STATE OF MAINE

SINGLE AUDIT REPORT
Uniform Guidance
Fiscal Year Ending June 30, 2022

Office of the State Auditor
Matthew Dunlap, CIA
State Auditor

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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Deputy State Auditor

Letter of Transmittal

Honorable Members of the Legislative Council, 131st Legislature;

Honorable Janet T. Mills
Governor of the State of Maine

I am pleased to submit the Single Audit of the State of Maine for the fiscal year ended June 30, 2022. 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 2022, $5.7 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
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- 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 2022 Single Audit of the State of Maine.

Respectfully submitted,

Matthew Dunlap, CIA
State Auditor

March 30, 2023

STATE OF MAINE
EXECUTIVE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2022

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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 2022 includes eighteen major Federal programs that represent 83 percent of the $5.7 billion in Federal expenditures for the 2022 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 five 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 16 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 laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. The results of OSA's tests disclosed three instances of noncompliance that is 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 did not express an opinion on compliance with certain program requirements for the Pandemic EBT Food Benefits (P-EBT) program. Because of the significance of the matter described in the Matters Giving Rise to Disclaimer of Opinion on Pandemic EBT Food Benefits (P-EBT) section of the report, OSA was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with Allowable Costs/Cost Principles and Eligibility in relation to Pandemic EBT Food Benefits (P-EBT).

OSA qualified the opinion on compliance with program requirements for the following major Federal programs because of material noncompliance:

- Child and Adult Care Food Program (CACFP)
- Child Nutrition Cluster
- Coronavirus State and Local Fiscal Recovery Funds
- Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- Education Stabilization Fund (ESF)
- Emergency Rental Assistance Program
- Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
- Immunization Cooperative Agreements
- Medicaid Cluster
- Pandemic EBT Food Benefits (P-EBT)
- SNAP Cluster
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
- Temporary Assistance for Needy Families (TANF)
- Unemployment Insurance (UI)

The remaining four major Federal programs complied in all material respects with program requirements.

Internal control over compliance

OSA identified 80 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.

Forty deficiencies were considered to be *material weaknesses* in internal control. 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.

Another 40 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 $113.8 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, 2022

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General Purpose Financial Statements of the State of Maine

For the Fiscal Year Ended June 30, 2022

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B. Melissa Perkins, CPA
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Legislative Council, 131st Maine Legislature;

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (except for blended component unit, Maine Governmental Facilities Authority, and fiduciary component unit, Maine Public Employees Retirement System) of the State of Maine, as of and for the year ended June 30, 2022, and the related notes to the financial statements. We did not audit the financial statements of the blended component unit, fiduciary component unit, or 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.

In our opinion, based on our audit and the reports of the 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, 2022, 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.

We did not audit the financial statements of the following component units: Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Connectivity Authority, 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 represent 100 percent of the assets, net position, and revenue of the aggregate discretely presented component units; 93 percent of assets, 96 percent of net position, and 34 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Maine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters. Key audit matters identified during our audit include:

- Implementation of Governmental Accounting Standards Board (GASB) Statement No. 87 *Leases*: This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities; including reclassification of leases that previously were reported as operating leases and recognized based on the payment provisions of the contract. We audited the State's reclassification and revaluation of leased assets and the reporting thereof. The State's policies relative to leased assets are discussed in Notes 1 and 12 to the financial statements.

- American Rescue Plan Act (ARPA) Coronavirus State and Local Fiscal Recovery Funds (SLFRF) $80 million contribution to the Employment Security Trust Fund (ESTF): In fiscal year 2022, Public Law 2021, Chapter 483, Part D authorized the transfer of $80 million to the ESTF for the purpose of replenishing the ESTF for COVID-19 related benefit payments. The transfer was treated as an offset to current year claims expenses totaling $91.2 million, reducing claims expenses to $11.2 million in the ESTF financial statements. We audited the transfer and its effect on the State's financial statements. The State has discussed this transfer in Note 7 to the financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Maine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit is conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 State of Maine's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Maine's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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-18, 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-115 to B-152, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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.

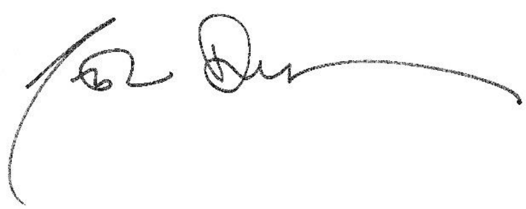
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022, 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. 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.



Matthew Dunlap, CIA
State Auditor
Office of the State Auditor

Augusta, Maine
December 14, 2022

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, 2022. 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, 2022, the effects of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was declared a pandemic by the World Health Organization, continued to impact the economy at all levels, including within the State, and continued to cause volatility in financial markets around the world, including in the United States.

Maine was well-poised, economically before the onset of the COVID- 19 pandemic. Maine'e economy, as measured by GDP, has not only fully recovered to pre-pandemic levels, it has surpassed them. Maine's bond ratings have been upheld by both Moody's and Standard & Poor's, and we have increased the balance in the Budget Stabilization Fund to its highest level ever.

The unprecedented federal fiscal and monetary policies have significantly impacted Maine's economy, raising the volume and mix of economic activity, which is in turn driving revenues and prosperity. 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 increased by $457.5 million, while net position of Business-Type Activities increased by $170.1 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by $2.574 billion at the close of fiscal year 2022. Of this amount $2.029 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 $3.768 billion, an increase of $128.1 million (3.5 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 $2.696 billion, an increase of $175.5 million from the previous year. The General Fund's total fund balance was $960.4 million, an increase of $174.8 million from the previous year. The General Fund tax revenue increase was primarily due to a wage growth of nearly 2 percent as well as a significant increase in capital gains realization. The Other Special Revenue Fund total fund balance was $1.506 billion, an increase of $136.5 million from the prior year. This was due primarily to an increase in net Transfers from Other Funds

- The proprietary funds reported net position at year-end of $1.155 billion, an increase of $192.1 million from the previous year. The increase is primarily the result of an increase in the Employment Security Fund of $156.6 million and an increase in Employee Health Insurance and Retiree Health Insurance Funds, both Internal Service Funds, of $4.6 million and $14.1 million, respectively.

Long-term Debt:

- The State's liability for general obligation bonds decreased by $96.3 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State did not issue any new general obligation bonds and made principal payments of $96.3 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 custodial funds. Fiduciary funds are reported using the accrual basis of accounting. 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.

FINANANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net position increased by $627.6 million to $2.574 billion over the course of fiscal year ended June 30, 2022, as detailed in Tables A-1 and A-2. The increase is primarily due to increased corporate and individual tax revenue for governmental activities.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	**2021***	**2022**	**2021**	**2022**	**2021**
Current and other noncurrent assets						
Current and other assets	$ 4,564,823	$ 4,065,972	$ 730,714	$ 569,197	$ 5,295,537	$ 4,635,169
Long-term assets	1,755,178	1,373,969	8,934	10,758	1,764,112	1,384,727
Current and other noncurrent assets	6,320,001	5,439,941	739,648	579,955	7,059,649	6,019,896
Total capital and right to use assets, net	4,768,024	4,413,231	47,150	39,887	4,815,174	4,453,118
Total Assets	11,088,025	9,853,172	786,798	619,842	11,874,823	10,473,014
Deferred Outflows of Resources	1,677,865	1,159,927	6,588	4,545	1,684,453	1,164,472
Current liabilities	2,900,490	2,418,297	51,158	53,349	2,951,648	2,471,646
Non-current liabilities	5,489,161	6,996,022	20,541	29,037	5,509,702	7,025,059
Total Liabilities	8,389,651	9,414,319	71,699	82,386	8,461,350	9,496,705
Deferred Inflows of Resources	2,513,699	193,764	10,085	519	2,523,784	194,283
Net Position (Deficit)						
Net Investment in Capital Assets	3,724,890	3,592,705	47,150	39,887	3,772,040	3,632,592
Restricted	163,469	171,245	667,500	510,934	830,969	682,179
Unrestricted (deficit)	(2,025,819)	(2,358,934)	(3,048)	(9,339)	(2,028,867)	(2,368,273)
Total Net Position	$ 1,862,540	$ 1,405,016	$ 711,602	$ 541,482	$ 2,574,142	$ 1,946,498

* As restated

The State's fiscal year 2022 revenues totaled $13.569 billion. (See Table A-2) Taxes and Operating grants and contributions accounted for most of the State's revenue by contributing 45.7 percent and 42.2 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 State Fiscal Recovery Funds (CSFRF) during fiscal year 2020 to be expended through fiscal year 2023.

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 American Rescue Plan Act of 2021, also known as ARPA, is a $1.9 trillion dollar bill intended to provide funding to combat the COVID-19 pandemic, including public health and economic impacts, signed into law on March 11, 2021. Through federal legislation, the State of Maine received $997.5 million dollars of State and Local Fiscal Recovery Funds (SLFRF) payable in two tranches. The first tranche of $498.75 million was received during fiscal year 2021 and the second tranche of $498.75 was received in fiscal year 2022.

The total cost of all programs and services totaled $12.941 billion for the year 2022. (See Table A-2) These expenses are predominantly (64.7 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 12.5 percent of total costs. Total net position increased by $627.6 million, primarily due to an increase in tax revenue of $898.1 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	
	2022	**2021***	**2022**	**2021***	**2022**	**2021***
Revenues:						
Program Revenues:						
Charges for Services	$ 645,509	$ 597,760	$ 820,945	$ 791,159	$ 1,466,454	$ 1,388,919
Operating grants and contributions	5,721,551	6,124,694	9,132	19,379	5,730,683	6,144,073
General Revenues:						
Taxes	6,197,751	5,299,667	-	-	6,197,751	5,299,667
Other	174,068	201,560	-	-	174,068	201,560
Total Revenues	12,738,879	12,223,681	830,077	810,538	13,568,956	13,034,219
Expenses:						
Governmental Activities:						
Governmental Support	1,618,142	601,274	-	-	1,618,142	601,274
Education	2,691,379	2,518,099	-	-	2,691,379	2,518,099
Health & Human Services	5,680,639	4,911,056	-	-	5,680,639	4,911,056
Justice & Protection	565,778	538,019	-	-	565,778	538,019
Transportation Safety	732,881	696,683	-	-	732,881	696,683
Economic Development & Workforce Training	738,928	1,705,292	-	-	738,928	1,705,292
Other	338,679	335,746	-	-	338,679	335,746
Interest Expense	37,835	57,852	-	-	37,835	57,852
Business-type Activities:						
Employment Security	-	-	11,217	251,681	11,217	251,681
Lottery	-	-	319,494	328,250	319,494	328,250
Alcoholic Beverages	-	-	183,874	175,750	183,874	175,750
Other	-	-	22,466	23,343	22,466	23,343
Total Expenses	12,404,261	11,364,021	537,051	779,024	12,941,312	12,143,045
Excess (Deficiency) before Special Items, Gain (Loss) on Sale of Assets and Transfers	334,618	859,660	293,026	31,514	627,644	891,174
Transfers	122,906	120,002	(122,906)	(120,002)	-	-
Increase (Decrease) in Net Position	457,524	979,662	170,120	(88,488)	627,644	891,174
Net Position, beginning of year	1,405,016	425,354	541,482	629,970	1,946,498	1,055,324
Ending Net Position	$ 1,862,540	$ 1,405,016	$ 711,602	$ 541,482	$ 2,574,142	$ 1,946,498

* As Restated

Governmental Activities

Revenues for the State's Governmental Activities totaled $12.739 billion while total expenses equaled $12.404 billion. The increase in net position for Governmental Activities was $457.5 million in 2022, which was primarily the result of an increase in tax revenue of $898.1 million. The increase in tax revenue was primarily due to a wage increase of nearly 2 percent as well as a significant increase in capital gains realization. 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 $122.9 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 $645.5 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $5.722 billion. $6.372 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 2022

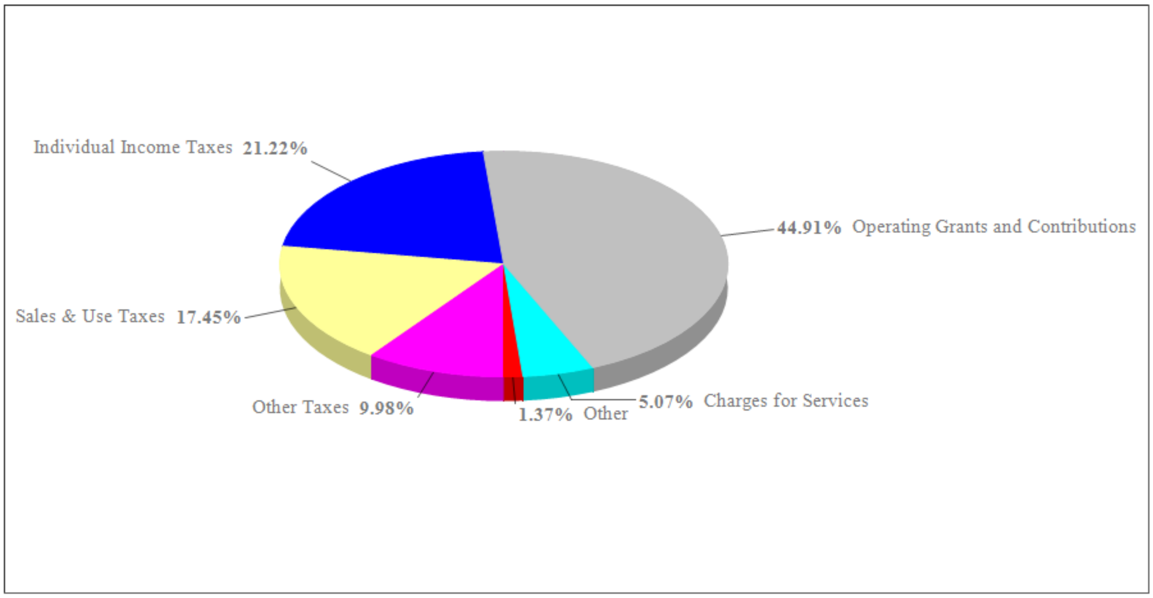
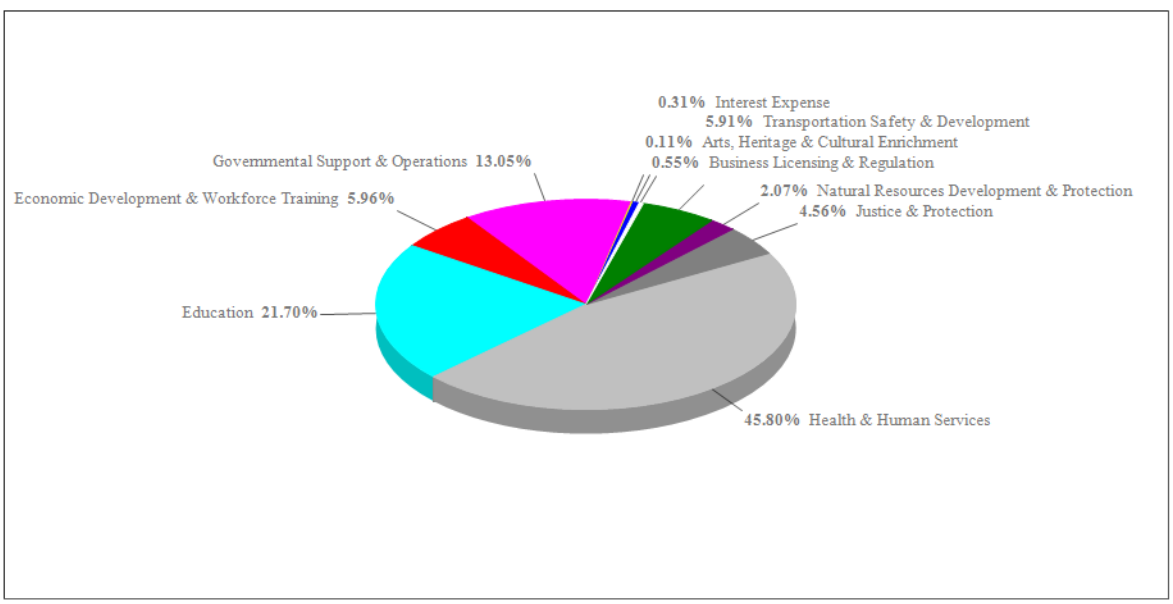


TABLE A-4: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2022



Business-Type Activities

Revenues for the State's Business-Type Activities totaled $830.1 million while expenses totaled $537.1 million. The increase in net position for Business-Type Activities was $170.1 million in 2022, due entirely to the decrease in expenses related 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)	
	2022	**2021**	**2022**	**2021**
Employment Security	$ 11,217	$ 251,681	$ 160,823	$ (95,234)
Alcoholic Beverages	183,874	175,750	62,026	61,671
Lottery	319,494	328,250	72,368	69,748
Ferry Services	13,713	12,501	(7,166)	(6,659)
Consolidated Emergency Communications	5,705	6,120	1,335	989
Other	3,048	4,722	3,640	999
Total	$ 537,051	$ 779,024	$ 293,026	$ 31,514

The cost of all Business-Type Activities this year was $537.1 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was $293.0 million. Employment Security net revenue increased by $160.8, while Alcoholic Beverages and Lottery contributed $62.0 and $72.4 million of net revenue, respectively. The $122.9 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)

	2022	**2021**	**Change**
General	$ 960,371	$ 785,596	$ 174,775
Highway	4,185	56,673	(52,488)
Federal	52,326	61,932	(9,606)
Other Special Revenue	1,506,249	1,369,756	136,493
Other Governmental Funds	172,420	246,120	(73,700)
Total	$ 2,695,551	$ 2,520,077	$ 175,474

As of the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $2.696 billion, an increase of $175.5 million in comparison with the prior year. Of this total, $67.5 million (2.5 percent) is classified as non-spendable, either due to its form or legal constraints, and $994.1 million (36.9 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 2022, there was a $604.4 million of unassigned fund balance on the GAAP basis in the General Fund.

General Fund revenues and other sources were greater than General Fund expenditures and other uses resulting in an increase in the fund balance of $174.8 million. Revenues and other sources of the General Fund increased by approximately $710.1 million (13.9 percent), as compared to fiscal year end 2021, which is mainly attributed to an increase in tax revenue of over $701.7 million primarily due to in Sales & Use Tax, Individual Income Tax and Corporate Income Tax. General Fund expenditures and other financing uses increased by $1.1 billion (24.1 percent), as compared to fiscal year 2021. This is due, primarily, to an increase in Transfers to Other Funds of $713.4 million primarily related to various legislative initiatives.

Other Special Revenue Fund balance increased $136.5 million, due primarily to an increase in net Transfers from Other Funds of $720.1 million for various legislative initiatives.

Budgetary Highlights

For the 2022 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $4.375 billion, an increase of about $18 million from the original legally adopted budget of approximately $4.357 billion. Actual expenditures on a budgetary basis amounted to approximately $281.9 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2022, including the budgeted starting balance for fiscal year 2022, there were funds remaining of $502.4 million to distribute in fiscal year 2022. Actual revenues exceeded final budget forecasts by $517.7 million. Interest earnings of $2.5 million along with legislatively and statutorily approved transfers resulted in an increase to the balance in the Budget Stabilization Fund to $896.0 million as of June 30, 2022. 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 2022, the State had roughly $4.815 billion in a broad range of capital and right to use assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2022, the State acquired or constructed more than $216.8 million of capital and right to use 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 18 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021*	2022	2021	2022	2021
Land	$ 662,161	$ 654,589	$ 2,389	$ 2,389	$ 664,550	$ 656,978
Construction in Progress	269,286	173,313	14,582	17,446	283,868	190,759
Infrastructure	3,039,388	2,988,290	-	-	3,039,388	2,988,290
Buildings*	794,708	799,063	4,655	4,655	799,363	803,718
Equipment	353,249	341,501	36,945	24,664	390,194	366,165
Improvements Other Than Buildings	114,619	111,754	42,757	42,757	157,376	154,511
Software	121,686	121,686	-	-	121,686	121,686
Total Capital Assets	5,355,097	5,190,196	101,328	91,911	5,456,425	5,282,107
Less: Accumulated Depreciation	818,357	776,965	54,178	52,024	872,535	828,989
Capital Assets, net	4,536,740	4,413,231	47,150	39,887	4,583,890	4,453,118
Right to Use Assets*	240,810	232,285	-	-	240,810	232,285
Less: Accumulated Amortization	9,526	-	-	-	9,526	-
Right to Use Assets, net	231,284	232,285	-	-	231,284	232,285
Capital and Right to Use Assets, net	$ 4,768,024	$ 4,645,516	$ 47,150	$ 39,887	$ 4,815,174	$ 4,685,403

* As restated

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 8,789 highway miles or 17,851 lane miles within the State. Bridges have a deck area of 12.4 million square feet among 3,019 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2022, the actual average condition was 76.2. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 74.0 at June 30, 2022. Preservation costs for fiscal year 2022 totaled $176.0 million compared to estimated preservation costs of $185.0 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by PL 2019, Chapter 673, $460 thousand in General Fund bonds were spent during fiscal year 2022.

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 $1.716 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	
	2022	**2021***	**2022**	**2021**	**2022**	**2021**
General Obligation						
Bonds	$ 505,820	$ 589,665	$ -	$ -	$ 505,820	$ 589,665
Unmatured Premiums	76,968	89,397	-	-	76,968	89,397
Other Long-Term Obligations	1,132,197	1,149,574	959	979	1,133,156	1,150,553
Total	$ 1,714,985	$ 1,828,636	$ 959	$ 979	$ 1,715,944	$ 1,829,615

*As restated

During the year, the State reduced outstanding long-term obligations by $96.3 million for general obligation bonds and $319.3 million for other long-term debt. Also during fiscal year 2022, the State incurred $301.9 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2022 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 28, 2022, to review and revise its forecast through 2027. This meeting builds on the Commission's forecast update of February 1, 2022, incorporating the most recent data available for all relevant baseline data.

The CEFC is optimistic about recent strong in-migration to Maine and its potential to fuel the local economy. However, the Commission notes that limiting factors such as lack of housing and childcare may hamper growth in the coming years. Additionally, the CEFC is concerned about high rates of inflation and associated interest rate hikes. High heating oil prices during the coming winter season will present challenges for Maine households. These high energy costs, combined with high overall inflation, geopolitical upheaval, and tight labor markets were among the key risks to continued economic growth that the CEFC considered as it revised its forecasts.

Total nonfarm employment is forecast to increase by 2.5% in 2022 based on year-to-date estimates from the Maine Department of Labor, 0.8% in 2023, 0.4% in 2024, and 0.2% in 2025, before leveling off to 0.0% growth in 2026 and 2027. This reflects an upward revision to the 2022 growth rate, but a downward revision for 2023. The CEFC noted that the downward revision in 2023 was incorporated due to uncertainty surrounding current labor market tightness. The revised forecast anticipates employment will nearly return to pre-pandemic levels in 2022, will surpass them in 2023 and will grow to 645,300 in 2025 before leveling off. These forecast levels of employment are higher than those expected in the Commission's February 2022 forecast.

The Commission raised its forecast for total personal income growth in 2022 from 1.7% to 3.6%, left its forecast unchanged for 2023 at 5.0%, and revised its forecast for 2024-2026 down slightly to 4.7%, 4.4%, and 4.5%, respectively, reflecting the Federal Reserve's current efforts to restrain inflation by continuing modest increases in interest rates over the next few months. These were 0.2, 0.1 and 0.1 percentage points lower than the last forecast for 2024-2026. The Commission also revised its forecast for 2027 up from 4.5% to 4.6%. This revision in the near-term accounts for data pointing to strong wage growth in 2022.

The Commission revised its estimates of growth in wages and salaries, the largest component of personal income, up from 6.5% to 11.0% in 2022 and from 5.5% to 6.0% in 2023, leaving the remaining years unchanged. Similarly, it revised growth in supplements to wages and salaries up from 6.5% to 7.0% in 2022 but left all following years unchanged. The upward revision in 2022 is due to strong wage growth and the recognition that retirement contributions are often tied to wages and salaries.

The Commission revised its forecast for growth in the Consumer Price Index (CPI) up from 5.0% to 8.3% for 2022 following persistently high inflation in recent months. The forecast was also revised up for all remaining years, from 4.0% to 5.8% for 2023; from 2.5% to 4.0% for 2024; from 2.5% to 3.5% for both 2025 and 2026; and from 2.5% to 3.0% for 2027. High energy prices, labor market tightness, and continued supply challenges have led the CEFC to expect inflation to take several years to abate.

Finally, the Commission revised its forecast for corporate profits up in 2022, from 4.0% to 10.2%, and down in 2023 and 2024, to 2.0% and 5.0% (from 4.0% and 6.0%, respectively). The forecasts for 2025-2027 were left unchanged, at 6.0% each year.

Maine had a strong year of population growth in 2021, gaining just under 10,000 in population. Net domestic migration fueled Maine's growth as the state had the seventh highest net domestic migration rate in the U.S. and first in New England.

Total personal income grew by 4.5% in the second quarter of 2022. Wage and salary income, which is the largest component of personal income, grew by 6.0%. Meanwhile, Gross Domestic Product fell for two consecutive quarters, by 0.5% and 1.2% in the first two quarters of 2022. The Consumer Price Index continues to show persistently rapid price increases, reaching a peak of 9.1% year-over-year in June and decelerating to 8.2% by September. The PCE price index increased by 6.2% in August.

Given high inflation and economic uncertainty, the Consumer Sentiment Index was down almost 17% in October, though rebounding slightly from a series low in June. The Small Business Optimism Index was down 7.1% from a year ago in September.

Single family existing-home sales have cooled, with the number of sales falling by 8.6% year-over-year in September, although prices continued to increase by a more modest 3.1%. Maine's House Price Index rose 21% in the second quarter of 2022 over a year prior, higher than both New England and the United States.

