension of time.

Condition: The VR program provides services to individuals with disabilities so they may prepare for and engage in competitive employment. The Bureau is comprised of the Division of Vocational Rehabilitation (DVR) and the Division for the Blind and Visually Impaired (DBVI).

In 2,472 DVR client eligibility determinations that were processed in fiscal year 2020:

- 222 determinations were processed after 60 days with a documented extension, but the extension was not filed timely; and
- 514 determinations were processed after 60 days and no extension was documented.

In 90 DVR client applications that were pending eligibility determination at the end of fiscal year 2020, three applications remained outstanding for more than 60 days with no extension or documentation of exceptional circumstances.

In 67 DVBI client eligibility determinations that were processed in fiscal year 2020, two determinations were made after 60 days and no extension was documented.

Context: In fiscal year 2020, VR program expenditures totaled $16.3 million. Of the $16.3 million, DVR and DBVI expenditures totaled $13.5 million and $2.8 million, respectively.

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 Bureau implement additional oversight procedures to ensure participant applications and eligibility determinations are processed within the required 60-day timeframe. If the process for eligibility determination is delayed beyond 60 days due to exceptional and unforeseen circumstances, controls should be implemented to ensure that a specific time extension is offered and agreed to by the applicant and documented by the Bureau.

Corrective Action Plan: See F-14

Management's Response: The Department agrees with this finding. In the Fall of 2020, the Division of Vocational Rehabilitation (DVR) issued an updated procedural directive on the eligibility process that set a maximum timeframe from date of application to date of intake. It also provides guidelines on how to streamline the eligibility process. All DVR/DBVI VR staff were trained on the streamlined process in November and December of 2020. That training is now included in the training for all new VR counselors and is posted on the bureau's intranet for future reference. BRS (DVR and DBVI) has several internal control procedures in place to monitor the requirement for a 60-day eligibility or a signed eligibility extension. There are also reports available in the AWARE case management system to assist VR counselors, supervisors and managers with monitoring eligibility due dates and organizing their work. BRS will provide a refresher staff training on how to generate and use these reports. The BRS QA unit will also provide regional reports to the Division Directors and Regional Managers on a monthly basis to assist with monitoring. It should be noted that even with effective internal controls in place, BRS often faces difficulties contacting applicants to arrange for an intake to establish eligibility or to get a signature to approve an eligibility extension. The impact of the COVID pandemic has added challenges to the eligibility determination process as well. Despite the aforementioned issues, DVR and DBVI placed a higher priority on keeping cases open during this unprecedented time.

Contact: Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942

(State Number: 20-1308-01)

(2020-033)

Title: Internal control over Federal cash management needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	*	*	None	None	None	*	None

**The program was not audited as a major program in this fiscal year.*

State Department: Administrative and Financial Services
Labor
State Bureau: Security and Employment Service Center
Rehabilitation Services
Federal Agency: U.S. Department of Education
CFDA Title: Rehabilitation Services – Vocational Rehabilitation Grants to States
CFDA Number: 84.126
Federal Award Identification Number: H126A180085, H126A190085, H126A200085, H126A180026, H126A190026, H126A200026

Compliance Area: Cash management

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 31 CFR 205.33; State Administrative and Accounting Manual (SAAM) 50.40.80

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 must minimize the time between the drawdown of Federal funds and the disbursement of these funds for Federal program purposes. The timing and amount of fund transfers must be as close as is administratively feasible to the Department's actual cash outlay for program costs. Section 50.40.80 of the SAAM has defined administratively feasible as Federal funds shall be held for no more than seven business days.

Condition: The Security and Employment Service Center (SESC) provides services including human resources, payroll, and accounting and finance to the Bureau of Rehabilitation Services (BRS), which is comprised of the Division of Vocational Rehabilitation (DVR) and the Division for the Blind and Visually Impaired (DBVI).

On June 26, 2020, SESC processed a $231,599 request on behalf of DBVI for Federal Vocational Rehabilitation (VR) program expenditure reimbursement. SESC processed the request without reviewing documentation in support of the drawdown. SESC subsequently reviewed the supporting documentation and found that the request included funds for expenditures totaling $126,661 unrelated to DBVI's VR program. SESC suspended future drawdowns until the cash balance was absorbed, rather than returning excess Federal funds. As a result, DBVI carried cash balances in excess of seven days of average expenses through July 20, 2020.

Context: In fiscal year 2020, SESC processed 73 DBVI Federal draws totaling $2.7 million and 76 DVR Federal draws totaling $12.1 million.

Cause:

- Procedural changes due to COVID-19 telecommuting
- Lack of adequate procedures to ensure Federal drawdowns are supported by program expenditures
- Lack of adequate procedures to ensure excess Federal funds are returned in a timely manner

Effect: The Federal government may impose more stringent program-specific cash management requirements based on prior noncompliance.

Recommendation: We recommend that SESC and BRS revise current policies and procedures to ensure that grant funds are only drawn for actual, immediate cash needs and that excess funds are promptly returned to the Federal government.

Corrective Action Plan: See F-14

Management's Response: The Department agrees with this finding. Cash on hand exceeded the administratively feasible time of seven business days. In seven business days, 77% of the cash drawn was expended. The cash drawn was fully expended in 17 business days. As stated in the Context section, 149 draws were processed in compliance with the cash management requirements. This one anomaly occurred at the end of the state fiscal year when the focus was on processing as many documents as possible within the applicable fiscal year. In addition, staff were still adjusting to working remotely in the pandemic environment.

The internal controls in place identified the error. Because the process to return funds is administratively burdensome and the Department anticipated expending within a reasonable amount of time, the decision was made to not return the funds. The Department recognizes the need to accurately calculate the amount of cash being requested, especially considering that funds cannot be returned in the same manner that they are drawn.

Contact: Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942

(State Number: 20-1308-03)

(2020-034)

Title: Internal control over provider site visits needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-032	*	*	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 Number: 93.268
Federal Award Identification Number: NH23IP922604

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 42 USC 1396s; Vaccines for Children (VFC) Program Operations Guide

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.

Effective control and accountability must be maintained for all vaccines provided under the VFC program. Grantees must provide oversight of program-enrolled providers every 24 months to ensure that proper control and accountability is maintained for vaccines, vaccines are properly safeguarded, and eligibility screening is conducted. Grantees are required to:

- maintain written procedures for overseeing inventory management at program-enrolled providers and perform sampling over provider inventory records, vaccine storage and handling, and provider medical records.
- maintain written procedures for overseeing immunization records at program-enrolled providers and perform sampling of vaccination records.
- perform follow-up procedures if deficiencies were identified in the above reviews.

Effective March 17, 2020, the National Center for Immunizations and Respiratory Diseases suspended on-site reviews to enable grantees to fully respond to the COVID-19 pandemic. Grantees were required to submit a proposal of alternative monitoring procedures to ensure program integrity.

Condition: The Department was required to perform on-site reviews for approximately 150 providers during fiscal year 2020. Due to the COVID-19 pandemic response, the Department was unable to provide the auditors with sufficient documentation for any on-site reviews to demonstrate that:

- the program complied with the requirements associated with inventory management, immunization recordkeeping, and follow up procedures.
- the program complied with its plan of alternative monitoring procedures after on-site visits were suspended.
- controls over site visits and supervisory oversight were adequate.

Context: In fiscal year 2020, 315 VFC providers received vaccines valued at approximately $12.1 million.

Cause: Lack of staff resources due to COVID-19 pandemic response prioritization

Effect:

- Potential noncompliance with Federal regulations
- Potential for improper vaccine storage and waste if providers failed to follow procedures and processes

Recommendation: We recommend that the Department implement procedures to ensure program integrity and adequate supervisory oversight is maintained while staff are reallocated to the COVID-19 pandemic response.

Corrective Action Plan: See F-14

Management's Response: The Department of Health and Human Services agrees with this finding. Due to the COVID-19 pandemic response, the Maine Immunization Program was unable to provide the resources or time to complete this audit. However, we continue to comply with all Federal CDC requirements as outlined in our Cooperative Agreement. Inventory management oversight, supervisory reviews, and/or alternative compliance monitoring will continue as allowable by resources, Federal CDC and post-pandemic protocols.

Contact: Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541

(State Number: 20-1118-02)

(2020-035)

Title: Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
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 Number: 93.268
Federal Award Identification Number: NH23IP922604

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

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. A 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)

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 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 CFDA number.

Condition: The Department is responsible for communicating noncash vaccine awards to the Department of Health and Human Services (DHHS) Service Center for inclusion on the annual SEFA. The SEFA is included in the annual submission to the Federal Audit Clearinghouse (FAC).

The Department did not provide complete noncash flu vaccine award information to the DHHS Service Center for SEFA reporting.

Context: In fiscal year 2020, noncash flu vaccines totaling $755,835 were not reported by the Department for inclusion in the SEFA.

Cause: Lack of adequate procedures to ensure all noncash vaccine awards are accurately reported on the SEFA

Effect:

- Noncompliance with Federal regulations
- Incorrect information reported on the SEFA may be used for programmatic, policy or statistical purposes.

Recommendation: We recommend that the Department collaborate with the DHHS Service Center to implement additional procedures to ensure that noncash vaccine awards provided to the DHHS Service Center are complete and accurate. This will ensure that Federal program expenditures are accurately reported on the SEFA prior to submitting to the FAC.

Corrective Action Plan: See F-15

Management's Response: The Department of Health and Human Services and its Service Center agree with this finding. The Service Center has since conducted training on SEFA submissions and is developing a procedure for SEFA review similar to their federal financial report reviews prior to submission. This includes training a second person in SEFA submissions and updating its SOP. Additionally, the Department will develop an SOP for non-cash vaccines to ensure the proper reporting of non-cash vaccine values to the Service Center quarterly.

Contact: Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541

(State Number: 20-1118-03)

(2020-036)

Title: Internal control over Federal cash management needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-033	*	*	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 Number: 93.268
Federal Award Identification Number: NH23IP922604

Compliance Area: Cash management

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 31 CFR 205.33; State Administrative and Accounting Manual (SAAM) 50.40.80

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 must minimize the time between the drawdown of Federal funds and the disbursement of these funds for Federal program purposes. The timing and amount of fund transfers must be as close as is administratively feasible to the Department's actual cash outlay for program costs. Section 50.40.80 of the SAAM has defined administratively feasible as Federal funds shall be held for no more than seven business days.

Condition: During the first three months of fiscal year 2020, the program carried cash balances in excess of seven days of average expenses. The excess cash was the result of a drawdown received on June 21, 2019, which duplicated funds already drawn on June 18, 2019. The duplicate draw resulted in excess Federal funds that were not returned in a timely manner.

Context: In fiscal year 2020, the Service Center processed 93 Federal draws totaling $2.2 million for the Immunization Cooperative Agreements program.

Cause:

- Lack of controls to ensure excess Federal funds are returned in a timely manner
- Lack of supervisory oversight

Effect: The Federal government may impose more stringent program-specific cash management requirements based on prior noncompliance.

Recommendation: We recommend that the Department revise current policies and procedures to ensure that grant funds are only drawn for actual, immediate cash needs and that excess funds are promptly returned to the Federal government. The Federal cash balance must be considered before drawing Federal funds.

Corrective Action Plan: See F-15

Management's Response: The Department of Health and Human Services and its Service Center agree with this finding. The Service Center implemented a standardized template for grant daily reconciliations which includes monitoring cash. This template was implemented for the Immunization grant in October 2020.

Contact: Sarah Gove, Director, DHHS Service Center, 207-458-6626

(State Number: 20-1118-01)

(2020-037) Confidential finding, see below for more information

Title: ________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
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 Health and Human Services
CFDA Title: Immunization Cooperative Agreements
CFDA Number: 93.268
Federal Award Identification Number: NH23IP922604

Compliance Area: Special tests and provisions

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; National Institute of Standards and Technology (NIST) Special Publication ________; State of Maine ________ Policy

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.

NIST Special Publication ________ states that organizations consider ________ from the use of common controls. If common controls are provided to organizations by ________, arrangements must be made with ________ to ________.

NIST Special Publication ________ states that organizations are responsible and accountable for ________ provided by ________. The responsibility for ________ services remains with authorizing officials.

NIST Special Publication ________ states that ________ is the measure of confidence that ________, ________, and ________ with respect to meeting the requirements for the system. The State of Maine ________ Policy sections ________and ________ require ________ to ensure a ________ of the utmost ________, ________, and ________, and to ________.

Condition: The State of Maine contracts with a ________ to provide ________ and ________ for the ________ system. The ________ system manages the ________, ________, and ________ including ________, ________ and ________, ________, and ________.

The contract requires the ________ to provide ________ and to ensure that ________ is established and maintained in accordance with Federal program regulations. ________ measures the degree that the State can ________ and ________ of ________ provided by the ________ and ________.

The Department of Health and Human Services (DHHS) is responsible for contractor oversight. DHHS did not receive ________ for the ________ system as required by the contract.

Context: In fiscal year 2020, ________ processed over ________ in ________.

Cause: ________

Effect:

- ________
- ________
- ________

Recommendation: We recommend that the Department implement procedures to ensure that ________ are ________ and ________ annually, and ________ are ________. This annual process should be documented, approved, and retained by management.

Corrective Action Plan: See F-15

Management's Response: The Department of Health and Human Services agrees with this finding. ________ had detailed plans to ________ in 2020. The ________ would have been provided with the transition. The ________ was delayed due to the response required for COVID vaccination efforts which relied heavily on the ________. By June 30, 2022, ________ will transition to ________ and at the time of transition the necessary ________ and ________ for ________ will be ________ and will be ________ annually by the Department as well as the Office of Information Technology.

Contact: Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Claude Mwanda, Audit Resolution Team, U.S. Department of Health and Human Services, Center for Disease Control and Prevention, 1600 Clifton Road 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, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106

(State Number: 20-0900-15)

(2020-038) Confidential finding, see below for more information

Title: ________ and ________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	*	*	*	*	*	*	*

**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 Number: 93.268
Federal Award Identification Number: NH23IP922604

Compliance Area: Special tests and provisions

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; National Institute of Standards and Technology (NIST) Special Publication ________; NIST Special Publication ________; State of Maine Office of Information Technology (OIT) Policies; Maine Center for Disease Control & Prevention (MeCDC) ________

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.

NIST Special Publication ________ states that an organization must have the ability to ________.

NIST Special Publication ________ states that the ________ is key to implementing ________ and in the ________ process overall.

NIST Special Publication ________ states that the organization ________, ________, and ________.

OIT policies state that:

- agencies must ________ based on ________ and other attributes as required by the organization;
- ________ are to meet minimum State requirements; and
- an agency system owner defines a ________ consistent with:
  - the ________ which represents ________;
  - the ________ which represents ________; and
  - the impact on business.

MeCDC policies require retention and availability of ________ and ________ for ________.

Condition: The State of Maine contracts with a vendor to provide ________ and ________ for the ________ system. The ________ system supports MeCDC's ________, ________, and other ________ including ________, ________, ________, and ________. Audit procedures over the ________ system identified the following exceptions:

- For the ________ during fiscal year 2020:
  - ________ were ________;
  - one ________; and
  - one ________.
- ________ did not meet the State's ________.
- MeCDC has not completed a ________. A ________ is used to determine the appropriate ________ and ________. The established and approved ________ and ________ are used to determine the ________.

Context: In fiscal year 2020, the ________ system processed ________ totaling over ________.

Cause:

- ________
- ________
- ________

Effect:

- ________
- ________
- ________

Recommendation: We recommend that the Department strengthen, implement, and subsequently monitor policies and procedures to ensure that:

- ________ is ________ and ________ by ________ and ________;
- ________ are aligned with State of Maine policy; and
- a ________ is conducted in compliance with government standards to facilitate the ________.

Corrective Action Plan: See F-16

Management's Response: The Department of Health and Human Services agrees with this finding. The program will adhere to all ________ requirements as outlined in the State's ________ policy by April 2021. We will discuss the requirements with the ________ to determine feasibility for implementing the additional changes. We will continue our process of internal program ________ which we were unable to perform during the last audit year due to resource constraints for the response efforts needed for COVID. Lastly, also due to resource constraints, a ________ was not completed but will be prioritized this audit year to include the necessary information from the ________ detailing the ________ and ________ requirements for the system.

Contact: Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Claude Mwanda, Audit Resolution Team, U.S. Department of Health and Human Services, Center for Disease Control and Prevention, 1600 Clifton Road 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, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106

(State Number: 20-0900-16)

(2020-039)

Title: Internal control over payments made on behalf of TANF clients needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-040	2018-031	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: Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.558
Federal Award Identification Number: 1701METANF, 1801METANF, 1901METANF, 2001METANF

Compliance Area: Allowable costs/cost principles

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Questioned Costs: The Office of the State Auditor (OSA) tested a sample of payments made to TANF providers on behalf of TANF clients. Likely questioned costs were projected by dividing the identified known overpayment in our sample by total payments tested to establish an error rate, then applying that error rate to total payments to providers on behalf of TANF clients in fiscal year 2020.

Questioned Costs	Total	Federal	State
Known	$18,606	$18,606	$0
Likely	$608,524	$608,524	$0
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 2 CFR 200.403; 45 CFR 263.11

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.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

The Department must use Federal TANF funds for expenditures that are reasonably calculated to accomplish the purposes of TANF. Use of funds in violation of this is considered misuse of funds.

Condition: The Department issues TANF payments directly to providers on behalf of TANF clients for services rendered such as childcare and transportation. OSA selected 60 provider payments and found:

- four providers were overpaid a total of $409 for Transitional Child Care. For one of the providers, OSA found that the $382 payment was made for childcare services which were no longer provided to the TANF client. Upon further review, OSA found that an additional $17,954 was overpaid to the childcare provider during fiscal year 2020. This childcare provider continued to be inappropriately paid $382 on a weekly basis through March 2021.
- one provider was underpaid by $7 for Transitional Child Care.
- one provider was incorrectly paid $250 for childcare services.

The Office of the State Auditor selected a non-statistical random sample.

Context: In fiscal year 2020, payments to providers on behalf of TANF clients totaled approximately $12.9 million.

Cause:

- Lack of adequate procedures over provider payments
- Lack of supervisory oversight

Effect:

- Questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement procedures to ensure that payments made to TANF providers are accurate, allowable and adequately documented. We further recommend that the Department increase monitoring procedures over these payments.

Corrective Action Plan: See F-16

Management's Response: The Department agrees with this finding. The Office for Family Independence will review existing internal controls, monitoring, and documentation procedures regarding payments made to TANF providers for transitional and ASPIRE/HOPE support services and update as appropriate.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 20-1111-07)

(2020-040)

Title: Internal control over TANF client child support sanction procedures needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
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
CFDA Title: Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.558
Federal Award Identification Number: 1701METANF, 1801METANF, 1901METANF, 2001METANF

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 45 CFR 264.30; 42 USC 608(a)(2)

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.

If the Department determines that an individual is not cooperating with child support enforcement requirements, the Department is required to sanction the individual by deducting an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and may deny the family any TANF assistance.

Condition: The Department's Division of Support Enforcement and Recovery (DSER) is responsible for enforcing child support requirements. DSER sends email notifications to TANF personnel when individuals not cooperating with child support enforcement requirements are identified. TANF personnel process the sanction request in the Automated Client Eligibility System (ACES).

The Office of the State Auditor (OSA) received a list of sanction requests from the Department for testing purposes. The Department provided a list from both DSER and ACES, as follows:

- The DSER list did not include all TANF-related sanction requests and included sanction requests for clients on programs other than TANF.
- The ACES list only included sanction requests that were processed by TANF personnel. Therefore, sanction requests that were made and not processed were omitted from this list.

As a result, OSA was unable to obtain a complete listing from which to test a sample of DSER sanction requests.

In addition, our review of the DSER list found three sanction requests that were not processed by TANF personnel.

Context: In fiscal year 2020, DSER provided a list of 517 sanction requests and the TANF program provided a list of 373 sanction requests.

Cause:

- Lack of adequate procedures
- Lack of supervisory oversight

Effect:

- Noncompliant clients may be paid benefits that they are not entitled to receive.
- Failure to comply with sanction requirements may result in the U.S. Department of Health and Human Services penalizing the State for up to five percent of the grant award.

Recommendation: We recommend that the Department implement procedures to ensure that all sanction requests received from DSER are processed accordingly. We further recommend that procedures are implemented to ensure that complete sanction requests are maintained, reviewed and reconciled throughout the year.

Corrective Action Plan: See F-16

Management's Response: The Department disagrees with the conditions cited in this finding.

OFI has acknowledged, and continues to acknowledge, three exception cases that were not completed in a timely manner by OFI personnel.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

Auditor's Concluding Remarks: Without identifying the specific conditions to which the Department disagrees, OSA is unable to provide additional information in response to the Department's disagreement. The Department acknowledged that three cases were not processed by TANF personnel.

The finding remains as stated.

(State Number: 20-1111-08)

(2020-041)

Title: Internal control over TANF performance reporting and work participation procedures needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-039	2018-028	2017-012	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: Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.558
Federal Award Identification Number: 1701METANF, 1801METANF
1901METANF, 2001METANF

Compliance Area: Reporting
Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

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. A 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 and 265.8

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 must maintain adequate documentation, perform adequate verification, and implement other control procedures for TANF client work participation. 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.

Condition: The quarterly *ACF-199 TANF Data Reports* and the *ACF-209 SSP-MOE Data Reports* were not reviewed by a secondary person prior to submission to the Federal government to ensure that information entered was accurate and complete.