The key assumptions made by the CEFC are:

- Economic conditions are highly uncertain, with the potential for a slowdown in 2023; concerns remain that conditions are uneven across different sectors, demographic/socioeconomic groups, and amongst Maine counties.

- We have transitioned to an endemic phase of COVID-19; people's behavior has adjusted to living with the risks of the virus (the "new normal") and the economy and health system will be minimally disrupted by foreseeable future waves.

- No further federal stimulus is anticipated; many businesses that are paying back loans from past stimulus in the face of uncertain economic conditions are struggling. High inflation, high interest rates, low consumer sentiment, housing affordability/availability, and the correction in the stock market combine to create a challenging macroeconomic environment.

- The current labor supply is limited and affected by many different factors, including structural changes in the economy, the availability of consistent, in-person childcare, retirements by workers age 55 and up, and the demographic structure of Maine's population. Migration has been a source of growth for labor supply. The Commission is optimistic that there is an opportunity for Maine to see continued increased in-migration in the coming years as telework has become part of the "new normal" and people look for locations that allow for work-life balance and access to outdoor recreation, but housing and childcare/school availability are potential limiting factors.

- Rising interest rates are slowing effective demand for real estate, although variation in regional economies exists. Higher home prices have contributed to higher rental prices. Affordability is of particular concern as interest rates have spiked, causing more potential buyers to be priced out of the market.

- The healthcare system in Maine has been under tremendous stress during the pandemic and those strains are likely to continue for the near term with implications for the workforce and patients accessing care. Workforce and inflation are two key challenges for the healthcare system. Employment remains below pre-pandemic levels although traveling nurses have been providing some additional labor.

- The availability of high-speed internet and mobile phone coverage will be an important equalizer between urban and rural areas and could contribute to the diffusion of migration across the state. The creation of the Maine Connectivity Authority and infusion of federal funding will help the successful buildout of high-speed internet. It should be noted, though, that not all jobs can be done in a remote work environment.

- Inflation expectations are much higher, more persistent, and more widespread than what the Federal Reserve Bank previously expected. There is a risk of continued higher inflation into 2023, with higher energy prices posing a particular concern for consumers in Maine where heating oil and gasoline are heavily relied on. Heating oil prices have started the heating season high and are expected to remain elevated, with the potential for even larger costs to households and businesses if there is a colder than usual winter. Inflation risks are likely to take several years to fully ease.

- The strength of the U.S. dollar could pose a challenge to exporters in Maine. A high dollar also keeps energy prices high and could also affect the numbers of Canadian tourists choosing to come to Maine.

- Geopolitical tensions remain elevated and could continue to have a negative effect on the forecast.

The Revenue Forecasting Committee (RFC) will meet to review and update the current revenue forecast to comply with the statutory reporting date in December 2022. Based on the November CEFC forecast, the RFC will consider its revenue projections through the fiscal year ending June 30, 2023 for the General Fund, Highway Fund, Fund for a Healthy Maine and Medicaid/MaineCare Dedicated Revenue Taxes.

At June 30, 2022, the State of Maine reported an ending fund balance of $960.4 million in the General Fund on a GAAP basis, an increase of more than $174.8 million since the end of fiscal year 2021. The General Fund "unassigned" fund balance on a GAAP basis at June 30, 2022 was $604.4 million.

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:

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14 State House Station
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BASIC FINANCIAL STATEMENTS


DIRIGO
MAINE

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STATE OF MAINE
STATEMENT OF NET POSITION

June 30, 2022
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 2,397,539	$ 13,716	$ 2,411,255	$ 123,984
Cash and Cash Equivalents	217	1,218	1,435	213,138
Cash with Fiscal Agent	268,797	-	268,797	-
Investments	143,071	-	143,071	924,187
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	49,398	-	49,398	-
Restricted Deposits and Investments	1,935	622,016	623,951	542,159
Inventories	29,686	5,068	34,754	1,323
Receivables, Net of Allowances for Uncollectibles:				
Taxes Receivable	598,459	-	598,459	-
Settlements Receivable	39,365	-	39,365	-
Loans, Leases & Notes Receivable	3,248	-	3,248	125,097
Other Receivables	345,714	84,927	430,641	74,185
Internal Balances	(3,769)	3,769	-	-
Due from Other Governments	600,947	-	600,947	206,042
Due from Primary Government	-	-	-	31,713
Loans Receivable from Primary Government	-	-	-	58,148
Due from Component Units	74,637	-	74,637	-
Other Current Assets	15,579	-	15,579	40,206
Total Current Assets	4,564,823	730,714	5,295,537	2,340,182
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	1,561,411	8,934	1,570,345	80,746
Investments	-	-	-	589,070
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	32,172	-	32,172	-
Restricted Deposits and Investments	-	-	-	371,805
Pension Assets	20,087	-	20,087	578
Receivables, Net of Current Portion:				
Taxes Receivable	80,841	-	80,841	-
Settlements Receivable	51,269	-	51,269	-
Loans, Leases & Notes Receivable	4,097	-	4,097	1,991,581
Other Receivables	269	-	269	14,937
Due from Other Governments	5,032	-	5,032	1,496,479
Loans Receivable from Primary Government	-	-	-	212,301
Due from Primary Government	-	-	-	5,361
Post-Employment Benefit Assets	-	-	-	5,500
Other Noncurrent Assets	-	-	-	11,158
Capital Assets:				
Land, Infrastructure, & Other Non-Depreciable Assets	3,970,835	16,971	3,987,806	997,618
Buildings, Equipment & Other Depreciable Assets	565,905	30,179	596,084	1,021,879
Right to Use Assets, Net of Accumulated Amortization	231,284	-	231,284	37,473
Total Noncurrent Assets	6,523,202	56,084	6,579,286	6,836,486
Total Assets	11,088,025	786,798	11,874,823	9,176,668
Deferred Outflows of Resources	$ 1,677,865	$ 6,588	$ 1,684,453	$ 112,067

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	$ 1,002,707	$ 23,257	$ 1,025,964	$ 94,880
Accrued Payroll	53,626	768	54,394	4,544
Tax Refunds Payable	331,626	-	331,626	-
Due to Component Units	33,713	-	33,713	-
Due to Primary Government	-	-	-	74,637
Current Portion of Long-Term Obligations:				
Compensated Absences	10,789	126	10,915	3,540
Due to Other Governments	1,177,095	-	1,177,095	354
Amounts Held under State & Federal Loan Programs	-	-	-	22,878
Claims Payable	22,506	-	22,506	-
Bonds & Notes Payable	102,271	-	102,271	270,974
Revenue Bonds Payable	22,689	-	22,689	29,369
Lease Liabilities	6,872	-	6,872	2,782
Certificates of Participation & Other Financing Arrangements	10,042	-	10,042	-
Loans Payable to Component Unit	58,148	-	58,148	-
Accrued Interest Payable	8,951	-	8,951	28,641
Unearned Revenue	2,887	221	3,108	114,390
Other Post-Employment Benefits	31,424	-	31,424	-
Other Current Liabilities	25,144	26,786	51,930	92,676
Total Current Liabilities	2,900,490	51,158	2,951,648	739,665
Long-Term Liabilities:				
Compensated Absences	60,466	833	61,299	-
Due to Component Units	5,361	-	5,361	-
Due to Other Governments	-	-	-	4,840
Amounts Held under State & Federal Loan Program	-	-	-	41,675
Claims Payable	58,118	-	58,118	-
Bonds & Notes Payable	480,517	-	480,517	3,780,017
Revenue Bonds Payable	380,523	-	380,523	582,743
Lease Liabilities	227,638	-	227,638	35,326
Certificates of Participation & Other Financing Arrangements	62,104	-	62,104	-
Loans Payable to Component Unit	212,301	-	212,301	-
Unearned Revenue	13,387	-	13,387	-
Net Pension Liability	1,405,725	8,101	1,413,826	26,039
Other Post-Employment Benefits	2,535,660	10,007	2,545,667	58,545
Pollution Remediation & Landfill Obligations	47,361	-	47,361	-
Other Noncurrent Liabilities	-	1,600	1,600	104,706
Total Long-Term Liabilities	5,489,161	20,541	5,509,702	4,633,891
Total Liabilities	8,389,651	71,699	8,461,350	5,373,556
Deferred Inflows of Resources	2,513,699	10,085	2,523,784	146,828
Net Position				
Net Investment in Capital Assets	3,724,890	47,150	3,772,040	1,269,055
Restricted:				
Governmental Support & Operations	5,981	-	5,981	-
Justice & Protection	14,106	-	14,106	-
Employment Security	-	667,500	667,500	-
Other Purposes	-	-	-	1,719,169
Funds Held for Permanent Investments:				
Expendable	101,516	-	101,516	-
Nonexpendable	41,866	-	41,866	314,139
Unrestricted (deficit) Net Position	(2,025,819)	(3,048)	(2,028,867)	465,988
Total Net Position	$ 1,862,540	$ 711,602	$ 2,574,142	$ 3,768,351

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governmental Support & Operations	$ 1,618,142	$ 125,609	$ 13,727	$ -
Arts, Heritage & Cultural Enrichment	14,250	1,089	5,629	-
Business Licensing & Regulation	67,848	95,625	10,257	-
Economic Development & Workforce Training	738,928	7,837	603,933	-
Education	2,691,379	33,687	503,301	-
Health & Human Services	5,680,639	16,938	4,106,058	-
Justice & Protection	565,778	86,823	131,587	-
Natural Resources Development & Protection	256,581	109,270	52,686	-
Transportation Safety & Development	732,881	168,631	294,373	-
Interest Expense	37,835	-	-	-
Total Governmental Activities	12,404,261	645,509	5,721,551	-
Business-Type Activities:				
Employment Security	11,217	162,908	9,132	-
Alcoholic Beverages	183,874	245,900	-	-
Lottery	319,494	391,862	-	-
Ferry Services	13,713	6,547	-	-
Consolidated Emergency Communications	5,705	7,040	-	-
Other	3,048	6,688	-	-
Total Business-Type Activities	537,051	820,945	9,132	-
Total Primary Government	12,941,312	1,466,454	5,730,683	-
Component Units:				
Finance Authority of Maine	47,836	25,736	28,028	-
Maine Community College System	158,503	8,754	64,097	2,265
Maine Health & Higher Education Facilities Authority	24,472	22,574	(9,851)	-
Maine Municipal Bond Bank	66,673	49,042	(18,306)	28,080
Maine State Housing Authority	412,386	73,777	364,742	-
Maine Turnpike Authority	101,320	138,772	-	-
University of Maine System	826,093	305,863	185,562	34,437
All Other Non-Major Component Units	159,348	39,314	114,086	5,720
Total Component Units	$ 1,796,631	$ 663,832	$ 728,358	$ 70,502

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

	Net (Expenses) Revenues and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
	$ (1,478,806)	$ -	$ (1,478,806)	$ -
	(7,532)	-	(7,532)	-
	38,034	-	38,034	-
	(127,158)	-	(127,158)	-
	(2,154,391)	-	(2,154,391)	-
	(1,557,643)	-	(1,557,643)	-
	(347,368)	-	(347,368)	-
	(94,625)	-	(94,625)	-
	(269,877)	-	(269,877)	-
	(37,835)	-	(37,835)	-
	(6,037,201)	-	(6,037,201)	-
	-	160,823	160,823	-
	-	62,026	62,026	-
	-	72,368	72,368	-
	-	(7,166)	(7,166)	-
	-	1,335	1,335	-
	-	3,640	3,640	-
	-	293,026	293,026	-
	(6,037,201)	293,026	(5,744,175)	-
	-	-	-	5,928
	-	-	-	(83,387)
	-	-	-	(11,749)
	-	-	-	(7,857)
	-	-	-	26,133
	-	-	-	37,452
	-	-	-	(300,231)
	-	-	-	(228)
	$ -	$ -	$ -	$ (333,939)
General Revenues:				
Taxes:				
Corporate Taxes	434,675	-	434,675	-
Individual Income Taxes	2,703,462	-	2,703,462	-
Fuel Taxes	244,313	-	244,313	-
Property Taxes	97,805	-	97,805	-
Sales & Use Taxes	2,222,622	-	2,222,622	-
Other Taxes	494,874	-	494,874	-
Unrestricted Investment Earnings	(2,547)	-	(2,547)	(32,600)
Non-Program Specific Grants, Contributions & Appropriations	-	-	-	486,602
Miscellaneous Income	126,074	-	126,074	9,662
Gain (Loss) on Sale of Assets	-	-	-	(1,672)
Tobacco Settlement	50,541	-	50,541	-
Transfers - Internal Activities	122,906	(122,906)	-	-
Total General Revenues and Transfers	6,494,725	(122,906)	6,371,819	461,992
Change in Net Position	457,524	170,120	627,644	128,053
Net Position - Beginning (as restated)	1,405,016	541,482	1,946,498	3,640,298
Net Position - Ending	$ 1,862,540	$ 711,602	$ 2,574,142	$ 3,768,351


DIRIGO
MAINE

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, 2022
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 1,184,570	$ 23,137	$ 937,170	$ 1,316,429	$ 311	$ 3,461,617
Cash & Short-Term Investments	98	76	-	41	-	215
Cash with Fiscal Agent	25,361	803	-	235,518	-	261,682
Investments	-	-	-	-	143,071	143,071
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	81,570	81,570
Inventories	4,379	2	19,547	-	-	23,928
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	641,696	21,983	-	15,621	-	679,300
Settlements Receivable	-	-	-	90,634	-	90,634
Loans Receivable	1	-	-	2,887	-	2,888
Other Receivable	85,566	2,798	203,529	42,626	-	334,519
Due from Other Funds	42,581	8,834	4,100	80,394	-	135,909
Due from Other Governments	-	-	600,040	-	-	600,040
Due from Component Units	-	-	-	74,637	-	74,637
Other Assets	1,301	4	712	89	-	2,106
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 1,985,664	$ 57,637	$ 1,765,098	$ 1,858,876	$ 224,952	$ 5,892,227
Liabilities						
Accounts Payable	$ 199,956	$ 37,268	$ 470,605	$ 204,498	$ 30	$ 912,357
Accrued Payroll	25,420	7,971	5,780	9,986	-	49,157
Tax Refunds Payable	331,614	12	-	-	-	331,626
Due to Other Governments	-	-	1,130,487	-	-	1,130,487
Due to Other Funds	109,182	4,533	32,232	21,495	47,605	215,047
Due to Component Units	2,509	197	21,795	7,052	4,894	36,447
Unearned Revenue	-	3,105	2,705	10,279	3	16,092
Other Accrued Liabilities	19,479	4	2,560	5,653	-	27,696
Total Liabilities	688,160	53,090	1,666,164	258,963	52,532	2,718,909
Deferred Inflows of Resources	337,133	362	46,608	93,664	-	477,767
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	41,866	41,866
Inventories & Prepaid Items	5,365	-	20,258	-	-	25,623
Restricted	29,456	4,185	32,068	797,808	130,554	994,071
Committed	14,666	-	-	566,006	-	580,672
Assigned	306,474	-	-	142,435	-	448,909
Unassigned	604,410	-	-	-	-	604,410
Total Fund Balances	960,371	4,185	52,326	1,506,249	172,420	2,695,551
Total Liabilities, Deferred Inflows and Fund Balances	$ 1,985,664	$ 57,637	$ 1,765,098	$ 1,858,876	$ 224,952	$ 5,892,227

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

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

June 30, 2022
(Expressed in Thousands)

Total fund balances for governmental funds		$ 2,695,551
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.	4,986,738	
Accumulated Depreciation & Amortization	(587,248)	
		4,399,490
Refunded Bond Deferred Outflows		1,237
Pollution Remediation Receivable		283
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Position. This net effect of these balances on the statement:		
Bonds Payable	(986,000)	
Interest Payable Related to Long-term Financing	(6,370)	
Certificates of Participation and Other Financing Arrangements	(59,185)	
Leases	(12,000)	
Loans Payable to Component Unit	(270,449)	
Compensated Absences	(65,670)	
Pension Liabilities and Deferrals	(1,873,537)	
Other Post-Employment Benefit Liabilities and Deferrals	(2,728,099)	
Pollution Remediation and Landfill Obligations	(47,361)	
		(6,048,671)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		412,108
Other Revenue		(40,683)
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.		443,225
Net position of governmental activities		$ 1,862,540

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, 2022
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 5,467,668	$ 223,433	$ -	$ 377,339	$ -	$ 6,068,440
Assessments	94,175	109,153	-	213,042	-	416,370
Federal Grants & Reimbursements	94	-	5,739,784	16,717	-	5,756,595
Charges for Services	60,520	4,751	-	148,187	-	213,458
Investment Income (Loss)	12,008	190	588	(944)	(16,550)	(4,708)
Miscellaneous Revenues	31,056	825	704	145,110	-	177,695
Total Revenues	5,665,521	338,352	5,741,076	899,451	(16,550)	12,627,850
Expenditures						
Current:						
Governmental Support & Operations	371,052	2,134	13,246	1,210,559	64	1,597,055
Economic Development & Workforce Training	46,056	-	642,855	80,652	9,500	779,063
Education	1,892,691	-	500,927	37,030	19,729	2,450,377
Health & Human Services	1,276,680	-	4,096,048	376,052	-	5,748,780
Business Licensing & Regulation	-	-	10,195	63,544	-	73,739
Natural Resources Development & Protection	93,520	35	51,793	127,587	7,169	280,104
Justice & Protection	378,204	31,881	137,223	126,975	-	674,283
Arts, Heritage & Cultural Enrichment	8,728	-	5,536	1,096	-	15,360
Transportation Safety & Development	-	388,160	268,835	142,995	-	799,990
Debt service:						
Principal Payments	103,372	-	16,030	39,793	-	159,195
Interest Expense	41,881	-	7,659	7,198	-	56,738
Capital Outlay	12,064	-	-	574	16,813	29,451
Total Expenditures	4,224,248	422,210	5,750,347	2,214,055	53,275	12,664,135
Revenue over (under) Expenditures	1,441,273	(83,858)	(9,271)	(1,314,604)	(69,825)	(36,285)
Other Financing Sources (Uses)						
Transfer from Other Funds	131,214	37,317	18,007	1,502,647	-	1,689,185
Transfer to Other Funds	(1,433,271)	(6,752)	(18,342)	(97,262)	(3,875)	(1,559,502)
Certificates of Participation & Other	23,495	805	-	323	-	24,623
Bonds Issued	-	-	-	44,815	-	44,815
Leases	12,064	-	-	574	-	12,638
Net Other Finance Sources (Uses)	(1,266,498)	31,370	(335)	1,451,097	(3,875)	211,759
Net Change in Fund Balances	174,775	(52,488)	(9,606)	136,493	(73,700)	175,474
Fund Balance at Beginning of Year	785,596	56,673	61,932	1,369,756	246,120	2,520,077
Fund Balances at End of Year	$ 960,371	$ 4,185	$ 52,326	$ 1,506,249	$ 172,420	$ 2,695,551

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, 2022
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 175,474
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	167,648	
Depreciation Expense	(39,653)	
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.	(2,375)	
		125,620
Refunded Bond Deferred Outflows		(388)
Pollution Remediation Receivable		(177)
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	(44,815)	
Proceeds from Other Financing Arrangements	(24,300)	
Repayment of Bond Principal	102,845	
Repayment of Other Financing Debt	5,147	
Repayment of Pledged Revenue Principal	66,544	
Repayment of Lease Principal	638	
Accrued Interest	(77)	
Amortization of Bond Premiums	12,429	
		118,411
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	(2,611)	
Pension Liabilities and Deferrals	222,561	
Other Post-employment Benefit Liabilities and Deferrals	(331,336)	
Pollution Remediation and Landfill Obligations	(4,955)	
		(116,341)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		132,939
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.		21,986
Changes in net position of governmental activities		$ 457,524

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


DIRIGO
MAINE

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, 2022
(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	$ -	$ 13,716	$ 13,716	$ 301,184
Cash & Short-Term Investments	464	754	1,218	2
Cash with Fiscal Agent	-	-	-	7,115
Restricted Assets:				
Restricted Deposits & Investments	622,005	11	622,016	1,935
Inventories	-	5,068	5,068	5,758
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	49,329	35,598	84,927	11,548
Due from Other Funds	7,166	7,236	14,402	37,646
Other Assets	-	-	-	13,473
Total Current Assets	678,964	62,383	741,347	378,661
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	8,934	8,934	196,149
Receivables, Net of Current Portion	-	-	-	4,097
Capital Assets, Net of Accumulated Depreciation	-	47,150	47,150	149,098
Right to Use Assets, Net of Accumulated Amortization	-	-	-	219,436
Total Noncurrent Assets	-	56,084	56,084	568,780
Total Assets	678,964	118,467	797,431	947,441
Deferred Outflows of Resources	$ -	$ 6,588	$ 6,588	$ 34,391
Liabilities				
Current Liabilities:				
Accounts Payable	$ 6,755	$ 16,502	$ 23,257	$ 25,337
Accrued Payroll	-	768	768	4,469
Due to Other Funds	3,835	6,864	10,699	27,217
Due to Component Units	-	-	-	2,627
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	4,864
Lease Liabilities	-	-	-	6,215
Claims Payable	-	-	-	22,506
Compensated Absences	-	126	126	736
Unearned Revenue	-	221	221	182
Accrued Interest Payable	-	-	-	29
Other Accrued Liabilities	874	25,912	26,786	-
Total Current Liabilities	11,464	50,393	61,857	94,182
Long-Term Liabilities:				
Working Capital Advances Payable	-	1,600	1,600	111
Certificates of Participation & Other Financing Arrangements	-	-	-	8,097
Lease Liabilities	-	-	-	216,295
Claims Payable	-	-	-	58,118
Compensated Absences	-	833	833	4,848
Net Pension Liability	-	8,101	8,101	43,839
Net Other Post-Employment Benefit Liability	-	10,007	10,007	54,061
Total Long-Term Liabilities	-	20,541	20,541	385,369
Total Liabilities	11,464	70,934	82,398	479,551
Deferred Inflows of Resources	$ -	$ 10,085	$ 10,085	$ 58,989
Net Position				
Net Investment in Capital Assets:	-	47,150	47,150	143,252
Restricted for:				
Unemployment Compensation	667,500	-	667,500	-
Other Purposes	-	-	-	234
Unrestricted	-	(3,114)	(3,114)	299,806
Total Net Position	$ 667,500	$ 44,036	711,536	$ 443,292
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			66	
Net Position of Business-Type Activities			$ 711,602	

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, 2022
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		Internal
	Employment Security	Other Enterprise	Total	Service Funds
Operating Revenues				
Charges for Services	$ -	$ 653,259	$ 653,259	$ 496,066
Assessments	162,351	4,664	167,015	-
Miscellaneous Revenues	557	4	561	1,925
Total Operating Revenues	162,908	657,927	820,835	497,991
Operating Expenses				
General Operations	-	523,730	523,730	437,491
Depreciation and Amortization	-	2,154	2,154	24,977
Claims/Fees Expense	11,217	-	11,217	14,361
Other Operating Expenses	-	-	-	390
Total Operating Expenses	11,217	525,884	537,101	477,219
Operating Income (Loss)	151,691	132,043	283,734	20,772
Nonoperating Revenues (Expenses)				
Investment Revenue (Expenses) - net	8,600	-	8,600	2,161
Interest Expense	-	-	-	(3,925)
Operating Subsidy and Grants	532	-	532	-
Other Nonoperating Revenue (Expenses) - net	-	110	110	221
Total Nonoperating Revenues (Expenses)	9,132	110	9,242	(1,543)
Income (Loss) Before Capital Contributions, Transfers and Special Items	160,823	132,153	292,976	19,229
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	9,384	9,384	82
Transfer from Other Funds	5,334	6,148	11,482	2,725
Transfer to Other Funds	(9,591)	(134,181)	(143,772)	-
Total Capital Contributions, Transfers and Special Items	(4,257)	(118,649)	(122,906)	2,807
Change in Net Position	156,566	13,504	170,070	22,036
Net Position - Beginning (as restated)	510,934	30,532		421,256
Net Position - End of Year	$ 667,500	$ 44,036		$ 443,292
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			50	
Changes in Business-Type Net Position			$ 170,120	

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, 2022
(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	$ 165,005	$ 652,568	$ 817,573	$ 35,356
Other Operating Cash Receipts (Payments):				
Cash Received from Interfund Services	675	6,314	6,989	479,355
Payments of Benefits	(11,217)	-	(11,217)	-
Payments to Prize Winners	-	(269,818)	(269,818)	-
Payments to Suppliers	(2,704)	(236,335)	(239,039)	(316,155)
Payments to Employees	-	(16,985)	(16,985)	(82,866)
Payments for Interfund Goods and Services	(758)	(15,833)	(16,591)	(77,725)
Net Cash Provided (Used) by Operating Activities	151,001	119,911	270,912	37,965
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	5,334	6,148	11,482	2,725
Transfers to Other Funds	(9,591)	(134,181)	(143,772)	-
Operating Subsidy and Grants	532	-	532	-
Working Capital Advance	-	1,600	1,600	-
Net Cash Provided (Used) by Noncapital Financing Activities	(3,725)	(126,433)	(130,158)	2,725
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(34)	(34)	(22,276)
Proceeds from Financing Arrangements	-	-	-	5,000
Principal and Interest Paid on Financing Arrangements	-	-	-	(6,538)
Proceeds from Sale of Capital Assets	-	1	1	712
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(33)	(33)	(23,102)
Cash Flows from Investing Activities				
Interest Revenue	8,600	110	8,710	2,161
Net Cash Provided (Used) by Investing Activities	8,600	110	8,710	2,161
Net Increase (Decrease) in Cash/Cash Equivalents	155,876	(6,445)	149,431	19,749
Cash/Cash Equivalents - Beginning of Year	466,593	29,860	496,453	486,636
Cash/Cash Equivalents - End of Year	$ 622,469	$ 23,415	$ 645,884	$ 506,385
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$ 151,691	$ 132,043	$ 283,734	$ 20,772
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	2,154	2,154	24,977
Decrease (Increase) in Assets:				
Accounts Receivable	752	186	938	(1,364)
Interfund Balances	(758)	(12,284)	(13,042)	6,600
Due from Other Governments	2,020	-	2,020	(4,457)
Inventories	-	(728)	(728)	(567)
Other Assets	-	600	600	(7,070)
Deferred Outflows	-	(2,043)	(2,043)	(10,000)
Increase (Decrease) in Liabilities:				
Accounts Payable	(2,389)	98	(2,291)	9,069
Accrued Payroll Expense	-	11	11	456
Due to Other Governments	-	-	-	(52)
Compensated Absences	-	(20)	(20)	320
Deferred Inflows	-	9,566	9,566	56,157
Net Pension Liability	-	(6,887)	(6,887)	(38,496)
Other Accruals	(315)	427	112	(516)
Net OPEB Liability	-	(3,212)	(3,212)	(17,864)
Total Adjustments	(690)	(12,132)	(12,822)	17,193
Net Cash Provided (Used) by Operating Activities	$ 151,001	$ 119,911	$ 270,912	$ 37,965
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	8,314
Contributed Capital Assets	-	9,384	9,384	82
Disposal of Assets	-	-	-	(491)

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 *Custodial 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 governments.

STATE OF MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2022
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Custodial Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 500	$ 24,988
Cash & Short-Term Investments	108,716	6,019	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	39,797	-	-
Interest and Dividends	4,640	-	-
Due from Brokers for Securities Sold	34	-	-
Settlements Receivable	-	-	26,263
Other Receivable	-	2,929	-
Investments at Fair Value:			
Equity Securities	2,502,488	-	-
Common/Collective Trusts	16,312,195	-	-
Investments - Other	-	19,228	-
Securities Lending Collateral	10,281	-	-
Due from Other Funds	-	65,013	-
Investments Held on Behalf of Others	-	-	66,405
Capital Assets, Net of Accumulated Depreciation	13,213	-	-
Other Assets	-	3,520	1,648
Total Assets	18,991,364	97,209	119,331
Liabilities			
Accounts Payable	5,492	723	24
Due to Other Funds	-	7	-
Obligations Under Securities Lending	10,281	-	-
Other Accrued Liabilities	64,009	-	2,880
Total Liabilities	79,782	730	2,904
Deferred Inflows of Resources	-	-	26,263
Net Position			
Restricted for Pension	18,411,213	-	-
Restricted for Other Post-Employment Benefits	500,369	-	-
Restricted for Individuals, Organizations and Other Governments	-	96,479	90,164
Total Net Position	$ 18,911,582	$ 96,479	$ 90,164

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, 2022
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Custodial Funds
Additions:			
Contributions:			
Federal Grants	$ -	$ -	$ 59,612
Members	239,876	-	-
State & Local Agency Employers	515,591	-	-
Non-Employer Contributing Entity	199,247	-	5,909
Litigation Receipts	-	-	909
Other	-	-	6,798
Investment Income (Loss):			
Net Increase (Decrease) in the Fair Value of Investments	(222,597)	(4,090)	(29)
Interest & Dividends	163,428	452	509
Securities Lending Income & Borrower Rebates Refunded	325	-	-
Less Investment Expense:			
Investment Activity Expense	131,398	-	-
Securities Lending Expense	(46)	-	-
Net Investment Income (Loss)	(190,196)	(3,638)	480
Miscellaneous Revenues	-	31,688	-
Transfer from Other Pension Plans	341	-	-
Total Additions	764,859	28,050	73,708
Deductions:			
Benefits Paid to Participants, Beneficiaries or Clients	1,216,433	12,264	126,216
Refunds & Withdrawals	28,505	-	348
Restitution Payments	-	-	1,305
Administrative Expenses	16,350	415	-
Claims Processing Expense	1,193	-	-
Transfer to Other Funds	-	118	-
Transfer to Other Pension Plans	341	-	-
Total Deductions	1,262,822	12,797	127,869
Net Increase (Decrease)	(497,963)	15,253	(54,161)
Net Position:			
Restricted			
Beginning of Year	19,409,545	81,226	144,325
End of Year	$ 18,911,582	$ 96,479	$ 90,164

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


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COMPONENT UNIT FINANCIAL STATEMENTS

<u>*Finance Authority of Maine (FAME)*</u> – 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.

<u>*Maine Community College System*</u> – 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.

<u>*Maine Health & Higher Educational Facilities Authority*</u> – 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.

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

<u>*Maine State Housing Authority*</u> – 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.

<u>*The Maine Turnpike Authority*</u> – 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.

<u>*University of Maine System*</u> – 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, 2022
(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	$ 21,577	$ 16,106	$ 3,724	$ 44,212
Cash & Short-Term Investments	1,575	18,752	933	17
Investments	62,531	65,177	15,783	10,784
Restricted Assets:				
Restricted Deposits & Investments	-	-	18,845	345,013
Inventories	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans, Leases & Notes Receivable	28,322	-	27,148	-
Other Receivable	2,851	8,762	285	919
Due from Other Governments	-	7,527	-	155,771
Due from Primary Government	-	1,731	-	-
Loans Receivable from Primary Government	-	-	-	58,148
Other Assets	797	2,302	525	27,417
Total Current Assets	117,653	120,357	67,243	642,281
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	14,052	10,489	2,426	28,794
Restricted Assets:				
Restricted Assets	10,738	1,196	52,313	185,433
Investments	-	14,950	24,796	-
Receivables, Net of Current Portion:				
Loans, Leases & Notes Receivable	57,078	-	512,631	-
Other Receivables	-	9,742	-	-
Due from Other Governments	-	-	-	1,496,479
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	212,301
Post-Employment Benefit Asset	-	5,500	-	-
Capital and Right to Use Assets, Net	1,106	182,745	-	1,115
Other Non-Current Assets	-	-	-	-
Total Noncurrent Assets	82,974	224,622	592,166	1,924,122
Total Assets	200,627	344,979	659,409	2,566,403
Deferred Outflows of Resources	$ 1,224	$ 26,672	$ -	$ 18,314
Liabilities				
Current Liabilities:				
Accounts Payable	$ 5,448	$ 4,865	$ 110	$ 487
Accrued Payroll	-	-	-	-
Compensated Absences	-	3,398	-	-
Due to Other Governments	-	-	-	-
Due to Primary Government	-	-	-	73,559
Amounts Held Under State & Federal Loan Programs	-	-	-	22,878
Bonds & Notes Payable	6,394	895	28,775	165,466
Lease Liabilities	-	131	-	-
Accrued Interest Payable	251	-	10,984	12,588
Unearned Revenue	1,040	3,083	32	6,652
Other Accrued Liabilities	19,693	8,645	-	(3)
Total Current Liabilities	32,826	21,017	39,901	281,627
Long-Term Liabilities:				
Due to Other Governments	3,982	-	-	510
Amounts Held Under State & Federal Loan Programs	41,675	-	-	-
Bonds & Notes Payable	67,725	14,516	571,520	1,428,813
Lease Liabilities	-	759	-	-
Net Pension Liability	-	26,390	-	-
Net Other Post-Employment Benefit Liability	-	2,591	-	973
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities:	113,382	44,256	571,520	1,430,296
Total Liabilities	146,208	65,273	611,421	1,711,923
Deferred Inflows of Resources	-	45,871	-	1,374
Net Position				
Net Investment in Capital Assets	1,106	167,637	-	1,115
Restricted	29,279	57,757	-	813,232
Unrestricted	25,258	35,113	47,988	57,073
Total Net Position	$ 55,643	$ 260,507	$ 47,988	$ 871,420

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
$ -	$ -	$ 35,938	$ 2,427	$ 123,984
65,418	89,858	11,569	25,016	213,138
442,792	31,508	280,233	15,379	924,187
-	90,895	-	87,406	542,159
-	955	-	368	1,323
35,714	-	372	33,541	125,097
10,040	7,157	41,528	2,643	74,185
18,602	-	20,640	3,502	206,042
24,774	-	5,055	153	31,713
-	-	-	-	58,148
-	1,876	6,782	507	40,206
597,340	222,249	402,117	170,942	2,340,182
-	-	23,405	1,580	80,746
217	61,131	3,659	57,696	372,383
49,576	-	485,043	14,705	589,070
1,374,804	-	26,172	20,896	1,991,581
-	2,403	2,735	57	14,937
-	-	-	-	1,496,479
-	-	4,734	627	5,361
-	-	-	-	212,301
-	-	-	-	5,500
17,632	893,273	797,942	163,157	2,056,970
70	187	8,035	2,866	11,158
1,442,299	956,994	1,351,725	261,584	6,836,486
2,039,639	1,179,243	1,753,842	432,526	9,176,668
$ 13,901	$ 17,657	$ 31,707	$ 2,592	$ 112,067
$ 11,618	$ 20,841	$ 37,910	$ 13,601	$ 94,880
-	4,544	-	-	4,544
-	-	-	142	3,540
354	-	-	-	354
-	-	-	1,078	74,637
-	-	-	-	22,878
23,400	18,435	55,755	1,223	300,343
-	-	2,311	340	2,782
4,818	-	-	-	28,641
45,458	13,433	28,751	15,941	114,390
-	13,316	49,847	1,178	92,676
85,648	70,569	174,574	33,503	739,665
-	-	-	348	4,840
-	-	-	-	41,675
1,548,245	617,647	96,138	18,156	4,362,760
-	-	33,008	1,559	35,326
-	(1,103)	-	752	26,039
-	54,354	-	627	58,545
10,113	1,050	93,543	-	104,706
1,558,358	671,948	222,689	21,442	4,633,891
1,644,006	742,517	397,263	54,945	5,373,556
3,175	22,018	36,737	37,653	146,828
2,756	353,758	589,103	153,580	1,269,055
368,248	38,313	583,123	143,356	2,033,308
35,355	40,294	179,323	45,584	465,988
$ 406,359	$ 432,365	$ 1,351,549	$ 342,520	$ 3,768,351

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Finance Authority Of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	$ 47,836	$ 158,503	$ 24,472	$ 66,673
Program Revenues				
Charges for Services	25,736	8,754	22,574	49,042
Program Investment Income	(864)	(1,995)	(9,851)	(16,221)
Operating Grants & Contributions	28,892	66,092	-	(2,085)
Capital Grants & Contributions	-	2,265	-	28,080
Net Revenue (Expense)	5,928	(83,387)	(11,749)	(7,857)
General Revenues				
Unrestricted Investment Earnings	(6,526)	(7,874)	(522)	(234)
Non-program Specific Grants, Contributions & Appropriations	-	106,832	-	-
Miscellaneous Revenues	-	1,502	112	1,967
Gain (Loss) on Assets Held for Sale	-	-	-	-
Total General Revenues	(6,526)	100,460	(410)	1,733
Change in Net Position	(598)	17,073	(12,159)	(6,124)
Net Position, Beginning of Year (as restated)	56,241	243,434	60,147	877,544
Net Position, End of Year	$ 55,643	$ 260,507	$ 47,988	$ 871,420

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
$ 412,386	$ 101,320	$ 826,093	$ 159,348	$ 1,796,631
73,777	138,772	305,863	39,314	663,832
161	-	(8,724)	9	(37,485)
364,581	-	194,286	114,077	765,843
-	-	34,437	5,720	70,502
26,133	37,452	(300,231)	(228)	(333,939)
12	89	(13,664)	(3,881)	(32,600)
-	-	361,638	18,132	486,602
-	2,916	-	3,165	9,662
-	(1,045)	(558)	(69)	(1,672)
12	1,960	347,416	17,347	461,992
26,145	39,412	47,185	17,119	128,053
380,214	392,953	1,304,364	325,401	3,640,298
$ 406,359	$ 432,365	$ 1,351,549	$ 342,520	$ 3,768,351


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NOTES TO THE FINANCIAL STATEMENTS

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Notes to the Financial Statements

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. The foundation changed its year end to December 31, 2021. As a result, only 6 months of revenues and expenses are captured in the totals for the audited University of Maine System's Annual Comprehensive Financial Report (ACFR). The 6 months of revenues, including additions to endowments, totaled $32.5 million and expenses were $11.4 million. In the fiscal year end June 30, 2021 ACFR the foundation reported $105.2 million in revenues, including additions to endowments and $20.2 million for expenses.

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, Department of Agriculture for the Agricultural Marketing Loan Fund and the Potato Marketing Improvement Fund, the Northern Maine Transmission Corporation, Dairy Improvement Loan Fund Board, Compliance Assistance Loan Program 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 Bond Bank is also authorized by the Legislature to issue bonds on behalf of the State of Maine to finance qualified transportation projects and payments to healthcare providers, to be repaid by taxes, fees and grant and liquor revenues. 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 26 Edison Drive Augusta, ME 04330-6046	University of Maine System 65 Texas Ave Bangor, ME 04401

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 $831.0 million of restricted net position, of which $667.5 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. 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 Permanent School 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 In the government-wide financial statements, internal service funds are included with governmental activities.

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 and Lands Reserved Trust Funds.

Custodial Funds report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples include amounts held for entities self-insured for worker's compensation and unemployment claims, inmate and student guardianship accounts and non-entitlement units.

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 $127.1 million of Workers' Compensation, $64.0 million of Bureau of Insurance, and $47.0 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.

Lease receivables are recorded as the present value of the future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the same rate used to calculate the State's lease obligations.

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.

Right to use leased assets are recognized at the commencement date of the contract and represent the State of Maine's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments to the lessor before the commencement of the contract term, less any incentives received from the lessor at or before the commencement of the contract term, plus any initial direct cost necessary to place the asset into service. Right to use assets are amortized over the shorter of the contract term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 40 years.

Capital assets of component units are capitalized upon purchase and depreciated over their estimated useful lives. 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 16 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, 2022 is $249.9 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, 2022 but paid after the fiscal year end are also reported in the funds. Approximately 53 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 was 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 16 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.

Lease liabilities represent the State's contractual requirement to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of the lease payments are discounted at rates based on state specific municipal market data.

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 that 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 effects of interfund activity are eliminated in the government-wide Statement of Activities.

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

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

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

NOTE 2 - BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE

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

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

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

Budget Stabilization Fund
The Maine Budget Stabilization Fund ("BSF"), a fund designation established under Title 5 MRSA C. 142, is included in the $604.4 million unassigned General Fund fund balance. The BSF had a balance of $896.0 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 is required to transfer to the fund 80 percent of the amount available from the unappropriated surplus after all required deductions of appropriations, budgeted financial commitments and adjustments at the close of each fiscal year when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required $401.9 million transfer for fiscal year 2022.

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 2022 actual General Fund revenue, the statutory cap at the close of fiscal year 2022 and during fiscal year 2022 was $970.5 million. At the close of fiscal year 2022, the balance of the Maine Budget Stabilization Fund was $896.0 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	$ 491,915
Increase in fund balance	404,082
Balance, end of year	$ 895,997

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 custodial 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, 2022, the Legislature decreased appropriations to the General Fund by $94.9 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, 2022 are detailed on the following pages.

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
General Fund:				
Education	$ -	$ -	$ -	$ 65,384
Governmental Support & Operations	-	23,871	-	112,338
Treasury	-	-	-	22,418
Health & Human Services	-	-	14,666	77,648
Public Safety	-	1,490	-	862
Justice & Protection	-	-	-	24,155
Defense, Veterans & Emergency Management	-	-	-	1,673
Inland Fisheries & Wildlife	-	4,095	-	-
Agriculture & Conservation	-	-	-	1,891
All Other	5,365	-	-	105
Total	$ 5,365	$ 29,456	$ 14,666	$ 306,474
Highway Fund:				
Transportation, Highway & Bridge Construction	$ -	$ 4,185	$ -	$ -
Total	$ -	$ 4,185	$ -	$ -
Federal Fund:				
Economic Development & Workforce Training	$ -	$ 3,802	$ -	$ -
Help America Vote Act (HAVA) Election Security	-	7,098	-	-
Health & Human Services	-	2,794	-	-
Centers for Disease Control	-	1,474	-	-
Office of Family Independence	-	1,599	-	-
Substance Abuse & Mental Health	-	1,278	-	-
Office of Child & Family Services	-	1,788	-	-
All Other	20,258	12,235	-	-
Total	$ 20,258	$ 32,068	$ -	$ -
Other Special Revenue Fund:				
Business Licensing & Regulation	$ -	$ 4,916	$ 3,640	$ -
Workers Compensation Board	-	15,832	5,732	-
Professional & Financial Regulation	-	9,532	1,125	-
Public Utilities Commission	-	3,648	11,046	1,269
PFR Bureau of Consumer Credit Protection	-	-	6,911	-
PFR Bureau of Financial Institutions	-	-	13,231	-
PFR Bureau of Insurance	-	41,191	-	-
PFR Licensing & Enforcement Division	-	-	15,847	-
PFR Office of Securities	-	5,339	-	-
Education	-	-	3,797	4,920
Higher Education	-	-	-	1,338
Higher Education	-	-	10,000	-
Education Stabilization Fund	-	-	15,000	-
Free Community College	-	-	20,000	-
Economic Development & Workforce Training	-	24,491	4,813	2,280
Tourism Marketing Promotion Fund	-	-	13,633	-
Hospital System Loan Fund	-	-	12,000	-
Unemployment Administrative Fund	-	-	-	5,853
Governmental Support & Operations	-	96,692	19,851	19,022
Treasury	-	-	4,280	-
Bonds for Highway & Bridge Construction	-	147,669	-	-
State Facilities Capital Improvements	-	-	47,163	-
COVID Pandemic Relief	-	-	69,587	-
Transportation Highway and Bridge Reserve Fund	-	-	35,000	-
Medical Marijuana Use Fund	-	-	10,150	-
Unorganized Territory Education	-	12,888	-	-
Municipal Excise Tax Reimbursement Fund	-	-	7,262	-
Transcap Trust Fund	-	6,036	-	-
Health & Human Services	-	1,571	1,439	-
Fund for Healthy Maine	-	-	57,674	-
Office of Family Independence	-	7,876	10,358	-
Office of the Commissioner	-	-	-	886
Substance Abuse & Mental Health	-	-	14,509	4,598
Centers for Disease Control & Prevention	-	1,988	6,697	2,659
MaineCare	-	27,980	-	68,688
Defense, Veterans & Emergency Management	-	2,316	5,864	-
Justice & Protection	-	72,729	3,520	7,954
Public Safety	-	8,531	-	2,613

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
Indigent Legal Services	-	-	7,183	-
Armory Maintenance	-	-	5,445	-
State Fire Marshall	-	5,374	-	-
Agriculture & Conservation	-	4,733	10,198	7,826
Environmental Protection	-	-	3,992	1,522
Inland Fisheries & Wildlife	-	17,594	-	-
Marine Resources	-	6,992	5,613	2,478
PFAS Mitigation	-	-	16,780	-
Public Lands	-	-	39,172	5,099
Hazardous Waste Fund	-	5,720	-	-
Uncontrolled Sites Fund	-	26,117	-	-
Ground and Surface Waters Cleanup Fund	-	4,936	-	-
Environmental Protection Fund	-	-	10,274	-
Transportation Safety & Development	-	7,921	1,881	3,385
Transportation - Highway & Bridge Construction	-	225,122	19,264	-
Motor Vehicles	-	-	1,711	-
Multimodal Transportation	-	-	14,364	-
All Other	-	2,074	-	45
Total	$ -	$ 797,808	$ 566,006	$ 142,435

Other Governmental Funds:	NSIF	Restricted	Permanent
Capital Projects	$ -	$ 29,038	$ -
Permanent Funds - Baxter Park	-	-	9,573
Permanent Funds - All Others	-	-	32,293
Special Revenue Funds - Baxter Park	-	101,186	-
Special Revenue Funds - All Other	-	330	-
Total	$ -	$ 130,554	$ 41,866

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

ACCOUNTING CHANGES

GASB Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistency of information about the leasing activities of governments. As a result of implementing GASB Statement No. 87, the State's internal service fund and governmental activities net position increased by $5.2 million.

The following GASB Statements, or paragraphs of GASB Statements, became effective for fiscal year ended June 30, 2022 and had no impact on the State of Maine's net position:

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs.

GASB Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* addresses the accounting and financial reporting effects that result from the replacement of IBORs with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. GASB Statement No. 99, *Omnibus 2022* paragraphs 8 through 10 address other derivative instruments that are neither investment derivative instruments nor hedging derivative agreements. The State does not have derivative instruments, other derivative instruments or contracts with references to LIBOR or other IBORs.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. Paragraphs 6 onward became effective for fiscal year ended June 30, 2022. This Statement establishes accounting and financial reporting requirements for purposes of determining whether a primary government is financially accountable for a potential component unit. Except for certain pension, OPEB, or other employee benefit plans, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performed the duties that a governing board typically would perform. This statement also requires that the financial burden criterion in paragraph 7 of GASB Statement No. 84 be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of GASB Statement No. 67, or paragraph 3 of GASB Statement No. 74.

GASB Statement No. 99, *Omnibus 2022*. Implementation of certain requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 were effective upon issuance.

Restatements - Component Units

The University of Maine reduced its beginning net position by $1.177 million as a result of implementing GASB Statement No. 87. The Maine Community College also reduced its beginning net position by $11 thousand as a result of implementing GASB Statement No. 87. The reduction was offset by $746 thousand increase from having understated contributions receivable. A non-major component unit, Midcoast Regional Redevelopment Authority decreased its beginning net position by $927 thousand to recognize an additional payable to a tenant.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

PROPRIETARY FUNDS

Five internal service funds showed deficits for the fiscal year ended June 30, 2022. The Workers' Compensation Fund reported a deficit of $21.7 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of $3.3 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $9.8 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 $30.8 million and $55.8 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, 2022. Maine Military Authority reported a deficit of $6.2 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 $4.9 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, 2022 are as follows:

Primary Government Deposits and Investments

(Expressed in Thousands)

	Governmental Activities	Business-Type Activities	Private Purpose Trusts	Custodial Funds	Total
Equity in Treasurer's Cash Pool	$ 3,958,950	$ 22,650	$ 500	$ 24,988	$ 4,007,088
Cash and Cash Equivalents	217	1,218	6,019	27	7,481
Cash with Fiscal Agent	268,797	-	-	-	268,797
Investments	143,071	-	19,228	-	162,299
Restricted Equity in Treasurer's Cash Pool	81,570	-	-	-	81,570
Restricted Deposits and Investments	1,935	622,016	-	-	623,951
Investments Held on Behalf of Others	-	-	-	66,405	66,405
Total Primary Government	$ 4,454,540	$ 645,884	$ 25,747	$ 91,420	$ 5,217,591

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, 2022:

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	$ 68,973	$ 256,846	$ -	$ -	$ -	$ -	$ 325,819
US Treasury Notes	958,083	1,394,805	-	-	-	-	2,352,888
Commercial Paper	239,910	-	-	-	-	-	239,910
Certificates of Deposit	117,641	-	-	-	-	-	117,641
Cash and Cash Equivalents	592	-	-	-	-	1,029,690	1,030,282
Unemployment Fund	-	-	-	-	-	622,016	622,016
Private-Purpose Trusts, Custodial Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	433	1,603	396	378	1,339	-	4,149
US Treasury Notes	8,282	12,980	6,001	-	1,354	1,654	30,271
Corporate Notes and Bonds	632	2,605	601	7,078	181	45,809	56,906
Other Fixed Income Securities	241	-	-	-	-	47,213	47,454
Commercial Paper	1,505	-	-	-	-	-	1,505
Certificates of Deposit	803	22	-	-	-	11,212	12,037
Money Market	-	-	-	-	-	4,889	4,889
Cash and Cash Equivalents	6,023	-	-	-	-	29,876	35,899
Equities	-	-	-	-	-	61,062	61,062
Other	-	-	-	-	-	6,066	6,066
	$ 1,403,118	$ 1,668,861	$ 6,998	$ 7,456	$ 2,874	$ 1,859,487	$ 4,948,794
Other Assets							
Cash with Fiscal Agent							268,797
Total Primary Government							$ 5,217,591

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, 2022 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								
Commercial Paper	$ 239,910	$ -	$ -	$ -	$ -	$ -	$ -	$ 239,910
Private-Purpose Trusts, Custodial Funds, and Non-Major Special Revenue and Permanent Funds								
Corporate Notes and Bonds	-	1,091	247	73	-	1,608	53,887	56,906
Commercial Paper	1,505	-	-	-	-	-	-	1,505
Money Market	-	-	-	-	-	-	4,889	4,889
Other Fixed Income Securities	-	-	-	-	-	-	6,066	6,066
Total Primary Government	$ 241,415	$ 1,091	$ 247	$ 73	$ -	$ 1,608	$ 64,842	$ 309,276

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, 2022, 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 $125 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 is held by a counterparty, but not in the State's name.

The fair value of the trust's investments as of June 30, 2022 was $101.2 million and was comprised of the following (expressed in thousands):

	Percival Baxter Trust
U.S. Instrumentalities	$ 2,113
U.S. Treasury Notes	2,767
Corporate Notes and Bonds	3,043
Other Fixed Income Securities	17,615
Equities	62,272
Cash and Equivalents	829
Other	12,547
Total	$ 101,186

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2022 these disbursements, on average, exceeded $253 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, 2022:

Fair Value Measurement
(Expressed in Thousands)

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Commercial Paper	$ 246,246	$ -	$ 246,246	$ -
Corporate Notes and Bonds	48,852	45,809	3,043	-
U.S. Instrumentalities	328,348	-	328,348	-
U.S. Treasury Notes	2,391,059	2,390,783	-	276
Other Fixed Income Securities	47,453	34,001	829	12,623
Equities	59,627	59,627	-	-
Total	$ 3,121,585	$ 2,530,220	$ 578,466	$ 12,899

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 instruments, and other investment securities established by the Trustee's investment policy.