In addition, the Department reported incorrect work participation information on the *ACF-199* and *ACF-209* reports. Of the 120 clients tested:

- inaccurate work participation data was reported for 21 clients, including inaccurate:
    - unsubsidized employment hours,
    - countable months towards the Federal time limit of 60 months,
    - job search and job readiness hours,
    - work experience hours,
    - vocational education training hours,
    - family work participation, and
    - work participation status.
- the Department did not provide adequate documentation to confirm the work participation data reported to the Federal government for 22 clients.

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. In fiscal year 2020, the number of clients reported on the *ACF-199* report ranged from approximately 11,000 to 13,000 clients, and the number of clients reported on the *ACF-209* report ranged from approximately 44,000 to 55,000 clients.

Cause:

- Lack of adequate procedures to ensure work participation data is accurately reflected in the Automated Client Eligibility System (ACES) and reported correctly in the quarterly Federal performance reports
- Lack of supervisory oversight

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 grant award, for violation of work verification plan requirements.

Recommendation: We recommend that the Department implement a secondary review process to ensure that the information reported on the *ACF-199* and *ACF-209* reports is accurate and complete prior to submission to the Federal government. Additionally, we recommend that the Department establish systematic monitoring 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 partially agrees with this finding.

OFI agrees with the Condition pertaining to the ACF 199 and 209 reporting process and review. We have proposed a Corrective Action Plan addressing this item.

OFI disagrees with the work participation and countable month aspects of this finding until such time as these exceptions can be documented by Audit and verified by OFI regarding reference to the 21 and 22 clients in this finding.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

Auditor's Concluding Remarks: On January 11, 2021, the Office of the State Auditor (OSA) initiated the first request for supporting documentation to verify work participation data for the 120 clients selected for testing. OSA followed up on this request multiple times throughout January and February. On March 5, 2021, the Department provided an initial response which was incomplete. The provided documentation was not comprehensive for some clients, was completely missing for other clients, and in some cases, supported that work participation data reported to the Federal government was inaccurate. OSA continued to request complete information and worked with the Department in an attempt to resolve discrepancies surrounding clients' reported work participation information. OSA extended testing deadlines several times to provide an opportunity for the Department to submit additional supporting documentation.

The 43 cases identified as exceptions were discussed multiple times with the Department including through the transmittal of a draft audit finding communication on March 17, 2021. In response, after eight days, the Department requested additional information for internal verification purposes on March 25, 2021.

The Department's disagreement due to time constraints surrounding verification is unsupported.

The finding remains as stated.

(State Number: 20-1111-09)

(2020-042)

Title: Internal control over subrecipient cash management needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-035	2018-026	2017-009	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
CFDA Title: Temporary Assistance for Needy Families (TANF)
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Aging Cluster
Social Services Block Grant (SSBG)
Community Services Block Grant (CSBG)
HIV Care Formula Grant
CFDA Number: 93.558; 10.557; 93.044, 93.045, 93.053; 93.667; 93.569; 93.917
Federal Award Identification Number: 1701METANF, 1801METANF, 1901METANF, 2001METANF; 174ME743W5003, 184ME743W5003, 194ME743W5003, 194ME701W1003, 194ME701W1006, 204ME701W1003, 204ME701W1006; 2001MEOASS, 2001MEOACM, 2001MEOAHD, 2001MEOANS; 901MESOSR, 2001MESOSR; 1901MECOSR, 2001MECOSR; X07HA00023, X08HA31243

Compliance Area: Cash management
Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

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. A 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)

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 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.

Condition: For cost-settled subawards, the Department did not monitor subrecipients to ensure they were drawing Federal funds in accordance with cash management requirements. The Department's current procedures include making advance monthly payments for the same amount and reconciling those amounts to the quarterly financial reports submitted 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 Aging Cluster, SSBG, CSBG, and HIV Care Formula Grant programs were not audited as major programs in fiscal year 2020. However, audit evidence obtained during the current audit period supported the inclusion of these programs in this repeat finding.

Context: During fiscal year 2020, the Department provided:

- $27.3 million to subrecipients from TANF grant funds of $59.8 million.
- $4.4 million to subrecipients from WIC grant funds of $14.5 million.
- $6.3 million to subrecipients from Aging Cluster grant funds of $6.7 million.
- $6.1 million to subrecipients from SSBG funds of $6.4 million.
- $3.4 million to subrecipients from CSBG funds of $3.6 million.
- $127 thousand to subrecipients from HIV Care Formula Grant funds of $3.0 million.

Cause: Lack of adequate subrecipient monitoring procedures

Effect:

- Noncompliance with subrecipient cash management requirements
- 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-17

Management's Response: The Department disagrees with this finding. The criteria given by the State Auditor also states that the timing and amounts of advanced payments must be as close is as administratively feasible to the actual disbursements. The Department's written procedures for monitoring the actual expenditures and reconciling those to payments is as close as administratively feasible.

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 obtain adequate documentation in their review of quarterly financial reports to determine whether the timing of the subrecipient's actual cash disbursements is in compliance with the Criteria cited in the finding.

The finding remains as stated.

(State Number: 20-1111-03)

(2020-043)

Title: Internal control over Income Eligibility and Verification System procedures needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-037	None	2017-010	2016-017	2015-021	None	13-1111-02	12-1111-02

FY11
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)
Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP; 1905ME5021, 2005ME5021; 184ME421Q3903, 194ME442Q7503, 194ME401S2520, 204ME401S2520, 204ME401S2519, 204ME442Q7503, 204ME401S2514, 194ME401S2514, 194ME401S2519, 194ME421Q3903, 204ME421Q3903, 194ME442Q7503, 194ME401S8026, 204ME401S8026, 194ME401S8036, 194ME401S8069; 1701METANF, 1801METANF, 1901METANF, 2001METANF

Compliance Area: Eligibility
Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 42 CFR 435.952; 45 CFR 205.56; 42 USC 1320b-7

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 is required to comply with Federal Income Eligibility and Verification System (IEVS) exchange rules and regulations in accordance with program agreements.

Condition: IEVS is used to exchange information with State and Federal agencies to verify income and expense information needed to determine eligibility for Federal financial assistance. This information is updated in the Automated Client Eligibility System (ACES) to ensure eligibility determinations are made based on current information.

IEVS generates various discrepancy reports on a weekly, monthly and quarterly basis. The Department is required to resolve all discrepancies identified through these reports within 45 days of receipt.

Of the 170 IEVS discrepancies tested:

- 60 discrepancies were addressed between 1 and 112 days late, and
- 25 discrepancies were not fully addressed in ACES.

The Office of the State Auditor (OSA) selected 20 discrepancies which were deemed significant by OSA and a non-statistical random sample of 25 discrepancies from each of the 6 IEVS reports, for a total of 170 discrepancies examined.

Context: A total of 184 IEVS reports are required to be generated annually. The number of discrepancies on each report can vary from zero to over 20,000.

Cause:

- Lack of supervisory oversight
- Lack of resources available to respond to the significant increase in discrepancies due to the COVID-19 pandemic

Effect:

- IEVS information may not be updated timely in ACES, which could result in incorrect eligibility determinations.
- 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 grant award.

Recommendation: We recommend that the Department implement and monitor additional oversight procedures to ensure IEVS discrepancies are properly resolved and documented on a timely basis.

Corrective Action Plan: See F-17

Management's Response: The Department agrees with this finding. The Office for Family Independence has designed and implemented a standard operating procedure creating a formal monthly monitoring process, thus increasing the oversight of all IEVS reports.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 20-1111-05)

(2020-044)

Title: Internal control over risk evaluation procedures needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-038	2018-030 2018-032	2017-013	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: Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.558
Federal Award Identification Number: 1701METANF, 1801METANF, 1901METANF, 2001METANF

Compliance Area: Subrecipient monitoring

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 2 CFR 200.332

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 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 200.332.

Condition: The Department's Division of Audit utilizes a subrecipient risk evaluation rating form to assign risk factors to subrecipients. Feedback from those responsible for monitoring subrecipient compliance is not integrated into this risk evaluation. Furthermore, for all subrecipients selected for testing, no documentary evidence was provided that demonstrates that the results of subrecipient risk evaluations were utilized in determining appropriate subrecipient monitoring procedures to be performed in accordance with Federal regulations.

The Office of the State Auditor (OSA) selected one subrecipient which was deemed significant by OSA and selected a non-statistical random sample for all other subrecipients.

Context: The Department provided $27.3 million to TANF subrecipients during fiscal year 2020.

Cause:
- Misinterpretation of Federal regulations
- Lack of adequate procedures

Effect: Subrecipients that are deemed higher risk may not be monitored on a more frequent basis. Conversely, subrecipients that are deemed lower risk may not be 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 requires evaluation of each subrecipient's risk of noncompliance specifically for the purposes of determining the appropriate subrecipient monitoring to be performed. We further recommend that the Department maintain adequate documentation of this process.

Corrective Action Plan: See F-18

Management's Response: The Department disagrees with this finding. There are multiple ways the Department evaluates risk on its subrecipients, the Division of Audit's risk evaluation is one of them. The Division of Audit uses the risk assessment to determine how much testing of invoices to perform. There is also an assessment of risk built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which all of our subrecipients have reporting requirements based on their level of expenditures. These thresholds are lower than the audit requirements of 2 CFR 200 so those that fall below the single audit threshold will have agreement expenditures tested much more frequently.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

Auditor's Concluding Remarks: The Department disagrees with the finding; however, the conditions noted in the finding are not disputed in Management's Response.

Subrecipient risk evaluation procedures were discussed throughout the audit with the Department's program personnel. Program personnel agreed that a formal risk evaluation was not documented for the purposes of developing a subrecipient monitoring plan. The Division of Audit was unresponsive to multiple meeting invitations and numerous requests for information and supporting documentation.

Auditor's Concluding Remarks continued on next page.

Subrecipient risk evaluations are required to be completed for the purpose of determining appropriate subrecipient monitoring procedures during the grant award period. This risk evaluation should incorporate feedback and involvement from Department personnel responsible for monitoring subrecipient compliance during the grant award period. The Division of Audit's procedures listed in Management's Response occur after the grant award period.

The finding remains as stated.

(State Number: 20-1111-02)

(2020-045)

Title: Internal control over special reporting needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-043	None	2017-011	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: Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.558
Federal Award Identification Number: 1701METANF, 1801METANF, 1901METANF, 2001METANF

Compliance Area: Reporting

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 45 CFR 265.9

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 must file an annual report containing accurate information on TANF and its Maintenance-of-Effort (MOE) programs.

Condition: The Federal fiscal year 2019 *ACF-204 Annual Report including the Annual Report on State Maintenance-of-Effort Programs* was not 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 total number of families served as 1,714 families instead of 1,953 families.

Context: The *ACF-204* is an annual report that provides information about TANF program participation and expenditures. The Department reported information for 20 MOE programs on the Federal fiscal year 2019 *ACF-204* report.

Cause: Lack of adequate review procedures

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 prior to its submission to the Federal government.

Corrective Action Plan: See F-18

Management's Response: The Department agrees with this finding. The Standard Operating Procedure (SOP) for submission of the ACF-204 will be updated to include: clear segregation of duties, archival and documentation requirements associated with the reviews and approval process prior to submission, as well as a process for error resolution should those reviews warrant a change.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 20-1111-04)

(2020-046) Confidential finding, see below for more information

Title: ________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Redacted	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: Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.558
Federal Award Identification Number: 1701METANF, 1801METANF
1901METANF, 2001METANF

Compliance Area: Allowable costs/cost principles
Reporting
Special tests and provisions

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; National Institute of Standards and Technology (NIST) Special Publication ________; State of Maine ________ Policy

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.

NIST Special Publication ________ states that organizations consider ________ from the use of ________. If ________ are provided to organizations by ________, arrangements must be made with ________ to ________.

NIST Special Publication ________ states that organizations are responsible and accountable for the ________ provided by ________. The responsibility for ________ services remains with authorizing officials.

NIST Special Publication ________ states that ________ is the measure of confidence that ________, ________, and ________ with respect to meeting the requirements for the system.

The State of Maine ________ Policy sections ________and ________ require ________ to ensure a ________ of the utmost ________, ________, and ________, and to ________.

Condition: The State of Maine ________ with a ________ to provide ________ and ________ for the ________ system. This system supports the ________ program which is administered under the TANF program. ________ is a ________ utilized for ________, ________, ________, ________ and ________.

The contract requires the ________ to provide ________ and ________ and to ensure that ________ is established and maintained in accordance with Federal program regulations. ________ measures the degree that the State can rely on ________ and ________.

The Office for Family Independence (OFI) is responsible for oversight of this contract. OFI did not receive ________ for the ________ system as required by the contract.

Context: The Department has a ________, ________ with a ________ to ________ the ________ system. The State uses the ________ system to meet TANF program regulations. In fiscal year 2020, ________ services totaled over ________.

Cause: ________

Effect:

- ________
- ________
- ________

Recommendation: We recommend that the Department implement procedures to ensure that ________ are ________ and ________ annually, and ________ are ________. This annual process should be documented, approved and retained by management.

Corrective Action Plan: See F-18

Management's Response: The Department disagrees with this finding and recommendation. The Department has robust ________ and ________ functions in place.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

Auditor's Concluding Remarks: ________ between the Department and the ________ require that the ________ provide ________ annually. The Department did not receive or provide auditors with ________ covering the audit period.

The finding remains as stated.

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, John F. Kennedy Federal Building, Room 2000, 15 New Sudbury Street, 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. 12th Street, Suite 0429, Kansas City, MO 64106

(State Number: 20-0900-19)

(2020-047) Confidential finding, see below for more information

Title: ________ and ________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	*	None	None	None	*	*	*

**The system was not audited in this fiscal year.*

State Department: Health and Human Services
State Bureau: Office of Child and Family Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: CCDF Cluster
Foster Care – Title IV-E
Adoption Assistance
CFDA Number: 93.575, 93.596; 93.658; 93.659
Federal Award Identification Number: 2001MECCDF, 2001MECCC3;
1901MEFOST, 2001MEFOST;
1901MEADPT, 2001MEADPT

Compliance Area: Allowable costs/cost principles
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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; National Institute of Standards and Technology (NIST) Special Publication ________; NIST Special Publication ________; State of Maine Office of Information Technology (OIT) Policies

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.

NIST Special Publication ________ states that an organization must have the ability to ________.

NIST Special Publication ________ states that a ________ is key to implementing ________ and in the ________ process overall.

NIST Special Publication ________ states that:
- the organization monitor the use of ________ and ________ for compliance with ________;
- the organization ________, ________, and ________;
- the organization ________ for the information system;
- the organization ________ upon ________; and
- ________.

OIT policies state that:
- agencies must ________ based on ________ and other attributes as required by the organization;
- ________ are to meet minimum State requirements; and
- an agency system owner defines a ________ consistent with:
  - the ________ which represents ________;
  - the ________ which represents ________; and
  - the impact on business.

Condition: The ________ serves as the single repository for all ________ and is used by the Office of Child and Family Services (OCFS) to ________, ________, and ________ all ________ information and functions. Audit procedures over ________ identified the following exceptions:
- Evidence of ________ could not be provided.
- Reviews of ________ were not completed.
- ________ for ________ was not ________ timely.
- ________ settings did not meet the State's ________.
- OCFS has not completed a ________. A ________ is used to determine the appropriate ________ and ________. The established and approved ________ and ________ are used to determine the ________.
- OCFS does not have a ________ or ________.

Context: In fiscal year 2020, ________ processed over ________ in expenditures.

Cause:
- ________
- ________
- ________

Effect:
- ________
- ________
- ________

Recommendation: We recommend that the Department implement and subsequently monitor policies and procedures to ensure that:

- ________ are centrally managed;
- ________ of ________ are completed;
- ________ to the system is ________;
- ________ are aligned with State of Maine policy;
- a ________ is conducted in compliance with government standards to facilitate the ________; and
- ________ are ________, ________, ________, ________ and ________ in accordance with State policy and industry best practices.

Corrective Action Plan: See F-18

Management's Response: The Office of Child and Family Services agrees with this finding and will take such actions detailed as possible to remediate the issues. The ________ during the ________ are ________. In the future, when provided a sample list, OCFS will request copies for the sample in a timely manner to meet Audit's request. OCFS will request ________ to provide a report of ________ or ________ to complete ________ and will ________. OCFS will request OIT update the ________ system ________ to meet the State's minimum ________. Regarding the OIT ________ and ________ process, resource constraints in conjunction with decisions based on our collective fiscal realities made in the upcoming budget has precluded the allocation of a ________ and ________. Absent a ________, OIT ________ capabilities have improved recently. The introduction of ________ and ________ has enabled the ability to inherit some of the robust ________ capabilities for the State. Additionally, the successful continuation of operations through the global pandemic are indicative of ________ capabilities to support the ________. We will continue to work to acquire the resources to fund and then hire an appropriate resource to conduct ________ planning for the State; however, there are currently no prospects on how to accomplish this through the FY 22/23 budget.

Contact: Robert Blanchard, Associate Director Technology and Support, DHHS, 207-324-7955

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Kristanya Knutsen, Audit Resolution Manager, C/O: Teneisha Nelson, Department of Health and Human Services, Administration for Children and Families, 330 C Street SW, Suite 3120A, Washington, DC 20212

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

(State Number: 20-0900-11)

(2020-048)

Title: Internal control over Hospital and Long Term Care Facility audits needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-047	2018-049	2017-025	2016-025	2015-005	2014-003	13-1106-14	12-1106-01

FY11	FY10
11-1106-05	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 Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

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. A 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, Chapter III, Sections 45, 50 and 67

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 is required to provide for the periodic audits of the financial and statistical records of participating providers.

The Maine State Plan under Title XIX of the Social Security Act (TN No. 13-020) requires the Division of Audit to perform and issue an interim or final Cost Settlement Report within 12 months of receipt of the cost report from the Hospital Facility provider.

The MaineCare Benefits Manual (MCBM) Chapter III, Sections 45, 50 and 67 outline the documentation and support required to be included in a provider's annual cost report filing submission to the Division of Audit. The Division of Audit's requirements for reviewing the cost reports and performing uniform desk reviews is also outlined. Section 67 states that the Division of Audit must perform a uniform desk review on each Nursing Facility (NF) cost report submission within 180 days of receipt of an acceptable cost report filing.

Condition: The Division of Audit did not issue Hospital and Long Term Care Facility (LTCF) audits in accordance with Federal regulations. LTCF audits include both audits of NFs and Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IIDs).

<u>Acceptance</u>

The "acceptance date" utilized by the Office of the State Auditor in determining the timeliness of completing and issuing audits changed from that used in previous years as outlined below.

The MCBM states that the Division of Audit's timeframe to issue a desk review for Hospitals and LTCFs begins on the date the Division of Audit receives an acceptable cost report filing from the provider. Historically, the acceptance process ranged from seven to ten days on average after receipt.

The Division of Audit has determined that a cost report is considered acceptable after the Cost Report Acceptance Checklist (CRAC) is completed. The CRAC is used to ensure the submission is complete and contains the required forms and schedules. Once the CRAC is completed, an auditor will review the as-filed cost report and perform a uniform desk review.

Over the past three years, there has been a material increase in the number of days utilized by the Division of Audit to deem as-filed cost reports received from providers as acceptable. The Director of the Division of Audit has identified that this is the result of a significant reduction in personnel assigned to cost report acceptance.

For the 43 Hospitals with audits due in fiscal year 2020, the Division of Audit took an average of 11 days to accept the cost report. The number of days from receipt to acceptance ranged from 1 to 28 days.

For the 96 NFs with audits due in fiscal year 2020, the Division of Audit took an average of 60 days to accept the cost report. The number of days from receipt to acceptance ranged from 1 to 102 days.

For the 16 ICF/IIDs with audits due in fiscal year 2020, the Division of Audit took an average of 39 days to accept the cost report. The number of days from receipt to acceptance ranged from 4 to 67.

As a result of the significant increase in determining a cost report as acceptable and the rarity of cost reports deemed unacceptable upon completion of the CRAC, the Office of the State Auditor has determined that utilizing the receipt date as the starting point for determining the timeliness of accepting as-filed cost reports and issuing completed uniform desk reviews is appropriate.

The Office of the State Auditor selected non-statistical random samples.

Hospitals
The Maine State Plan under Title XIX of the Social Security Act (TN No. 13-020) requires the Division of Audit to perform an interim or final Cost Settlement Report within 12 months of receipt of the cost report submitted by the provider.

The population of Hospital Facility audits due for completion in fiscal year 2020 was 43, of which three audits were issued 6 to 18 days late.

LTCF – Nursing Facilities
The MCBM states uniform desk reviews shall 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 NF audits due for completion in fiscal year 2020 was 96. Of the 96, 84 audits were not issued within 180 days of receipt of an acceptable cost report. Of those 84 audits, 33 were issued from 1-247 days late and 51 had not been issued at the time of audit testing.

The MCBM (Ch. III, Sect. 67, 13.4.1.3) provides an exception to the 180 day requirement "…in unusual situations, including but not limited to, delays in obtaining necessary information from a provider." Additionally, 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." For fiscal year 2020, as of the time of testing, the Division of Audit had requested additional information for 71 percent (68/96) of audits due in fiscal year 2020, negating the "unusual situation" criteria. In addition, no on-site audits were scheduled or performed; therefore, the requirement that all NF audits be completed and issued within the 180-day timeframe for uniform desk reviews is binding.

According to the MCBM (Ch. III, Sect. 67, 13.4.1.3), the Department is seeking approval from the Centers for Medicare and Medicaid Services (CMS) to change the uniform desk review timeframe from 180 days to 365 days. If approved, the change will be retroactively effective to August 2, 2018. The update has not been approved by CMS as of January 15, 2021. Therefore, the requirement to perform and issue a uniform desk review within 180 days after receipt of an acceptable cost report filing in fiscal year 2020 remains in effect.

LTCF – ICF/IIDs
The MCBM requires providers to submit cost reports annually based on the facility's fiscal year end. 42 CFR 447.253(g) states "[the agency] must provide for the periodic audits of the financial and statistical records of participating providers." Furthermore, 2 CFR 200.303 requires a non-Federal agency to "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." Although the MCBM does not specify a timeframe to complete a uniform desk review, a

reasonable interpretation of “periodic” is annually, given the requirement that providers are to submit cost reports annually. To provide reasonable assurance that the Department is managing the Federal award in compliance with all statutes and regulations, the Division of Audit should perform a uniform desk review within 12 months of receipt of an acceptable cost report submission.

The population of ICF/IID audits due for completion in fiscal year 2020 was 16. Of the 16, 13 audits were not issued within one year of receipt of an acceptable cost report. Of those 13 audits, 3 were issued 55 to 77 days late and 10 remained unissued at the time of audit testing.

Context: In fiscal year 2020, the Department provided $731.8 million in Federal Medicaid funding and $171 million in State Medicaid funding to Hospitals and LTCFs as follows:

- Hospital Facilities expended $472.6 million in Federal funding and $89.2 million in State funding.
- NFs expended $232.1 million in Federal funding and $81.8 million in State funding.
- ICF/IIDs facilities expended $27.1 million in Federal funding.

Cause:

- Staff diverted to areas of higher priority
- Lack of resources

Effect: Noncompliance with Federal and State regulations

Recommendation: We recommend that the Department prioritize resources so additional levels of personnel can be directed to address the growing backlog of audits. Additional resources and staff auditors will enable the Department to perform and issue Hospital and LTCF audits on a timely basis in compliance with statutory guidelines. Lengthy backlogs in the internal audit function risk staleness of data and untimely remedial action.

We further recommend that the MCBM be updated to bring ICF/IID audit requirements (Ch. III, Sect. 50) in line with NF requirements (Ch. III, Sect. 67) as both are LTCF. This will ensure both are in compliance with 42 CFR 447.253(g). Uniform review times will assist in the prioritization of backlogs so that reviews can be completed in a timely manner.

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. For Hospital audits, the Department disagrees with the auditor’s results because the auditor is calculating the days to complete desk reviews and audits utilizing the cost report “received date” rather than the “acceptance date”. The auditor is attempting to justify this method based on what the auditor characterizes as a “material increase” in the average number of days taken to accept as-filed cost reports. The Department disagrees with the auditor’s calculation method and there isn't a deadline in the MCBM to accept as-filed cost reports. The Department believes that it is in compliance with the State Plan and we believe we have effective controls to comply with the current regulations.

Contact: Herb Downs, Director, DHHS Division of Audit, DHHS, 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 2020, the Division of Audit requested additional information for approximately 71 percent of Nursing Facility audits, negating the "unusual situation" criteria. In addition, no on-site audits were scheduled or performed; 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/IID Audits: 42 CFR 447.253(g) states "[the agency] must provide for the periodic audits of the financial and statistical records of participating providers." A reasonable interpretation of "periodic" is annually, given the requirement that providers submit cost reports annually.

Hospital Audits: The Maine State Plan under Title XIX of the Social Security Act (TN No. 13-020) requires the Division of Audit to perform an interim or final Cost Settlement Report within 12 months of receipt of the cost report submitted by the provider.

The Department's interpretation that there is no deadline for performing audits on Nursing Facilities and ICF/IIDs or deeming as-filed Hospital provider cost reports as "acceptable" leads to an open-ended timeframe where audits are never required to be completed. Delays in performing audits prevent the Department from providing reasonable assurance that the Department is managing the Federal award as required by 2 CFR 200.303.

The finding remains as stated.

(State Number: 20-1106-04)

(2020-049)

Title: Internal control over Medicaid Cost of Care assessments and deductions needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-045	2018-053	2017-017	None	None	2014-019	13-1106-01	None

State Department: Health and Human Services
State Bureau: Office for Family Independence
Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Material weakness
Material noncompliance

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. A 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

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 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 amounts from the member's total income. This remaining amount is the member's maximum share of the cost, known as Cost of Care (COC).

Condition: A COC assessment represents the required contribution that an individual must pay toward care in a long-term care facility. The Office for Family Independence (OFI) is responsible for calculating COC assessments for all Medicaid members in the State.

A COC deduction represents the amount of assessment that was deducted from a paid claim. Members may have an assessment calculated but may never have a claim with a deduction utilizing that assessment. The Office of MaineCare Services (OMS) is responsible for applying assessments to submitted claims prior to payment.

The Office of the State Auditor selected a non-statistical random sample of 60 assessments and corresponding deductions applied and noted the following:

- Four COC assessments were not adjusted correctly after notification was received regarding a change in income or expense. These inaccurate assessments resulted in incorrect deductions from claims.
- One COC assessment was correctly entered into the system, however, the deduction applied was incorrect. The assessment was updated and entered into the system with a retroactive date, but the system did not capture this change. The monthly exception report generated by the system also did not identify this error.

Context: In fiscal year 2020, approximately:

- 41,000 COC assessments were calculated by OFI;
- 10,000 members had COC assessments; and
- $500 million was paid to nursing facilities and residential care facilities.

Cause:

- Lack of adequate procedures to ensure that COC assessments are calculated correctly
- Lack of adequate procedures to ensure system exception reports are complete and accurate
- Lack of supervisory oversight

Effect:

- Inaccurate COC assessments and retroactive changes may result in incorrect COC amounts deducted from claim payments.
- Potential future questioned costs and disallowances

Recommendation: We recommend that OFI implement and subsequently monitor procedures to ensure that all COC assessment calculations are correct and updated appropriately.

We recommend that OMS collaborate with OFI to ensure that system exception reports capture all claims which require adjustments.

Corrective Action Plan: See F-19

Management's Response: The Department agrees with this finding. OFI developed a Standard Operating Procedure to conduct a quality assurance review from a sample of Cost of Care cases monthly. This was implemented January 2021. A review of the monthly cost of care report received by the OMS Adjustments Unit for the claims in question showed an error in how the report was run. Therefore, when the claims were adjusted, the updated cost of care was not appropriately applied. OMS will correct the report moving forward.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 20-1106-15)

(2020-050)

Title: Internal control over Automated Data Processing Risk Analysis and System Security Reviews needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	None	None	None	None	2014-016	13-1106-10	12-1106-04

State Department: Health and Human Services
Administrative and Financial Services
State Bureau: Office of MaineCare Services
Office of Information Technology
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA Number: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP;
1905ME5021, 2005ME5021

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 45 CFR 95.621

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 is required to review the Automated Data Processing (ADP) system security of installations involved in the administration of Health and Human Services programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data operating procedures, and personnel practices.

Condition: The Office of MaineCare Services (OMS) did not follow the policies and procedures established to ensure that required ADP Risk Analysis and System Security Reviews (Reviews) are performed. Reviews ensure that appropriate and cost-effective safeguards are incorporated into new and existing systems.

Reviews are required over the Maine Integrated Health Management System (MIHMS) which adjudicates medical claims, and the Maine Point of Purchase System (MEPOPS) which adjudicates pharmacy claims. Both systems are owned and operated by vendors (Service Organizations) providing contractual services to the State. As part of the review process, OMS contractually requires the vendor to provide the results of annual System and Organization Controls (SOC) assurance testing. SOC assurance measures the degree to which the Department is able to rely on the suitability of the design and operating effectiveness of the controls provided by the vendor throughout a specified period.

For the required biennial period of July 1, 2018 to June 30, 2020, OMS could not provide documentary evidence that SOC reports provided by vendors were reviewed and that the results were communicated to management. Furthermore, documentary evidence could not be provided to ensure that corrective action was identified, discussed and implemented.

Context: In fiscal year 2020, claims adjudicated for Medicaid and CHIP totaled approximately:

- $1.6 billion Federal share and $714 million State share by MIHMS; and
- $245 million Federal share and $91 million State share by MEPOPS.

Cause:

- Lack of supervisory oversight
- Lack of procedures in place to ensure management implements corrective action with vendors in response to SOC report findings

Effect:

- Potential breach of confidential or sensitive information
- Potential corrupted, lost or inaccurate information
- Potential system downtime and/or extended shutdowns
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement procedures to ensure that SOC reports are appropriately reviewed and the results of the review are communicated to management in a timely manner. We further recommend that the Department establish procedures to ensure vendors take corrective action in response to SOC report findings.

Corrective Action Plan: See F-19

Management's Response: The Department agrees with this finding. While both OMS and Office of Information Technology staff members received and reviewed the reports from both vendors, the process in place did not produce the appropriate documentation and evidence necessary to demonstrate that the OMS Director and OMS Chief Operating Officer are made aware of any key findings within the SOC reports, and that steps were taken to remediate any critical issues.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

(State Number: 20-1106-03)

(2020-051)

Title: Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-048	2018-052	2017-027	2016-032	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 Number: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP;
1905ME5021, 2005ME5021

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

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; 42 CFR 455.13 through 455.15; MaineCare Benefits Manual, Section 1.17 and 1.18

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.

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. Additionally, if the preliminary investigation is indicative of fraud, waste, or abuse, the State Medicaid Agency must take appropriate actions to fully investigate the abuse and/or refer the case to the Medicaid Fraud Control Unit.

Condition: In our test of 60 cases opened due to potential fraud, abuse, or questionable practices:

- 17 cases were inactive for an extended period, ranging from 290 to 3,606 days;
- one closed case did not have evidence of supervisory review to support the closure of the case as required by Department policy and procedures; and
- the file for one case that was closed in fiscal year 2020 contained information inconsistent with supporting documents. The error was not detected through the supervisory review process.

There were 150 cases opened prior to fiscal year 2020 that remained open at fiscal year-end:

- 6 were opened in fiscal year 2015,
- 8 were opened in fiscal year 2016,
- 17 were opened in fiscal year 2017,
- 48 were opened in fiscal year 2018, and
- 71 were opened in fiscal year 2019.

The Office of the State Auditor selected a non-statistical random sample.

Context: In fiscal year 2020**,** the State paid approximately $2.8 billion to providers, including Federal funds of approximately $1.9 billion.

Cause:

- Lack of supervisory review
- Lack of procedures to ensure that cases are continually monitored

Effect:

- Case reviews and investigations of potential provider or recipient fraud, abuse, or questionable practices may be delayed.
- Cases of fraud, abuse, or questionable practices may go undetected.
- Recoverable costs may not be identified.

Recommendation: We recommend that the Department improve supervisory review procedures to ensure that the open cases are monitored and that cases are not closed prior to supervisory approval. We further recommend that the Department establish procedures to evaluate aging cases to determine appropriate action such as closure due to insufficient evidence or referral to another unit or law enforcement agency.

Corrective Action Plan: See F-20

Management's Response: The Department agrees that it could improve its documentation procedures on cases to show the reason(s) for non-activity on cases. The Program Integrity manager will establish quarterly case status review meetings with staff to review and document the status of each open case as well as the documentation supporting the cases closed during the preceding quarter.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

(State Number: 20-1106-12)

(2020-052)

Title: Internal control over compliance with eligibility determination requirements needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-046	2018-043	2017-018	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 Number: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP; 1905ME5021, 2005ME5021

Compliance Area: Eligibility

Type of Finding: Material weakness
Material noncompliance

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. A 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

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. A material weakness in internal control over the eligibility determination process is reported in Finding 2020-054.

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, determine eligibility within those standards, and redetermine eligibility at least every 12 months;
- document the individual's citizenship in the individual's eligibility file; and
- verify the individual's identity and maintain copies of identification documents.

Condition: The Department does not have procedures in place to:

- ensure the completeness of household income and verification of household size used in eligibility determinations;
- ensure supporting documentation is retained in client case files;
- verify the identity of applicants; and
- ensure that eligibility redeterminations are made within the required timeframe.

In our audit test of 60 clients with Modified Adjusted Gross Income (MAGI)-based MaineCare coverage in fiscal year 2020:

- the identity was not recorded as verified in the Automated Client Eligibility System (ACES) for 23 clients (included in these clients are ten whose case files contained source documents determining ID that were not recorded in ACES);
- the identity of 26 clients was recorded as verified in ACES, but supporting documents listed were not retained in the case file (included in these clients are two whose case files contained source documents determining ID that were not recorded in ACES);
- one client filed a tax return with an individual who was not included in the client's household, and whose income was not included in the client's household income, for the purpose of eligibility determination, causing the determination to be made with incorrect income and household size information;
- the case files of nine clients, or their household, contained information that did not match or could not be verified with supporting documentation;
- based on an inaccurate recording of income, one client was incorrectly determined to be eligible;
- eligibility for one client was not redetermined within the required 12 month timeframe; and
- the social security number of one client was incorrectly recorded as not verified in ACES.

In our audit test of 60 clients with non-MAGI-based MaineCare coverage in fiscal year 2020:

- the identity was not recorded as verified in ACES for 12 clients (included in these clients are four whose case files contained source documents determining ID that were not recorded in ACES);
- the identity of three clients was recorded as verified in ACES, but supporting documents listed were not retained in the case file;
- the case files of five clients, or their household, contained information that did not match or could not be verified with supporting documentation; and
- one client was sent a communication from the Department containing inaccurate information.

In our audit test of 60 clients with CHIP-based MaineCare coverage in fiscal year 2020:

- the identity was not recorded as verified in ACES for 34 clients (included in these clients are 12 whose case files contained source documents determining ID that were not recorded in ACES);
- the identity of 14 clients was recorded as verified in ACES, but supporting documents listed were not retained in the case file;
- the case files of 11 clients, or their household, contained information that did not match or could not be verified with supporting documentation;
- one client was incorrectly determined to be eligible based on an inaccurate recording of income; and
- one client was sent a communication from the Department containing inaccurate information.

The Office of the State Auditor selected non-statistical random samples.

Controls in ACES that automatically calculate and flag a case when client 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, 2020, identified 3,850 eligibility cases for which redetermination was overdue.

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 2020, approximately 310,000 Medicaid/CHIP clients received approximately $2.1 billion in Federal benefits.

Cause:

- Lack of supervisory oversight
- Lack of procedures to ensure completeness and accuracy of information used in determinations

Effect:

- Benefits could potentially be provided to ineligible individuals.
- Benefits could potentially be denied 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 that the information entered into ACES is accurate and complete. We further recommend that the Department establish procedures to ensure the completeness of income and household size information and 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 audit finding and previously submitted information to the Office of the State Auditor (OSA) addressing identified potential exceptions. The below information was previously presented to OSA prior to the filing of this finding. Both the previous response and the information contained below reference citations of federal regulations to support the Department's position of 'Disagree' with this finding.

Audit's report indicates that identity source documents were not recorded in ACES or available in the case file. The auditor indicates in the exception file that electronic verification does not meet the standard for identity verification as outlined in the MaineCare Eligibility Manual, Part 2, Section 3.2, and that citizenship and identity documents must be maintained in the case file or electronic record, regardless of age of the case. In doing so, the auditor misreads the requirements. 1902(ee) of the Social Security Act permits states to verify citizenship and identity through the State Verification and Exchange System (SVES). These records are documented in the ACES record with an electronic record produced by the SVES exchange. The cases identified by the auditor as errors on this basis are, in fact, in compliance with all applicable requirements.

State Audit is incorrectly excluding ACES as part of the electronic case file. Federal Payment Error Rate Measurement (PERM) audit does not agree with the errors of missing citizenship in cases where paper documentation was gathered pre-Fortis if documentation or indicators within the ACES citizenship record that it was previously verified. This requirement is also outlined in the MaineCare Eligibility Manual, Part 2, Section 3.2, VII., D.

The Department disagrees with the contention that supporting documents related to income verification from CMS-approved data sources were erroneously missing. 42 CFR §435.948 requires states to request and accept verification from electronic sources it has deemed useful. Maine's Verification Plan as required by regulations at 42 CFR 435.945(j) includes The Work Number as one of the approved sources. The electronic verification must be accepted and is contained within the ACES record. There is no state or federal requirement to print and store all electronic verifications received, and as such cases with these purported errors were also incorrectly identified.

Exceptions based on state wage and tax information are also incorrectly identified both because the finding does not accurately reflect OFI's regulatory requirements and because it misunderstands the relevance and utility of those financial sources for Medicaid eligibility determinations. Maine does not use state wage or tax information, because this data is not available contemporaneously and because it does not provide an accurate representation of current income or household circumstances. Medicaid eligibility is determined based on current circumstances, and household composition is not required to be verified per Maine's Verification Plan which is allowable per 42 CFR 435.945(j). As household composition, intent to file, or income can and does change repeatedly throughout the year, all findings based on annual state tax-filing information from the Maine Revenue Service are misplaced. An individual's total household income at the end of the year is not available at the time of eligibility determination and is not an indicator of future income. Even as a post-determination review, tax data is not broken down per month, and therefore would not accurately indicate the individual's household composition or income at the time of eligibility determination.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

Auditor's Concluding Remarks: As evidenced by the multiple 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 timeframe.

The Department correctly asserts that Section 1902(ee) of the Social Security Act permits states to verify citizenship and identity through the State Verification and Exchange System (SVES). The Office of the State Auditor does not take exception to the Department's citizenship verification procedures, and this finding does not contain any instances of inaccurate citizenship verification. However, the MaineCare Eligibility Manual Part 2, Section 3.2 establishes a standard for identity verification requiring the provision by the applicant of documentary evidence beyond electronic verification. In addition, this section establishes the requirement that the Department maintain copies of citizenship and identification documents in the case record or electronic database. The Department incorrectly asserts that Part 2, Section 3.2, VII, D, absolves it of the requirement to maintain copies of citizenship and identification documents. The Department must adhere to the requirements that it has established.

42 CFR 435.914 states "The agency must include in each applicant's case record facts to support the agency's decision on his application." Absent supporting documentation from electronic sources such as The Work Number, there is no way to verify the veracity of income information manually entered into ACES. The maintenance of supporting documentation would provide a method by which to verify the accuracy of information in the case record.

The MaineCare Eligibility Manual Part 4, Section 3 states that "For purposes of Household Income, household will be defined as follows… the household consists of the taxpayer, the individual's spouse if living with and/or filing jointly, and any person(s) the taxpayer expects to claim as a tax dependent." In the exception noted above, the member had been a joint filer for multiple years, but their spouse's income had not been reported as household income. An annual crosscheck of known eligibility information with Maine Revenue Service's tax information would have identified this discrepancy.

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: 20-1106-13)

(2020-053)

Title: Internal control over Medicare Part B premium payments needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-050	None	2017-029	2016-026	2015-010	None	None	12-1106-08
FY11	**FY10**						
11-1106-08	10-1106-01						

State Department: Health and Human Services
Administrative and Financial 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 Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP

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. Likely questioned costs were projected by dividing the identified unallowable premiums paid by the total premiums paid in the sample to determine the error rate, and applying that error rate to the total premium payments made in fiscal year 2020.

Questioned Costs	Total	Federal	State
Known	$279	$187	$92
Likely	$4,675,373	$3,136,240	$1,539,133
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 42 CFR 431.625

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.

42 CFR 431.625 outlines eligibility criteria which, if met, allow the State to pay a portion of the Federal Medicare Part B premium on behalf of the client and claim Federal financial participation in the payment. Clients may be deemed eligible by the Federal government as indicated by a

Federal Buy-In code, or by the State as indicated by the eligibility status in the Automated Client Eligibility System (ACES).

Condition: The Department receives monthly invoices from the Centers for Medicare and Medicaid Services (CMS) for Medicare Part B premiums. CMS provides a separate detailed listing of Medicaid members that supports the invoice. The Office of Information Technology produces a Monthly Reconciliation Report identifying potential discrepancies between the CMS detailed listing and the Department's eligibility information. Office for Family Independence (OFI) personnel use this reconciliation report to identify clients for whom payment should not be made.

The Monthly Reconciliation Report and related documentation for 3 of the 12 months in fiscal year 2020 could not be provided by OFI. Of the 9 reports provided, 3 did not demonstrate completion of review or documentation of corrective action.

In the audit sample of 60 Medicare Part B premiums, 2 premiums were billed by CMS and paid by the Department on behalf of clients who had not been determined eligible. The Monthly Reconciliation Report did not identify these exceptions.

The Office of the State Auditor selected a non-statistical random sample.

In the prior year audit, a premium was identified as having been paid by the Department on behalf of one client for whom eligibility had not been determined either with a Federal Buy-In code or in ACES, resulting in known and likely questioned costs. The Department did not take corrective action to discontinue premium payments for the client or determine the client to be eligible for premium payments. As a result, premium payments continued to be paid for an ineligible client for all of fiscal year 2020.

Context: In fiscal year 2020, approximately $97 million in Federal funds and $47 million in State funds were paid to CMS for Medicare Part B premiums.

Cause:
- Lack of supervisory oversight
- The Monthly Reconciliation Report is not adequately designed to identify all discrepancies.

Effect:
- Medicare Part B premiums paid by the State for ineligible clients
- Questioned costs and potential 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 that the Department design the Monthly Reconciliation Report to identify all discrepancies. In addition, we recommend that the Department take corrective action to address premium payment discrepancies identified in the current and prior year audits.

Corrective Action Plan: See F-20

Management's Response: The Department agrees with this finding. OFI recently revised the standard operating procedures governing Medicare Part B Reconciliation to identify all discrepancies, save monthly files, and will take steps to operationalize these standard operating procedures. Discrepancies will be forwarded to the Office of MaineCare Services and entered into ACES as appropriate. OFI is monitoring this report, and others, on a monthly basis.