Derivative Instruments – Derivative 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.

The system did not have any derivative investments as of June 30, 2022 or during the year then ended.

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, 2022 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, 2022 was $146.7 million and $168.2 million, respectively.

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

COMPONENT UNITS

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

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 4.77 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 $204.7 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 $14.7 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	Settlements	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:						
General	$ 973,361	$ -	$ 162,743	$ 1	$ (408,842)	$ 727,263
Highway	22,001	-	2,818	-	(38)	24,781
Federal *	-	-	266,778	-	(63,249)	203,529
Other Special Revenue **	15,789	90,634	102,333	3,190	(60,178)	151,768
Total Governmental Funds	1,011,151	90,634	534,672	3,191	(532,307)	1,107,341
Allowance for Uncollectibles	(331,851)	-	(200,153)	(303)		
Net Receivables	$ 679,300	$ 90,634	$ 334,519	$ 2,888		$ 1,107,341
Proprietary Funds:						
Employment Security *	$ -	$ -	$ 112,494	$ -	$ (63,165)	$ 49,329
Nonmajor Enterprise	-	-	35,654	-	(56)	35,598
Internal Service	-	-	11,548	-	-	11,548
Total Proprietary Funds	-	-	159,696	-	(63,221)	96,475
Allowance for Uncollectibles	-	-	(63,221)	-		
Net Receivables	$ -	$ -	$ 96,475	$ -		$ 96,475

* Accounts receivable related to the Unemployment Insurance program increased significantly in the Federal Fund and the Employment Security Major Enterprise Fund in fiscal year 2022 and 2021. This is due primarily to a significant increase in fraudulent claims activity and benefit overpayments associated with Federal Pandemic Unemployment Compensation, Pandemic Unemployment Assistance, and other emergency benefits provided in response to the Coronavirus Pandemic.

** Maine is participating in the National Opioid Settlement (Settlement), which negotiated conclusions to investigations and litigation by the Attorney General and by certain Maine counties, cities, and towns of the marketing and sales practices of opioid pain medications by entities in the pharmaceutical supply chain. The Settlement will produce a stream of annual payments over 18 years for permissible opioid abatement activities described in the court order which gives effect to the Settlement. The Settlement also imposes certain injunctive terms agreed to by the Defendants. In addition to the Opioid settlement, Maine is participating in a Tobacco settlement. Please see Note 18 for additional information about the Tobacco settlement.

Component Units - Receivables
(Expressed in Thousands)

	Accounts	Loans and Leases	Allowance for Uncollectibles	Net Receivables
Finance Authority of Maine	$ 2,851	$ 89,643	$ (4,243)	$ 88,251
Maine Community College System	19,645	-	(1,141)	18,504
Maine Health and Educational Facilities Authority	285	539,779	-	540,064
Maine Municipal Bond Bank	919	-	-	919
Maine State Housing Authority	10,040	1,419,271	(8,753)	1,420,558
Maine Turnpike Authority	9,560	-	-	9,560
University of Maine System	63,906	27,558	(20,657)	70,807
Net Receivables	$ 107,206	$ 2,076,251	$ (34,794)	$ 2,148,663

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, 2022 were:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 6,910	$ 14,634	$ -
Highway	37	41	8,743	8	-
Federal	2	-	262	1	-
Other Special Revenue	29,345	307	749	883	47,605
Other Governmental	-	-	-	-	-
Employment Security	-	-	7,166	-	-
Non-Major Enterprise	2,338	2	-	630	-
Internal Service	12,447	4,183	8,402	5,339	-
Fiduciary	65,013	-	-	-	-
Total	$ 109,182	$ 4,533	$ 32,232	$ 21,495	$ 47,605

	Due to Other Funds				
Due from Other Funds	**Employment Security**	**Non-Major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General	$ -	$ 860	$ 20,177	$ -	$ 42,581
Highway	-	-	5	-	8,834
Federal	3,835	-	-	-	4,100
Other Special Revenue	-	1,308	197	-	80,394
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	7,166
Non-Major Enterprise	-	4,266	-	-	7,236
Internal Service	-	430	6,838	7	37,646
Fiduciary	-	-	-	-	65,013
Total	$ 3,835	$ 6,864	$ 27,217	$ 7	$ 252,970

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 2022, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The General Fund transferred $729.3 million, $97.1 million, $50.0 million, $35.0 million and $20.0 million to the Other Special Revenue Fund, respectively, for: the COVID Pandemic Relief Payment Program Fund, Homestead Property Tax Exemption Reimbursement Fund, Highway and Bridge Capital Fund, Highway and Bridge Reserve Fund and the Maine Community College System Free Community College - 2 Enrollment Years Program Fund. The Liquor Operation Revenue Fund transferred $30.0 million to the unappropriated surplus of the General Fund.

Interfund transfers for the year ended June 30, 2022 consisted of the following:

Interfund Transfers
(Expressed in Thousands)

	Transferred From				
Transferred To	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 79	$ 59,784	$ -
Highway	1,543	-	12,860	22,914	-
Federal	-	-	-	8,416	-
Other Special Revenue	1,429,003	6,752	69	-	3,875
Employment Security	-	-	5,334	-	-
Non-Major Enterprise	-	-	-	6,148	-
Internal Service	2,725	-	-	-	-
Total	$ 1,433,271	$ 6,752	$ 18,342	$ 97,262	$ 3,875

	Transferred From				
Transferred To	**Employment Security**	**Non-Major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General	$ -	$ 71,351	$ -	$ -	$ 131,214
Highway	-	-	-	-	37,317
Federal	9,591	-	-	-	18,007
Other Special Revenue	-	62,830	-	118	1,502,647
Employment Security	-	-	-	-	5,334
Non-Major Enterprise	-	-	-	-	6,148
Internal Service	-	-	-	-	2,725
Total	$ 9,591	$ 134,181	$ -	$ 118	$ 1,703,392

In fiscal year 2022, Public Law 2021, Chapter 483, Part D authorized the State of Maine to expend $80 million of American Rescue Plan Act (ARPA) State & Local Fiscal Recovery Funds (SLFRF) for the purpose of replenishing the Employment Security Fund for COVID-19 related benefit payments. To properly reflect this expenditure in fiscal year 2022, the State of Maine recorded expenditures of $80 million in the Federal Fund, a major Governmental fund, with a corresponding reduction in expenditures in the Employment Security Fund, a major Enterprise Fund.

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, 2022:

Primary Government - Capital Assets
(Expressed in Thousands)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 654,589	$ 9,979	$ 2,407	$ 662,161
Construction in progress	173,313	96,468	495	269,286
Infrastructure	2,988,290	51,098	-	3,039,388
Total capital assets not being depreciated	3,816,192	157,545	2,902	3,970,835
Capital assets being depreciated				
Buildings	799,063	408	4,763	794,708
Equipment	341,501	27,732	15,984	353,249
Improvements other than buildings	111,754	2,962	97	114,619
Software	121,686	-	-	121,686
Total capital assets being depreciated	1,374,004	31,102	20,844	1,384,262
Less accumulated depreciation for				
Buildings	355,514	12,908	-	368,422
Equipment	252,472	26,242	13,614	265,100
Improvements other than buildings	68,994	4,504	97	73,401
Software	99,985	11,449	-	111,434
Total accumulated depreciation	776,965	55,103	13,711	818,357
Total capital assets being depreciated, net	597,039	(24,001)	7,133	565,905
Governmental Activities Capital Assets, net	4,413,231	133,544	10,035	4,536,740
Right to use assets being amortized				
Buildings (as restated)	232,285	8,525	-	240,810
Less accumulated amortization				
Buildings (as restated)	-	9,526	-	9,526
Net right to use lease assets	232,285	(1,001)	-	231,284
Governmental Activities Capital and Right to Use Assets, net	$ 4,645,516	$ 132,543	$ 10,035	$ 4,768,024

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated				
Land	$ 2,389	$ -	$ -	$ 2,389
Construction in progress	17,446	7,832	10,696	14,582
Total capital assets not being depreciated	19,835	7,832	10,696	16,971
Capital assets being depreciated				
Buildings	4,655	-	-	4,655
Equipment	24,664	12,281	-	36,945
Improvements other than buildings	42,757	-	-	42,757
Total capital assets being depreciated	72,076	12,281	-	84,357
Less accumulated depreciation for				
Buildings	3,314	127	-	3,441
Equipment	12,801	694	-	13,495
Improvements other than buildings	35,909	1,333	-	37,242
Total accumulated depreciation	52,024	2,154	-	54,178
Total capital assets being depreciated, net	20,052	10,127	-	30,179
Business-Type Activities Capital Assets, net	$ 39,887	$ 17,959	$ 10,696	$ 47,150

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

Governmental Activities
Depreciation and Amortization Expense
(Expressed in Thousands)

	Amount
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	$ 11
Business Licensing and Regulation	711
Economic Development and Workforce Training	2,243
Education	234
Governmental Support and Operations	11,832
Health and Human Services	16,272
Justice and Protection	11,715
Natural Resources Development and Protection	5,852
Transportation Safety and Development	15,759
Total Depreciation Expense - Governmental Activities	$ 64,629

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 3 defined contribution plans for employees of PLD's that elect to participate. At June 30, 2022, there were 80 employers participating in these plans. The 1,579 participants individually direct the $53.9 million covered by the plans.

The System issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2022 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, 2021. 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, 2022 there were 239 employers, including the State of Maine, participating in the plan.

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

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

Membership in each single employer defined benefit plan consisted of the following at the measurement date of June 30, 2021:

Employees of single employer covered by benefit terms

	Judicial	Legislative
Inactive employees or beneficiaries currently receiving benefits	84	222
Terminated participants:		
Vested	3	124
Inactive employees due refunds	1	101
Active employees	60	178
Total participants	148	625

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 1.52 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, 2022 and June 30, 2021 are as follows:

	June 30, 2022	June 30, 2021
SETP - State Employees		
Employees [2]	7.65% - 8.65%	7.65% - 8.65%
Employer [1]	21.95% - 46.97%	20.93% - 32.68%
SETP - Teachers		
Employees [2]	7.65%	7.65%
Employer [1]	3.84%	4.16%
Non-employer entity [1]	14.29%	14.33%
Judicial Plan		
Employees [2]	7.65%	7.65%
Employer [1]	6.99%	8.89%
Legislative Plan		
Employees [2]	7.65%	7.65%
Employer [1]	0.00%	0.00%
Consolidated Participating Local Entities		
Employees [2]	3.85% - 9.70%	3.85% - 9.50%
Employer [1]	5.50% - 15.20%	5.20% - 16.00%

[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, 2022, 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 Plan	
State Employees in primary government	$ 164,184
Teacher Members (non-employer contribution)	178,880
Judicial Pension Plan	739
Legislative Pension Plan	-
Total Contributions Recognized as Pension Expense	$ 343,803

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, 2021, 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, 2021	$ 72,197	$ 73,515	$ (1,318)	$ 9,729	$ 13,450	$ (3,721)
Changes for the Year:						
Service Cost	1,547	-	1,547	287	-	287
Interest	4,823	-	4,823	658	-	658
Differences Between Expected and Actual Experience	1,066	-	1,066	181	-	181
Changes in Assumptions	836	-	836	374	-	374
Benefit Payments, Including Refunds	(4,681)	(4,681)	-	(550)	(550)	-
Employer Contributions	-	739	(739)	-	-	-
Member Contributions	-	636	(636)	-	215	(215)
Transfers	-	473	(473)	-	(3)	3
Net Investment Income	-	19,280	(19,280)	-	3,560	(3,560)
Administrative Expense	-	(68)	68	-	(12)	12
Net Changes	3,591	16,379	(12,788)	950	3,210	(2,260)
Balances at June 30, 2022	$ 75,788	$ 89,894	$ (14,106)	$ 10,679	$ 16,660	$ (5,981)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			118.6 %			156.0 %
Covered Payroll			$ 8,312			$ 2,802
Net Pension Liability as a Percentage of Covered Payroll			(169.7)%			(213.4)%

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, 2021, 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, 2022 and June 30, 2021 is as follows:

(Expressed in Thousands)

Pension Plan	Proportionate Share June 30, 2021	Proportionate Share June 30, 2022	Net Pension Asset June 30, 2022	Net Pension Liability June 30, 2022
SETP - State Employees [1]	95.090771 %	95.299042 %	$ -	$ 615,520
SETP - Teachers [2]	95.704826 %	94.381819 %	-	798,306
Total Primary Government			$ -	$ 1,413,826

[1] Percentage of primary government State Employees in the SETP
[2] Percentage of 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, 52 percent is posted to the General Fund, 20 percent to Other Special Revenue Funds, 15 percent to Highway Funds and 13 percent to Federal Funds.

Proportion	June 30, 2021	June 30, 2022	Change Increase (Decrease)
Governmental Funds	91.39 %	91.56 %	0.17 %
Internal Service Funds	7.29 %	7.12 %	(0.17)%
Enterprise Funds	1.33 %	1.32 %	(0.01)%

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 Employees	SETP Teachers	Total SETP Pension
Total Pension Liability			
Service Cost	$ 87,985	$ 150,791	$ 238,776
Interest	348,044	641,517	989,561
Differences Between Expected and Actual Experience	6,770	18,806	25,576
Change in Assumptions	310,889	865,005	1,175,894
Benefit Payments, Including Refunds of Member Contributions	(326,649)	(576,265)	(902,914)
Change in Proportionate Share	-	-	-
Net Change in Total Pension Liability	427,039	1,099,854	1,526,893
Beginning Total Pension Liability	5,228,873	9,636,587	14,865,460
Ending Total Pension Liability	5,655,912	10,736,441	16,392,353
Plan Fiduciary Net Position			
Employer Contributions	172,198	67,024	239,222
Non-employer Contributions	-	179,330	179,330
Member Contributions	55,038	104,474	159,512
Transfers	(391)	23	(368)
Net Investment Income	1,072,973	2,119,064	3,192,037
Benefit Payments, Including Refunds of Member Contributions	(326,649)	(576,265)	(902,914)
Administrative Expense	(3,720)	(7,370)	(11,090)
Net Change in Plan Fiduciary Net Position	969,449	1,886,280	2,855,729
Beginning Plan Fiduciary Net Position	4,040,582	8,004,335	12,044,917
Ending Plan Fiduciary Net Position	5,010,031	9,890,615	14,900,646
Ending Net Pension Liability	$ 645,881	$ 845,826	$ 1,491,707
Proportion			
June 30, 2022	95.299042 %	94.381819 %	100 %
June 30, 2021	95.090771 %	95.704826 %	100 %
Change - Increase (Decrease)	0.208271 %	(1.323007)%	0 %

Actuarial Assumptions

Actuarial assumptions used in the June 30, 2021 and 2020 valuations were based on results of an actuarial experience study for the period July 1, 2015 through June 30, 2020. Actuarially determined contribution rates are calculated based on a 2018 actuarial valuation 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. 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, the amortization method used a level percentage of payroll over closed periods. The original UAL is amortized over a remaining 8 years from July 1, 2020. Subsequent layers of UAL are amortized over individual 20 year periods. The amortization period used by both the Judicial and Legislative Plans is an open 10-year amortization. The investment rate of return used for contributions in 2018 was 6.75 percent. Contributions in 2018 used an investment rate of return, inflation rate and annual salary increases, including inflation were 6.75 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 June 30, 2021 investment rate of return used in the valuation was 6.5 percent, down from 6.75 percent used for June 30, 2020. The SETP increased annual salaries, including inflation to 3.26 percent from 2.75 percent. Judicial and Legislative annual salary increases remained constant at 2.75 percent.

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, 2022, the State recognized pension expense of $129,366 which includes $60,700 of teacher pensions recorded in grant expense.

PENSION COSTS

(Expressed in Thousands)

SETP - State of Maine Primary Government Pension Expense	$ 70,341
SETP - Teachers Non-Employer Pension Expense (grant expense)	60,700
Legislative Pension Expense	(208)
Judicial Pension Expense	(1,467)
Total	$ 129,366

At June 30, 2022, the State reported $389,898 of deferred outflows of resources and $569,637 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of $167,701 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, 2023. 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		SETP Teachers		Total State of Maine 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	$ 20,832	$ -	$ 11,833	$ 16,320	$ 32,665	$ 16,320
Changes of assumptions	197,515	-	544,271	-	741,786	-
Net difference between projected and actual earnings on pension plan investments	-	556,987	-	1,087,757	-	1,644,744
Changes in proportion and differences between State contributions and proportionate share of contributions	2,899	219	831	13,644	3,730	13,863
State and component unit contributions subsequent to the measurement date	167,099	-	194,218	-	361,317	-
Total	$ 388,345	$ 557,206	$ 751,153	$ 1,117,721	$ 1,139,498	$ 1,674,927
For the Year Ended						
2023	(29,571)		(35,235)		(64,806)	
2024	(24,733)		24,735		2	
2025	(126,582)		(247,089)		(373,671)	
2026	(155,079)		(303,197)		(458,276)	
2027	-		-		-	

	Legislative		Judicial	
	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	$ -	$ -	$ 533	$ -
Changes of assumptions	-	-	418	-
Net difference between projected and actual earnings on pension plan investments	-	1,941	-	10,490
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-	-	-
State and component unit contributions subsequent to the measurement date	8	-	594	-
Total	$ 8	$ 1,941	$ 1,545	$ 10,490
For the Year Ended				
2023	(518)		(1,860)	
2024	(442)		(2,376)	
2025	(442)		(2,381)	
2026	(539)		(2,922)	
2027	-		-	

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 %	7.2 %
Diversifiers	10.0 %	5.9 %

The discount rate used to measure the collective total pension liability was 6.500 percent for the 2021 and 2020 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 6.500 percent.

(Expressed in Thousands)

Defined Benefit Plans Administered Through MPERS	1% Decrease (5.500%)	Current Discount Rate (6.500%)	1% Increase (7.500%)
State Employee and Teacher Plan			
State Employees (100%)	$ 1,316,394	$ 645,881	$ 82,823
Teacher Members (100%)	2,221,236	845,826	(299,342)
Judicial Pension Plan	(7,338)	(14,106)	(20,015)
Legislative Pension Plan	$ (4,880)	$ (5,981)	$ (6,930)

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 2021, this was one year for the Legislative Plan, two years for the Judicial Plan and three years for the State Employee and Teacher Plan. Prior to 2017, this was two years for the Legislative 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, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020.

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 July 1, 2021, the State contribution to retired teacher health premiums was increased to 55 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. Active employees may elect to enroll in the plan on different dates based on date of hire. A special open enrollment period existed 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 have, while actively working as a county or municipal law enforcement officer or a municipal firefighter, participated in the person's employer's health insurance plan or other fully-insured health insurance plan. 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 annual comprehensive financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2022 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	12,113	27,346	652	11,698	15,029
Retirees	8,767	10,513	128	8,741	7,534
Inactives Vested	173	559	-	-	-
Total	21,053	38,418	780	20,439	22,563

* Group life membership totals include component unit and other members.

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, 2021	$ 1,905,991	$ 31,926
Changes for the Year:		
Service Cost	68,197	1,553
Interest	43,314	731
Contributions - Employee	-	(693)
Contributions - Non-Employer Contributing Entity	(28,719)	(218)
Administrative Expenses	-	72
Changes in Benefit Terms	325,417	165
Differences Between Expected and Actual Experience	(457,831)	(1,641)
Changes in Assumptions - Discount Rate	12,837	138
Changes in Assumptions - Others	(79,412)	647
Net Changes	(116,197)	754
Balances at June 30, 2022	$ 1,789,794	$ 32,680
Covered Payroll	$ 1,414,447	$ 46,207
Total OPEB Liability as a Percentage of Covered Payroll	126.5 %	70.7 %
State's Proportionate Share of the Collective Total OPEB Liability	78 %	24 %

The State's proportionate share for fiscal years ended June 30, 2022 and June 30, 2021 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	Teachers	State portion of Group Life Insurance
Total OPEB Liability				
Service Cost	$ 18,311	$ 1,254	$ 1,370	$ 2,624
Interest	78,426	6,816	6,710	13,526
Changes in Benefit Terms	554	-	-	-
Differences Between Expected and Actual Experience	(67,383)	3,678	(3,560)	118
Changes in Assumptions Discount Rate	26,375	-	-	-
Changes in Assumptions Other	(104,294)	-	-	-
Change in Proportion	-	388	-	388
Benefit Payments, Including Refunds of Member Contributions - Explicit	(48,155)	(3,415)	(3,038)	(6,453)
Benefit Payments, Including Refunds of Member Contributions - Implicit	(26,940)	-	-	-
Net Change in Total OPEB Liability	(123,106)	8,721	1,482	10,203
Beginning Total OPEB Liability	1,180,487	101,230	106,911	208,141
Ending Total OPEB Liability	1,057,381	109,951	108,393	218,344
Plan Fiduciary Net Position				
Employer Contributions - Explicit	50,155	5,028	-	(5,028)
Employer Contributions - Implicit	26,940	-	-	-
Non-employer Contributions	-	-	4,601	(4,601)
Transfers	-	-	20,680	20,680
Net Investment Income	89,286	11,336	-	(11,336)
Changes in Proportion	-	140	-	(140)
Benefit Payments, Including Refunds of Member Contributions	(75,095)	(3,415)	(3,038)	6,453
Administrative Expense	(3)	(285)	(522)	807
Net Change in Plan Fiduciary Net Position	91,283	12,804	21,721	34,525
Beginning Plan Fiduciary Net Position	291,559	36,710	67,030	(103,740)
Ending Plan Fiduciary Net Position	382,842	49,514	88,751	138,265
Ending Net OPEB Liability	$ 674,539	$ 60,437	$ 19,642	$ 80,079
Proportion				
June 30, 2022	100.000000 %	95.511816 %	100.000000 %	96.578465 %
June 30, 2021	100.000000 %	95.146949 %	100.000000 %	96.944063 %
Change - Increase (Decrease)	0.000000 %	0.364867 %	0.000000 %	(0.365598)%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	36.206628 %	45.032787 %	81.878904 %	63.324387 %

The group life insurance plan includes discretely presented component units and other entities. Plan numbers in the table above report the primary government's totals.

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, 2021 and will provide the basis for the State's financial reporting for the fiscal years ending June 30, 2022 and June 30, 2023. 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, 2021 and June 30, 2020 actuarial valuations were based on the results of an actuarial experience study conducted for the period of July 1, 2015 to June 30, 2020. No method changes occurred since the prior valuation. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2021 and June 30, 2020 include: updating the discount rate assumption to 6.50 percent from 6.75 percent, 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 June 30, 2007 unfunded actuarial accrued liability is amortized as a level percentage of payroll over 30 years 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 period to June 30, 2037. Experience losses are amortized over a 10 year fixed period. The initial medical trend rate had been 6.00 percent at June 30, 2020 and 2021. The ultimate medical trend rate of 4.29 percent reached at 2075 was decreased to 4.19 percent at June 30, 2021. 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 rates are based on the 2010 Public Plan General Headcount-Weighted Employee and Healthy Retiree Mortality Tables and MP-2020 Mortality Improvement Scale with different adjustments made to base employee and healthy retiree mortality rates.

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.

Beginning with the prior fiscal year, June 30, 2021, management adopted a change in methodology recommended by the actuary. The new methodology better estimates actual self-insured plan premiums covered by the State on behalf of participants (explicit subsidy). Total claims allocated to retirees represents the total benefit payment amount and the implied subsidy payments represent the difference. The methodology will be used on a consistent basis going forward.

Group Life Insurance

The valuation date is June 30, 2021. 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, 2021 and June 30, 2020 actuarial valuations were based on the results of an actuarial experience study conducted for the period of July 1, 2015 to June 30, 2020. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2021 and June 30, 2020 include: updating the discount rate assumption to 6.50 percent from 6.75 percent, 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, 2021, there were 16 years remaining in the amortization schedule for state employees and teachers. For active members and non-disabled retirees, the rates are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

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, 2021 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 6.50 percent at the measurement date and 6.75 percent at June 30, 2020. 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, 2021. 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, 2021 and June 30, 2020 actuarial valuations were based on the results of an actuarial experience study conducted for the period of July 1, 2015 to June 30, 2020. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2021 and June 30, 2020 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 2.16 percent as of the measurement date and 2.21 percent at June 30, 2020. The initial medical trend rate had been 6.00 percent at June 30, 2021 and June 30, 2020. The ultimate medical trend rate of 4.29 percent reached at 2075 was decreased to 4.19 percent at June 30, 2021. For active members and non-disabled retirees, the rates are based on the 2010 Public Plan General Headcount-Weighted Employee and Healthy Retiree Mortality Tables and MP-2020 Mortality Improvement Scale with different adjustments made to base employee and healthy retiree mortality rates.

First Responders Health Insurance
The valuation date is June 30, 2021. Costs are developed using the individual 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 2.16 percent as of the measurement date and 2.21 percent at June 30, 2020. Actuarial assumptions used in the June 30, 2021 and June 30, 2020 actuarial valuations were based on the results of an actuarial experience study conducted for the period of July 1, 2015 to June 30, 2020. Other significant actuarial assumptions employed by the actuary for June 30, 2021 and June 30, 2020 include using a 2.75 percent inflation rate and 3.00 percent annual salary increase. The initial medical trend rate had been 6.00 percent at June 30, 2021 and June 30, 2020. The ultimate medical trend rate of 4.29 percent reached at 2075 was decreased to 4.19 percent at June 30, 2021. For active members and non-disabled retirees, the rates are based on the 2010 Public Plan General Headcount-Weighted Employee and Healthy Retiree Mortality Tables and MP-2020 Mortality Improvement Scale with different adjustments made to base employee and healthy retiree mortality rates.