Our corrective actions will not include retroactive reconciliations. 42 CFR 407.48 prohibits us from retroactively removing premium payments for individuals who lose coverage.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 20-1106-05)

(2020-054)

Title: Internal control over the eligibility determination process needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-052	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)
Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP;
1905ME5021, 2005ME5021;
184ME421Q3903,194ME442Q7503,
194ME401S2520, 204ME401S2520,
204ME401S2519, 204ME442Q7503,
204ME401S2514, 194ME401S2514,
194ME401S2519, 194ME421Q3903,
204ME421Q3903, 194ME442Q7503,
194ME401S8026, 204ME401S8026,
194ME401S8036, 194ME401S8069;
1701METANF, 1801METANF
1901METANF, 2001METANF

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303

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.

Condition: The Department does not have a documented review process in place to ensure information entered into the Automated Client Eligibility System (ACES) is accurate and complete, or to ensure that eligibility determinations are accurate.

Eligibility specialists manually enter information into ACES and initiate computerized eligibility determinations. Documentation supports that there is no formal, comprehensive secondary review by a supervisor or peer to ensure the accuracy of the data that is manually entered prior to eligibility determination.

Supervisors perform an informal case review of one eligibility determination per eligibility specialist per month. Supervisors and senior program management have the ability to monitor phone interactions between eligibility specialists and clients in real time. Neither supervisory case reviews nor phone monitoring activities are recorded and tracked. Documentation supports that the Department does not have a comprehensive post-determination process in place to ensure eligibility determinations are accurate.

Context: In fiscal year 2020, the State provided approximately:

- 310,000 Medicaid/CHIP members with $2.1 billion in Federal benefits;
- 114,000 SNAP clients with $231 million in Federal benefits; and
- 17,000 TANF clients with $22 million in Federal benefits.

Cause:

- Lack of resources
- Lack of supervisory oversight
- Lack of 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

Recommendation: We recommend that the Department implement a documented, detailed review and approval process that occurs prior to 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-21

Management's Response: The Department disagrees with this finding. Pre and Post review of determinations is not a requirement to ensure compliance with federal awards--Medicaid, CHIP, SNAP, and TANF. 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: The results of the Office of the State Auditor's fiscal year 2020 testing of client eligibility determination requirements, as documented in Finding 2020-052, revealed material noncompliance with Federal regulations. The existing control environment relies on ACES system controls to ensure compliance with Federal regulations. The implementation of additional complementary controls, including documented secondary review, is necessary to ensure that system input errors are detected and corrected in a timely manner. The Department did not provide evidence to support the occurrence of secondary review or other monitoring activities.

The Department did not demonstrate the establishment and maintenance of 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 award as required by 2 CFR 200.303.

The finding remains as stated.

(State Number: 20-1106-02)

(2020-055)

Title: Internal control over the Medicaid and CHIP payment files needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	None	None	None	None	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
Children's Health Insurance Program (CHIP)
CFDA Number: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP;
1905ME5021, 2005ME5021

Compliance Area: Allowable costs/cost principles
Reporting

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	$448,211 Medicaid ($448,211) CHIP	$289,186 Medicaid ($439,964) CHIP	$159,025 Medicaid ($8,247) CHIP
Likely	None		
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 2 CFR 200.405; 42 CFR 430; 42 CFR 435

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.

A cost is allocable to a Federal award if the services involved are chargeable or assignable to that award in accordance with the relative benefits received. To be allowable, beneficiaries must be eligible for Medicaid at the time of service.

Condition: Value based purchasing (VBP) initiatives were established in an effort to promote greater efficiency and improved outcomes in the Medicaid and CHIP programs. States have the authority to implement VBP models in order to improve health outcomes and contain costs. The State has adopted a VBP strategy which allows payments to providers based on per member, per month rates for eligible Medicaid and CHIP members.

The Office of MaineCare Services (OMS) provides monthly detailed payment files to the Department of Health and Human Services' Service Center for processing, accounting, and reporting expenditures. For the quarter ending September 30, 2019, the payment files provided by OMS did not include the level of detail required in order to appropriately charge the CHIP grant. CHIP and Medicaid members were comingled. As a result, all expenditures were charged to the Medicaid grant. The State implemented procedures to correct coding for the final three quarters of the fiscal year.

In addition, the State is reimbursed at different Federal Medical Assistance Percentage (FMAP) rates for the Medicaid and CHIP grants. Due to this difference in rates, the State share of expenditures incorrectly charged to Medicaid was approximately $150,000 greater than required under CHIP.

Context: In fiscal year 2020, the State provided approximately $85 million in Medicaid and CHIP benefits, including $59 million in Federal benefits, for the VBP programs.

Cause:
- Lack of adequate procedures to ensure that coding for Medicaid and CHIP included the appropriate level of detail by program
- Lack of supervisory oversight

Effect:
- Medicaid expenditures are overstated.
- CHIP expenditures are understated.
- The State was inappropriately charged approximately $150,000 more for VBP than it should have been.
- Incorrect reporting of expenditures on the *CMS-64* and *CMS-21* financial reports
- Questioned costs
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department monitor the newly implemented procedures to ensure that the coding in the monthly payment files correctly differentiates between Medicaid and CHIP members.

We also recommend that the Department return funds to the Medicaid grant and correct the quarter ending September 30, 2019 *CMS-64* and *CMS-21* financial reports. The Department should work with the Federal cognizant agency to address any adjustments that may be required.

Corrective Action Plan: See F-21

Management's Response: The Department agrees with this finding. The VBP unit implemented procedures, starting with the October 2019 payment file, to ensure the coding in the monthly payment files were detailed to correctly differentiate between Medicaid and CHIP members. To correct the payment files with quarter ending September 30, 2019, the VBP unit has sent the adjusted payment file for that quarter with the necessary detail information for the service center to make the correction. The VBP unit will monitor the payment file to ensure that the change is appropriately differentiating between Medicaid and CHIP members.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

(State Number: 20-1106-16)

(2020-056)

Title: Internal control over payment of claims needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	None	None	None	None	None	None	None

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP

Compliance Area: Allowable costs/cost principles
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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 2 CFR 200.403

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.

Costs must be necessary and reasonable for the performance of the Federal award.

Condition: The Office for Family Independence (OFI) is responsible for maintaining complete and accurate client information in the Automated Client Eligibility System (ACES). Information entered into ACES is relied on by the Office of MaineCare Services (OMS) to approve, deny and process claims.

OFI relies on numerous data sources for identifying and providing client date of death (DOD) information for input into ACES. In some cases, the exact DOD may not be immediately available, so the DOD is entered as the last day of the month. This is done so that OFI can close the case of a known deceased client in a timely manner. OFI does not have a process in place to identify and correct this information once a known DOD is provided. Audit procedures identified six clients with a DOD that was inconsistent with the actual DOD as provided by the Maine Center for Disease Control & Prevention vital records.

OMS has an established process for identifying claims paid after the DOD. However, in fiscal year 2020, OMS did not follow this process and claims paid after the DOD were not captured or reviewed.

The Office of the State Auditor analyzed the entire population of claims paid in fiscal year 2020.

Context: In fiscal year 2020, OMS paid 125 claims with service dates after the client's DOD.

Cause:
- Lack of procedures to ensure actual DOD information is appropriately updated in ACES
- Lack of supervisory oversight to ensure established procedures are followed

Effect:
- Potential future questioned costs and disallowances
- Claims made on behalf of deceased clients may go undetected.

Recommendation: We recommend that OFI implement procedures to identify and correct DOD information when a known DOD is not initially provided.

We further recommend that OMS implement additional oversight procedures to ensure adherence to established processes for identifying claims with service dates after a client's DOD.

Corrective Action Plan: See F-21

Management's Response: The Department agrees with this finding.

OMS agrees that it did not follow its established process for identifying these claims in a timely fashion due to staff turnover and competing priorities. OMS is conducting a data review of claims (through June 2020) to identify and address any improperly paid claims after a member's date of death. Moving forward, OMS will conduct this review on an annual basis with the review to occur in the first quarter of the calendar year.

OFI agrees that additional steps to identify and correct DOD after case closure is warranted. OFI will review CDC matching requirements and establish a plan to identify and correct the DOD for those individuals. Additionally, the current SOP for processing death matching will be adjusted to address these cases.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

(State Number 20-1106-07)

(2020-057)

Title: Internal control over Prospective Interim Payments to hospitals needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	None	None	None	None	None	None	None

State Department: Health and Human Services
State Bureau: Division of Rate Setting
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP

Compliance Area: Allowable costs/cost principles

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; MaineCare Benefits Manual, Chapter III, Section 45

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.

A Prospective Interim Payment (PIP) is the periodic payment made to hospitals based on an estimate of costs. PIPs are paid weekly to hospitals to cover certain costs throughout the year. Any overpayments or underpayments to the hospital are then settled at year-end. Chapter III, section 45.02-6 of the MaineCare Benefits Manual details the Department's responsibility for determining the PIP calculation for each hospital.

Condition: In fiscal year 2020, 20 hospitals received PIPs. Documentation for the original PIP calculation for two hospitals could not be provided. The two hospitals represented approximately 33 percent of all PIPs made by the Department. In addition, PIP calculations were performed by one individual with no secondary review or approval.

Context: In fiscal year 2020, the Department provided \$124 million in Federal PIP funding and \$63 million in State PIP funding to hospitals.

Cause:

- Lack of procedures to ensure consistent documentation of PIP calculations
- Lack of procedures to ensure a secondary review of PIP calculations

Effect: Hospitals may receive improperly calculated PIPs throughout the year, which could potentially result in a receivable or payable with the Department at year-end.

Recommendation: We recommend that the Department establish procedures to ensure PIP calculations are properly documented and that a secondary review and approval of all PIP calculations is performed.

Corrective Action Plan: See F-22

Management's Response: The Department agrees with this finding. The issues noted above occurred during a period when the four-person rate setting unit had lost both its Director and the staff person who usually performed these calculations. Within several months, and prior to the start date of the audit, the rate setting unit became fully staffed and the recommended corrective actions were implemented. In addition, the MaineCare's Rate Setting Manager will be creating a PIP Standard Operating Procedure document to ensure continued adherence to the recommended corrective actions in the event of future staff turnover.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

(State Number: 20-1106-08)

(2020-058)

Title: Internal control over Patient Service Revenue needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
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 Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP

Compliance Area: Allowable costs/cost principles
Reporting

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; 42 CFR 433.68; Social Security Act, Section 1903(w); 36 MRSA 2892

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.

42 CFR 433.68 provides statutory guidance for the implementation of regulations over permissible healthcare-related taxes.

Section 1903(w) of the Social Security Act details the requirements for healthcare-related taxes.

36 MRSA 2892 details the process and applicable rates for calculating the Patient Service Revenue (PSR) tax.

Condition: The PSR tax is imposed against each hospital in the State. The tax is equal to 2.23 percent of the hospital's net operating revenue as identified in the hospital's audited financial statements for the applicable taxable year (2016 for fiscal year 2020). The PSR tax is assessed by Maine Revenue Services (MRS) in two equal installments in November and May.

The Department of Health and Human Services (DHHS) Division of Audit is responsible for calculating each hospital's annual PSR tax. The original PSR tax calculations were performed by one individual with no secondary review or approval.

Subsequent to the assessment and collection of the November payment by MRS, the Division of Audit detected an error in the original PSR tax calculation for four hospitals. When developing the original calculations, the Division of Audit improperly excluded skilled nursing revenues from total taxable net operating revenues. The addition of these revenues resulted in $64,952 of additional PSR tax due to the State.

The Division of Audit communicated to MRS that an increase to the May installment of $32,476, or half of the underassessed amount, was necessary. MRS responded by sending a cover letter to the four hospitals impacted ahead of the May installment, noting the amount of PSR tax due based on the Division of Audit's revised calculation. The Division of Audit did not inform MRS or the hospitals of the remaining $32,476 that was due. As a result, MRS collected $32,476 less than was due to the State, and the Department reported an incorrect PSR tax amount on reports submitted to the Centers for Medicare and Medicaid Services (CMS).

Context: In fiscal year 2020, MRS collected $115.1 million in PSR tax from hospitals based on the Division of Audit's calculation.

Cause:

- Lack of procedures to ensure that the PSR tax calculation is accurate
- Lack of corrective action procedures when a modification to an original calculation is made
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal and State regulations
- Potential forfeiture of Federal funds
- CMS reports submitted by the Department were incorrect.

Recommendation: We recommend that the Department establish:

- secondary review and approval procedures for all PSR tax calculations, and
- a process for coordinating with MRS to ensure calculation changes result in corresponding revisions to the amount of tax assessed to hospitals and collected by MRS.

Corrective Action Plan: See F-22

Management's Response: The Department disagrees with this finding. The condition incorrectly states that the DHHS Division of Audit is responsible for calculating each hospital's annual PSR tax. The Division of Audit has no authority to determine the amount of tax, collect the tax or enforce the tax.

Contact: Herb Downs, Director, DHHS Division of Audit, DHHS, 207-287-2778

Auditor's Concluding Remarks: As the originating source for the determination of PSR tax assessments, the DHHS Division of Audit must also be prepared to verify the veracity of the determination or account for any necessary corrections due to changing circumstances, additional information, or computational error.

The finding remains as stated.

(State Number: 20-1106-10)

(2020-059)

Title: Internal control over the outsourced medical claims coding process needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
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 Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP

Compliance Area: Special tests and provisions

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; Social Security Act Section 1903(r); National Correct Coding Initiative (NCCI) Medicaid Policy Manual; NCCI Medicaid Technical Guidance Manual

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.

State Medicaid agencies are required to incorporate NCCI methodologies into State Medicaid programs. States are required to completely and correctly implement six Medicaid NCCI methodologies to ensure that only proper payment of allowable procedures is reimbursed, including the use of specific edit files.

Condition: The NCCI was established by the Centers for Medicare and Medicaid Services (CMS) in an effort to promote correct coding by preventing coding errors and code manipulation, and reducing improper payments and improper payment rates.

The Office of MaineCare Services (OMS) contracts with a vendor to process all medical claims for the Medicaid program. The contract requires that the vendor comply with Federal and State policies, rules, laws, and regulations; however, there is no explicit requirement to implement the six NCCI methodologies. Therefore, the vendor did not obtain and utilize the correct coding files as specifically required by the NCCI.

Context: In fiscal year 2020, OMS processed approximately $2.4 billion in medical claims.

Cause: OMS determined that the benefit of utilizing the correct coding files did not support the time and expense required to implement the system change.

Effect:

- Incorrect coding could result in payment of unallowable claims or denial of allowable claims.
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that OMS add specific language to the contract requiring the vendor to comply with NCCI methodologies and that OMS establish a timeframe for implementation. We further recommend that the Department implement oversight procedures to ensure that vendors adhere to contractual obligations.

Corrective Action Plan: See F-22

Management's Response: The Department disagrees with this finding. The CMS requirement is to use coding files published specifically for states and accessible only by state employees; those files are similar to, but (according to CMS) more comprehensive than, the coding files that our claims processing vendor currently accesses. When CMS issued updated guidance for states to utilize the state-only coding files, we determined that switching to the CMS-required files had insufficient impact to ongoing claims processing to justify the time and expense associated with a change to the system and process.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

Auditor's Concluding Remarks: The CMS NCCI Policy Manual states that State Medicaid Agencies (SMA) must download NCCI edit files available on the secure portal rather than using publicly available files. SMAs must ensure that they or their vendors are using the appropriate Medicaid NCCI edits to adjudicate Medicaid claims.

The Department's determination that the time and expense associated with switching to the CMS-required files could not be justified does not negate the Federal requirement to do so.

The finding remains as stated.

(State Number 20-1106-14)

(2020-060)

Title: Internal control over the financial reporting process needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	None	None	None	None	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
Children's Health Insurance Program (CHIP)
CFDA Number: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP;
1905ME5021, 2005ME5021

Compliance Area: Reporting

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303

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.

Condition: Department procedures require that the quarterly Centers for Medicare and Medicaid Services (CMS) *CMS-64* and *CMS-21* reports are reviewed by the Office of MaineCare Services (OMS) prior to certification and submission. These procedures were not adhered to for two quarters in fiscal year 2020. The *CMS-64* and *CMS-21* reports were submitted to CMS without OMS review and approval.

Context: The Federal Financial Participation (FFP) rate is the portion paid by the Federal government to states for their share of expenditures for providing Medicaid and CHIP services.

The *CMS-64* and the *CMS-21* quarterly financial reports are used by CMS to compute the amount of FFP for the programs. The Department expended approximately $2.2 billion in Federal expenditures for the Medicaid and CHIP programs in fiscal year 2020.

Cause:

- Lack of resources
- Established procedures were overridden due to time constraints.

Effect: Potential for inaccurate reporting which could impact the FFP and result in an incorrect calculation of State matching funds

Recommendation: We recommend that the Department implement additional oversight to ensure that procedures are adhered to and financial reports are reviewed and approved prior to certification and submission.

Corrective Action Plan: See F-23

Management's Response: The Department partially agrees with this finding. The CMS-64 and CMS-21 were not reviewed by OMS for two quarters, ending 9/30/2019 and 12/31/2019, during State Fiscal Year 2020. The Service Center and OMS do have processes in place for these reviews; however, the Department faced unusual circumstances that were partially outside the control of the Department during the period. It should also be noted that for the QE 12/31/2019, CMS asked the Department to certify the reports even though there were known issues. Moving forward the Department will add another position to assist with the review and approval process.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

Auditor's Concluding Remarks: OMS acknowledged that established procedures were overridden. Control procedures should be implemented in a manner that mitigates the risk of management override.

The finding remains as stated.

(State Number: 20-1106-06)

(2020-061)

Title: Internal control over provider license verification procedures needs improvement

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
2019-049	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 Number: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP; 1905ME5021, 2005ME5021

Compliance Area: Special tests and provisions

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; 42 CFR 455.412; 42 CFR 455.450

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 must have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is 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.

Condition: The Department did not have a process in place to verify or update licensing information for existing providers at the point of license expiration. A process was implemented in April 2020 to perform weekly licensure checks against the Maine licensing website. The Office of MaineCare Services (OMS) could not provide evidence that, prior to the implementation of weekly licensure checks, licensing renewal information had been verified by OMS at the time of renewal.

The Office of the State Auditor selected a non-statistical random sample of 60 providers and ensured that all providers had active licenses for the entirety of fiscal year 2020.

Context: In fiscal year 2020, providers received approximately $2.8 billion in Medicaid and CHIP funding, including Federal funds of approximately $1.9 billion.

Cause:
- Lack of adequate procedures over license verifications
- Lack of supervisory oversight

Effect: Potential for unlicensed providers to participate in the program which could result in future questioned costs and disallowances

Recommendation: We recommend that the Department monitor the newly implemented procedures to ensure that provider licensing information is current and adequately documented.

Corrective Action Plan: See F-23

Management's Response: The Department disagrees with this finding. The system upgrade was a process enhancement and not the result of a control or compliance deficiency. The Department's longstanding licensure verification process is to term a provider's contract with MaineCare concurrent to the period of licensure for that provider as supplied during enrollment. In other words, the licensed provider's ability to bill and be reimbursed by MaineCare would end with the last effective date of the provider's license as supplied by the provider, unless the provider subsequently updates that licensure information. If a provider updates licensure information via an enrollment case, the Department would then review that information under its normal enrollment processes, verify/confirm the licensure, and update the provider's contract accordingly. If a provider fails to update the license information, the licensed provider's contract would expire, and any claims associated with that provider would deny and not be paid. The Department notes that this audit did not find any instances in which a provider was reimbursed during the audit year during a period of non-licensure. The Department maintains that its processes were adequate to meet its obligations under the applicable federal regulations. While the Department did implement an automated licensure verification process during the audit year, that system upgrade does not mean that, before the implementation of the upgrade, the Department lacked a process to ensure a provider was licensed.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

Auditor's Concluding Remarks: Verification and documentation of the effective status of licensee credentials is independent of the system upgrades that took place in fiscal year 2020. The requirement to confirm that a provider's license has not expired and that there are no current limitations on the provider's license provides preventative assurance that expenditures associated with these Federally-funded awards are made in compliance with Federal guidelines. While the Department maintains that controls were in place prior to the system upgrades, no evidence or documentation of license verification was provided to ensure that the controls were properly implemented.

The finding remains as stated.

(State Number: 20-1106-09)

(2020-062) Confidential finding, see below for more information

Title: ________ over the Office of Information Technology's ________ procedures needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	None	None	None	None	None	*	*

**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 Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP

Compliance Area: Allowable costs/cost principles

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; National Institute of Standards and Technology (NIST) Special Publication ________ and ________; NIST Special Publication ________; State of Maine Office of Information Technology (OIT) Policies

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.

NIST Special Publication ________ states that an organization must have the ability to ________.

NIST Special Publication ________ states that a ________is key to implementing ________ and in the ________ process overall.

NIST Special Publication ________ states that the organization ________ and ________ for ________.

OIT policies state that an agency system owner ________ consistent with:

- the ________ which represents ________;
- the ________ which represents ________; and
- the impact on business. A ________ is used to determine the appropriate ________ and ________. The established and approved ________ and ________ are used to determine the ________.

Condition: OIT has not completed a ________ and does not have the required ________.

Context: OIT is responsible for working with State agencies to ________ as required by State agencies and in accordance with State IT policy.

Cause:

- ________
- ________

Effect:

- ________
- ________

Recommendation: We recommend that the Department implement and subsequently monitor procedures to ensure that:

- a ________ is conducted in compliance with government standards to facilitate the ________ process; and
- ________ are designed, developed, formally approved, regularly updated and tested in accordance with State policy and industry best practices.

Corrective Action Plan: See F-24

Management's Response: The Department agrees with this finding. Resource constraints in conjunction with decisions based on our collective fiscal realities made in the upcoming budget has precluded the allocation of a ________ and ________ resource. Despite ________, OIT ________ capabilities have improved recently. The introduction of ________ and ________ has enabled us to inherit some of the robust ________ capabilities for the State. Additionally, the successful continuation of operations through the global pandemic are indicative of our ________ capabilities to support the ________. We will continue to work to acquire the resources to fund and then hire an appropriate resource to conduct ________ planning for the State; however, there are currently no real prospects on how to accomplish this through the FY 22/23 budget.

Contact: Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Chris Thibault, Administrative Specialist, Centers for Medicare and Medicaid Services, John F. Kennedy Federal Building, Room 2325, 15 New Sudbury Street, 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 the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106

(State Number: 20-0905-02)

(2020-063) Confidential finding, see below for more information

Title: ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
Redacted	Redacted	Redacted	None	None	None	*	*

**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 Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP

Compliance Area: Allowable costs/cost principles
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; National Institute of Standards and Technology (NIST) Special Publication ________; State of Maine ________ Policy

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.

NIST Special Publication ________ states that the information system ________ for ________ and ________ in accordance with applicable ________ policies.

NIST Special Publication ________ states that the organization employ ________ by ________ in accordance with organizational missions and business functions.

NIST Special Publication ________ states that the organization:

- ________ and ________, ________, and ________; and
- ________ to the information system ________.

In addition, the State of Maine ________ Policy states that agencies must ________. ________ must ________ and ________ by:

- properly ________;
- using ________ to ________ and ________; and
- requiring ________ to ________.

Condition: ________ allow personnel to ________ the State of Maine network. OIT personnel issue ________ in an across-the-board manner, typically by ________. OIT relies on the ________ configuration of ________ as a secondary way of ________, rather than by configuring ________, based on information provided by State agency personnel providing direct oversight to ________. ________ should ________ and ________ that a ________ to perform job functions. This must be determined by the State agency personnel ________, regardless of whether the ________ is an ________or ________.

OIT is currently transitioning ________ services, which includes ________ to ________ associated with this process. The transition is ongoing and full deployment has not been scheduled at this time.

Context: State government is entrusted with a vast repository of ________ and ________ information. Reliance is placed on the State to maintain the ________ of this information, to ________, and ________ and ________, ________ or ________. Since ________ and ________ can ________, the State's ________ and ________ must continually ________ and ________ to ________ based on ________.

Cause: ________

Effect: ________

Recommendation: We recommend that OIT implement procedures in accordance with industry best practices to ________ and ________ to ________ and ________ on a ________, as determined by the State personnel ________.

Corrective Action Plan: See F-24

Management's Response: The Department agrees with this finding. OIT has only been able to begin to address this shortfall by securing ________ in 2020. As a result of OIT work in this regard, we have started transitioning from ________ to ________ as the State of Maine's ________. Additional improvements to the timeline may be gained as a function of resource availability for both improvements in ________ and ________ technology. There are compensating controls through ________, ________, and ________ procedures which act to ________ associated with this finding.

Contact: Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Chris Thibault, Administrative Specialist, Centers for Medicare and Medicaid Services, John F. Kennedy Federal Building, Room 2325, 15 New Sudbury Street, 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 the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106

(State Number: 20-0905-03)

(2020-064) Confidential finding, see below for more information

Title: ________ over the Office for Family Independence ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	Redacted	Redacted	Redacted	None	None	None	*

**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
U.S. Department of Agriculture
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
SNAP Cluster (SNAP)
Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP;
1905ME5021, 2005ME5021;
184ME421Q3903, 194ME442Q7503,
194ME401S2520, 204ME401S2520,
204ME401S2519, 204ME442Q7503,
204ME401S2514, 194ME401S2514,
194ME401S2519, 194ME421Q3903,
204ME421Q3903, 194ME442Q7503,
194ME401S8026, 204ME401S8026,
194ME401S8036, 194ME401S8069;
1701METANF, 1801METANF
1901METANF, 2001METANF

Compliance Area: Allowable costs/cost principles

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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; National Institute of Standards and Technology (NIST) Special Publication ________; NIST Special Publication ________; Office for Family Independence ________; State of Maine Office of Information Technology (OIT) Policies

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.

NIST Special Publication ________ states that an organization must have the ability to ________.

NIST Special Publication ________ describes the process to ________.

NIST Special Publication ________ states that the organization:

- ________, ________, and ________; and
- ________ a ________ for the information system.

The Office for Family Independence's (OFI) ________ states that the Department must ensure ________ and ________ through a dynamic and integrated ________ and ________.

The State of Maine OIT ________ states that the organization ________.

Condition: The ________ is used by the Department to ________ for ________. ________ for ________ such as ________, ________, ________ and ________ is ________. OFI does not have a ________ related to ________ that would ________, ________, or ________.

The Department implemented their ________ in ________. This ________ provides procedures and guidance to ________ and ________. Therefore, employees must ________ and ________ outlined within the ________; however, the Department did not provide ________ to employees.

Context: In fiscal year 2020, the State provided approximately:

- ________;
- ________; and
- ________.

Cause: Lack of resources

Effect: Without the authoritative guidance of a ________ or ________, ________ processes may lack the clarity and specificity needed for implementation, monitoring, and evolution. In addition, in the ________, the lack of a ________ and ________ could potentially result in ________ and/or ________ or ________, including potential ________.

Recommendation: We recommend that OFI work with OIT to ________ that will support ________. We further recommend that OFI ________, ________ and ________ the ________ in accordance with government standards and the established ________. Furthermore, we recommend that OFI ________ to its employees at all levels.

Corrective Action Plan: See F-24

Management's Response: The Department agrees with this finding. The Department will work with and support Maine's Office of Information Technology (OIT) in the development of a ________, once a project of this nature is initiated. OIT currently has no projection for when this resource gap can be remediated.

OIT's introduction of ________ and ________ to the ________ has enabled us to inherit some of the robust ________ capabilities for the State. Additionally, the recent operations through the global pandemic are indicative of our ________ and ________ to support the ________.

Only Department leadership, select management, and other personnel consistent with assigned roles and responsibilities contained in ________ will continue to receive annual ________ and training of OFI's ________ document. OFI will conduct an annual ________ of the ________ in addition to the existing annual ________ and ________ part of a ________.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Chris Thibault, Administrative Specialist, Centers for Medicare and Medicaid Services, John F. Kennedy Federal Building, Room 2325, 15 New Sudbury Street, Boston, MA 02203;
- Jessica Shahin, Associate Administrator, U.S. Department of Agriculture, Supplemental Nutrition Assistance Program, 1320 Braddock Place, Alexandria, VA 22314; and
- Carol Monteiro, Regional Program Manager, Administration for Children and Families, Office of Family Assistance, John F. Kennedy Federal Building, Room 2000, 15 New Sudbury Street, 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 the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106; and
- Kimberly Edwards, Audit Liaison, U.S. Department of Agriculture, Food and Nutrition Services, Northeast Regional Office, 10 Causeway Street, Room 501, Boston, MA 02222-1069

(State Number: 20-0900-09)

(2020-065) Confidential finding, see below for more information

Title: ________ for the ________ system need improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12
None	Redacted	Redacted	Redacted	None	None	None	*

**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
U.S. Department of Agriculture
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
SNAP Cluster (SNAP)
Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
Federal Award Identification Number: 1905ME5MAP, 2005ME5MAP;
1905ME5021, 2005ME5021;
184ME421Q3903, 194ME442Q7503,
194ME401S2520, 204ME401S2520,
204ME401S2519, 204ME442Q7503,
204ME401S2514, 194ME401S2514,
194ME401S2519, 194ME421Q3903,
204ME421Q3903, 194ME442Q7503,
194ME401S8026, 204ME401S8026,
194ME401S8036, 194ME401S8069;
1701METANF, 1801METANF
1901METANF, 2001METANF

Compliance Area: Allowable costs/cost principles
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. A Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.303; National Institute of Standards and Technology (NIST) Special Publication ________; State of Maine Office of Information Technology (OIT) Policies

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.

NIST Special Publication ________ states that the organization:

- monitor the use of ________ and ________ for compliance with ________ requirements;
- ________ upon ________; and
- modify ________ as needed to correspond with any changes in ________ due to ________ or ________.

OIT policies state that:

- agencies must ________ based on ________ and other attributes as required by the organization; and
- ________ are to meet minimum State requirements.

Condition: The ________ is used by the Department to ________ for major Federal assistance programs. ________ information for major Federal assistance programs such as Medicaid, CHIP, SNAP and TANF is ________ the system. Audit procedures over the ________ system identified the following exceptions:

- In six of the 25 ________ tested, the Department could not provide evidence to ensure ________ was ________ or ________.
- The Department did not ________ and ________ of ________ and ________.
- ________ did not meet the State's ________.

The Office of the State Auditor selected a non-statistical random sample.

Context: In fiscal year 2020, the State provided approximately:

- ________;
- ________; and
- ________.

Cause:

- ________
- ________

Effect:

- ________
- ________

Recommendation: We recommend that the Department implement and subsequently monitor policies and procedures to ensure that:

- ________ are performed in accordance with State policy and industry best practice;

- ________ and ________ or ________ are documented and maintained; and
- ________ are aligned with State of Maine policy.

Corrective Action Plan: See F-24

Management's Response: The Department partially agrees with this finding. OFI agrees with the conditions and recommendations pertaining to ________ and ________. OFI acknowledges the ________ does not meet modern ________ standards as a stand-alone system however we disagree this should rise to the level of a finding due to substantial compensating controls. On July 21st, 2020 the Social Security Administration conducted a review of the ________, ________, and ________ complying with their ________ to verify that appropriate ________ are in place. This review included documentation of the ________ controls identified below--the result of this federal review indicated zero unresolved findings.

Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

Auditor's Concluding Remarks: The Department did not provide the results of the Social Security Administration's ________ report for auditors to review in conjunction with control testing over the ________ system.

________ is used to ________ which provided roughly ________ with over ________ during fiscal year 2020. ________ is an imperative control over ensuring ________.

The classification of findings is determined after a thorough, comprehensive analysis performed by multiple Certified Public Accountants with over 60 years of combined auditing experience. The Office of the State Auditor (OSA) follows auditing standards when considering internal control over compliance. According to auditing standard AU-C 265, 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 […] important enough to merit attention by those charged with governance. OSA determined that the issue noted in the Condition of this finding warrants the attention of those charged with governance, as well as the Federal cognizant agency.

The finding remains as stated.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Chris Thibault, Administrative Specialist, Centers for Medicare and Medicaid Services, John F. Kennedy Federal Building, Room 2325, 15 New Sudbury Street, Boston, MA 02203;
- Jessica Shahin, Associate Administrator, U.S. Department of Agriculture, Supplemental Nutrition Assistance Program, 1320 Braddock Place, Alexandria, VA 22314; and
- Carol Monteiro, Regional Program Manager, Administration for Children and Families, Office of Family Assistance, John F. Kennedy Federal Building, Room 2000, 15 New Sudbury Street, 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 the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106; and
- Kimberly Edwards, Audit Liaison, U.S. Department of Agriculture, Food and Nutrition Services, Northeast Regional Office, 10 Causeway Street, Room 501, Boston, MA 02222-1069

(State Number: 20-0900-20)

STATE OF MAINE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020


DIRIGO
MAINE

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, 2020

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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Finding Number	Corrective Action Plan	
2020-001	Department:	Administrative and Financial Services
	Title:	Internal control over the valuation of the allowance for uncollectible taxes receivable needs improvement
	Questioned Costs:	None
	Status:	Management’s opinion is that corrective action is not required
	Corrective Action:	Maine Revenue Services (MRS) uses a weighted average of the write-off percentages, beginning in year 2012, of those receivables with 25% or less of an outstanding balance. This method of calculating the allowance is consistent with prior years. While MRS would prefer to have at least 10 years of write-off data to review, the tracking reports were not created until 2012. Using this weighted average approach and factoring in the current economic situation MRS calculated a reserve of approximately $100 million collectively on sales, 1040, corporate, and withholding taxes. The reserve estimates are based on subjective, as well as, objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using a weighted average methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is conservative, not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, MRS accumulates relevant, sufficient and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate.

	Completion Date:	N/A
	Agency Contact:	Vicki Roy, Deputy Executive Director, MRS, 207-624-9853
2020-002	Department:	Administrative and Financial Service
	Title:	Internal control over receivable reconciliations needs improvement.
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department has engaged a third-party vendor to liaise with the gaming vendor to obtain the requisite data that will lead to a full reconciliation of the accounts receivable as of June 30, 2020. The third-party vendor will develop a streamlined accounting process, update the current procedure manual and provide training that will facilitate staff in producing timely reconciliations.
	Completion Date:	June 30, 2021
	Agency Contact:	Janre Mullins, Director, General Government Service Center, DAFS, 207-624-7399
2020-003	Department:	Administrative and Financial Service
	Title:	The Department of Administrative and Financial Services' ________ over the ________ and ________ of ________ 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:	March 31, 2021
	Agency Contact:	Shonna Poulin-Gutierrez, Executive Director, Employee Health & Wellness, 207-624-7367
2020-004	Department:	Administrative and Financial Service
	Title:	________ over the Maine Revenue Services ________ 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
	Agency Contact:	Vicki Roy, Deputy Executive Director, MRS, 207-624-9853
2020-005	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over the recording of OFI overpayments needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The receivable balance in question primarily originates from two Federal programs; Temporary Assistance for Needy Families (TANF) and the Supplemental Nutrition Assistance Program (SNAP).

		The U.S. Department of Health and Human Services' Office of Family Assistance provides guidance on the recovery of overpayments for the TANF program. Program Instruction TANF-ACF-PI-2006-03 (Collecting and Repaying Overpayments Made to Families under the Aid to Families with Dependent Children (AFDC) Program and the Temporary Assistance for Needy Families (TANF) Program) makes it clear that as of October 1, 1996 the collection of overpayments should be utilized for program purposes. It is implicit in these same instructions that no liability is created for the State for uncollected funds. It is for these reasons that recording a general fund liability for TANF overpayments would be erroneous. The recovery of overpayments for SNAP households is covered by 7 CFR 273.18 (a)(2). This CFR specifies that claims against households, the action required to be established for the overpayment of benefits, is specifically identified as a Federal debt. This proclamation would preclude the State from recording this as a general fund liability. The Office of the State Controller requested and received confirmation that supports our position that recording a liability is not necessary from the Federal Office of Administration for Children and Families, and, the U.S. Department of Agriculture for the TANF and SNAP programs, respectively.
	Completion Date:	N/A
	Agency Contact:	Sandra Royce, CPA, Director of Financial Reporting and Analysis, OSC, 207-626-8451
2020-006	Department:	Judicial Branch
	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:	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:	Dennis Corliss, Chief of Finance and Administration, AOC, 207-822-0709
2020-007	Department:	Judicial Branch Administrative and Financial Services
	Title:	Internal control over the valuation of the allowance for uncollectible fines and fees receivable needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Administrative Office of the Courts and the Office of the State Controller (OSC) agree with the process description. Judicial provides the aging report and OSC calculates the reserve. OSC is responsible for determining the estimates 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 conservative, not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC accumulates relevant, sufficient and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and

		that disclosure is adequate. The OSC will continue to reserve 100% of all fines over 180 days old, which has been the acceptable method for many years.
	Completion Date:	N/A
	Agency Contact:	Thomas Randall, Financial Coordinator/Audit Analyst, OSC, 207-626-8492
2020-008	Department:	Labor Administrative and Financial Services
	Title:	Internal control over unemployment insurance financial reporting needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Office of the State Controller (OSC) prepares the State's CAFR based on the best information available at the time of preparation. As a matter of administrative efficiency, financial reporting controls are established at the statewide level; correspondingly, reliance is often placed on information coming from qualified personnel at other Departments as well as other units within DAFS. During these unique times, the data sets necessary to prepare the financial statements continued to be updated through the CAFR preparation process. With the benefit of hindsight, the final CAFR was ultimately adjusted to ensure that its presentation is free from any material misstatements.
	Completion Date:	N/A
	Agency Contact:	Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431
2020-009	Department:	Administrative and Financial Service
	Title:	Internal control over the valuations of the allowances for uncollectible unemployment insurance-related receivables needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Office of the State Controller (OSC) is responsible for determining the estimates 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 the applicable accounting principles and that disclosure is adequate. OSC recently performed a five-year trend analysis of historical collections with information provided by 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 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:	Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431
2020-010	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:	July 1, 2021
	Agency Contact:	Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320
2020-011	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:	June 30, 2022
	Agency Contact:	Joanne Allen, Director, School Finance & Operations, DOE, 204-624-6790
2020-012	Department:	Health and Human Services
	Title:	The Department of Health and Human Services 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:	December 31, 2021
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2020-013	Department:	Labor
	Title:	The Department of Labor 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 31, 2022
	Agency Contact:	Patricia O'Brien, Deputy Bureau Director, BUC, DOL, 207-621-5161
2020-014	Department:	Transportation Administrative and Financial Services
	Title:	________ over the Department of Transportation ________ 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, 2021
	Agency Contact:	Doreen Corum, Financial Processing Director, DOT, 207-624-3139
2020-015	Department:	Transportation Administrative and Financial Services
	Title:	The Department of Transportation has not completed a ________ that complies with State policy or industry best practice (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, 2021
	Agency Contact:	Doreen Corum, Financial Processing Director, DOT, 207-624-3139
2020-016	Department:	Transportation Administrative and Financial Services
	Title:	________ over the ________ 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
	Agency Contact:	Doreen Corum, Financial Processing Director, DOT, 207-624-3139
2020-017	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 update the SEFA SOP to include a pre-submission review. The Department will conduct training of additional personnel to allow for a trained reviewer of annual submissions.
	Completion Date:	June 30, 2021 and December 31, 2021, respectively
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2020-018	Department:	Health and Human Services
	Title:	Internal control over SNAP benefit calculations within the automated data processing system needs improvement
	Questioned Costs:	Known: Total $74; Federal $74; State $0 Likely: Total $111,273; Federal $111,273; State $0
	Status:	Management's opinion is that corrective action is not required

	Corrective Action:	The recommendation that the Department implement a detailed review and approval process that occurs prior to benefit issuance to ensure that the information entered into ACES is accurate and complete is not required, feasible, efficient, nor effective. We already have in place an entire Quality Control team whose role is to review cases, identify errors, report them to our federal partner and then notify OFI. This robust internal control negates the recommendation and puts into perspective the one overpayment discovered during the audit process.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2020-019	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:	The Department will review and revise as necessary, the Standard Operating Procedure: 'Managing Cases with Deceased Members'.
	Completion Date:	July 1, 2021
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2020-020	Department:	Health and Human Services
	Title:	________ over the ________ system 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:	July 1, 2021
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2020-021	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over cash balances needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	A grant monitoring daily file is being created that will be used to monitor grant activity and cash balances. Grant reconciliations will be completed on grants that are not closed out yet and the grants that ended on or after September 29, 2020.
	Completion Date:	June 30, 2021 and December 31, 2021, respectively
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2020-022	Department:	Health and Human Services
	Title:	Internal control over subrecipient monitoring needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Senior Health Program Manager will implement procedures to complete all outstanding Management Evaluation Reviews by March 31, 2021. The Finance Manager will complete all outstanding Management Evaluation Reviews.