OPEB EXPENSE AND DEFERRALS
For the year ended June 30, 2022, the State recognized OPEB expense of $447,678. Costs related to non-State employees are charged to the General Fund.

OPEB COSTS
(Expressed in Thousands)

SETP - State of Maine Healthcare OPEB Expense	$ 26,023
SETP - Teachers Non-Employer Healthcare OPEB Expense (grant expense)	415,809
First Responders Healthcare OPEB Expense	686
Group Life Insurance OPEB Expense - State Employees	4,913
Group Life Insurance OPEB Expense - Teachers (grant expense)	247
Total	$ 447,678

Of State employee costs charged to governmental funds, 51 percent is charged to the General Fund, 20 percent to Other Special Revenue Funds, 16 percent to the Highway Fund and 13 percent to Federal funds. At June 30, 2022, 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	$ 3,886	$ 75,609	$ 49,800	$ 401,286	$ -	$ 3,096
Changes of assumptions	217	62,459	354,151	141,447	3,052	2,265
Net difference between projected and actual earnings on OPEB plan investments	2,932	57,375	-	-	-	-
State and component unit contributions subsequent to the measurement date	80,158	-	30,586	-	838	-
Total	$ 87,193	$ 195,443	$ 434,537	$ 542,733	$ 3,890	$ 5,361
For the Year Ended						
2023	(50,636)		(21,119)		(1,142)	
2024	(51,134)		(21,119)		(1,142)	
2025	(42,757)		(10,611)		(359)	
2026	(42,729)		1,599		155	
2027	(1,152)		(7,736)		265	
Thereafter	-		(79,796)		(86)	

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	$ 995	$ -	$ 347	$ 91
Changes of assumptions	3,784	-	921	3,204
Net difference between projected and actual earnings on OPEB plan investments	-	6,846	-	12,588
Changes in proportion and differences between State contributions and proportionate share of contributions	394	81	-	-
State and component unit contributions subsequent to the measurement date	5,514	-	4,593	-
Total	$ 10,687	$ 6,927	$ 5,861	$ 15,883
For the Year Ended				
2023	(678)		(3,392)	
2024	(540)		(3,146)	
2025	(563)		(2,631)	
2026	(1,093)		(3,627)	
2027	560		(395)	
Thereafter	560		(1,424)	

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 Healthcare and Group Life Insurance	
Asset Class:	**Target Allocation**	**Long-Term Expected Real Rate of Return**
U.S. Government Securities	9.00 %	2.30 %
Public Equity	70.00 %	6.00 %
Traditional Credit	16.00 %	3.20 %
Real Assets:		
Real Estate	5.00 %	5.20 %

For the year ended June 30, 2022, the annual money-weighted average rate of return on investments, net of investment expense was 14.1 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 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 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 6.50 percent. The discount rate used for unfunded healthcare plans is 2.16 percent. The discount rate used for funded group life insurance plans is 6.50 percent.

Discount Rate
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liabilities			
State Employee Healthcare Plan	$ 792,263	$ 674,539	$ 575,391
State Employee Group Life	$ 75,949	$ 60,437	$ 47,775
Teacher Group Life	$ 37,390	$ 19,642	$ 5,396
Total OPEB Liabilities			
Teacher Healthcare Plan	$2,141,917	$1,789,794	$1,509,069
First Responders Healthcare Plan	$ 35,588	$ 32,680	$ 30,045

Healthcare Cost Trend Rate
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB State Employee Healthcare Plan	$ 558,479	$ 674,539	$ 814,846
Total OPEB Teacher Healthcare Plan	$ 1,457,153	$ 1,789,794	$ 2,233,597
Total OPEB First Responder Healthcare Plan	$ 29,446	$ 32,680	$ 36,465

For all plans, the current trend rate is 6.00 percent grading down to 4.19 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, 2022 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, 2022 were as follows:

(Expressed in Thousands)

	State Employee Healthcare Plan	State and Teachers Group Life Insurance Benefit Plan
Total OPEB liability	$ 1,077,787	$ 235,060
Plan fiduciary net position	331,180	123,155
State of Maine's net OPEB liability	$ 746,607	$ 111,905
Plan fiduciary net position as a percentage of the total OPEB liability	30.73 %	52.39 %

Actuarial assumptions for both funded OPEB plans used in the June 30, 2022 valuations were based on results from an actuarial experience study for the period of June 30, 2016 to June 30, 2020. 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 2022 healthcare valuation, the initial medical trend rate of 6.00 percent remained constant.

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	16.0 %	3.2 %
U.S. Government Securities	9.0 %	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 %	3.2 %
U.S. Government Securities	9.0 %	2.3 %

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was 14.1 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 6.50 percent.

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 865,331	$ 746,607	$ 646,611
State Employee and Teacher Group Life Insurance Benefit Plan	$ 147,880	$ 111,905	$ 82,796

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 7.63 percent grading down to 4.19 percent.

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 620,223	$ 746,607	$ 899,836

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 2022 were:

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

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
General Obligation Debt:					
General Fund	$ 589,665	$ -	$ 83,845	$ 505,820	$ 89,875
Unamortized Premiums:					
General Fund	89,397	-	12,429	76,968	12,396
Total	$ 679,062	$ -	$ 96,274	$ 582,788	$ 102,271

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2022 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2023	$ 89,875	$ 23,483	$ 113,358
2024	89,870	19,597	109,467
2025	78,575	15,626	94,201
2026	68,315	12,080	80,395
2027	58,545	8,849	67,394
2028-2032	120,640	11,667	132,307
Total	$ 505,820	$ 91,302	$ 597,122
Unamortized Premiums	76,968		
Total Principal	$ 582,788		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2022 are as follows:

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

	Amounts Issued	Outstanding June 30, 2022	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
General Fund:					
Series 2014	$ 112,945	$ 22,585	2015	2024	0.20% - 5.00%
Series 2015	102,555	30,765	2016	2025	0.85% - 5.00%
Series 2016	97,705	39,080	2017	2026	1.00% - 5.00%
Series 2017	98,060	49,025	2018	2027	2.00% - 5.00%
Series 2019A	111,255	66,750	2019	2028	3.125% - 5.00%
Series 2019B	140,875	98,605	2020	2029	2.50% - 5.00%
Series 2020	114,905	102,135	2021	2030	1.25% - 5.00%
Series 2021	96,875	96,875	2022	2031	1.00% - 5.00%
		505,820			
Plus Unamortized Bond Premium		76,968			
Total General Fund		$ 582,788			

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, 2022, general obligation bonds authorized and unissued totaled $167.1 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included $403.2 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 $754.0 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2022, MGFA issued $44.8 million in 2022A bonds with interest rates between 3.00 percent and 5.00 percent.

At June 30, 2022, there was $13.2 million of MGFA in-substance defeased bonds outstanding.

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

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

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

SHORT-TERM OBLIGATIONS

The State of Maine did not issue or retire Bond Anticipation Notes during fiscal year 2022. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2022 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, 2022, are summarized as follows:

Primary Government - Changes in Other Long-Term Obligations

(Expressed in Thousands)

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Governmental Activities:					
MGFA Revenue Bonds	$ 377,785	$ 44,815	$ 19,388	$ 403,212	$ 22,689
COP's and Other Financing	53,524	29,300	10,677	72,147	10,042
Compensated Absences	68,325	13,277	10,347	71,255	10,789
Claims Payable	80,662	205,833	205,871	80,624	22,506
Leases (as restated)	232,285	8,524	6,299	234,510	6,872
Loans Payable to Component Unit	336,993	-	66,544	270,449	58,148
Total Governmental Activities	$ 1,149,574	$ 301,749	$ 319,126	$ 1,132,197	$ 131,046
Business-Type Activities:					
Compensated Absences	$ 979	$ 129	$ 149	$ 959	$ 126

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2022 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
2023	$ 5,179	$ 331	$ 5,510	$ 27,553	$ 16,422	$ 43,975
2024	12,018	1,916	13,934	27,305	15,209	42,514
2025	10,993	718	11,711	26,634	14,230	40,864
2026	8,682	545	9,227	25,107	13,250	38,357
2027	8,635	394	9,029	23,395	12,282	35,677
2028 - 2032	13,679	638	14,317	112,274	47,590	159,864
2033 - 2037	-	-	-	107,760	25,221	132,981
2038 - 2042	-	-	-	66,145	4,365	70,510
Total	$ 59,186	$ 4,542	$ 63,728	$ 416,173	$ 148,569	$ 564,742

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 2022 were:

Primary Government - Changes in GARVEE, TransCap and Liquor Revenue Bonds Payable

(Expressed in Thousands)

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Loans Payable to Components Unit:					
Federal Funds	$ 193,440	$ -	$ 19,697	$ 173,743	$ 20,073
Special Revenue Fund	143,553	-	46,848	96,705	38,074
Total	$ 336,993	$ -	$ 66,545	$ 270,448	$ 58,147

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, 2022 are as follows:

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

	Amounts Issued	Outstanding June 30, 2022	Fiscal Year Maturities First Year	Last Year	Interest Rates
Federal Funds:					
Series 2010B	$ 24,085	$ 5,120	2018	2022	4.52% - 5.32%
Series 2014A	44,810	22,180	2015	2026	2.00% - 5.00%
Series 2016A	44,105	28,850	2017	2028	2.63% - 5.00%
Series 2018A	44,310	44,310	2023	2030	4.00% - 5.00%
Series 2020A	60,925	57,125	2021	2032	5.00%
Total Federal Funds		$ 157,585			
Special Revenue Fund:					
Series 2009A	105,000	2,335	2010	2023	2.50% - 5.00%
Series 2015A	54,680	43,090	2019	2024	4.00% - 5.00%
Series 2021A	35,070	35,070	2022	2026	5.00%
Total Special Revenue Funds		$ 80,495			

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 2020A GARVEE bonds total principal and interest requirements are $81.9 million, with annual requirements up to $6.8 million. Total federal highway transportation funds received in federal fiscal year 2022 were $286.1 million. Current year payments to MMBB for GARVEE bonds were $24.0 million (8.7 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 2015A TransCap Revenue bonds total principal and interest requirements are $74.4 million, with annual requirements up to $16.6 million; for the 2021A TransCap Revenue bonds total principal and interest requirements are $43.1 million, with annual requirements up to $18.1 million. Total revenue received for revenue sources used as pledged revenues were $42.4 million in fiscal year 2022.

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 $62.1 million in fiscal year 2022.

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, 2022 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	2.120% - 5.050%	$ 74,119	2022 - 2041
Maine Community College System	3.000% - 5.000%	15,411	2022 - 2036
Maine Health and Higher Educational Facilities Authority	0.359% - 5.500%	600,295	2022 - 2053
Maine Municipal Bond Bank	0.350% - 6.120%	1,594,279	2022 - 2049
Maine State Housing Authority	0.000% - 5.000%	1,571,645	2022 - 2053
Maine Turnpike Authority	2.000% - 5.000%	636,082	2022 - 2050
University of Maine System	0.310% - 5.000%	151,893	2022 - 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 June 2, 2022 Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $48.3 million in 2022A Reserve Resolution bonds with an average interest rate of 5.0 percent, a portion of which was used to in-substance defease $1.1 million of 2012A Reserve Resolution bond series. A portion of the net proceeds of approximately $52.1 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, 2022, MHHEFA had approximately $68.0 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.

On July 21, 2021, MMBB issued $35.1 million in Transportation Infrastructure Revenue Refunding Series 2021 A bonds with an average interest rate of 5% to in-substance defease $43.7 million of various outstanding maturities of the 2011 A bonds. The net proceeds of approximately $44.6 million including $7.1 million of premium and $2.9 million released from debt service reserve funds, and after $0.4 million payment of underwriting fees and other issuance costs, were used to purchase U.S. Government securities which were utilized to fund all required debt service on the defeased bonds through their call date on September 1, 2021. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $6.6 million in the year ended June 30, 2022, MMBB in effect reduced the Transportation Infrastructure Fund Group's aggregate debt service by approximately $9.3 million over the next five years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $6.2 million after consideration of debt service reserve funds on hand utilized in the refunding. The gain and economic benefit of this transaction inure to the State of Maine and not MMBB.

At June 30, 2022, the remaining balances of the 2001D, 2002F and 2005D General Tax-Exempt Fund Group in-substance defeased bonds total approximately $0.5 million.

For the year ended December 31, 2021, the Maine State Housing Authority (MHSA) redeemed prior to maturity $227.2 million of its Mortgage Purchase Fund Group bonds from recoveries of principal, reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunded bonds. Mortgage Purchase Fund gains of $798 thousand were attributed to recognition of the related bond premium.

For the year ended December 31, 2021, MSHA redeemed prior to maturity $22.6 million of its Maine Energy, Housing, & Economic Recovery bonds from bond proceeds and debt service funds. Gains of $90 thousand were attributed to the recognition of 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
2023	$ 5,795	$ 145,405	$ 895	$ 23,400	$ 18,435	$ 54,677	$ 28,775
2024	6,355	146,200	935	53,416	19,360	11,900	30,245
2025	6,610	127,370	980	62,050	23,790	10,014	31,000
2026	6,840	136,120	960	55,958	25,030	10,291	29,125
2027	6,905	127,800	1,050	50,525	29,080	8,032	29,395
2028 - 2032	21,250	419,736	5,860	298,121	150,275	39,661	152,550
2033 - 2037	11,190	216,345	2,947	337,476	102,365	13,706	127,845
2038 - 2042	4,955	121,540	-	239,510	88,255	-	93,925
2043 - 2047	-	17,215	-	257,445	79,475	-	49,590
2048 - 2052	-	3,110	-	169,900	40,610	-	24,900
2053 - 2057	-	-	-	18,615	-	-	2,945
Net Unamortized Premium (or Deferred Amount)	4,219	133,438	1,784	5,229	59,407	3,612	-
Total Principal Payments	$ 74,119	$ 1,594,279	$ 15,411	$ 1,571,645	$ 636,082	$ 151,893	$ 600,295

NOTE 12 - RIGHT TO USE LEASED ASSETS

PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES

In the government-wide and proprietary fund statements, assets and liabilities resulting from right to use leased assets 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.

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. Note 11 provides information on the amount of MGFA bonds outstanding and a schedule of debt service requirements.

The Bureau of General Services (BGS) negotiates leases for most all state agencies. The accounting for BGS leases is recorded in an internal service fund.

The historical cost of assets acquired under leases, all of which are buildings, on the government-wide financial statements at June 30, 2022, is $240.8 million. Accumulated amortization is $9.5 million. Lease assets net of accumulated amortization is $231.3 million.

Right to Use Leased Assets
(Expressed in Thousands)

	General Fund	Other Special Revenue Funds	Internal Service Funds	Total Governmental Activities
Buildings	$ 12,064	$ 574	$ 228,172	$ 240,810
Less: Accumulated Amortization	671	119	8,736	9,526
Total Right to Use Assets, net	$ 11,393	$ 455	$ 219,436	$ 231,284

A summary of lease commitments to maturity is as follows:

Future Lease Payments
(Expressed in Thousands)

Fiscal Years Ending June 30	Principal	Interest
2023	$ 6,872	$ 3,984
2024	6,871	3,883
2025	7,020	3,780
2026	7,267	3,673
2027	7,324	3,562
2028-2032	35,829	16,080
2033-2037	32,244	13,216
2038-2042	25,903	10,687
2043-2047	26,812	8,343
2048-2052	25,604	5,930
2053-2057	18,041	3,962
2058-2062	16,811	2,363
2063-2067	13,449	958
2068-2072	4,461	94
Total	$ 234,508	$ 80,515

Lease liabilities are valued using discount rates between 0.67% and 1.81% based on the lease term, using State Specific Municipal Market Data.

The State of Maine, Bureau of General Services, negotiates leases on behalf of Child Development Services. At June 30, 2022, leases receivable from is $4.5 million. Fiscal year 2022 lease revenue was $301 thousand, interest revenue was $48 thousand.

COMPONENT UNITS
The University of Maine System leases building space for various terms under long-term non-cancelable lease agreements. The original lease terms expire at various dates through 2036 and provide for renewal options (ranging from 1-15 years) which extend them to 2041. As of June 30, 2022, right of use lease assets acquired through outstanding leases consisting of building and office space totaled $39.1 million less $4.1 million in accumulated amortization.

A non-major discretely presented component unit, Midcoast Regional Redevelopment Authority (MRRA), regularly operates and leases property and buildings within its jurisdiction to third parties. As of June 30, 2022, MRRA reported a lease receivable, including accrued interest, of $33.0 million. At June 30, 2022, MRRA also had a $32.3 million deferred inflow of resources balance associated with the leases that will be recognized as revenue over the lease terms that extend until 2067.

NOTE 13 - 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	400 thousand	10 thousand	none

*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, 2022. 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, 2022 and 2021 the present value of claims payable for the State's self-insurance plan was estimated at $10.9 million and $11.9 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	2022	2021
Liability at Beginning of Year	$ 11,901	$ 11,702
Current Year Claims and Changes in Estimates	1,073	2,922
Claims/Fees Expense	2,076	2,723
Liability at End of Year	$ 10,898	$ 11,901

As of June 30, 2022, fund assets of $27.7 million exceeded fund liabilities of $12.2 million by $15.5 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 $878 thousand for the fiscal year ended June 30, 2022.

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, 2022 and 2021:

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

	2022	2021
Liability at Beginning of Year	$ 51,161	$ 47,431
Current Year Claims and Changes in Estimates	12,285	13,509
Claims Payments	7,966	9,779
Liability at End of Year	$ 55,480	$ 51,161

Based on the actuarial calculation as of June 30, 2022, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $75.0 million. The discounted amount is $55.5 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) and pharmacy benefit management (PBM) services for claims administration, utilization review, case management services, and pharmacy fulfillment. 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, early retirees, and grandfathered retirees not eligible for Medicare Part A as of July 1, 2019. A Medicare Advantage plan is available to age sixty-five or older retirees. Total enrollment averaged approximately 35,200 covered individuals. This total includes approximately 25,700 active employees, retirees and their dependents in the PPO plan and 9,500 Medicare Advantage 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 $14.2 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2022 follows:

(Expressed in Thousands)

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 13,200	$ 4,400
Claims and Changes in Estimate	128,608	63,867
Claims Payments	131,123	64,706
Liability at End of Year	$ 10,685	$ 3,561

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 $48.2 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $26.9 million of active employee healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 14 - 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 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 2022, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected financial information:

Tri-State Lotto Commission
(Expressed in Thousands)

Current Assets	$ 13,739
Noncurrent Assets	14,497
Total Assets	$ 28,236
Current Liabilities	$ 12,956
Long-term Liabilities	10,857
Total Liabilities	$ 23,813
Designated Prize Reserves	$ 4,346
Reserve for Unrealized Gains	77
Total Net Position	4,423
Total Liabilities and Net Position	$ 28,236
Total Revenue	$ 87,450
Total Expenses	64,175
Gain (Loss) on Sale of Investment	283
Allocation to Member States	23,558
Change in Unrealized Gain (Loss) on Investments Held for Resale	(2,004)
Change in Net Position	$ (2,004)

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 table below was obtained from the Multi-State Lottery Association's draft financial report for fiscal year 2022. The final report, once received, will be available from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008.

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

Cash and Cash Equivalents	$ 581,724
Investments in US Government Securities	92,974
US Government Securities Held for Prize Annuities	44,569
Due from Party Lotteries	45,148
Other Assets	2,178
Total Assets	$ 766,593
Amount Held for Future Prizes	$ 704,994
Grand Prize Annuities Payable	44,616
Other Liabilities	6,906
	756,516
Net Position, Unrestricted	10,077
Total Liabilities and Net Position	$ 766,593
Total Revenue	$ 3,442
Total Expenses	5,578
Excess (Deficit) of Revenues over Expenses	(2,136)
Increase (Decrease) in Net Assets	(2,136)
Net Position, beginning	12,213
Net Position, ending	$ 10,077

NOTE 15 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

The State of Maine entered into a memorandum 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 $58 million in funding from Health and Human Services programs and $2.6 million in funding from the Department of Education during fiscal year 2022. A member of the Maine Senate served on the board of directors during the fiscal year. This position receives no compensation.

Children's Center of Maine received $2.8 million in funding from State of Maine, Department of Health and Human Services during fiscal year 2022. The spouse of an employee of the Department of Economic and Community Development served as the Director during the fiscal year. The Director's position is a full-time paid position.

The Maine Children's Trust received $10.3 million in funding from various Health and Human Services programs during fiscal year 2022. The spouse of an employee of the Department of Economic and Community Development served on the Board of Directors during the fiscal year. The board member received no compensation.

Sweetser, a non-profit organization, received $47.5 million in funding from Health and Human Services programs and $1.3 million in funding from the Department of Education during fiscal year 2022. The spouse of an employee of the Department of Professional and Financial Regulation is a corporator for Sweetser.

Community Concepts received $3.4 million in funding from the State of Maine, Department of Health and Human Services during fiscal year 2022. A member of the Legislature, an employee of Community Concepts Finance Corporation, oversees the organization's loan pools with funds lent by the Finance Authority of Maine (FAME) and housing counseling programs administered by the Maine State Housing Authority (MSHA) and the Bureau of Consumer Credit Protection. FAME and MSHA are component units of the State of Maine.

Waldo Community Action Partners received $10.9 million in funding from the State of Maine during fiscal year 2022. A member of the Senate served as an uncompensated member on the Board of Directors of Waldo Community Action Partners.

Amistad, Inc., received $1.1 million in payments from the State of Maine, Department of Health and Human Services during fiscal year 2022. A member of the Senate served as an uncompensated member on the Board of Directors of Amistad, Inc.

All Med Staffing of New England received $996 thousand in payments from the State of Maine, Department of Health and Human Services during fiscal year 2022. A member of the Senate maintained a 50% ownership interest in the company.

The Maine Technology Institute (MTI) received $12 million in funding from the Department of Economic and Community Development during fiscal year 2022. The Director of MTI is an employee of the State of Maine. One board member is a Commissioner of the State of Maine. One board member is a Deputy Commissioner of the State of Maine. The Board members receive no compensation.

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, $284.8 million; Maine Community College System, $86.8 million; Maine Municipal Bond Bank (MMBB), $41.7 million; Finance Authority of Maine, $31.0 million; and Maine State Housing Authority, $322.3 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $26.9 million at June 30, 2022, 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 2022, the State expended $1.0 million to FAME for State revolving loan funds.

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 $26.3 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 2022, the amount billed totaled $8.9 million.

NOTE 16 - 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	$ -	$ -	$ -	$ 10,113
Refunding of Debt	1,237	-	1,237	32,106
Pension Related	1,135,794	5,257	1,141,051	29,934
OPEB Related	540,834	1,331	542,165	39,914
Total Deferred Outflows of Resources	$ 1,677,865	$ 6,588	$ 1,684,453	$ 112,067
Deferred Inflows of Resources:				
Grant Income	$ -	$ -	$ -	$ 4,666
Loan Origination Fees	-	-	-	407
Pension Related	1,680,027	7,331	1,687,358	52,917
OPEB Related	763,592	2,754	766,346	52,488
Lease Related	4,421	-	4,421	36,350
Settlements *	65,659	-	65,659	-
Total Deferred Inflows of Resources	$ 2,513,699	$ 10,085	$ 2,523,784	$ 146,828

* Please refer back to Note 6 for information on the Opioid settlement.

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	$ 337,133	$ 362	$ 46,608	$ 3,030	$ -	$ 387,133
Settlements **	-	-	-	90,634	-	90,634
Total Deferred Inflows of Resources	$ 337,133	$ 362	$ 46,608	$ 93,664	$ -	$ 477,767

** Please refer back to Note 6 and Note 18 for information on the Opioid settlement and the Tobacco settlement, respectively

NOTE 17 - 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, 2022, 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 6/30/2022	$5,601,779	$9,685,148	$4,439,785

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

Source: Maine Revenue Services

NOTE 18 - 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.

Bryan C. v. Lambrew, et al. Plaintiffs are six foster children in the Department of Health & Human Services (DHHS) custody and their guardians ad litem. They make various allegations regarding the administration of psychotropic drugs to these six foster children and a putative class of all other foster children in DHHS's custody, including overmedication, a lack of informed consent, inadequate record-keeping and an inadequate secondary review process. Plaintiffs are seeking declaratory and injunctive relief. Plaintiffs are not seeking monetary damages but, if they prevail, they could be awarded attorneys' fees in excess of $1 million. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Carson, et al. v. Makin. Three families filed a lawsuit against the Commissioner of the Maine Department of Education alleging that a state program that pays tuition for certain children who attend private schools violates the First Amendment and the Equal Protection Clause because sectarian schools are excluded from the program. The case was argued at the United States Supreme Court on December 8, 2021. On June 21, 2022, the Supreme Court issued a decision holding that the exclusion of sectarian schools violates the First Amendment's Free Exercise Clause. Although no monetary damages are sought, the plaintiffs, as prevailing parties, may be entitled to attorneys' fees. Because of the duration of this litigation, such fees could be significant. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Deferral of Federal Financial Participation. On December 28, 2020, the Centers for Medicare and Medicaid Services (CMS) issued a deferral notice to Maine DHHS for approximately $4.2 million in federal financial participation (FFP) for Medicaid expenditures for the third quarter of 2020 (7/1-9/30/2020). CMS issued six additional deferrals, totaling approximately $24.3 million, for FFP for Medicaid expenditures during the fourth quarter of 2020, all four quarters of 2021, and the first quarter of 2022 (10/1/2020-3/31/2022). The basis for the deferral is CMS's contention that a service provider tax imposed on, among others, Private Non-Medical Institutions (36 M.R.S. §2552) is an impermissible source of non-federal share. In September 2022, CMS advised DHHS that rather than issuing deferrals for subsequent quarters, it will begin issuing disallowances. To date, CMS has not issued such disallowances. DHHS intends to appeal the deferrals, and the probability that the case will result in future losses to the State in excess of $1 million is undetermined at this time.