	Completion Date:	March 31, 2021
	Agency Contact:	Ginger Roberts-Scott, Program Manager, WIC Nutrition Program, DHHS, 207-287-5342
2020-023	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over the WIC infant formula rebate process needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Federal regulations were reviewed and training conducted on WIC grant specific requirements. A rebate procedure is being developed that will ensure timely transfers of rebates occur.
	Completion Date:	June 30, 2021
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2020-024	Department:	Health and Human Services
	Title:	Internal control over subrecipient awards needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	During the time period of the audit the grant information was not entered into the Grants Database which is used by DCM to properly identify the FAIN and correct Federal awarding agencies. The Department transferred oversight of the CDC grant from the CDC staff to the DHHS Service Center staff to ensure grant information is correctly identified in the Grants Database.
	Completion Date:	March 1, 2021
	Agency Contact:	Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075
2020-025	Department:	Health and Human Services
	Title:	________ over the ________ system 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:	May 1, 2021 and December 31, 2021 respectively
	Agency Contact:	Ginger Roberts-Scott, Program Manager, WIC Nutrition Program, DHHS, 207-287-5342
2020-026	Department:	Labor
	Title:	Internal control over Unemployment Insurance claim payments needs improvement (A portion of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	Known: Total $63,371,162; Federal $37,047,183; State $26,323,979 Likely: Undeterminable
	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:	Laura Boyett, UC Bureau Director, DOL, 207-530-2579
2020-027	Department:	Labor
	Title:	________ for the ________ system 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:	June 30, 2021
	Agency Contact:	Michelle Hein, Business Systems Manager, BUC, DOL, 207-530-0073
2020-028	Department:	Transportation
	Title:	Internal control over subrecipient monitoring procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	A corrective action plan has been developed to ensure that the backlog of site visits is completed and that additional oversight procedures have been established to ensure that site visits and follow-up occur in the timeframe approved by the Federal Transit Administration.
	Completion Date:	June 30, 2021
	Agency Contact:	Doreen Corum, Financial Processing Director, DOT, 207-624-3139
2020-029	Department:	Administrative and Financial Services
	Title:	Internal control over cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The General Government Service Center recently provided training to staff to reinforce the existing procedures that include the requirement to return excess funds in this type of situation rather than the suspension of draws and the utilization of the funds over an extended period.
	Completion Date:	March 19,2021
	Agency Contact:	Laurie Andre, Deputy Director – Accounting, General Government Service Center, DAFS, 207-592-0725
2020-030	Department:	Education
	Title:	________ and ________ for the ________ system 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:	June 20, 2021 (first item) and June 30, 2022 (remaining items)
	Agency Contact:	Katherine Warren, Education Data Systems Manager, DOE, 207-624-6716
2020-031	Department:	Labor
	Title:	Internal control over claim reimbursements needs improvement
	Questioned Costs:	None

	Status:	Corrective action in progress
	Corrective Action:	Starting April 1, 2021, and on a quarterly basis, the Management Analyst and Director of QA will analyze quarterly claims data to identify any patterns or discrepancies and determine which need further investigation, consulting with the SSA as needed. The SSA response will be documented and BRS will make adjustments to its processes when and if that is indicated. BRS will continue to work closely with the AWARE vendor to address the remaining technical difficulties with the AWARE SSA cost reimbursement module. BRS will request a timeliness waiver from SSA for all tardy claims. BRS will resume the submission of SSA cost reimbursement claims.
	Completion Date:	April 1, 2021 (first item) and September 1, 2021 (remaining three items)
	Agency Contact:	Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942
2020-032	Department:	Labor
	Title:	Internal control over the timeliness of eligibility determinations needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Bureau of Rehabilitation Services Quality Assurance (BRS QA) Unit will provide a refresher training to staff on how to use AWARE reports to organize and monitor the timely processing of eligibilities. On a monthly basis the BRS QA Unit will provide regional reports to the Division Directors and Regional Managers to assist with monitoring. Review and discussion of these reports will be added as a monthly standing agenda item to the Division of Vocational Rehabilitation (DVR) and Division for the Blind and Visually Impaired (DBVI) regional managers' meetings.
	Completion Date:	April 30, 2021 and April 1, 2021, respectively
	Agency Contact:	Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942
2020-033	Department:	Administrative and Financial Services Labor
	Title:	Internal control over Federal cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Security and Employment Service Center has reviewed the Cash Management Improvement Act requirements with all relevant staff including the requirement to review cash on a daily basis and return any excess cash as needed.
	Completion Date:	July 31, 2020
	Agency Contact:	Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942
2020-034	Department:	Health and Human Services
	Title:	Internal control over provider site visits needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	Following the Fiscal Year 2019 Audit recommendations, new steps were created to ensure that full inventory site reviews are completed during each site visit. This includes printing ImmPact inventory on hand and ensuring that vaccine in refrigerator/freezer matches this expected quantity.

		Following the Fiscal Year 2019 Audit recommendations, new steps were created to ensure weekly supervisory sign off on all site visits completed. This includes review of the site visit, appropriate compliance actions, and follow-up documentation is filed. Additionally, PEARS instituted a supervisory sign-off module starting July 1, 2020. Since March of 2020, with Federal CDC approval, Maine suspended all VFC Compliance Site Visits. Alternative monitoring of provider sites included monthly review of temperatures and reconciliation. Spreadsheets were developed and utilized for tracking purposes. Providers not adhering to these requirements are escalated through our non-compliance protocols.
	Completion Date:	July 1, 2020
	Agency Contact:	Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541
2020-035	Department:	Health and Human 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 Service Center conducted training on SEFA submissions and is developing a procedure for SEFA review similar to their federal financial report reviews prior to submission. This includes training a second person in SEFA submissions and updating its SOP. A Standard Operating Procedure will be written to identify the correct data to include in the annual SEFA submission. A separate non-cash flu funding dollar value will be added to the federal VtrKs report prior to submitting the data to the DHHS Service Center to be utilized in completing the SEFA.
	Completion Date:	June 1, 2021
	Agency Contact:	Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541
2020-036	Department:	Administrative and Financial Services
	Title:	Internal control over Federal cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Service Center created and implemented a standardized template for grant daily reconciliations that monitors the Immunization grant activity, including cash on hand. This template was implemented for the Immunization grant in October 2020.
	Completion Date:	October 2020
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2020-037	Department:	Health and Human Services
	Title:	________ over the ________ system 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:	February 1, 2022, March 1, 2022, May 15, 2022, June 1, 2022 and June 30, 2022, respectively
	Agency Contact:	Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541
2020-038	Department:	Health and Human Services
	Title:	________ and ________ for the ________ system 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, 2021, February 1, 2022, and June 30, 2022, respectively
	Agency Contact:	Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541
2020-039	Department:	Health and Human Services
	Title:	Internal control over payments made on behalf of TANF clients needs improvement
	Questioned Costs:	Known: Total $18,606; Federal $18,606; State $0 Likely: Total $608,524; Federal $608,524; State $0
	Status:	Corrective action in progress
	Corrective Action:	The Office for Family Independence will review existing internal controls, monitoring, and documentation procedures regarding payments made to TANF providers for transitional and ASPIRE/HOPE support services and update as appropriate.
	Completion Date:	September 30, 2021
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2020-040	Department:	Health and Human Services
	Title:	Internal control over TANF client child support sanction procedures needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	OFI provided a universal list of all ACES sanctions (including TANF) to Audit that were actively enforced during the audit period. OFI also provided a list of all DSER sanction actions initiated to Audit. The universal list of ACES sanctions (including TANF) would not be expected to match the DSER list due to the following three points: • DSER sanction initiation is a case management activity of DSER, as such enforcement is not always necessary due to participant compliance. • Child Support Non-Cooperation sanctions are not the only program sanctions that are enforced and documented in ACES. • Sanctions that are in enforced during the audit period may be initiated prior to the audit period. This information was made clear in email exchanges and these conditions were further relayed to and acknowledged by Audit in a final walkthrough meeting on Friday March 12, 2021.

		In future audits, OFI will work to filter ACES sanction data to only include TANF cases.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2020-041	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:	OFI will modify the current SOP governing the ACF 199/209 process to include review by a person other than the preparer before submitting these reports to the federal government. OFI does not agree, as we cannot verify at this time, the accuracy of the exceptions noted in this finding. A communication requesting this detail was sent to Audit on March 25, 2021. OFI does not agree with the second component of the auditor's recommendation, "Additionally, we recommend that the Department establish systematic monitoring to improve the reliability of work participation data that is reported to the Federal government." Systematic monitoring is well-established, thorough, and documented within the ASPIRE program. The role of ASPIRE Senior Planners located throughout the state includes daily communications with FedCap and state personnel; pro-active review of monthly, quarterly, and annual reports; and substantial contractual performance and deliverables management.
	Completion Date:	July 1, 2021
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2020-042	Department:	Health and Human Services
	Title:	Internal control over subrecipient cash management needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The criteria given by the State Auditor states that the timing and amounts of advanced payments must be as close is as administratively feasible to the actual disbursements. The Department's written procedures for monitoring the actual expenditures and reconciling those to payments is as close as administratively feasible.
	Completion Date:	N/A
	Agency Contact:	Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075
2020-043	Department:	Health and Human Services
	Title:	Internal control over Income Eligibility and Verification System procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action complete
	Corrective Action:	The Office for Family Independence has designed and implemented a standard operating procedure creating formal monthly monitoring and oversight for all IEVS reports.
	Completion Date:	April 1, 2020
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

2020-044	Department:	Health and Human Services
	Title:	Internal control over risk evaluation procedures needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	There are multiple ways the Department evaluates risk on its subrecipients, the Division of Audit's risk evaluation is one of them. The Division of Audit uses the risk assessment to determine how much testing of invoices to perform. There is also an assessment of risk built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which all of our subrecipients have reporting requirements based on their level of expenditures. These thresholds are lower than the audit requirements of 2 CFR 200 so those that fall below the single audit threshold will have agreement expenditures tested much more frequently.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2020-045	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 and the OFI Compliance Manager will update the ACF-204 SOP to include: clear segregation of duties, archival and documentation requirements associated with the reviews and approval process prior to submission, as well as a process for error resolution should those reviews warrant a change.
	Completion Date:	July 1, 2021
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2020-046	Department:	Health and Human Services
	Title:	________ over the ________ system 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
2020-047	Department:	Health and Human Services
	Title:	________ and ________ for the ________ system 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:	May 1, 2021 (first four items) and October 1, 2021 (fifth item)
	Agency Contact:	Robert Blanchard, Associate Director Technology and Support, DHHS, 207-324-7955

2020-048	Department:	Health and Human Services
	Title:	Internal control over Hospital and Long Term Care Facility audits needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	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. For Hospital audits, the Department disagrees with the auditor's results because the auditor is calculating the days to complete desk reviews and audits utilizing the cost report "received date" rather than the "acceptance date". The auditor is attempting to justify this method based on what the auditor characterizes as a "material increase" in the average number of days taken to accept as-filed cost reports. The Department disagrees with the auditor's calculation method and there isn't a deadline in the MCBM to accept as-filed cost reports. The Department believes that it is in compliance with the State Plan and 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, DHHS, 207-287-2778
2020-049	Department:	Health and Human Services
	Title:	Internal control over Medicaid Cost of Care assessments and deductions needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	OMS has started the process of correcting the monthly report to ensure that it captures all relevant claims for members with cost of care changes in the previous month. OFI will review the current SOP governing Cost of Care and make edits, as appropriate, to ensure that Cost of Care calculations are correct and updated appropriately.
	Completion Date:	June 1, 2021 and July 1, 2021, respectively
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2020-050	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over Automated Data Processing Risk Analysis and System Security Reviews needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	OIT will continue to meet regularly with the IT representatives from Gainwell to ensure that any actions needed to address SOC audit findings are reviewed and confirmed complete. OIT will provide regular meeting minutes to designated State Leadership highlighting the status of any critical issues. OMS Pharmacy Team staff and OIT will continue to meet regularly with representatives from CHC to ensure that any actions needed by the vendors to address SOC audit findings are reviewed and confirmed complete. Pharmacy Team staff will provide regular meeting minutes to designated State Leadership highlighting the status of any critical issues.

		OMS will develop a standard operating procedure describing the review steps that will be followed upon receipt of required SOC 1 and SOC 2 reports from contracted vendors. This procedure will ensure that appropriate OMS and OIT leadership are made aware of the key findings within the reports.
	Completion Date:	March 31, 2020, August 31, 2020 and April 1, 2021, respectively
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2020-051	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:	Corrective action in progress
	Corrective Action:	The Program Integrity manager will establish quarterly case status review meetings with staff to review and document the status of each open case as well the documentation supporting the cases closed during the preceding quarter.
	Completion Date:	April 30, 2021
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2020-052	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 the recommendations--they are not efficient or feasible. Pre and Post review of determinations is not necessary or prudent to ensure compliance with federal awards. Eligibility Supervisors currently perform case readings and phone observations to identify errors and instruct Eligibility Specialists with at least 1 formal case reading per staff member per month. Additionally, federally required Medicaid Eligibility Quality Control (MEQC) reviews occur monthly that are designed to evaluate and improve the quality and accuracy of Medicaid and CHIP eligibility processes. The Department conducts thousands of eligibility determinations per day. OFI's task-based processing system already provides multiple points of review for eligibility criteria by different staff members prior to eligibility determination. Additional pre and post-eligibility reviews of all cases would result in duplication of effort and delays in service delivery.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2020-053	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over Medicare Part B premium payments needs improvement
	Questioned Costs:	Known: Total $279; Federal $187; State $92 Likely: Total $4,675,373; Federal $3,136,240; State $1,539,133
	Status:	Corrective action in progress
	Corrective Action:	Business Technology, in conjunction with Program and Policy, will operationalize the Standard Operating Procedures regarding monthly Buy-In reconciliation reporting procedures, which already include specific methodologies to document actions taken, identify discrepancies, save monthly files, and modify ACES and/or inform the Office of MaineCare Services on each monthly report

		Corrective action will not include retroactive reconciliations. 42 CFR 407.48 prohibits the Department from retroactively removing premium payments for individuals who lose coverage.
	Completion Date:	June 30, 2021
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2020-054	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:	Pre and Post review of determinations is not a requirement to ensure compliance with federal awards--Medicaid, CHIP, SNAP, and TANF. 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
2020-055	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over the Medicaid and CHIP payment files needs improvement
	Questioned Costs:	Known: Total: Medicaid $448,211; CHIP ($448,211) Federal: Medicaid $289,186; CHIP ($439,964) State: Medicaid $159,025; CHIP ($8,247)
	Status:	Corrective action in progress
	Corrective Action:	VBP has compiled a payment file report with the necessary information for the service center to appropriately charge the CHIP grant for the quarter ending September 30, 2019. Service center will use the payment file report to correct the appropriate funding for CHIP members for the quarter ending September 30, 2020. Currently, the Service Center receives the necessary FMAP categories to allocate funds accordingly. Each month, the VBP Unit will review the payment file for discrepancies prior to sending to the Service Center.
	Completion Date:	March 12, 2021, March 21, 2021 and April 9, 2021, respectively
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2020-056	Department:	Health and Human Services
	Title:	Internal control over payment of claims needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	OMS has implemented an annual schedule to perform a data analysis to identify and address potentially improper claims paid after a member's DOD.

		OFI will review CDC matching requirements and establish a plan to identify and correct the DOD for those individuals. The current SOP for processing death matching will be adjusted to address these cases.
	Completion Date:	November 30, 2020 and October 31, 2021, respectively
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2020-057	Department:	Health and Human Services
	Title:	Internal control over Prospective Interim Payments to Hospitals needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The recommended corrective actions, including the documentation of all PIP calculations and a secondary review by a DHHS Division of Audit Senior Auditor with hospital expertise, were implemented prior to the start date of the audit. MaineCare's Rate Setting Manager will create a PIP Standard Operating Procedure document to ensure continued adherence to the recommended corrective actions in the event of future staff turnover.
	Completion Date:	November 30, 2019 and June 30, 2021, respectively
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2020-058	Department:	Health and Human Services
	Title:	Internal control over Patient Service Revenue needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The condition incorrectly states that the DHHS Division of Audit is responsible for calculating each hospital's annual PSR tax. The Division of Audit has no authority to determine the amount of tax, collect the tax or enforce the tax. 36 MRSA 2892 reads in part "For state fiscal years beginning on or after July 1, 2004, a tax is imposed annually against each hospital in the State. The tax is equal to 2.23% of the hospital's net operating revenue as identified in the hospital's audited financial statement for the hospital's taxable year." The calculation of the tax is defined by statute. 36 MRSA 2893 reads in part "For tax due for state fiscal years beginning on or after July 1, 2004, a person subject to the tax imposed by section 2892 shall submit to the assessor a return on a form prescribed and furnished by the assessor and pay one half of the total tax due by November 15th of the state fiscal year for which the tax is being imposed and one half of the total tax due by May 15th of the state fiscal year for which the tax is being imposed." The obligation to pay the correct tax falls on the person paying the tax, in this case, the individual hospitals. Nowhere in the statute does it designate that the DHHS Division of Audit is responsible for calculating the tax. The DHHS Division of Audit has no authority to determine the amount of the tax, collect the tax or enforce the tax.
	Completion Date:	N/A
	Agency Contact:	Herb Downs, Director, DHHS Division of Audit, DHHS, 207-287-2778
2020-059	Department:	Health and Human Services
	Title:	Internal control over the outsourced medical claims coding process needs improvement

	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The CMS requirement is to use coding files published specifically for states and accessible only by state employees; those files are similar to, but (according to CMS) more comprehensive than, the coding files that our claims processing vendor currently accesses. When CMS issued updated guidance for states to utilize the state-only coding files, we determined that switching to the CMS-required files had insufficient impact to ongoing claims processing to justify the time and expense associated with a change to the system and process.
	Completion Date:	N/A
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2020-060	Department:	Health and Human Services
	Title:	Internal control over the financial reporting process needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Office of MaineCare Services is in the process of obtaining approval to fill a vacant position; the individual hired for this position will serve as backup for the review process. Once filled, the individual in this position will be trained to assist with the CMS-64/21 review process as needed.
	Completion Date:	May 31, 2021 and July 31, 2021, respectively
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2020-061	Department:	Health and Human Services
	Title:	Internal control over provider license verification procedures needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department's longstanding licensure verification process is to term a provider's contract with MaineCare concurrent to the period of licensure for that provider as supplied during enrollment. In other words, the licensed provider's ability to bill and be reimbursed by MaineCare would end with the last effective date of the provider's license as supplied by the provider, unless the provider subsequently updates that licensure information. If a provider updates licensure information via an enrollment case, the Department would then review that information under its normal enrollment processes, verify/confirm the licensure, and update the provider's contract accordingly. If a provider fails to update the license information, the licensed provider's contract would expire, and any claims associated with that provider would deny and not be paid. The Department notes that this audit did not find any instances in which a provider was reimbursed during the audit year during a period of non-licensure. The Department maintains that its processes were adequate to meet its obligations under the applicable federal regulations. While the Department did implement an automated licensure verification process during the audit year, that system upgrade does not mean that, before the implementation of the upgrade, the Department lacked a process to ensure a provider was licensed.
	Completion Date:	N/A
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

2020-062	Department:	Administrative and Financial Services
	Title:	________ over the Office of Information Technology's ________ procedures 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, 2024
	Agency Contact:	Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320
2020-063	Department:	Administrative and Financial Services
	Title:	________ and ________ 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 25, 2021, December 25, 2022 and March 1, 2023, respectively
	Agency Contact:	Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320
2020-064	Department:	Health and Human Services
	Title:	________ over the Office for Family Independence ________ and ________ 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:	July 1, 2024 and July 1, 2022, respectively
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2020-065	Department:	Health and Human Services
	Title:	________ for the ________ system 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 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:	September 30, 2021
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

STATE OF MAINE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020


DIRIGO
MAINE

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 2020

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**	
2016-020	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
	FY20 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 2020 Finding:	2020-010
2016-027	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:	None
	FY20 Status:	Corrective action was taken during FY 2020
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
	FY20 Status:	Corrective action was taken during FY 2020
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
	FY20 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 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
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
	FY20 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 2020 Finding:	2020-026
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

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY20 Status:	Management believes this audit finding does not warrant further action for the subrecipient contract portion of this finding. Management disagrees with the Cash Management portion of this finding and does not believe that corrective action is required.
	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 The criteria given by the State Auditor states that the timing and amounts of advanced payments must be as close as is administratively feasible to the actual disbursements. The Department's written procedures for monitoring the actual expenditures and reconciling those to payments is as close as administratively feasible.
	FY 2020 Findings:	ML-20-1111-06 and 2020-042
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
	FY20 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 2020 Finding:	2020-041
2017-013	Finding Title:	No evaluation of each subrecipient's risk of noncompliance
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	There are multiple ways the Department evaluates risk on its subrecipients, the Division of Audit's risk evaluation is one of them. The Division of Audit uses the risk assessment to determine how much testing of invoices to perform. There is also an assessment of risk built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which all of our subrecipients have reporting requirements based on their level of expenditures. These thresholds are lower than the audit requirements of 2 CFR 200 so those that fall below the single audit threshold will have agreement expenditures tested much more frequently.
	FY 2020 Finding:	2020-044

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status				
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			
	FY20 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 Statue 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 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program			
2017-016	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:	Questioned Costs	Total	Federal	State
		Known	$14,000,000	$14,000,000	
		Likely			
	FY20 Status:	Corrective action was taken during FY 2020			
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			
	FY20 Status:	Corrective action was not completed in FY 2020			
	Explanation:	The Office for Family Independence developed a Standard Operating Procedure to conduct a quality assurance review from a sample of Cost of Care cases monthly. This was implemented January 2021. A review of the monthly cost of care report received by the Office of MaineCare Services (OMS) Adjustments Unit for the claims in question showed an error in			

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		how the report was run. Therefore, when the claims were adjusted, the updated cost of care was not appropriately applied. OMS will correct the report moving forward.
	FY 2020 Finding:	2020-049
2017-018	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
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The below information was previously presented to The Office of the State Auditor (OSA) prior to the filing of this finding. Both the previous response and the information contained below reference citations of federal regulations to support the Department's position of 'Disagree' with this finding. Audit's report indicates that identity source documents were not recorded in ACES or available in the case file. The auditor indicates in the exception file that electronic verification does not meet the standard for identity verification as outlined in the MaineCare Eligibility Manual, Part 2, Section 3.2, and that citizenship and identity documents must be maintained in the case file or electronic record, regardless of age of the case. In doing so, the auditor misreads the requirements. 1902(ee) of the Social Security Act permits states to verify citizenship and identity through the State Verification and Exchange System (SVES). These records are documented in the ACES record with an electronic record produced by the SVES exchange. The cases identified by the auditor as errors on this basis are, in fact, in compliance with all applicable requirements. State Audit is incorrectly excluding ACES as part of the electronic case file. Federal Payment Error Rate Measurement (PERM) audit does not agree with the errors of missing citizenship in cases where paper documentation was gathered pre-Fortis if documentation or indicators within the ACES citizenship record that it was previously verified. This requirement is also outlined in the MaineCare Eligibility Manual, Part 2, Section 3.2, VII., D. The Department disagrees with the contention that supporting documents related to income verification from CMS-approved data sources were erroneously missing. 42 CFR §435.948 requires states to request and accept verification from electronic sources it has deemed useful. Maine's Verification Plan as required by regulations at 42 CFR 435.945(j) includes The Work Number as one of the approved sources. The electronic verification must be accepted and is contained within the ACES record. There is no state or federal requirement to print and store all electronic verifications received, and as such cases with these purported errors were also incorrectly identified. Exceptions based on state wage and tax information are also incorrectly identified both because the finding does not accurately reflect the Office

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		for Family Independence's (OFI) regulatory requirements and because it misunderstands the relevance and utility of those financial sources for Medicaid eligibility determinations. Maine does not use state wage or tax information, because this data is not available contemporaneously and because it does not provide an accurate representation of current income or household circumstances. Medicaid eligibility is determined based on current circumstances, and household composition is not required to be verified per Maine's Verification Plan which is allowable per 42 CFR 435.945(j). As household composition, intent to file, or income can and does change repeatedly throughout the year, all findings based on annual state tax-filing information from the Maine Revenue Service are misplaced. An individual's total household income at the end of the year is not available at the time of eligibility determination and is not an indicator of future income. Even as a post-determination review, tax data is not broken down per month, and therefore would not accurately indicate the individual's household composition or income at the time of eligibility determination.
	FY 2020 Finding:	2020-052
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
	FY20 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 2020 Finding:	2020-010
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
	FY20 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 is has been corrected.
	FY 2020 Finding:	2020-012

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
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
	FY20 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. For Hospital audits, the Department disagrees with the auditor's results because the auditor is calculating the days to complete desk reviews and audits utilizing the cost report "received date" rather than the "acceptance date". The auditor is attempting to justify this method based on what the auditor characterizes as a "material increase" in the average number of days taken to accept as-filed cost reports. The Department disagrees with the auditor's calculation method and there isn't a deadline in the MCBM to accept as-filed cost reports. The Department believes that it is in compliance with the State Plan and we believe we have effective controls to comply with the current regulations.
	FY 2020 Finding:	2020-048
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
	FY20 Status:	Corrective action was taken during FY 2020
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
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Program Integrity manager will establish quarterly case status review meetings with staff to review and document the status of each open case as well the documentation supporting the cases closed during the preceding quarter.
	FY 2020 Finding:	2020-051
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

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY20 Status:	Corrective action was taken during FY 2020
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
	FY20 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 2020 Finding:	2020-063
2018-001	Finding Title:	Procedures over subrecipient monitoring need improvement
	State Department:	Education
	CFDA Number:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	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 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
2018-002	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
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department modified the NEO system 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.
	FY 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="8">2018-005</td><td>Finding Title:</td><td colspan="4">Internal control over the donated food inventory needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Education</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">10.555, 10.559</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was not completed in FY 2020</td></tr>
<tr><td>Explanation:</td><td colspan="4">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.</td></tr>
<tr><td>FY 2020 Finding:</td><td colspan="4">No finding was issued for FY 2020; however, this program was not audited as a major program</td></tr>
<tr><td rowspan="6">2018-006</td><td>Finding Title:</td><td colspan="4">National School Lunch Program and Summer Food Program Policy Statements and State-Sponsor Agreements are not consistent with Federal regulations</td></tr>
<tr><td>State Department:</td><td colspan="4">Education</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">10.555, 10.559</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was taken during FY 2020</td></tr>
<tr><td rowspan="10">2018-007</td><td>Finding Title:</td><td colspan="4">Control over WIC's infant food and formula rebate process needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">10.557</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$280,580</td><td>$280,580</td><td></td></tr>
<tr><td>Likely</td><td></td><td></td><td></td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was not completed in FY 2020</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department of Health and Human Services Service Center will review, identify and implement additional procedures needed to ensure timely rebates and document them in a Standard Operating Procedure by June 2021.</td></tr>
<tr><td>FY 2020 Finding:</td><td colspan="4">2020-023</td></tr>
<tr><td rowspan="5">2018-009</td><td>Finding Title:</td><td colspan="4">The Department has no assurance that ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">10.557</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department will take steps to effectively address and remediate this condition. Policies to address this issue will be established and implemented.
	FY 2020 Finding:	2020-025
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
	FY20 Status:	Corrective action was not completed in FY 2020
	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 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
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
	FY20 Status:	Corrective action was not completed in FY 2020
	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.
	FY 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
2018-014	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

<table>
<tr><th colspan="3">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="2">Prior Audit Finding Status</th></tr>
<tr><td rowspan="4"></td><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY20 Status:</td><td>Corrective action was not completed in FY 2020</td></tr>
<tr><td>Explanation:</td><td>The Department has redistributed pre-existing federal draw policies to all staff drawing federal cash to ensure federal cash management requirements are being met.</td></tr>
<tr><td>FY 2020 Finding:</td><td>No finding was issued for FY 2020; however, this program was not audited as a major program</td></tr>
<tr><td rowspan="8">2018-016</td><td>Finding Title:</td><td>Documentation that supports payroll costs needs improvement</td></tr>
<tr><td>State Department:</td><td>Defense, Veterans and Emergency Management</td></tr>
<tr><td>CFDA Number:</td><td>12.401</td></tr>
<tr><td>Initial Finding FY:</td><td>2017</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY20 Status:</td><td>Corrective action was not completed in FY 2020</td></tr>
<tr><td>Explanation:</td><td>Procedures have been revised, improved and are being further refined to address these situations.</td></tr>
<tr><td>FY 2020 Finding:</td><td>No finding was issued for FY 2020; however, this program was not audited as a major program</td></tr>
<tr><td rowspan="8">2018-021</td><td>Finding Title:</td><td>Subrecipient contract specifications are not consistent with program regulations</td></tr>
<tr><td>State Department:</td><td>Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td>16.575</td></tr>
<tr><td>Initial Finding FY:</td><td>2018</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY20 Status:</td><td>Management disagrees with this finding and does not believe that corrective action is required</td></tr>
<tr><td>Explanation:</td><td>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.</td></tr>
<tr><td>FY 2020 Finding:</td><td>No finding was issued for FY 2020; however, this program was not audited as a major program</td></tr>
<tr><td rowspan="6">2018-023</td><td>Finding Title:</td><td>________ over ________ needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)</td></tr>
<tr><td>State Department:</td><td>Labor</td></tr>
<tr><td>CFDA Number:</td><td>17.225</td></tr>
<tr><td>Initial Finding FY:</td><td>2011</td></tr>
<tr><td>Questioned Costs:</td><td><table>
<tr><th>Questioned Costs</th><th>Total</th><th>Federal*</th><th>State Trust Fund</th></tr>
<tr><td>Known</td><td>Redacted</td><td></td><td>Redacted</td></tr>
<tr><td>Likely</td><td>Redacted</td><td></td><td>Redacted</td></tr>
<tr><td colspan="4">*No federally funded benefit payments appeared in the randomly selected sample</td></tr>
</table></td></tr>
<tr><td>FY20 Status:</td><td>Management disagrees with this finding and does not believe that corrective action is required</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	The Department has been and continues to consult with the U.S. Department of Labor (USDOL) on any changes due to the COVID-19 pandemic. Benefit payments and any changes made due to the pandemic are in accordance with Maine State laws, Federal laws and guidance from the USDOL. Additionally, the Department has enhanced partnerships with state and federal agencies to ensure program integrity.
	FY 2020 Finding:	2020-026
2018-025	Finding Title:	The Department has no ________ that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Education
	CFDA Number:	10.555, 10.559; 84.010
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department has taken steps to effectively address and remediate this condition, and implementation efforts are ongoing.
	FY 2020 Finding:	2020-011
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
	FY20 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 advanced payments must be as close as is administratively feasible to the actual disbursements. The Department's written procedures for monitoring the actual expenditures and reconciling those to payments is as close as administratively feasible.
	FY 2020 Finding:	2020-042
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
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	During the fiscal year 2020 the Department updated the contract templates to include DUNS numbers and proper references to the Uniform Guidance. Updated Service Contract template to include Department and Provider Point of Contact that references the DUNS Number. January 1, 2020

Finding Number	Prior Audit Finding Status	
		Updated Rider D no.17 to correctly identify the Uniform Guidance as the Federal guidance requirement, rather than A-133. February 1, 2020
	FY 2020 Finding:	ML-20-1111-06
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
	FY20 Status:	Corrective action was not completed in FY 2020 for the secondary review portion of this finding. Management disagrees with the work participation information portion of this finding and does not believe that corrective action is required.
	Explanation:	The Office for Family Independence (OFI) agrees with the Condition pertaining to the ACF 199 and 209 reporting process and review. We have proposed a Corrective Action Plan addressing this item. OFI disagrees with the work participation and countable month aspects of this finding until such time as these exceptions can be documented by Audit and verified by OFI regarding reference to the 21 and 22 clients in this finding.
	FY 2020 Finding:	2020-041
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
	FY20 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 2020 Finding:	2020-044

Summary Schedule of Prior Audit Findings					
Finding Number	**Prior Audit Finding Status**				
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			
	Initial Finding FY:	2018			
	Questioned Costs:	Questioned Costs	Total	Federal	State
		Known	$381	$381	
		Likely	$139,925	$139,925	
	FY20 Status:	Corrective action was not completed in FY 2020			
	Explanation:	The Office for Family Independence will review existing internal controls, monitoring, and documentation procedures regarding payments made to TANF providers for transitional and ASPIRE/HOPE support services and update as appropriate.			
	FY 2020 Finding:	2020-039			
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			
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required			
	Explanation:	There are multiple ways the Department evaluates risk on its subrecipients, the Division of Audit's risk evaluation is one of them. The Division of Audit uses the risk assessment to determine how much testing of invoices to perform. There is also an assessment of risk built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which all of our subrecipients have reporting requirements based on their level of expenditures. These thresholds are lower than the audit requirements of 2 CFR 200 so those that fall below the single audit threshold will have agreement expenditures tested much more frequently.			
	FY 2020 Finding:	2020-044			
2018-033	Finding Title:	The Department has no assurance that ________ is 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:	93.558			
	Initial Finding FY:	2018			
	Questioned Costs:	None			
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required			
	Explanation:	The Department has robust contractual oversight and monitoring functions in place.			
	FY 2020 Finding:	2020-046			

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
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
	FY20 Status:	Corrective action was taken during FY 2020
2018-037	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
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department has procedures in place to ensure each subrecipient is utilizing an appropriate indirect cost rate.
	FY 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
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
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	There are multiple ways the Department evaluates risk on its subrecipients, the Division of Audit's risk evaluation is one of them. The Division of Audit uses the risk assessment to determine how much testing of invoices to perform. There is also an assessment of risk built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which all of our subrecipients have reporting requirements based on their level of expenditures. These thresholds are lower than the audit requirements of 2 CFR 200 so those that fall below the single audit threshold will have agreement expenditures tested much more frequently.
	FY 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
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

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Questioned Costs:	None
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	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.
	FY 2020 Finding:	No finding was issued for 2020 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
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The below information was previously presented to The Office of the State Auditor (OSA) prior to the filing of this finding. Both the previous response and the information contained below reference citations of federal regulations to support the Department's position of 'Disagree' with this finding. Audit's report indicates that identity source documents were not recorded in ACES or available in the case file. The auditor indicates in the exception file that electronic verification does not meet the standard for identity verification as outlined in the MaineCare Eligibility Manual, Part 2, Section 3.2, and that citizenship and identity documents must be maintained in the case file or electronic record, regardless of age of the case. In doing so, the auditor misreads the requirements. 1902(ee) of the Social Security Act permits states to verify citizenship and identity through the State Verification and Exchange System (SVES). These records are documented in the ACES record with an electronic record produced by the SVES exchange. The cases identified by the auditor as errors on this basis are, in fact, in compliance with all applicable requirements. State Audit is incorrectly excluding ACES as part of the electronic case file. Federal Payment Error Rate Measurement (PERM) audit does not agree with the errors of missing citizenship in cases where paper documentation was gathered pre-Fortis if documentation or indicators within the ACES citizenship record that it was previously verified. This requirement is also outlined in the MaineCare Eligibility Manual, Part 2, Section 3.2, VII., D. The Department disagrees with the contention that supporting documents related to income verification from CMS-approved data sources were erroneously missing. 42 CFR §435.948 requires states to request and accept verification from electronic sources it has deemed useful. Maine's Verification Plan as required by regulations at 42 CFR 435.945(j) includes The Work Number as one of the approved sources. The electronic verification must be accepted and is contained within the ACES record.

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		There is no state or federal requirement to print and store all electronic verifications received, and as such cases with these purported errors were also incorrectly identified. Exceptions based on state wage and tax information are also incorrectly identified both because the finding does not accurately reflect the Office for Family Independence's (OFI) regulatory requirements and because it misunderstands the relevance and utility of those financial sources for Medicaid eligibility determinations. Maine does not use state wage or tax information, because this data is not available contemporaneously and because it does not provide an accurate representation of current income or household circumstances. Medicaid eligibility is determined based on current circumstances, and household composition is not required to be verified per Maine's Verification Plan which is allowable per 42 CFR 435.945(j). As household composition, intent to file, or income can and does change repeatedly throughout the year, all findings based on annual state tax-filing information from the Maine Revenue Service are misplaced. An individual's total household income at the end of the year is not available at the time of eligibility determination and is not an indicator of future income. Even as a post-determination review, tax data is not broken down per month, and therefore would not accurately indicate the individual's household composition or income at the time of eligibility determination.
	FY 2020 Finding:	2020-052
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
	FY20 Status:	Corrective action was not completed in FY 2020
	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.
	FY 2020 Finding:	2020-010
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
	FY20 Status:	Corrective action was not completed in FY 2020
	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 2020 Finding:	2020-012

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
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
	FY20 Status:	Corrective action was taken during FY 2020
2018-048	Finding Title:	The State has ________ that ________ over the ________ is 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 Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department will be taking steps to work with our partners to effectively address and remediate this condition.
	FY 2020 Finding:	ML-20-0900-06
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
	FY20 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. For Hospital audits, the Department disagrees with the auditor's results because the auditor is calculating the days to complete desk reviews and audits utilizing the cost report "received date" rather than the "acceptance date". The auditor is attempting to justify this method based on what the auditor characterizes as a "material increase" in the average number of days taken to accept as-filed cost reports. The Department disagrees with the auditor's calculation method and there isn't a deadline in the MCBM to accept as-filed cost reports. The Department believes that it is in compliance with the State Plan and we believe we have effective controls to comply with the current regulations.
	FY 2020 Finding:	2020-048

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
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
	FY20 Status:	Corrective action was taken during FY 2020
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
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department is currently taking steps to effectively address and remediate this condition, and implementation efforts are ongoing. In addition, compensating controls have been in place to reduce the risk associated with this condition.
	FY 2020 Finding:	2020-063
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
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Program Integrity manager will establish quarterly case status review meetings with staff to review and document the status of each open case as well the documentation supporting the cases closed during the preceding quarter.
	FY 2020 Finding:	2020-051
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
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Office for Family Independence developed a Standard Operating Procedure to conduct a quality assurance review from a sample of Cost of Care cases monthly. This was implemented January 2021. A review of the monthly cost of care report received by the Office of MaineCare Services (OMS) Adjustments Unit for the claims in question showed an error in how the report was run. Therefore, when the claims were adjusted, the

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="2"></td><td></td><td colspan="4">updated cost of care was not appropriately applied. OMS will correct the report moving forward.</td></tr>
<tr><td>FY 2020 Finding:</td><td colspan="4">2020-049</td></tr>
<tr><td rowspan="8">2018-054</td><td>Finding Title:</td><td colspan="4">Riverview</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2014</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$14,037,063</td><td>$14,037,063</td><td></td></tr>
<tr><td>Likely</td><td></td><td></td><td></td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was taken during FY 2020</td></tr>
<tr><td rowspan="8">2018-055</td><td>Finding Title:</td><td colspan="4">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)</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was not completed in FY 2020</td></tr>
<tr><td>Explanation:</td><td colspan="4">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.</td></tr>
<tr><td>FY 2020 Finding:</td><td colspan="4">ML-20-0905-04</td></tr>
<tr><td rowspan="8">2019-001</td><td>Finding Title:</td><td colspan="4">________ does not have a ________ in place (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">N/A - Financial Statement Finding</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was not completed in FY 2020</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department is currently taking steps to work with our partners to effectively address and remediate this condition.</td></tr>
<tr><td>FY 2020 Finding:</td><td colspan="4">2020-004</td></tr>
<tr><td rowspan="2">2019-002</td><td>Finding Title:</td><td colspan="4">Internal control over the physical inventory of fixed assets needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services
Environmental Protection
Health and Human Services
Transportation</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	CFDA Number:	N/A - Financial Statement Finding
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020 (Environment Protection only)
	Explanation:	During the last year, significant resources have been devoted to the review of “legacy” fixed asset records to identify any erroneous or outdated information. Currently, the Department is working with the Natural Resources Service Center to update the records in the State accounting system to address the necessary changes that were identified during this review.
	FY 2020 Finding:	ML-20-0600-01
2019-003	Finding Title:	________ is uniquely an imperative for ________ (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Administrative and Financial Services Education
	CFDA Number:	N/A - Financial Statement Finding
	Initial Finding FY:	2019
	Questioned Costs:	Undetermined
	FY20 Status:	Corrective action was taken during FY 2020
2019-004	Finding Title:	Internal control over the valuation of allowances for uncollectible accounts needs improvement
	State Department:	Labor Administrative and Financial Services
	CFDA Number:	N/A - Financial Statement Finding
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Office of the State Controller (OSC) is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgment 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 the applicable accounting principles and that disclosure is adequate. OSC recently performed a five-year trend analysis of historical collections with information provided by 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

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		with the actual collection data, as provided by the DOL, to update the reserve percentage. DOL implemented a new system and OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.
	FY 2020 Finding:	2020-009
2019-005	Finding Title:	The Department has not completed a ________ that complies with State ________ (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Transportation
	CFDA Number:	N/A - Financial Statement Finding
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department will be taking steps to work with our partners to effectively address and remediate this condition.
	FY 2020 Finding:	2020-015
2019-006	Finding Title:	The Department has no ________ that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Education
	CFDA Number:	N/A - Financial Statement Finding
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department has taken steps to effectively address and remediate this condition, and implementation efforts are ongoing.
	FY 2020 Finding:	2020-011
2019-007	Finding Title:	________ over the ________ or ________ needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Transportation Administrative and Financial Services
	CFDA Number:	N/A - Financial Statement Finding
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department will be taking steps to work with our partners to effectively address and remediate this condition.
	FY 2020 Finding:	2020-014
2019-008	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

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	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.
	FY 2020 Finding:	2020-010
2019-009	Finding Title:	The State has ________ that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
2019-009	State Department:	Administrative and Financial Services Health and Human Services
2019-009	CFDA Number:	93.775, 93.777, 93.778
2019-009	Initial Finding FY:	2018
2019-009	Questioned Costs:	None
2019-009	FY20 Status:	Corrective action was not completed in FY 2020
2019-009	Explanation:	The Department will be taking steps to work with our partners to effectively address and remediate this condition.
2019-009	FY 2020 Finding:	ML-20-0900-06
2019-010	Finding Title:	The Department ________ that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
2019-010	State Department:	Health and Human Services
2019-010	CFDA Number:	93.775, 93.777, 93.778; 93.767
2019-010	Initial Finding FY:	2016
2019-010	Questioned Costs:	None
2019-010	FY20 Status:	Corrective action was not completed in FY 2020
2019-010	Explanation:	The Department's has taken steps effective 10/1/18 to address this finding. The program administrator will monitor the vendor's progress.
2019-010	FY 2020 Finding:	2020-012
2019-011	Finding Title:	Internal control over cash balances needs improvement
2019-011	State Department:	Administrative and Financial Services
2019-011	CFDA Number:	10.551, 10.561
2019-011	Initial Finding FY:	2019
2019-011	Questioned Costs:	Undeterminable
2019-011	FY20 Status:	Corrective action was taken during FY 2020
2019-012	Finding Title:	Internal control over compliance with eligibility determination requirements, and the related automated data processing system requirements, needs improvement
2019-012	State Department:	Health and Human Services
2019-012	CFDA Number:	10.551, 10.561
2019-012	Initial Finding FY:	2019

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="6"></td><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$261</td><td>$261</td><td>$0</td></tr>
<tr><td>Likely</td><td>$5,144,620</td><td>$5,144,620</td><td>$0</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Management disagrees with this finding and does not believe that corrective action is required</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department disagrees with the assertion that there are not procedures in place to ensure that the information entered into ACES is accurate and complete. We do agree that there was one TFA client with an overpayment; however, this does not represent a structural or programmatic deficiency. Our federally funded Quality Control unit follows federal standards and requirements which further represent an additional internal control for both SNAP and TFA.