Deferral of Federal Financial Participation. On September 26, 2022, the Centers for Medicare and Medicaid Services (CMS) issued a deferral notice to Maine DHHS for approximately $2.4M in federal financial participation (FFP) for Medicaid expenditures for the second quarter of 2022 (4/1 – 6/30/2022). CMS alleges that DHHS violated the Medicaid requirements for adjustments to claims that were greater than two years old, and DHHS did not meet any exceptions set forth in 45 CFR 95.19. This deferral involves disproportionate share (DSH) payments to state psychiatric hospitals. DHHS is preparing to respond to this deferral. We anticipate that CMS will issue additional deferrals on the same basis for future quarters. The extended deadline for response is Jan. 24, 2023. 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.

Mascal v. DOC, et al: Alexander Mascal alleges that while he was housed at Long Creek Youth Development Center and Mountain View Youth Development Center from 2012 to 2016, he was subject to excessive use of isolation, excessive use of force and restraint, sexual assault, and other violations of his statutory and constitutional rights. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time

Westcott v. DOC, et al. Michael Westcott alleges that while he was housed at Long Creek Youth Development Center (then called Maine Youth Center), between 1995 and 2001, he was sexually assaulted by multiple unnamed staff members during unclothed body searches and that he was subject to unconstitutional restraint, force, isolation and other abuses. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

The Office of the Attorney General is representing Maine Revenue Services (MRS) in a number of cases in which taxpayers are challenging the assessment of taxes. In most of these cases, the taxpayers are not seeking refunds of taxes previously paid, but are instead challenging taxes that were assessed but which the taxpayers have not paid. In some cases, the assessment at issue exceeds $1 million. The cases listed below are the only ones we are aware of in which taxpayers are seeking refunds that could exceed $1 million.

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.

NextEra Energy Maine, LLC v. Maine Revenue Services. NextEra has appealed to the Maine Board of Tax Appeals two MRS decisions denying corporate tax refunds totaling $4.6 million for tax years 2013, 2014 and 2015. NextEra claims that a Florida affiliate was not part of its unitary business and that the affiliate's income should not have been included in NextEra's apportionable Maine income. 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 Company 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.

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, now pending, numerous workers' compensation claims 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 $96.8 million, $4.3 million, $985.0 million, $64.8 million and $10.5 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, 2022 is $20.6 million. Superfund sites account for approximately $7.1 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 $611 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, 2022, the State has received $2.1 million in recoveries from the Department of Defense. The State expects to recover additional costs of $14 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 $13.2 million (net of unrealized recoveries of $298 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover $268 thousand 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 originally allocated $6 million of bond funds to pay for the first phase of capping. In fiscal year 2022, the State issued an additional $7 million in bonds to complete the capping of the landfill. In addition to the closure of the facility, the State anticipates additional post-closure maintenance and monitoring costs of approximately $20 million over the next 30 years based on current annual expense. However, the State anticipates a significant reduction in post closure costs due to the reduction in the amount of the leachete from the site that must be treated after the capping is complete. The State has entered into a cost sharing agreement with the Town of E. Millinocket to treat the leachate at the town's wastewater treatment facility. The State will likely renegotiate the cost sharing agreement once the amount leachate, subsequent to the completion of the capping can be determined or estimated. The State's total obligation related to the Dolby Landfill as of June 30, 2022 is $27.1 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 $2.6 million 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 FY22 the DEP received $1.2 million from the CDD fee. As required, the entirety of this fee was used to reimburse municipalities for eligible expenses. At the beginning of FY22, DEP's total outstanding reimbursement obligation to municipalities was $2.2 million. At the end of FY22, the outstanding match obligation was $1.1 million. Although the overall outstanding debt during the year decreased, additional debt was incurred due to qualifying closure and remediation expenses which were submitted by municipalities 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 $800,000 thousand. 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 2022 fiscal year, $5.17 million of general obligation bond funds and $3.17 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2022, amounts encumbered for pollution abatement projects totaled $7.47 million, and general obligation bonds authorized for these projects, but not yet encumbered, totaled $10.92 million. As of June 30, 2022, 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
2021	127	440
2020	156	494
2019	137	530
2018	91	540
2017	117	519

The annual average cost per spill over the past five years is $9,150. 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 55.07 percent of the annual payments. As of June 30, 2022, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $1.039 billion.

At June 30, 2022, the Department of Transportation had contractual commitments of approximately $475.0 million for construction of various highway projects. The State's share of that amount is expected to be approximately $117.7 million. Of these amounts, $10.0 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 2022, Maine received an annual tobacco settlement payment of $49.9 million.

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 $25.6 million as of June 30, 2022. All overpayments that are outstanding for more than one year, $21.1 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 is 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.

Overpayments made by the Department of Labor are recorded as accounts receivable in the State financial statements. The total overpayments for Unemployment Benefits applicable to federal funds, are $56.4 million as of June 30, 2022. All overpayments that are outstanding for more than one year, $9.8 million, are fully reserved. The liability for Unemployment Benefit overpayments that may be recovered and remitted to the Unemployment Insurance Trust Fund cannot be determined at this time..

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, 2022, the Fund included $3.3 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2022 of approximately $291.3 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, 2022, the amount reported in the Fund for claimant liability is $68.8 million. The General Fund shows a $65.0 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, 2022, loans outstanding pursuant to these authorizations are $87.0 million, $0 and less than $0.1 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, 2022.

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, 2022, 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, 2022.

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	$ 600,295	$ 53,000	NIL	22 MRSA § 2075
Finance Authority of Maine	39,535	-	730,500	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	69,900	1,042	225,000	20-A MRSA §11424
Maine Municipal Bond Bank	1,246,183	123,369	NIL	30-A MRSA §6006
Maine State Housing Authority	1,497,590	82,014	2,150,000	30-A MRSA §4906
Total	$ 3,453,503	$ 259,425		

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

COMPONENT UNITS

CONSTRUCTION CONTRACTS

At June 30, 2022, UMS and MCCS had outstanding commitments on uncompleted construction contracts. They totaled $69.2 million and $3.3 million, respectively. A non-major discretely reported component unit, Maine Maritime Academy, had commitments on construction projects at June 30, 2022 totaling $66.8 million.

At December 31, 2021, the Maine Turnpike Authority had $77.7 million remaining in commitments on outstanding construction projects for improvements and maintenance.

MORTGAGE COMMITMENTS

Mortgage commitments are agreements to lend provided there is no violation of any term or condition of the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as deemed necessary. At December 31, 2021 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $241.3 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2021, single-family loans being processed by lenders totaled $33.5 million.

INSURED LOAN COMMITMENTS

The Finance Authority of Maine (FAME) insures loans made by financial institutions to qualifying businesses under various insurance programs. FAME is contingently liable for the insured portion of payments due on these loans. At June 30, 2022, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately $126.5 million. At June 30, 2022, FAME was insuring loans with an aggregate outstanding principle balance approximating $752 thousand which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately $443 thousand at June 30, 2022. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2022, these commitments under the Loan Insurance Program were approximately $14.3 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, 2022, approximately $20.4 million of loans were insured under this program. Such loans are unsecured.

NOTE 19 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On July 14, 2022, the State issued $85.5 million in General Obligation Bonds, of which $66.9 million was tax exempt and $18.6 million was taxable. The bonds bear interest rates from 3.75 percent to 5.00 percent and maturities from 2023 to 2032.

On August 15, 2022, the State issued $3.0 million of certificates of participation (COP's) for the purpose of financing the modernization of the Division of Liquor Licensing and Enforcement's liquor licensing, enforcement and excise tax collection system. The COP's carry interest rates of 3.26 percent and maturities from 2023 to 2029.

On August 26, 2022, the State issued $7.5 million of certificates of participation (COP's) for the purpose of financing an estimated 275 motor vehicle purchases for the Department of Administrative Services, Central Fleet Management division. The COP's carry interest rates of 2.92 percent and maturities from 2023 to 2029.

On November 10, 2022, the Maine Municipal Bond Bank (MMBB) issued $47.2 million of Series 2022A Grant Anticipation Bonds on behalf of the Maine Department of Transportation. The bonds bear an interest rate of 5.00 percent and have maturities from 2024 to 2035.

COMPONENT UNITS

Maine State Housing Authority (MSHA), has a December 31 fiscal year end. During calendar year 2022, MSHA issued at par $393.3 million of bonds in the General Mortgage Purchase Bond Resolution. MSHA redeemed, at par, $216.6 million of bonds in the General Mortgage Purchase Bond Resolution during calendar year 2022. MSHA redeemed $3.4 million of bonds, in the Maine Energy, Housing & Economic Recovery Bond Resolution.

On July 20, 2022 the University of Maine System (UMS) issued $120.3 million of Series A Revenue Bonds at a premium of $12.0 million. The purpose was to currently refund a $43.0 million bond anticipation note, and to provide $86.4 million for new projects, $2.2 million for capitalized interest and $598 thousand for issuance costs. The bonds mature from 2023 to 2062 with annual principal payments from $1.2 million to $6.1 million and coupon interest rates from 5.0 percent to 5.5 percent.

On August 15, 2022, UMS, as a lessor, entered into an agreement with a lessee and a tenant called a public private partnership agreement. The $28.0 million project includes renovations of two halls and the construction of a parking lot and new building adjacent to a hall for the creation of boutique hotels. The University is leasing the grounds and buildings for 99 years with an annual base rent of $38 thousand per year.

On November 3, 2022, the Maine Municipal Bond Bank (MMBB) issued $8.7 million of Series 2022 B General Resolution Bonds with interest rates ranging from 4.25% to 5.00% with principal payments beginning 2024, and maturing 2053.

On November 15, 2022, Maine Health and Higher Education Facilities Authority (MHHEFA) issued $85.6 million of Series 2022 C Reserve Fund Resolution Bonds with an interest rate of 5.29% with principal payments beginning 2024, and maturing 2043.

Maine Turnpike Authority (MTA) has a December 31 fiscal year end, In December 2021, the MTA signed a forward delivery agreement to refund $124.9 million of the Series 2012 outstanding bonds in April 2022. MTA will issue $102.3 million of new bonds that defease $124.9 million of outstanding bonds for a net present value savings of $25.4 million.


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REQUIRED SUPPLEMENTARY INFORMATION

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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, 2022
(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	$ 4,201,202	$ 4,857,877	$ 5,401,715	$ 543,838	$ 224,611	$ 224,703	$ 222,785	$ (1,918)
Assessments and Other	90,554	87,251	90,445	3,194	96,272	98,088	108,449	10,361
Federal Grants	2,208	1,129	94	(1,035)	-	-	-	-
Service Charges	52,314	56,368	60,181	3,813	6,305	6,624	4,729	(1,895)
Income from Investments	2,938	6,979	11,508	4,529	87	169	190	21
Miscellaneous Revenue	62,563	70,226	33,630	(36,596)	3,434	6,607	818	(5,789)
Total Revenues	4,411,779	5,079,830	5,597,573	517,743	330,709	336,191	336,971	780
Expenditures								
Governmental Support & Operations	513,534	446,382	412,130	34,252	47,939	50,282	42,587	7,695
Economic Development & Workforce Training	47,339	47,520	45,724	1,796	-	-	-	-
Education	1,847,104	1,928,178	1,890,617	37,561	-	-	-	-
Health and Human Services	1,449,089	1,426,393	1,254,933	171,460	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	90,753	97,314	91,980	5,334	31	31	31	-
Justice and Protection	400,147	419,705	388,969	30,736	32,155	32,044	31,005	1,039
Arts, Heritage & Cultural Enrichment	9,187	9,544	8,759	785	-	-	-	-
Transportation Safety & Development	-	-	-	-	258,601	311,368	296,757	14,611
Total Expenditures	4,357,153	4,375,036	4,093,112	281,924	338,726	393,725	370,380	23,345
Revenues Over (Under) Expenditures	54,626	704,794	1,504,461	799,667	(8,017)	(57,534)	(33,409)	24,125
Other Financing Sources (Uses)								
Operating Transfers Net	(180,482)	(270,903)	(1,280,942)	(1,010,039)	-	-	1,339	1,339
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	(180,482)	(270,903)	(1,280,942)	(1,010,039)	-	-	1,339	1,339
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (125,856)	$ 433,891	$ 223,519	$ (210,372)	$ (8,017)	$ (57,534)	$ (32,070)	$ 25,464
Fund balances, beginning of year			1,252,611				73,008	
Fund balances, end of year			$ 1,476,130				$ 40,938	

	Federal Funds				Other Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
	$ -	$ -	$ -	$ -	$ 382,110	$ 386,208	$ 377,321	$ (8,887)
	67	67	-	(67)	191,005	216,705	212,366	(4,339)
	4,215,365	5,042,467	5,238,312	195,845	19,365	19,764	17,278	(2,486)
	5,136	5,250	-	(5,250)	241,715	256,600	219,797	(36,803)
	-	-	3,955	3,955	2,134	1,030	1,163	133
	217	217	2,637	2,420	206,816	204,689	181,645	(23,044)
	4,220,785	5,048,001	5,244,904	196,903	1,043,145	1,084,996	1,009,570	(75,426)
	257,157	301,642	131,987	169,655	240,936	1,398,676	1,077,606	321,070
	158,765	989,703	656,412	333,291	76,390	97,077	78,229	18,848
	589,265	1,183,230	473,328	709,902	39,902	48,068	37,018	11,050
	3,073,332	3,908,825	3,487,212	421,613	676,690	621,802	526,272	95,530
	123	85,711	9,404	76,307	78,878	80,309	63,082	17,227
	58,312	149,310	44,903	104,407	146,465	230,915	126,626	104,289
	118,237	216,376	133,658	82,718	64,068	83,687	55,963	27,724
	4,814	12,261	5,355	6,906	2,048	2,077	1,042	1,035
	386,150	423,217	309,715	113,502	96,110	292,652	160,327	132,325
	4,646,155	7,270,275	5,251,974	2,018,301	1,421,487	2,855,263	2,126,165	729,098
	(425,370)	(2,222,274)	(7,070)	2,215,204	(378,342)	(1,770,267)	(1,116,595)	653,672
	(98,180)	4,741	12,526	7,785	275,553	1,014,724	1,387,719	372,995
	-	-	-	-	44,100	55,600	32,542	(23,058)
	(98,180)	4,741	12,526	7,785	319,653	1,070,324	1,420,261	349,937
	$ (523,550)	$ (2,217,533)	$ 5,456	$ 2,222,989	$ (58,689)	$ (699,943)	$ 303,666	$ 1,003,609
			932,330				1,060,353	
			$ 937,786				$ 1,364,019	


DIRIGO
MAINE

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 1,476,130	$ 40,938	$ 937,786	$ 1,364,019
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	361,056	38	-	15,130
Other Receivables	42,897	2,759	202,483	58,982
Inventories	4,364	-	19,547	-
Due from Component Units	-	-	-	75,074
Due from Other Governments	-	-	598,572	-
Due from Other Funds	74,345	13,936	5,847	306,930
Other Assets	763	1	658	93
Unearned Revenues	-	(3,105)	(2,705)	(408)
Deferred Inflows - Taxes and Assessment Revenues	(337,133)	(362)	(46,608)	(27,597)
Total Revenue Accruals/Adjustments	146,292	13,267	777,794	428,204
Expenditure Accruals/Adjustments:				
Accounts Payable	(195,265)	(37,307)	(470,475)	(203,616)
Due to Component Units	(2,509)	(197)	(21,728)	(7,336)
Accrued Liabilities	(23,481)	(7,971)	(8,332)	(10,227)
Taxes Payable	(331,614)	(12)	-	-
Intergovernmental Payables	-	-	(1,130,487)	-
Due to Other Funds	(109,182)	(4,533)	(32,232)	(64,795)
Total Expenditure Accruals/Adjustments	(662,051)	(50,020)	(1,663,254)	(285,974)
Fund Balances - GAAP Basis	$ 960,371	$ 4,185	$ 52,326	$ 1,506,249

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, 2022, the legislature decreased appropriations to the General Fund by $94.9 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 2022 - 2023, 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 29 2021, 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, 2022 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 Eight Fiscal Years
(Expressed in Thousands)

	2022	2021	2020
Total Pension Liability			
Service Cost	$ 1,547	$ 1,609	$ 1,597
Interest	4,823	4,645	4,582
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	1,066	943	(1,087)
Changes of Assumptions	836	-	-
Benefit Payments, Including Refunds of Member Contributions	(4,681)	(4,317)	(4,068)
Net Change in Total Pension Liability	3,591	2,880	1,024
Beginning Total Pension Liability	72,197	69,317	68,293
Ending Total Pension Liability	75,788	72,197	69,317
Plan Fiduciary Net Position			
Employer Contributions	739	716	1,213
Member Contributions	636	617	620
Net Investment Income	19,280	2,165	4,709
Transfers	473	765	(3)
Benefit Payments, Including Refunds of Member Contributions	(4,681)	(4,317)	(4,068)
Administrative Expense	(68)	(69)	(68)
Net Change in Plan Fiduciary Net Position	16,379	(123)	2,403
Beginning Plan Fiduciary Net Position	73,515	73,638	71,235
Ending Plan Fiduciary Net Position	89,894	73,515	73,638
Ending Net Pension Liability (Asset)	$ (14,106)	$ (1,318)	$ (4,321)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	118.6 %	101.8 %	106.2 %
Covered Payroll	$ 8,312	$ 8,054	$ 8,117
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(169.7)%	(16.4)%	(53.2)%

2019	2018	2017	2016	2015
$ 1,487	$ 1,466	$ 1,397	$ 1,606	$ 1,518
4,442	4,358	4,155	3,863	3,736
-	-	2,017	28	17
469	(893)	(1,746)	2,238	(292)
698	-	2,490	-	426
(3,805)	(3,652)	(3,502)	(3,384)	(3,219)
3,291	1,279	4,811	4,351	-
65,002	63,723	58,912	54,561	52,375
68,293	65,002	63,723	58,912	54,561
1,179	1,144	1,078	979	932
604	585	550	550	528
6,607	7,800	130	1,055	8,416
-	-	6,343	-	-
(3,805)	(3,652)	(3,502)	(3,384)	(3,219)
(62)	(57)	(48)	(49)	(42)
4,523	5,820	4,551	(849)	6,615
66,712	60,892	56,341	57,190	50,575
71,235	66,712	60,892	56,341	57,190
$ (2,942)	$ (1,710)	$ 2,831	$ 2,571	$ (2,629)
104.3 %	102.6 %	95.6 %	95.6 %	104.8 %
$ 7,894	$ 7,640	$ 7,188	$ 7,186	$ 6,742
(37.3)%	(22.4)%	39.4 %	35.8 %	(39.0)%

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

Last Eight Fiscal Years
(Expressed in Thousands)

	2022	2021	2020
Total Pension Liability			
Service Cost	$ 287	$ 335	$ 297
Interest	658	611	578
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	181	414	239
Changes of Assumptions	374	-	-
Benefit Payments, Including Refunds of Member Contributions	(550)	(698)	(607)
Net Change in Total Pension Liability	950	662	507
Beginning Total Pension Liability	9,729	9,067	8,560
Ending Total Pension Liability	10,679	9,729	9,067
Plan Fiduciary Net Position			
Employer Contributions	-	-	-
Member Contributions	215	157	221
Net Investment Income	3,560	391	845
Transfers	(550)	(698)	(607)
Benefit Payments, Including Refunds of Member Contributions	(3)	366	45
Administrative Expense	(12)	(14)	(12)
Net Change in Plan Fiduciary Net Position	3,210	202	492
Beginning Plan Fiduciary Net Position	13,450	13,248	12,756
Ending Plan Fiduciary Net Position	16,660	13,450	13,248
Ending Net Pension Liability (Asset)	$ (5,981)	$ (3,721)	$ (4,181)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	156.0 %	138.2 %	146.1 %
Covered Payroll	$ 2,802	$ 2,814	$ 2,660
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(213.5)%	(132.2)%	(157.2)%

2019	2018	2017	2016	2015
$ 282	$ 265	$ 412	$ 451	$ 450
565	530	549	545	503
-	-	-	4	4
(91)	158	(246)	(508)	(93)
100	-	(147)	-	86
(460)	(469)	(446)	(439)	(318)
396	484	122	53	632
8,164	7,680	7,558	7,505	6,873
8,560	8,164	7,680	7,558	7,505
-	-	-	4	4
154	202	138	193	140
1,176	1,366	48	206	1,622
-	-	-	-	-
(460)	(469)	(446)	(439)	(318)
(11)	(9)	(8)	(9)	(8)
859	1,090	(268)	(45)	1,440
11,897	10,807	11,075	11,120	9,680
12,756	11,897	10,807	11,075	11,120
$ (4,196)	$ (3,733)	$ (3,127)	$ (3,517)	$ (3,615)
149.0 %	145.7 %	140.7 %	146.5 %	148.2 %
$ 2,711	$ 2,651	$ 2,590	$ 2,528	$ 2,535
(154.8)%	(140.8)%	(120.7)%	(139.1)%	(142.6)%

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

Last Nine Fiscal Years
(Expressed in Thousands)

	2022	2021	2020
Judicial Pension Plan			
Actuarially Determined Contribution	$ 594	$ 739	$ 716
Contributions in Relation to the Actuarially Determined Employer Contribution	(594)	(739)	(716)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 8,502	$ 8,312	$ 8,054
Contributions as a percentage of covered payroll	6.99 %	8.89 %	8.89 %
Legislative Pension Plan			
Actuarially Determined Contribution	$ -	$ -	$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 2,801	$ 2,802	$ 2,814
Contributions as a Percentage of Covered Payroll	0.00 %	0.00 %	0.00 %

(continued)

2019	2018	2017	2016	2015	2014
$ 1,213	$ 1,179	$ 1,144	$ 1,078	$ 951	$ 932
(1,213)	(1,179)	(1,144)	(1,078)	(951)	(932)
$ -	$ -	$ -	$ -	$ -	$ -
$ 8,117	$ 7,894	$ 7,640	$ 7,188	$ 7,186	$ 6,742
14.94 %	14.94 %	14.97 %	15.00 %	13.23 %	13.82 %
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	(4)
$ -	$ -	$ -	$ -	$ -	$ (4)
$ 2,660	$ 2,711	$ 2,651	$ 2,590	$ 2,528	$ 2,535
0.00 %	0.00 %	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, 2022 can be found in the June 30, 2020 actuarial valuation report.

Notes to Schedule

Key Methods and Assumptions Used to Determine Contribution Rates	
Valuation date	June 30, 2019
	June 30, 2022 actuarially determined contribution rates are calculated based on 2020 liabilities developed as a roll-forward of the 2019 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2020 using assets as of June 30, 2020.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level percent of payroll, open 10-year amortization
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	2020
Mortality	104 percent and 120 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females.

Former and future actuarial assumptions:

Discount rate and other information	Change in assumptions 2021: Demographic assumptions were changed based on recommendations from the July 1, 2015 to June 30, 2020 experience study as well as the actuarial audit completed of the June 30, 2020 actuarial valuation, first effective with the development of the NPL as of June 30, 2021. The annual rate of investment interest was also reduced from 6.75 percent to 6.50 percent effective as of this same date.
Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875 percent used at funding to 6.75 percent. 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 Eight Fiscal Years
(Expressed in Thousands)

	2022	2021	2020
State Employees - Primary Government			
Proportion of the Collective Net Pension Liability	95.299042 %	95.090771 %	94.775523 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 615,520	$ 1,129,955	$ 991,147
Covered Payroll	$ 726,579	$ 688,817	$ 627,615
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	84.71 %	164.04 %	157.92 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	88.60 %	77.30 %	79.41 %
Maine Community College System - DCU			
Proportion of the Collective Net Pension Liability	4.085948 %	4.295313 %	4.610452 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 26,390	$ 51,041	$ 48,215
Covered Payroll	$ 32,619	$ 32,713	$ 31,535
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	80.90 %	156.03 %	152.89 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	88.60 %	77.30 %	79.41 %
Non-Major and Formerly Reported Component Units			
Proportion of the Collective Net Pension Liability	0.615050 %	0.613916 %	0.614025 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 3,972	$ 7,295	$ 6,421
Covered Payroll	$ 4,768	$ 4,571	$ 4,115
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	83.31 %	159.59 %	156.04 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	88.60 %	77.30 %	79.41 %
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	$ 645,881	$ 1,188,292	$ 1,045,784
Covered Payroll	$ 763,966	$ 726,101	$ 663,265
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	84.54 %	163.65 %	157.67 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	88.60 %	77.30 %	79.41 %

Notes to Schedule:

As of June 30, 2022, 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, 2022 can be found in the June 30, 2019 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.