A total of 60 cases were reviewed for audit, 2 of them were TFA cases and 58 were SNAP. TFA is included in the Payment Error Rate determined by FNS and should be for the purpose of this audit. A sample size of only 2 TFA cases reviewed does not provide statistical evidence of non-compliance (or compliance).</td></tr>
<tr><td>FY 2020 Finding:</td><td colspan="4">2020-018</td></tr>
<tr><td rowspan="8">2019-013</td><td>Finding Title:</td><td colspan="4">Internal control over the issuance of SNAP benefits needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">10.551, 10.561</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was not completed in FY 2020</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department will review and improve as necessary the Date of Death (DOD) standard operating procedures.</td></tr>
<tr><td>FY 2020 Finding:</td><td colspan="4">2020-019</td></tr>
<tr><td rowspan="8">2019-014</td><td>Finding Title:</td><td colspan="4">Internal control over ________ needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">10.551, 10.561, 93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was not completed in FY 2020</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department will implement procedures to effectively address and remediate this condition.</td></tr>
<tr><td>FY 2020 Finding:</td><td colspan="4">2020-020</td></tr>
<tr><td rowspan="5">2019-015</td><td>Finding Title:</td><td colspan="4">Internal control over State matching requirements needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Education</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">10.555, 10.559</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department modified the NEO system 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.
	FY 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
2019-016	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
	FY20 Status:	Corrective action was taken during FY 2020
2019-017	Finding Title:	Internal control over subrecipient monitoring procedures needs improvement
	State Department:	Education
	CFDA Number:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	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 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
2019-018	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
	FY20 Status:	Corrective action was not completed in FY 2020
	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 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2019-019	Finding Title:	Internal control over subrecipient monitoring needs improvement
	State Department:	Health and Human Services
	CFDA Number:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department's limited human resources were assigned to higher priorities during the fiscal year. The Senior Health Program Manager will implement procedures to complete all outstanding Management Evaluation Reviews by March 31, 2021.
	FY 2020 Finding:	2020-022
2019-020	Finding Title:	Internal control over subrecipient contracts needs improvement
	State Department:	Health and Human Services
	CFDA Number:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	During the time period of the audit, grant information was not entered into the Grants Database which is used by the Division of Contract Management to properly identify the FAIN and correct Federal awarding agencies. The Department transferred oversight of the CDC grant from the CDC staff to the DHHS Service Center staff to ensure grant information is correctly identified in the Grants Database.
	FY 2020 Finding:	2020-024
2019-021	Finding Title:	Internal control over Federal cash management needs improvement
	State Department:	Health and Human Services
	CFDA Number:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department of Health and Human Services Service Center will reconcile current and prior year grants and implement a standardized template for grant daily reconciliations which includes monitoring cash.
	FY 2020 Finding:	2020-021
2019-022	Finding Title:	The Department has no assurance that _________ is 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:	10.557
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	The Department will take steps to effectively address and remediate this condition. Policies to address this issue will be established and implemented.
	FY 2020 Finding:	2020-025
2019-023	Finding Title:	Internal control over payroll costs needs improvement
	State Department:	Defense, Veterans and Emergency Management
	CFDA Number:	12.401
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	Procedures have been revised, improved and are being further refined to address these situations.
	FY 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
2019-024	Finding Title:	Internal control over cash management for travel advances 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
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	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.
	FY 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
2019-025	Finding Title:	Internal control over subrecipient monitoring procedures needs improvement
	State Department:	Health and Human Services
	CFDA Number:	14.267
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department has 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.
	FY 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="6">2019-026</td><td>Finding Title:</td><td colspan="4">Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">14.267</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was taken during FY 2020</td></tr>
<tr><td rowspan="10">2019-027</td><td>Finding Title:</td><td colspan="4">Internal control over continuing eligibility needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Labor</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">17.225</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2011</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$10,375</td><td>$0</td><td>$10,375</td></tr>
<tr><td>Likely</td><td>$5,272,833</td><td>$0</td><td>$5,272,833</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Management disagrees with this finding and does not believe that corrective action is required</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department has been and continues to consult with the U.S. Department of Labor (USDOL) on any changes due to the COVID-19 pandemic. Benefit payments and any changes made due to the pandemic are in accordance with Maine State laws, Federal laws and guidance from the USDOL. Additionally, the Department has enhanced partnerships with state and federal agencies to ensure program integrity.</td></tr>
<tr><td>FY 2020 Finding:</td><td colspan="4">2020-026</td></tr>
<tr><td rowspan="8">2019-028</td><td>Finding Title:</td><td colspan="4">The Department has no assurance that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)</td></tr>
<tr><td>State Department:</td><td colspan="4">Labor</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">17.225</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was not completed in FY 2020</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department is currently taking steps to effectively address and remediate this condition. However, the Department routinely performs other security assessments and believes this provides adequate security assurances.</td></tr>
<tr><td>FY 2020 Finding:</td><td colspan="4">2020-013</td></tr>
<tr><td rowspan="6">2019-029</td><td>Finding Title:</td><td colspan="4">Internal control over earmarking requirements needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Labor</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">84.126</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was taken during FY 2020</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2019-030	Finding Title:	Internal control over program income needs improvement
	State Department:	Labor
	CFDA Number:	84.126
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	Since February of 2020, the Bureau of Rehabilitation Services (BRS) Quality Assurance (QA) Division, with assistance from Maine IT, is working closely with the AWARE case management system vendor to resolve issues with the Social Security Administration (SSA) cost reimbursement module. The QA Division does have a number of internal controls in place regarding the processing of SSA cost reimbursement claims, including the review of each payment received to confirm which client and claim it is associated with and assessing any difference between the claim and payment amount. In addition, bureau management reviews a quarterly report indicating claims submitted, potential reimbursement, number of denials and approvals and total reimbursement amount. Going forward, BRS will enhance its claims review process. On a quarterly basis the Bureau will analyze the report and identify any patterns or discrepancies to determine which need further investigation. Keeping in mind that BRS does not have access to some of the data SSA uses in determining the final claim amount, such as beneficiary eligibility periods and anticipated savings to the SSA trust fund, it is likely that differences in the claim amount requested and received will continue for a significant percentage of claims.
	FY 2020 Finding:	2020-031
2019-031	Finding Title:	Internal control over the timeliness of eligibility determinations needs improvement
	State Department:	Labor
	CFDA Number:	84.126
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	In the Fall of 2020, the Division of Vocational Rehabilitation (DVR) issued an updated procedural directive on the eligibility process that set a maximum timeframe from date of application to date of intake. It also provides guidelines on how to streamline the eligibility process. All DVR/DBVI VR staff were trained on the streamlined process in November and December of 2020. That training is now included in the training for all new VR counselors and is posted on the bureau's intranet for future reference. BRS (DVR and DBVI) has several internal control procedures in place to monitor the requirement for a 60-day eligibility or a signed eligibility extension. There are also reports available in the AWARE case management system to assist VR counselors, supervisors and managers with monitoring eligibility due dates and organizing their work. BRS will provide a refresher staff training on how to generate and use these reports. The BRS QA unit will also provide regional reports to the Division Directors and Regional Managers on a monthly basis to assist with monitoring. It should be noted that even with effective internal controls in

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		place, BRS often faces difficulties contacting applicants to arrange for an intake to establish eligibility or to get a signature to approve an eligibility extension. The impact of the COVID pandemic has added challenges to the eligibility determination process as well. Despite the aforementioned issues, DVR and DBVI placed a higher priority on keeping cases open during this unprecedented time.
	FY 2020 Finding:	2020-032
2019-032	Finding Title:	Internal control over provider site visits and corrective action follow up needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.268
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	Due to the COVID-19 pandemic response, the Maine Immunization Program was unable to provide the resources or time to complete this audit. However, we continue to comply with all Federal CDC requirements as outlined in our Cooperative Agreement. Inventory management oversight, supervisory reviews, and/or alternative compliance monitoring will continue as allowable by resources, Federal CDC and post-pandemic protocols.
	FY 2020 Finding:	2020-034
2019-033	Finding Title:	Internal control over Federal cash management needs improvement
	State Department:	Administrative and Financial Services
	CFDA Number:	93.268
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department of Health and Human Services Service Center implemented a standardized template for grant daily reconciliations which includes monitoring cash. This template was implemented for the Immunization grant in October 2020.
	FY 2020 Finding:	2020-036
2019-034	Finding Title:	The Department has no assurance that ________ over the ________ is 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:	93.268
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Department will take steps to effectively address and remediate this condition by June 30, 2022. Policies to address this issue will be established and implemented.
	FY 2020 Finding:	2020-037

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2019-035	Finding Title:	Monitoring over subrecipient cash management needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558; 10.557; 16.575; 93.044, 93.045, 93.053; 93.667; 93.569; 93.917
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY20 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 advanced payments must be as close as is administratively feasible to the actual disbursements. The Department's written procedures for monitoring the actual expenditures and reconciling those to payments is as close as administratively feasible.
	FY 2020 Finding:	2020-042
2019-036	Finding Title:	Internal control over subrecipient contracts needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558; 16.575; 93.044, 93.045, 93.053; 93.667; 93.569; 93.917
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	During the fiscal year 2020 the Department updated the contract templates to include DUNS numbers and proper references to the Uniform Guidance. Updated Service Contract template to include Department and Provider Point of Contact that references the DUNS Number. January 1, 2020 Updated Rider D no.17 to correctly identify the Uniform Guidance as the Federal guidance requirement, rather than A-133. February 1, 2020
	FY 2020 Finding:	ML-20-1111-06
2019-037	Finding Title:	Internal control over Income Eligibility and Verification System procedures needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Office for Family Independence has designed and implemented a standard operating procedure creating a formal monthly monitoring process, thus increasing the oversight of all IEVS reports.
	FY 2020 Finding:	2020-043
2019-038	Finding Title:	Risk evaluation procedures to determine the extent of appropriate subrecipient monitoring need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2017

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Questioned Costs:	None
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	There are multiple ways the Department evaluates risk on its subrecipients, the Division of Audit's risk evaluation is one of them. The Division of Audit uses the risk assessment to determine how much testing of invoices to perform. There is also an assessment of risk built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which all of our subrecipients have reporting requirements based on their level of expenditures. These thresholds are lower than the audit requirements of 2 CFR 200 so those that fall below the single audit threshold will have agreement expenditures tested much more frequently.
	FY 2020 Finding:	2020-044
2019-039	Finding Title:	Internal control over TANF performance reporting and work participation procedures needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020 for the secondary review portion of this finding. Management disagrees with the work participation information portion of this finding and does not believe that corrective action is required.
	Explanation:	The Office for Family Independence (OFI) agrees with the Condition pertaining to the ACF 199 and 209 reporting process and review. We have proposed a Corrective Action Plan addressing this item. OFI disagrees with the work participation and countable month aspects of this finding until such time as these exceptions can be documented by Audit and verified by OFI regarding reference to the 21 and 22 clients in this finding.
	FY 2020 Finding:	2020-041
2019-040	Finding Title:	Internal control over payments to and on behalf of TANF clients needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2018
	Questioned Costs:	see table below
	FY20 Status:	Corrective action was not completed in FY 2020

Questioned Costs	Total	Federal	State
Known	$1,120	$1,120	$0
Likely	$1,295,496	$1,295,496	$0

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	Explanation:	The Office for Family Independence will review existing internal controls, monitoring, and documentation procedures regarding payments made to TANF providers for transitional and ASPIRE/HOPE support services and update as appropriate.
	FY 2020 Finding:	2020-039
2019-041	Finding Title:	Internal control over the retention of Income Eligibility and Verification System reports needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	Four weekly IEVS reports (2 Prisoner Verify and 2 Death Data) were not generated consecutively; however, the data associated with these reports was captured on the next IEVS weekly reports. Corrective action was implemented in April 2020 to address this finding. As an additional measure, OFI will conduct reviews of existing Standard Operating Procedures and existing protocols and modify them, if necessary, to highlight missing reports in the future.
	FY 2020 Finding:	ML-20-1111-01
2019-042	Finding Title:	The Department has no assurance that ________ is 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:	93.558
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department has robust contractual oversight and monitoring functions in place.
	FY 2020 Finding:	2020-046
2019-043	Finding Title:	Internal control over special reporting needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Standard Operating Procedure (SOP) for submission of the ACF-204 will be updated to include: clear segregation of duties, archival and documentation requirements associated with the reviews and approval process prior to submission, as well as a process for error resolution should those reviews warrant a change.
	FY 2020 Finding:	2020-045

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2019-044	Finding Title:	Internal control over monthly reconciliation procedures needs improvement
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.563
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	We are implementing procedures to ensure that monthly reconciliations of cash collections between CSEME and Advantage are performed in a timely manner.
	FY 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
2019-045	Finding Title:	Internal control over individual client Cost of Care assessments needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	Undeterminable
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Office for Family Independence developed a Standard Operating Procedure to conduct a quality assurance review from a sample of Cost of Care cases monthly. This was implemented January 2021. A review of the monthly cost of care report received by the Office of MaineCare Services (OMS) Adjustments Unit for the claims in question showed an error in how the report was run. Therefore, when the claims were adjusted, the updated cost of care was not appropriately applied. OMS will correct the report moving forward.
	FY 2020 Finding:	2020-049
2019-046	Finding Title:	Internal control over compliance with eligibility determination requirements needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The below information was previously presented to The Office of the State Auditor (OSA) prior to the filing of this finding. Both the previous response and the information contained below reference citations of federal regulations to support the Department's position of 'Disagree' with this finding. Audit's report indicates that identity source documents were not recorded in ACES or available in the case file. The auditor indicates in the exception file that electronic verification does not meet the standard for

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		identity verification as outlined in the MaineCare Eligibility Manual, Part 2, Section 3.2, and that citizenship and identity documents must be maintained in the case file or electronic record, regardless of age of the case. In doing so, the auditor misreads the requirements. 1902(ee) of the Social Security Act permits states to verify citizenship and identity through the State Verification and Exchange System (SVES). These records are documented in the ACES record with an electronic record produced by the SVES exchange. The cases identified by the auditor as errors on this basis are, in fact, in compliance with all applicable requirements. State Audit is incorrectly excluding ACES as part of the electronic case file. Federal Payment Error Rate Measurement (PERM) audit does not agree with the errors of missing citizenship in cases where paper documentation was gathered pre-Fortis if documentation or indicators within the ACES citizenship record that it was previously verified. This requirement is also outlined in the MaineCare Eligibility Manual, Part 2, Section 3.2, VII., D. The Department disagrees with the contention that supporting documents related to income verification from CMS-approved data sources were erroneously missing. 42 CFR §435.948 requires states to request and accept verification from electronic sources it has deemed useful. Maine's Verification Plan as required by regulations at 42 CFR 435.945(j) includes The Work Number as one of the approved sources. The electronic verification must be accepted and is contained within the ACES record. There is no state or federal requirement to print and store all electronic verifications received, and as such cases with these purported errors were also incorrectly identified. Exceptions based on state wage and tax information are also incorrectly identified both because the finding does not accurately reflect the Office for Family Independence's (OFI) regulatory requirements and because it misunderstands the relevance and utility of those financial sources for Medicaid eligibility determinations. Maine does not use state wage or tax information, because this data is not available contemporaneously and because it does not provide an accurate representation of current income or household circumstances. Medicaid eligibility is determined based on current circumstances, and household composition is not required to be verified per Maine's Verification Plan which is allowable per 42 CFR 435.945(j). As household composition, intent to file, or income can and does change repeatedly throughout the year, all findings based on annual state tax-filing information from the Maine Revenue Service are misplaced. An individual's total household income at the end of the year is not available at the time of eligibility determination and is not an indicator of future income. Even as a post-determination review, tax data is not broken down per month, and therefore would not accurately indicate the individual's household composition or income at the time of eligibility determination.
	FY 2020 Finding:	2020-052

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2019-047	Finding Title:	Internal control over Long Term Care Facility Audits needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY20 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. For Hospital audits, the Department disagrees with the auditor's results because the auditor is calculating the days to complete desk reviews and audits utilizing the cost report "received date" rather than the "acceptance date". The auditor is attempting to justify this method based on what the auditor characterizes as a "material increase" in the average number of days taken to accept as-filed cost reports. The Department disagrees with the auditor's calculation method and there isn't a deadline in the MCBM to accept as-filed cost reports. The Department believes that it is in compliance with the State Plan and we believe we have effective controls to comply with the current regulations.
	FY 2020 Finding:	2020-048
2019-048	Finding Title:	Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Program Integrity manager will establish quarterly case status review meetings with staff to review and document the status of each open case as well the documentation supporting the cases closed during the preceding quarter.
	FY 2020 Finding:	2020-051
2019-049	Finding Title:	Internal control over provider enrollment packages needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The system upgrade was a process enhancement and not the result of a control or compliance deficiency. The Department's longstanding licensure verification process is to term a provider's contract with MaineCare concurrent to the period of licensure for that provider as supplied during

Summary Schedule of Prior Audit Findings					
Finding Number	**Prior Audit Finding Status**				
		enrollment. In other words, the licensed provider's ability to bill and be reimbursed by MaineCare would end with the last effective date of the provider's license as supplied by the provider, unless the provider subsequently updates that licensure information. If a provider updates licensure information via an enrollment case, the Department would then review that information under its normal enrollment processes, verify/confirm the licensure, and update the provider's contract accordingly. If a provider fails to update the license information, the licensed provider's contract would expire, and any claims associated with that provider would deny and not be paid. The Department notes that this audit did not find any instances in which a provider was reimbursed during the audit year during a period of non-licensure. The Department maintains that its processes were adequate to meet its obligations under the applicable federal regulations. While the Department did implement an automated licensure verification process during the audit year, that system upgrade does not mean that, before the implementation of the upgrade, the Department lacked a process to ensure a provider was licensed.			
	FY 2020 Finding:	2020-061			
2019-050	Finding Title:	Internal control over Medicare Part B premium payments needs improvement			
	State Department:	Health and Human Services			
	CFDA Number:	93.775, 93.777, 93.778			
	Initial Finding FY:	2019			
	Questioned Costs:	Questioned Costs	Total	Federal	State
		Known	$134	$86	$48
		Likely	$2,163,872	$1,395,265	$768,607
	FY20 Status:	Corrective action was not completed in FY 2020			
	Explanation:	OFI recently revised the standard operating procedures governing Medicare Part B Reconciliation to identify all discrepancies, save monthly files, and will take steps to operationalize these standard operating procedures. Discrepancies will be forwarded to the Office of MaineCare Services and entered into ACES as appropriate. OFI is monitoring this report, and others, on a monthly basis. Our corrective actions will not include retroactive reconciliations. 42 CFR 407.48 prohibits us from retroactively removing premium payments for individuals who lose coverage.			
	FY 2020 Finding:	2020-053			
2019-051	Finding Title:	Internal control over Acute Care Critical Access Hospital supplemental pool payments needs improvement			
	State Department:	Health and Human Services			
	CFDA Number:	93.775, 93.777, 93.778			
	Initial Finding FY:	2019			
	Questioned Costs:	None			
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required			

Summary Schedule of Prior Audit Findings					
Finding Number	**Prior Audit Finding Status**				
	Explanation:	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.			
	FY 2020 Finding:	No finding was issued for 2020 and this program was audited as a major program			
2019-052	Finding Title:	Internal control over the eligibility determination process needs improvement			
	State Department:	Health and Human Services			
	CFDA Number:	93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558			
	Initial Finding FY:	2019			
	Questioned Costs:	None			
	FY20 Status:	Management disagrees with this finding and does not believe that corrective action is required			
	Explanation:	Pre and Post review of determinations is not a requirement to ensure compliance with federal awards--Medicaid, CHIP, SNAP, and TANF. 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 2020 Finding:	2020-054			
2019-053	Finding Title:	Riverview			
	State Department:	Health and Human Services Administrative and Financial Services			
	CFDA Number:	93.775, 93.777, 93.778			
	Initial Finding FY:	2014			
	Questioned Costs:	Questioned Costs	Total	Federal	State
		Known	$9,047,317	$9,047,317	$0
		Likely			
	FY20 Status:	Corrective action was taken during FY 2020			

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="8">2019-054</td><td>Finding Title:</td><td colspan="4">Internal control over payments to Health Homes and Behavioral Health Homes needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$29</td><td>$19</td><td>$10</td></tr>
<tr><td>Likely</td><td>$266,420</td><td>$171,574</td><td>$94,846</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action is no longer warranted because of changes that are in process to the value-based payment model that are designed to simplify and integrate MaineCare's three current primary care programs</td></tr>
<tr><td rowspan="6">2019-055</td><td>Finding Title:</td><td colspan="4">Provider eligibility procedures need to further integrate Automated Data Exchange</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778; 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was taken during FY 2020</td></tr>
<tr><td rowspan="6">2019-056</td><td>Finding Title:</td><td colspan="4">Provider eligibility procedures need to address Advance Directives</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778; 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2009</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was taken during FY 2020</td></tr>
<tr><td rowspan="8">2019-057</td><td>Finding Title:</td><td colspan="4">Internal control over ________ assigned to ________ needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2017</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY20 Status:</td><td colspan="4">Corrective action was not completed in FY 2020</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department is currently taking steps to effectively address and remediate this condition, and implementation efforts are ongoing. In addition, compensating controls have been in place to reduce the risk associated with this condition.</td></tr>
<tr><td>FY 2020 Finding:</td><td colspan="4">2020-063</td></tr>
<tr><td rowspan="4">2019-058</td><td>Finding Title:</td><td colspan="4">Internal control over ________ needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
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Finding Number	**Prior Audit Finding Status**	
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	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.
	FY 2020 Finding:	ML-20-0905-04
2019-059	Finding Title:	Internal control over refunding overpayments needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	The Office of MaineCare Services, Third Party Liability Unit (TPL) will continue to implement and monitor the Corrective Action Plan that was initiated in March of 2020. Going forward, duties and responsibilities will continue to be split among three employees to ensure accuracy and more oversight of the overpayment refund process.
	FY 2020 Finding:	ML-20-1106-11
2019-060	Finding Title:	Internal control over the post-payment review process needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was taken during FY 2020
2019-061	Finding Title:	Internal control over cash management needs improvement
	State Department:	Defense, Veterans and Emergency Management
	CFDA Number:	97.036
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	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.
	FY 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
2019-062	Finding Title:	Internal control over the evaluation of each subrecipient's risk of noncompliance needs improvement
	State Department:	Defense, Veterans and Emergency Management
	CFDA Number:	97.036
	Initial Finding FY:	2019
	Questioned Costs:	None

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	Defense, Veterans and Emergency Management (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.
	FY 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program
2019-063	Finding Title:	Internal control over monitoring subrecipient Single Audits needs to be established
	State Department:	Defense, Veterans and Emergency Management
	CFDA Number:	97.036
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY20 Status:	Corrective action was not completed in FY 2020
	Explanation:	Defense, Veterans and Emergency Management (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.
	FY 2020 Finding:	No finding was issued for FY 2020; however, this program was not audited as a major program


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