2019	2018	2017	2016	2015
94.652308 %	94.829879 %	94.498857 %	92.825250 %	92.853946 %
$ 993,438	$ 1,080,168	$ 1,269,080	$ 950,597	$ 837,743
$ 608,615	$ 601,904	$ 588,415	$ 520,115	$ 525,765
163.23 %	179.46 %	215.68 %	182.77 %	159.34 %
78.70 %	76.10 %	71.00 %	76.80 %	79.21 %
4.695230 %	4.605776 %	4.969634 %	6.640831 %	6.618303 %
$ 49,280	$ 52,462	$ 66,740	$ 68,007	$ 59,710
$ 31,106	$ 30,867	$ 32,627	$ 32,008	$ 31,679
158.43 %	169.96 %	204.55 %	212.47 %	188.48 %
78.70 %	76.10 %	71.00 %	76.80 %	79.21 %
0.652461 %	0.564345 %	0.531509 %	0.533919 %	0.527751 %
$ 6,848	$ 6,428	$ 7,138	$ 5,468	$ 4,760
$ 4,240	$ 3,700	$ 3,424	$ 3,927	$ 3,776
161.51 %	173.73 %	208.47 %	139.24 %	126.06 %
78.70 %	76.10 %	71.00 %	76.80 %	79.21 %
100.000000 %	100.000000 %	100.000000 %	100.000000 %	100.000000 %
$ 1,049,566	$ 1,139,058	$ 1,342,959	$ 1,024,072	$ 902,213
$ 643,961	$ 636,471	$ 624,466	$ 556,050	$ 561,220
162.99 %	178.96 %	215.06 %	184.17 %	160.76 %
78.70 %	76.10 %	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 Nine Fiscal Years
(Expressed in Thousands)

	2022	2021	2020	2019
State Employees - Primary Government				
Actuarially Determined Contribution	$ 167,081	$ 164,103	$ 155,628	$ 152,439
Contributions in Relation to the Actuarially Determined Employer Contribution	(167,081)	(164,103)	(155,628)	(152,439)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 733,367	$ 726,579	$ 688,817	$ 627,615
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.78 %	22.59 %	22.59 %	24.29 %
Maine Community College System - DCU				
Actuarially Determined Contribution	$ 7,385	$ 7,036	$ 7,030	$ 7,416
Contributions in Relation to the Actuarially Determined Employer Contribution	(7,385)	(7,036)	(7,030)	(7,416)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 32,896	$ 32,619	$ 32,713	$ 31,535
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.45 %	21.57 %	21.49 %	23.52 %
Combined Non-major and Formerly Reported Component Units				
Actuarially Determined Contribution	$ 926	$ 1,059	$ 1,005	$ 987
Contributions in Relation to the Actuarially Determined Employer Contribution	(926)	(1,059)	(1,005)	(987)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 5,030	$ 4,768	$ 4,571	$ 4,115
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	18.41 %	22.21 %	21.99 %	23.99 %
Total SETP - State of Maine Employees				
Actuarially Determined Contribution	$ 175,392	$ 172,198	$ 163,663	$ 160,842
Contributions in Relation to the Actuarially Determined Employer Contribution	(175,392)	(172,198)	(163,663)	(160,842)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 771,293	$ 763,966	$ 726,101	$ 663,265
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.74 %	22.54 %	22.54 %	24.25 %

(continued)

2018	2017	2016	2015	2014
$ 148,115	$ 141,295	$ 136,139	$ 107,807	$ 117,380
(148,115)	(141,295)	(136,139)	(107,807)	(117,380)
$ -	$ -	$ -	$ -	$ -
$ 608,615	$ 601,904	$ 588,415	$ 521,846	$ 525,765
24.34 %	23.47 %	23.14 %	20.66 %	22.33 %
$ 7,347	$ 6,863	$ 7,159	$ 8,135	$ 3,133
(7,347)	(6,863)	(7,159)	(8,135)	(3,133)
$ -	$ -	$ -	$ -	$ -
$ 31,106	$ 30,867	$ 32,627	$ 30,257	$ 31,679
23.62 %	22.23 %	21.94 %	26.89 %	9.89 %
$ 1,021	$ 840	$ 766	$ 635	$ 522
(1,021)	(840)	(766)	(635)	(522)
$ -	$ -	$ -	$ -	$ -
$ 4,240	$ 3,700	$ 3,424	$ 3,947	$ 3,776
24.08 %	22.70 %	22.37 %	16.09 %	13.82 %
$ 156,483	$ 148,998	$ 144,064	$ 116,577	$ 121,035
(156,483)	(148,998)	(144,064)	(116,577)	(121,035)
$ -	$ -	$ -	$ -	$ -
$ 643,961	$ 636,471	$ 624,466	$ 556,050	$ 561,220
24.30 %	23.41 %	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, 2019 June 30, 2022 actuarially determined contribution rates are calculated based on 2020 liabilities developed as a roll-forward of the 2019 valuation liability, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2020 using actual assets at June 30, 2020.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed periods. Cumulative UAL amortized over a remaining 7 years from July 1, 2021. Subsequent layers of UAL are amortized over individual 20-year periods.
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, 2022 can be found in the June 30, 2020 actuarial valuation report.

Former and future actuarial assumptions:

Discount rate and other assumptions	Change in assumptions 2021: Demographic assumptions were changed based on recommendations from the July 1, 2015 to June 30, 2020 experience study as well as the actuarial audit completed of the June 30, 2020 actuarial valuation, first effective with the development of the NPL as of June 30, 2021. The annual rate of investment interest was also reduced from 6.75 percent to 6.50 percent effective as of this same date.
Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875 percent used at funding to 6.75 percent. 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 Eight Fiscal Years
(Expressed in Thousands)

	2022	2021	2020
Non-employer Contributing Entity's Proportion of:			
Percentage of the Collective Net Pension Liability	94.381819 %	95.704826 %	95.540502 %
Amount of the Collective Net Pension Liability	$ 845,826	$ 1,632,252	$ 1,465,876
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	92.10 %	83.10 %	84.50 %

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.

2019	2018	2017	2016	2015
95.298384 %	95.016790 %	95.002519 %	95.036038 %	95.069591 %
$ 1,349,443	$ 1,452,536	$ 1,766,662	$ 1,350,118	$ 1,027,065
85.20 %	83.30 %	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 Nine Fiscal Years
(Expressed in Thousands)

	2022	2021	2020	2019
Teachers - Non-Employer Contributions				
Actuarially Determined Contribution	$ 194,229	$ 179,330	$ 174,530	$ 132,981
Contributions in Relation to the Actuarially Determined Non-Employer Contribution	(194,229)	(179,330)	(174,530)	(132,981)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Employer Contributions				
Actuarially Determined Contribution	$ 68,677	$ 67,031	$ 61,582	$ 56,761
Contributions in Relation to the Actuarially Determined Employer Contribution	(68,677)	(67,031)	(61,582)	(56,761)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Total SETP - Teachers				
Actuarially Determined Contribution	$ 262,906	$ 246,361	$ 236,112	$ 189,742
Contributions in Relation to the Actuarially Determined Employer Contribution	(262,906)	(246,361)	(236,112)	(189,742)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -

(continued)

2018	2017	2016	2015	2014
$ 129,422	$ 116,080	$ 112,478	$ 147,048	$ 146,362
(129,422)	(116,080)	(112,478)	(147,048)	(146,362)
$ -	$ -	$ -	$ -	$ -
$ 54,472	$ 47,659	$ 45,349	$ 38,404	$ 36,931
(54,472)	(47,659)	(45,349)	(38,404)	(36,931)
$ -	$ -	$ -	$ -	$ -
$ 183,894	$ 163,739	$ 157,827	$ 185,452	$ 183,293
(183,894)	(163,739)	(157,827)	(185,452)	(183,293)
$ -	$ -	$ -	$ -	$ -

Notes to Schedule:

Valuation date	June 30, 2019
	June 30, 2022 actuarially determined contribution rates are calculated based on 2020 liabilities developed as a roll-forward of the 2019 valuation liability, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2020 using actual assets at June 30, 2020.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed period amortization of the UAL prior to 2012 amortized over a remaining 7 years from July 1, 2021. Subsequent layers of UAL are amortized over individual 20 year periods.
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, 2022 can be found in the June 30, 2020 actuarial valuation report.

Discount rate and other information	Change in assumptions 2021: Demographic assumptions were changed based on recommendations from the July 1, 2015 to June 30, 2020 experience study as well as the actuarial audit completed of the June 30, 2020 actuarial valuation, first effective with the development of the NPL as of June 30, 2021. The annual rate of investment interest was also reduced from 6.75 percent to 6.50 percent effective as of this same date.
Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875 percent used at funding to 6.75 percent. 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 Six Fiscal Years
(Expressed in Thousands)

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Beginning Total Liability	$ 1,236,901	$ 1,180,487	$ 1,226,111	$ 1,199,512	$ 1,161,320	$ 1,143,542
Service Cost	17,706	18,311	17,777	17,425	16,917	12,246
Interest	79,021	78,426	81,020	79,128	76,921	75,650
Changes in Benefit Terms	554	-	-	-	-	-
Differences Between Expected and Actual Experience	(59,931)	6,689	(56,455)	20,875	17,725	-
Changes of Assumptions Discount Rate	-	28,083	-	-	-	-
Changes of Assumptions Others	(116,306)	-	652	-	5,241	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(47,026)	(48,155)	(71,199)	(70,524)	(58,347)	(54,118)
Benefit Payments, Including Refunds of Member Contributions - Implicit	(33,132)	(26,940)	(17,419)	(20,305)	(20,265)	(16,000)
Net Change in Total OPEB Liability	(159,114)	56,414	(45,624)	26,599	38,192	17,778
Ending Total OPEB Liability	1,077,787	1,236,901	1,180,487	1,226,111	1,199,512	1,161,320
Plan Fiduciary Net Position						
Beginning Plan Fiduciary Net Position	382,842	291,559	277,703	256,860	233,596	203,088
Employer Contributions - Explicit	49,026	50,155	71,199	72,524	60,347	58,118
Employer Contributions - Implicit	33,132	26,940	17,419	20,305	20,265	16,000
Net Investment Income	(53,659)	89,286	13,859	18,846	21,270	26,513
Benefit Payments, Including Refunds of Member Contributions	(80,158)	(75,095)	(88,618)	(90,829)	(78,612)	(70,118)
Administrative Expense	(3)	(3)	(3)	(3)	(6)	(5)
Net Change in Plan Fiduciary Net Position	(51,662)	91,283	13,856	20,843	23,264	30,508
Ending Plan Fiduciary Net Position	331,180	382,842	291,559	277,703	256,860	233,596
Ending Net OPEB Liability	$ 746,607	$ 854,059	$ 888,928	$ 948,408	$ 942,652	$ 927,724
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	30.7 %	31.0 %	24.7 %	22.6 %	21.4 %	20.1 %
Covered Payroll	$ 737,707	$ 736,411	$ 687,595	$ 626,384	$ 612,195	$ 574,663
Net OPEB Liability as a Percentage of Covered Payroll	$ 101.2	$ 116.0	$ 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 Six Fiscal Years
(Expressed in Thousands)

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Beginning Total Liability	$ 223,516	$ 213,309	$ 204,432	$ 196,263	$ 183,723	$ 175,647
Service Cost	2,757	2,683	2,191	2,132	2,122	2,065
Interest	15,240	13,847	14,275	13,155	12,531	12,015
Differences Between Expected and Actual Experience	365	-	589	-	1,957	-
Changes of Assumptions Discount Rate	-	291	-	-	3,200	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(6,818)	(6,614)	(8,178)	(7,118)	(7,270)	(6,004)
Net Change in Total OPEB Liability	11,544	10,207	8,877	8,169	12,540	8,076
Ending Total OPEB Liability	235,060	223,516	213,309	204,432	196,263	183,723
Plan Fiduciary Net Position						
Beginning Plan Fiduciary Net Position	140,600	105,617	100,617	94,287	86,883	77,416
Employer and Non-Employer Contributions	10,585	9,867	9,311	7,756	7,639	6,921
Net Investment Income	(20,387)	32,552	4,886	6,418	7,805	9,886
Benefit Payments, Including Refunds of Member Contributions	(6,818)	(6,614)	(8,178)	(7,118)	(7,270)	(6,004)
Administrative Expense	(825)	(822)	(1,019)	(726)	(770)	(1,336)
Net Change in Plan Fiduciary Net Position	(17,445)	34,983	5,000	6,330	7,404	9,467
Ending Plan Fiduciary Net Position	123,155	140,600	105,617	100,617	94,287	86,883
Ending Net OPEB Liability	$ 111,905	$ 82,916	$ 107,692	$ 103,815	$ 101,976	$ 96,840
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	52.4 %	62.9 %	49.5 %	49.2 %	48.0 %	47.3 %
Covered Payroll	$ 1,600,465	$ 1,525,193	$ 1,484,373	$ 1,380,619	$ 1,343,669	$ 1,277,009
Change - Increase (Decrease)	7.0 %	5.4 %	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 Six Fiscal Years
(Expressed in Thousands)

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Beginning Total Liability	$ 1,905,991	$ 1,441,260	$ 1,235,862	$ 1,248,326	$ 1,323,731	$ 1,323,731
Service Cost	68,197	44,132	33,787	35,795	42,214	-
Interest	43,314	51,449	48,502	45,495	38,521	-
Changes in Benefit Terms	325,417	-	-	-	-	-
Contribution - Non-Employer Contributing Entity	(28,719)	(31,133)	(33,032)	(26,855)	(28,848)	-
Differences Between Expected and Actual Experience	(457,831)	846	59,296	(5,178)	-	-
Changes of Assumptions Discount Rate	12,837	399,437	90,624	(61,721)	(170,420)	-
Changes of Assumptions - Others	(79,412)	-	6,221	-	-	-
Differences Between Expected and Actual Investment Earnings	-	-	-	-	43,128	-
Net Change in Total OPEB Liability	(116,197)	464,731	205,398	(12,464)	(75,405)	-
Ending Total OPEB Liability	$ 1,789,794	$ 1,905,991	$ 1,441,260	$ 1,235,862	$ 1,248,326	$ 1,323,731
Covered Payroll	$ 1,414,447	$ 1,276,975	$ 1,260,742	$ 1,156,592	$ 1,149,126	$ 1,125,444
Total OPEB Liability as Percentage of Covered Payroll	126.5 %	149.3 %	114.3 %	106.9 %	107.5 %	117.6 %
State's Proportionate Share of the Collective Total OPEB	78 %	80 %	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, 2021 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 Six Fiscal Years
(Expressed in Thousands)

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Beginning Total Liability	$ 31,926	$ 27,506	$ 19,232	$ 18,980	$ 26,052	$ -
Service Cost	1,553	1,142	751	776	1,836	-
Interest	731	989	763	698	786	-
Changes in Benefit Terms	165	-	8,247	-	-	-
Contribution - Employee	(693)	(696)	(592)	(617)	(618)	-
Contribution - Non-Employer Contributing Entity	(218)	(242)	(48)	(5)	(78)	-
Administrative Expenses	72	132	92	98	99	-
Differences Between Expected and Actual Experience	(1,641)	(210)	(863)	(191)	(2,909)	-
Changes of Assumptions Discount Rate	138	3,305	939	(507)	(1,325)	-
Changes of Assumptions - Others	647	-	(1,015)	-	(4,863)	-
Net Change in Total OPEB Liability	754	4,420	8,274	252	(7,072)	-
Ending Total OPEB Liability	$ 32,680	$ 31,926	$ 27,506	$ 19,232	$ 18,980	$ 26,052
Covered Payroll	$ 46,207	$ 46,395	$ 66,360	$ 64,427	$ 62,551	$ 55,651
Total OPEB Liability as Percentage of Covered Payroll	70.7 %	68.8 %	41.4 %	29.9 %	30.3 %	46.8 %
State's Proportionate Share of the Collective Total OPEB	24 %	24 %	23 %	13 %	23 %	23 %

The plan does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. 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, 2021 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 Six Fiscal Years
(Expressed in Thousands)

	2022	2021	2020	2019	2018	2017
State Employee Healthcare						
Actuarially Determined Contribution	$ 52,922	$ 58,819	$ 56,241	$ 71,363	$ 71,179	$ 69,000
Contributions in Relation to the Actuarially Determined Employer Contribution	(82,158)	(77,095)	(88,618)	(92,829)	(80,612)	(74,000)
Contribution Deficiency (Excess)	$ (29,236)	$ (18,276)	$ (32,377)	$ (21,466)	$ (9,433)	$ (5,000)
Covered Payroll	$ 737,707	$ 736,411	$ 687,595	$ 626,384	$ 612,195	$ 582,934
Contributions as a Percentage of Covered Payroll	11.14 %	10.47 %	12.89 %	14.82 %	13.17 %	12.69 %
State Employee and Teacher Group Life Insurance Benefit Plan						
Actuarially Determined Contribution	$ 11,242	$ 10,965	$ 10,671	$ 9,040	$ 8,806	$ 8,240
Contributions in Relation to the Actuarially Determined Employer Contribution	(10,585)	(9,867)	(9,310)	(7,756)	(7,638)	(6,921)
Contribution Deficiency (Excess)	$ 657	$ 1,098	$ 1,361	$ 1,284	$ 1,168	$ 1,319
Covered Payroll	$ 1,600,465	$ 1,525,193	$ 1,484,373	$ 1,380,619	$ 1,343,669	$ 1,277,009
Contributions as a Percentage of Covered Payroll	0.66 %	0.65 %	0.63 %	0.56 %	0.57 %	0.54 %

Notes to Schedule:

Actuarial assumptions for both plans:

Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. Price inflation is estimated at 2.75 percent and salary increases mirror that rate plus a merit component. Their investment advisor changes interest rates simultaneously. The investment rate of interest declined from 6.75 from 2018 to 2021 to 6.50 percent in the year ended June 30, 2022. Prior to 2021, valuations were based on the July 1, 2012 to June 30, 2015 experience study and the RP2014 Total Dataset Healthy Annuitant Mortality table. 2021 and demographic assumptions changed based on recommendations from the July 1, 2015 to June 30, 2020 experience study as well as the actuarial audit completed of the June 30, 2020 actuarial valuation. Mortality rates were revised using the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. The unfunded actuarial 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.

State Health Insurance

The valuation date is June 30, 2022. The participation rate for future retirees is 95 percent of active participants currently enrolled. Experience losses (gains) are amortized over a 10-year fixed period. Assumption changes and plan changes are amortized over a period to June 30, 2037. The medical trend rate had been 6.80 at June 30, 2016. Every year thereafter through June 30, 2020, the medical trend rate dropped by .20. At June 30, 2021, the medical trend rate was 5.90. For June 30, 2022, the initial medical trend rate increased to 7.63 percent. The ultimate medical trend rate of 4.29 percent in prior years decreased to 4.19 percent 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. Beginning with this fiscal year, June 30, 2021, management adopted a change in methodology recommended by the actuary. The new methodology better estimates actual self-insured plan premiums covered by the State on behalf of participants (explicit subsidy). Total claims allocated to retirees represents the total benefit payment amount and the implied subsidy payments represent the difference.

Group Life Insurance

The valuation date is June 30, 2022. The ADC is calculated in advance of the completion of the prior biennial valuation and thus rolled forward from prior results. In this case, the ADC for 2022 is based on the June 30, 2018 valuation rolled forward and adjusted for changes in assumptions. The ADC for 2021 was based on the June 30, 2016 valuation rolled forward and adjusted for changes in assumptions. The participation rate for future retirees is 100 percent of those currently enrolled.

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 Six Fiscal Years

	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	14.10 %	30.60 %	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 8,789 highway miles or 17,851 lane miles of roads and 3,019 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
2022	76.2	74.0
2021	74.0	74.7
2020	74.0	75.0

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)

	2022	2021	2020	2019	2018
Highways	$ 153.2	$ 157.4	$ 148.3	$ 119.6	$ 124.8
Bridges	22.8	34.9	32.0	13.2	16.4
Total	$ 176.0	$ 192.3	$ 180.3	$ 132.8	$ 141.2

Estimated Preservation Costs
(Expressed in millions)

	2022	2021	2020	2019	2018
Highways	$ 150.0	$ 150.0	$ 130.0	$ 112.0	$ 133.0
Bridges	35.0	35.0	15.0	13.5	21.0
Total	$ 185.0	$ 185.0	$ 145.0	$ 125.5	$ 154.0

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by PL 2019, Chapter 673, $460 thousand in General Fund bonds were spent during FY2022.

STATE OF MAINE
INDEPENDENT AUDITOR'S REPORTS
ON INTERNAL CONTROL AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2022

STATE OF MAINE
OFFICE OF THE STATE AUDITOR

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Matthew Dunlap, CIA
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 Members of the Legislative Council, 131st Maine Legislature;

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, each major fund, and the aggregate remaining fund information (except for blended component unit, Maine Governmental Facilities Authority, and fiduciary component unit, Maine Public Employees Retirement System) of the State of Maine as of and for the year ended June 30, 2022, 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 14, 2022. Our report includes a reference to other auditors who audited the financial statements of the following component units: Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Connectivity Authority, 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.

Report on 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) as a basis for designing 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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified 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 Questioned Costs as items 2022-001 through 2022-004 and 2022-014 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 Questioned Costs as items 2022-005 through 2022-013 and 2022-015 through 2022-021 to be significant deficiencies.

Report on 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 financial statements. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001, 2022-004, and 2022-014.

State of Maine's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the State of Maine's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Matthew Dunlap, CIA
State Auditor

Augusta, Maine
December 14, 2022

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Members of the Legislative Council, 131st Maine Legislature;

Report on Compliance for Each Major Federal Program

Disclaimer of Opinion, and Qualified and Unmodified Opinions

We have audited the State of Maine's compliance with the types of compliance requirements identified as subject to audit 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, 2022. The State of Maine's major Federal programs are identified in the Summary of the Auditor's Results section (E-3 to E-5) of the accompanying Schedule of Findings and Questioned Costs (E-47 to E-228).

The State of Maine's basic financial statements include the operations of the following component units: Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Connectivity Authority, 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 State of Maine's Schedule of Expenditures of Federal Awards during the year ended June 30, 2022. 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.

Disclaimer of Opinion on ALN 10.542 Pandemic EBT Food Benefits (P-EBT)

We do not express an opinion on the State of Maine's compliance with Allowable Costs/Cost Principles and Eligibility as described in the Matters Giving Rise to Disclaimer of Opinion on Pandemic EBT Food Benefits (P-EBT) (ALN 10.542) section of our report. Because of the significance of the matter described in the Matters Giving Rise to Disclaimer of Opinion on Pandemic EBT Food Benefits (P-EBT) section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with

Allowable Costs/Cost Principles and Eligibility requirements for the Pandemic EBT Food Benefits (P-EBT) program.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Disclaimer of Opinion, and Qualified and Unmodified Opinions section of our report, the State of Maine complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the following major Federal programs for the year ended June 30, 2022:

- ALN 10.542 Pandemic EBT Food Benefits (P-EBT)
- ALN 10.551, 10.561 SNAP Cluster
- ALN 10.553, 10.555, 10.556, 10.559, 10.582 Child Nutrition Cluster
- ALN 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children
- ALN 10.558 Child and Adult Care Food Program (CACFP)
- ALN 17.225 Unemployment Insurance (UI)
- ALN 21.023 Emergency Rental Assistance Program
- ALN 21.027 Coronavirus State and Local Fiscal Recovery Funds
- ALN 84.425 Education Stabilization Fund (ESF)
- ALN 93.268 Immunization Cooperative Agreements
- ALN 93.323 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
- ALN 93.558 Temporary Assistance for Needy Families (TANF)
- ALN 93.775, 93.777, 93.778 Medicaid Cluster
- ALN 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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, 2022.

Basis for Disclaimer of Opinion, and Qualified and Unmodified Opinions

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State of Maine and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of the State of Maine's compliance with the compliance requirements referred to above.

Matters Giving Rise to Disclaimer of Opinion on ALN 10.542 Pandemic EBT Food Benefits

As described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the State of Maine's compliance with Allowable Costs/Cost Principles and Eligibility compliance requirements applicable to Pandemic EBT Food Benefits (P-EBT) (ALN 10.542) as described in finding number 2022-022. As a result, we were unable to determine whether the State of Maine complied with these requirements applicable to Pandemic EBT Food Benefits (P-EBT).

Matters Giving Rise to Qualified Opinions

As identified in the table below and as described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements that could have a direct and material effect on the following major Federal programs:

Assistance Listing No.	Assistance Listing Title	Compliance Area	Finding Number
10.542	Pandemic EBT Food Benefits (P-EBT)	Activities Allowed or Unallowed	2022-022
		Reporting	2022-023
10.551 10.561	SNAP Cluster	Reporting	2022-023
10.553 10.555 10.556 10.559 10.582	Child Nutrition Cluster	Reporting	2022-030
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Subrecipient Monitoring	2022-039
		Cash Management Subrecipient Monitoring	2022-069
		Reporting	2022-072
10.558	Child and Adult Care Food Program (CACFP)	Allowable Costs/Cost Principles	2022-041
		Subrecipient Monitoring	2022-042
17.225	Unemployment Insurance (UI)	Allowable Costs/Cost Principles Eligibility	2022-045

Assistance Listing No.	Assistance Listing Title	Compliance Area	Finding Number
21.023	Emergency Rental Assistance Program	Reporting	2022-048
		Subrecipient Monitoring	2022-049
		Reporting	2022-050
21.027	Coronavirus State and Local Fiscal Recovery Funds	Activities Allowed or Unallowed Allowable Costs/Cost Principles	2022-051
84.425	Education Stabilization Fund (ESF)	Activities Allowed or Unallowed Allowable Costs/Cost Principles	2022-052
93.268	Immunization Cooperative Agreements	Subrecipient Monitoring	2022-058
		Cash Management Subrecipient Monitoring	2022-069
		Reporting	2022-072
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Reporting	2022-063
		Reporting	2022-064
		Cash Management	2022-065
		Reporting	2022-072
93.558	Temporary Assistance for Needy Families (TANF)	Activities Allowed or Unallowed Allowable Costs/Cost Principles	2022-067
		Eligibility Special Tests and Provisions	2022-068
		Cash Management Subrecipient Monitoring	2022-069
		Special Tests and Provisions	2022-070
		Subrecipient Monitoring	2022-071
		Reporting	2022-072
		Reporting	2022-073
93.775 93.777 93.778	Medicaid Cluster	Special Tests and Provisions	2022-080
		Special Tests and Provisions	2022-081
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Cash Management	2022-090
		Reporting	2022-091

Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to those major Federal programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the State of Maine's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State of Maine's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State of Maine's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State of Maine's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the State of Maine's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the State of Maine's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weakness in internal control over compliance that we identified during the audit.

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 2022-025, 2022-027, 2022-043, 2022-085, and 2022-093. Our opinion on each major Federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the State of Maine's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not 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 2022-014, 2022-022 through 2022-024, 2022-030 through 2022-033, 2022-039, 2022-041, 2022-042, 2022-045, 2022-048 through 2022-055, 2022-058, 2022-059, 2022-063 through 2022-065, 2022-067 through 2022-074, 2022-078, 2022-080 through 2022-083, 2022-090, and 2022-091 to be material weaknesses.

A *significant deficiency in internal control over compliance* 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2022-015 through 2022-021, 2022-025 through 2022-029, 2022-034 through 2022-038, 2022-040, 2022-043, 2022-044, 2022-046, 2022-047, 2022-056, 2022-057, 2022-060 through 2022-062, 2022-066, 2022-075 through 2022-077, 2022-079, 2022-084 through 2022-089, 2022-092, and 2022-093 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State of Maine's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's response was not subjected to the other 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, CIA
State Auditor

Augusta, Maine
March 30, 2023

STATE OF MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Agency

ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total	
Department of Agriculture					
10.025	Plant and Animal Disease, Pest Control, and Animal Care	-	402,014	402,014	
10.163	Market Protection and Promotion	-	248,570	248,570	
10.170	Specialty Crop Block Grant Program - Farm Bill	536,335	41,817	578,152	
[1] 10.215	Sustainable Agriculture Research and Education	-	9,854	9,854	
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	-	419,553	419,553	
10.525	Farm and Ranch Stress Assistance Network Competitive Grants Program	195,568	7,662	203,230	
10.534	CACFP Meal Service Training Grants	-	21,600	21,600	
10.535	SNAP Fraud Framework Implementation Grant	-	285,596	285,596	
10.542	COVID-19 - Pandemic EBT Food Benefits	-	61,507,558	61,507,558	*
10.545	Farmers' Market Supplemental Nutrition Assistance Program Support Grants	-	13,505	13,505	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	3,651,499	10,552,597	14,204,096	*
10.557	COVID-19 - Special Supplemental Nutrition Program for Women, Infants, and Children	-	822,523	822,523	*
10.558	Child and Adult Care Food Program	9,336,453	160,633	9,497,086	*
10.560	State Administrative Expenses for Child Nutrition	-	1,195,671	1,195,671	
10.565	COVID-19 - Commodity Supplemental Food Program	58,329	-	58,329	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	11,710	56,276	67,986	
10.576	Senior Farmers Market Nutrition Program	737,592	75,497	813,089	
10.578	WIC Grants To States (WGS)	-	446,177	446,177	
10.579	Child Nutrition Discretionary Grants Limited Availability	73,214	-	73,214	
10.580	Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	-	131,318	131,318	
10.649	Pandemic EBT Administrative Costs	349,359	-	349,359	
10.649	COVID-19 - Pandemic EBT Administrative Costs	-	382,560	382,560	
10.652	Forestry Research	-	594,096	594,096	
10.664	Cooperative Forestry Assistance	102,929	771,569	874,499	
10.676	Forest Legacy Program	-	57,795	57,795	
10.680	Forest Health Protection	-	57,143	57,143	
10.691	Good Neighbor Authority	-	5,526	5,526	
10.698	State & Private Forestry Cooperative Fire Assistance	102,552	193	102,745	
10.904	Watershed Protection and Flood Prevention	30,409	30,106	60,515	
10.912	Environmental Quality Incentives Program	8,954	35,016	43,970	
SNAP Cluster					
10.551	Supplemental Nutrition Assistance Program	-	465,587,046	465,587,046	*
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	4,239,916	12,358,310	16,598,226	*
10.561	COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance	-	874,139	874,139	*
SNAP Cluster Total		4,239,916	478,819,495	483,059,411	
Food Distribution Cluster					
10.565	Commodity Supplemental Food Program	2,549,561	48,419	2,597,980	
10.568	Emergency Food Assistance Program (Administrative Costs)	213,463	201,112	414,575	
10.568	COVID-19 - Emergency Food Assistance Program (Administrative Costs)	311,651	1,740	313,391	
10.569	Emergency Food Assistance Program (Food Commodities)	4,999,510	-	4,999,510	
Food Distribution Cluster Total		8,074,185	251,271	8,325,456	
Child Nutrition Cluster					
10.553	School Breakfast Program	23,453,172	-	23,453,172	*
10.555	National School Lunch Program	74,204,211	4,414,799	78,619,010	*
10.555	COVID-19 - National School Lunch Program	1,698,348	-	1,698,348	*
10.556	Special Milk Program for Children	8,354	-	8,354	*
10.559	Summer Food Service Program for Children	10,821,386	1,138,075	11,959,461	*
10.582	Fresh Fruit and Vegetable Program	2,471,125	87,923	2,559,048	*
Child Nutrition Cluster Total		112,656,596	5,640,797	118,297,393	
Department of Agriculture Total		140,165,601	563,043,989	703,209,590	
Department of Commerce					
11.407	Interjurisdictional Fisheries Act of 1986	-	179,507	179,507	
[2] 11.417	Sea Grant Support	47,404	47,636	95,039	
11.419	Coastal Zone Management Administration Awards	519,781	2,488,215	3,007,996	
[3] 11.454	Unallied Management Projects	-	13,538	13,538	
[3] 11.454	COVID-19 - Unallied Management Projects	-	4,233,485	4,233,485	
[4] 11.472	Unallied Science Program	42,240	1,490,509	1,532,750	
[5] 11.473	Office for Coastal Management	106	5,000	5,106	
[6] 11.474	Atlantic Coastal Fisheries Cooperative Management Act	-	1,019,207	1,019,207	

Economic Development Cluster					
	11.307	Economic Adjustment Assistance	-	1,071,515	1,071,515
Economic Development Cluster Total			-	1,071,515	1,071,515
Department of Commerce Total			609,531	10,548,612	11,158,143
Department of Defense					
	12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	-	329,190	329,190
	12.400	Military Construction, National Guard	-	1,660,247	1,660,247
	12.401	National Guard Military Operations and Maintenance (O&M) Projects	-	21,972,244	21,972,244 *
Department of Defense Total			-	23,961,681	23,961,681
Department of Housing And Urban Development					
	14.171	Manufactured Home Dispute Resolution	-	21,026	21,026
	14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	11,774,139	304,625	12,078,764
	14.228	COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	4,045,283	334,952	4,380,235
	14.267	Continuum of Care Program	9,643,529	-	9,643,529
	14.401	Fair Housing Assistance Program State and Local	-	174,094	174,094
Department of Housing And Urban Development Total			25,462,951	834,698	26,297,649
Department of the Interior					
	15.608	Fish and Wildlife Management Assistance	75,745	21,500	97,245
	15.615	Cooperative Endangered Species Conservation Fund	-	1,118,878	1,118,878
	15.616	Clean Vessel Act	93,027	95,091	188,118
	15.634	State Wildlife Grants	23,559	671,073	694,632
	15.657	Endangered Species Conservation – Recovery Implementation Funds	-	103,190	103,190
	[7] 15.663	National Fish and Wildlife Foundation	52,846	4,527	57,373
	15.676	Youth Engagement, Education, and Employment	-	43,005	43,005
	15.808	U.S. Geological Survey Research and Data Collection	-	53,986	53,986
	15.810	National Cooperative Geologic Mapping	-	150,564	150,564
	15.814	National Geological and Geophysical Data Preservation	-	8,032	8,032
	15.817	National Geospatial Program: Building The National Map	-	61,399	61,399
	15.904	Historic Preservation Fund Grants-In-Aid	153,091	661,793	814,884
	15.916	Outdoor Recreation Acquisition, Development and Planning	61,335	-	61,335
	15.931	Conservation Activities by Youth Service Organizations	-	22,056	22,056
	[8] 15.935	National Trails System Projects	-	116,127	116,127
	[9] 15.945	Cooperative Research and Training Programs – Resources of the National Park System	-	18,161	18,161
	15.980	National Ground-Water Monitoring Network	-	487	487
	15.981	Water Use and Data Research	-	40,860	40,860
Fish and Wildlife Cluster					
	15.605	Sport Fish Restoration	9,570	4,164,758	4,174,328
	15.611	Wildlife Restoration and Basic Hunter Education	50,011	7,634,328	7,684,339
Fish and Wildlife Cluster Total			59,581	11,799,086	11,858,667
Department of the Interior Total			519,184	14,989,815	15,508,999
Department of Justice					
	16.017	Sexual Assault Services Formula Program	335,866	25,579	361,445
	16.034	Coronavirus Emergency Supplemental Funding Program	-	88,528	88,528
	16.034	COVID-19 - Coronavirus Emergency Supplemental Funding Program	735,211	525,820	1,261,031
	16.540	Juvenile Justice and Delinquency Prevention	92,854	122,425	215,279
	16.543	Missing Children's Assistance	-	233,100	233,100
	16.554	National Criminal History Improvement Program (NCHIP)	-	327,476	327,476
	16.575	Crime Victim Assistance	8,276,207	598,857	8,875,064
	16.576	Crime Victim Compensation	-	182,527	182,527
	16.582	Crime Victim Assistance/Discretionary Grants	-	75,185	75,185
	16.585	Drug Court Discretionary Grant Program	-	11,694	11,694
	16.588	Violence Against Women Formula Grants	768,443	583,719	1,352,162
	16.593	Residential Substance Abuse Treatment for State Prisoners	22,131	9,106	31,237
	16.606	State Criminal Alien Assistance Program	-	15,259	15,259
	16.609	Project Safe Neighborhoods	139,444	80,485	219,929
	16.710	Public Safety Partnership and Community Policing Grants	-	4,835	4,835
	16.738	Edward Byrne Memorial Justice Assistance Grant Program	110,710	401,399	512,108
	16.741	DNA Backlog Reduction Program	-	387,369	387,369
	16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	-	161,244	161,244
	16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	-	177,959	177,959
	16.812	Second Chance Act Reentry Initiative	392,387	1,674	394,061
	16.838	Comprehensive Opioid Abuse Site-Based Program	28,459	-	28,459
Department of Justice Total			10,901,711	4,014,242	14,915,953

Department of Labor					
17.002	Labor Force Statistics	-	1,098,381	1,098,381	
17.005	Compensation and Working Conditions	-	107,769	107,769	
17.225	Unemployment Insurance	-	32,317,825	32,317,825	*
17.225	COVID-19 - Unemployment Insurance	-	171,260,175	171,260,175	*
17.235	Senior Community Service Employment Program	-	89,409	89,409	
17.245	Trade Adjustment Assistance	-	648,201	648,201	
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects	-	261,769	261,769	
17.270	Reentry Employment Opportunities	-	294	294	
17.271	Work Opportunity Tax Credit Program (WOTC)	-	71,734	71,734	
17.273	Temporary Labor Certification for Foreign Workers	-	240,275	240,275	
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	2,619,640	115,278	2,734,918	
17.277	COVID-19 - WIOA National Dislocated Worker Grants / WIA National Emergency Grants	-	581,860	581,860	
17.285	Apprenticeship USA Grants	-	405,965	405,965	
17.503	Occupational Safety and Health State Program	-	411,963	411,963	
17.504	Consultation Agreements	-	627,208	627,208	
17.600	Mine Health and Safety Grants	-	101,870	101,870	
17.804	Local Veterans' Employment Representative Program	-	325,018	325,018	
WIOA Cluster					
17.258	WIA/WIOA Adult Program	1,783,415	254,719	2,038,134	
17.259	WIA/WIOA Youth Activities	1,601,599	367,913	1,969,512	
17.278	WIA/WIOA Dislocated Worker Formula Grants	1,473,832	336,336	1,810,168	
WIOA Cluster Total		4,858,846	958,968	5,817,814	
Employment Service Cluster					
17.207	Employment Service/Wagner-Peyser Funded Activities	-	3,944,581	3,944,581	
17.801	Jobs for Veterans State Grant	-	425,760	425,760	
Employment Service Cluster Total		-	4,370,341	4,370,341	
Department of Labor Total		7,478,486	213,994,302	221,472,788	
Department of Transportation					
20.106	Airport Improvement Program	-	5,159	5,159	
20.106	COVID-19 - Airport Improvement Program	-	59,000	59,000	
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	11,351	82,497	93,848	
20.509	Formula Grants for Rural Areas	841,125	966,613	1,807,738	
20.509	COVID-19 - Formula Grants for Rural Areas	14,778,163	-	14,778,163	
20.530	Public Transportation Innovation	76,478	-	76,478	
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	-	44,291	44,291	
20.615	E-911 Grant Program	-	450,737	450,737	
20.700	Pipeline Safety Program State Base Grant	-	347,305	347,305	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	147,703	-	147,703	
20.721	PHMSA Pipeline Safety Program One Call Grant	-	48,931	48,931	
20.933	National Infrastructure Investments	-	2,212,243	2,212,243	
20.934	Nationally Significant Freight and Highway Projects	-	1,391,627	1,391,627	
Transit Services Programs Cluster					
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	600,811	444,456	1,045,268	
Transit Services Programs Cluster Total		600,811	444,456	1,045,268	
Highway Safety Cluster					
20.600	State and Community Highway Safety	396,191	1,233,346	1,629,537	
20.616	National Priority Safety Programs	591,744	2,297,336	2,889,080	
Highway Safety Cluster Total		987,935	3,530,682	4,518,618	
Highway Planning and Construction Cluster					
20.205	Highway Planning and Construction	-	250,461,108	250,461,108	
20.205	COVID-19 - Highway Planning and Construction	-	20,824,891	20,824,891	
20.219	Recreational Trails Program	282,061	332,353	614,414	
Highway Planning and Construction Cluster Total		282,061	271,618,352	271,900,413	
Federal Transit Cluster					
20.500	Federal Transit Capital Investment Grants	-	469,090	469,090	
20.507	Federal Transit Formula Grants	716,492	-	716,492	
20.507	COVID-19 - Federal Transit Formula Grants	2,586,658	-	2,586,658	
20.526	Bus and Bus Facilities Formula Program	1,354,976	1,874,880	3,229,856	
Federal Transit Cluster Total		4,658,127	2,343,970	7,002,096	
Federal Motor Carrier Safety Assistance Cluster					
20.218	Motor Carrier Safety Assistance	-	1,834,946	1,834,946	
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	-	435,826	435,826	
Federal Motor Carrier Safety Assistance Cluster Total		-	2,270,772	2,270,772	
Department of Transportation Total		22,383,754	285,816,636	308,200,390	

Department of the Treasury					
21.019	COVID-19 - Coronavirus Relief Fund	122,865,114	64,906,296	187,771,410	
21.023	COVID-19 - Emergency Rental Assistance Program	245,790,522	-	245,790,522	*
21.026	COVID-19 - Homeowner Assistance Fund	-	291,755	291,755	
21.027	COVID-19 - Coronavirus State And Local Fiscal Recovery Funds	27,355,796	94,237,349	121,593,145	*
Department of the Treasury Total		396,011,432	159,435,400	555,446,832	
Equal Employment Opportunity Commission					
30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964	-	151,858	151,858	
Equal Employment Opportunity Commission Total		-	151,858	151,858	
Institute Of Museum And Library Services					
45.310	Grants to States	17,000	1,339,935	1,356,935	
45.310	COVID-19 - Grants to States	1,227,250	461,319	1,688,569	
Institute Of Museum And Library Services Total		1,244,250	1,801,254	3,045,504	
National Endowment For The Arts					
45.025	Promotion of the Arts Partnership Agreements	413,338	240,916	654,254	
45.025	COVID-19 - Promotion of the Arts Partnership Agreements	758,600	-	758,600	
National Endowment For The Arts Total		1,171,938	240,916	1,412,854	
National Endowment For The Humanities					
45.149	Promotion of the Humanities Division of Preservation and Access	-	80,707	80,707	
National Endowment For The Humanities Total		-	80,707	80,707	
National Science Foundation					
[10] 47.050	Geosciences	-	332	332	
National Science Foundation Total		-	332	332	
Department of Veterans Affairs					
64.U01	Plot Allowance	-	142,135	142,135	
64.U02	State Approving Agency	-	115,219	115,219	
Department of Veterans Affairs Total		-	257,353	257,353	
Environmental Protection Agency					
66.032	State Indoor Radon Grants	-	19,923	19,923	
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	-	280,984	280,984	
66.040	State Clean Diesel Grant Program	77,177	63,323	140,500	
66.204	Multipurpose Grants to States and Tribes	-	67,010	67,010	
66.432	State Public Water System Supervision	-	1,010,821	1,010,821	
66.444	Lead Testing in School and Child Care Program Drinking Water	-	272,134	272,134	
66.454	Water Quality Management Planning	47,598	78,851	126,449	
66.461	Regional Wetland Program Development Grants	-	78,792	78,792	
66.472	Beach Monitoring and Notification Program Implementation Grants	-	241,549	241,549	
66.605	Performance Partnership Grants	907,557	5,277,725	6,185,281	
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	-	33,236	33,236	
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	-	269,060	269,060	
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	-	385,032	385,032	
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	-	537,299	537,299	
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	-	118,649	118,649	
66.817	State and Tribal Response Program Grants	-	1,084,482	1,084,482	
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	238,675	2,187	240,862	
Drinking Water State Revolving Fund Cluster					
66.468	Capitalization Grants for Drinking Water State Revolving Funds	-	1,649,532	1,649,532	
Drinking Water State Revolving Fund Cluster Total		-	1,649,532	1,649,532	
Environmental Protection Agency Total		1,271,007	11,470,588	12,741,595	
Department of Energy					
81.010	Office of Technology Transitions (OTT)-Technology Deployment, Demonstration and Commercialization	-	46,203	46,203	
81.041	State Energy Program	-	545,420	545,420	
81.138	State Heating Oil and Propane Program	-	9,500	9,500	
Department of Energy Total		-	601,123	601,123	
Department of Education					
84.002	Adult Education - Basic Grants to States	1,601,404	337,437	1,938,840	
84.010	Title I Grants to Local Educational Agencies	49,104,671	1,041,452	50,146,123	
84.011	Migrant Education State Grant Program	609,528	108,814	718,343	
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	-	33,847	33,847	
84.048	Career and Technical Education -- Basic Grants to States	4,869,459	607,650	5,477,109	
84.126A	Rehabilitation Services Vocational Rehabilitation Grants to States	-	12,874,756	12,874,756	

84.126B	Rehabilitation Services Vocational Rehabilitation Grants to States	-	2,857,879	2,857,879	
84.144	Migrant Education Coordination Program	67,725	19,627	87,353	
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	173,266	173,266	
84.181	Special Education-Grants for Infants and Families	2,333,044	-	2,333,044	
84.184	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	-	537,866	537,866	
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	-	125	125	
84.196	Education for Homeless Children and Youth	231,424	92,502	323,925	
84.287	Twenty-First Century Community Learning Centers	4,897,394	280,344	5,177,738	
84.323	Special Education - State Personnel Development	-	220,412	220,412	
84.358	Rural Education	1,169,938	62,807	1,232,745	
84.365	English Language Acquisition State Grants	654,568	198,643	853,211	
84.367	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	8,015,113	195,392	8,210,505	
84.369	Grants for State Assessments and Related Activities	-	1,126,347	1,126,347	
84.372	Statewide Longitudinal Data Systems	-	235,801	235,801	
84.377	School Improvement Grants	35,260	131,826	167,086	
84.421	Disability Innovation Fund (DIF)	588,460	107,712	696,172	
84.424	Student Support and Academic Enrichment Program	4,686,531	102,665	4,789,196	
84.425B	COVID-19 - Education Stabilization Fund - Rethink K-12 Education Models	-	1,761,719	1,761,719	*
84.425C	COVID-19 - Education Stabilization Fund - Governor's Emergency Education Relief Fund	126,047	80,276	206,323	*
84.425D	COVID-19 - Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	81,616,318	2,484,921	84,101,239	*
84.425R	COVID-19 - Education Stabilization Fund - Emergency Assistance Non-Public Schools	2,006,809	985,171	2,991,980	*
84.425U	COVID-19 - Education Stabilization Fund - ARP Elementary and Secondary School Emergency Relief Fund	36,657,204	505,710	37,162,914	*
84.425W	COVID-19 - Education Stabilization Fund - ARP Homeless Children and Youth	185,277	3,828	189,105	*
84.426	Randolph-Sheppard - Financial Relief and Restoration Payments	-	109,810	109,810	
Special Education Cluster (IDEA)					
84.027	Special Education Grants to States	42,846,695	4,722,409	47,569,104	
84.027	COVID-19 - Special Education Grants to States	2,955,358	-	2,955,358	
84.173	Special Education Preschool Grants	2,727,098	42,510	2,769,608	
84.173	COVID-19 - Special Education Preschool Grants	224,852	-	224,852	
Special Education Cluster (IDEA) Total		48,754,003	4,764,919	53,518,922	
Department of Education Total		248,210,175	32,043,525	280,253,700	
National Archives And Records Administration					
89.003	National Historical Publications and Records Grants	-	4,078	4,078	
National Archives And Records Administration Total		-	4,078	4,078	
U.S. Election Assistance Commission					
90.404	2018 HAVA Election Security Grants	-	596,120	596,120	
U.S. Election Assistance Commission Total		-	596,120	596,120	
Northern Border Regional Commission					
[11] 90.601	Northern Border Regional Development	56,275	262,328	318,603	
Northern Border Regional Commission Total		56,275	262,328	318,603	
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	17,730	4,118	21,848	
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	74,039	-	74,039	
93.042	COVID-19 - Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	21,697	16,687	38,384	
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	106,580	-	106,580	
93.043	COVID-19 - Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	49,616	-	49,616	
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	194,137	57,357	251,494	
93.048	COVID-19 - Special Programs for the Aging Title IVand Title II Discretionary Projects	65,858	-	65,858	
93.052	National Family Caregiver Support, Title III, Part E	498,607	38,305	536,913	
93.052	COVID-19 - National Family Caregiver Support, Title III, Part E	162,971	-	162,971	
93.069	Public Health Emergency Preparedness	-	4,981,368	4,981,368	
93.070	Environmental Public Health and Emergency Response	55,000	1,837,055	1,892,055	
93.071	Medicare Enrollment Assistance Program	191,273	48,591	239,864	
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	-	113,084	113,084	
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	-	32,076	32,076	
93.090	Guardianship Assistance	-	818,475	818,475	
93.090	COVID-19 - Guardianship Assistance	-	78,101	78,101	
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	182,441	2,898	185,339	

93.103	Food and Drug Administration Research	-	450,046	450,046	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	-	1,170,030	1,170,030	
93.110	Maternal and Child Health Federal Consolidated Programs	-	643,398	643,398	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	-	267,496	267,496	
93.127	Emergency Medical Services for Children	-	158,692	158,692	
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	-	108,537	108,537	
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,588,579	3,365,252	4,953,831	
93.137	Community Programs to Improve Minority Health Grant Program	52,726	71,435	124,161	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	291,240	-	291,240	
93.155	COVID-19 - Rural Health Research Centers	4,392,392	-	4,392,392	
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	-	425,443	425,443	
93.234	Traumatic Brain Injury State Demonstration Grant Program	-	153,661	153,661	
93.241	State Rural Hospital Flexibility Program	-	466,212	466,212	
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	995,834	922,484	1,918,318	
93.268	Immunization Cooperative Agreements	-	17,695,961	17,695,961	*
93.268	COVID-19 - Immunization Cooperative Agreements	2,426,858	2,973,152	5,400,011	*
93.270	Adult Viral Hepatitis Prevention and Control	-	51,361	51,361	
93.301	Small Rural Hospital Improvement Grant Program	-	231,967	231,967	
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	-	133,357	133,357	
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	-	1,966,051	1,966,051	*
93.323	COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	5,817,615	52,213,619	58,031,234	*
93.324	State Health Insurance Assistance Program	311,085	54,994	366,079	
93.334	The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels	-	311,627	311,627	
93.336	Behavioral Risk Factor Surveillance System	-	450,782	450,782	
93.354	COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	9,255	620,863	630,118	
93.369	ACL Independent Living State Grants	282,968	-	282,968	
93.387	National and State Tobacco Control Program	119,943	636,535	756,478	
93.391	COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	13,646	317,584	331,229	
93.413	The State Flexibility to Stabilize the Market Grant Program	-	32,816	32,816	
93.426	Improving the Prevention and Management of Diabetes and Cardiovascular Disease	-	1,695,606	1,695,606	
93.464	ACL Assistive Technology	306,847	186,893	493,740	
93.471	Title IV-E Kinship Navigator Program	206,221	-	206,221	
93.472	Title IV-E Prevention Program	148,348	1,900	150,248	
93.497	COVID-19 - Family Violence Prevention and Services/ Sexual Assault/Rape Crisis Services and Supports	3,696	-	3,696	
93.556	Promoting Safe and Stable Families	703,756	471,396	1,175,151	
93.556	COVID-19 - Promoting Safe and Stable Families	-	61,767	61,767	
93.558	Temporary Assistance for Needy Families	17,944,886	64,018,102	81,962,988	*
93.558	COVID-19 - Temporary Assistance for Needy Families	-	3,850,659	3,850,659	*
93.563	Child Support Enforcement	-	18,765,492	18,765,492	*
93.569	Community Services Block Grant	3,642,333	524,635	4,166,968	
93.569	COVID-19 - Community Services Block Grant	1,910,614	150,396	2,061,010	
93.586	State Court Improvement Program	-	251,156	251,156	
93.586	COVID-19 - State Court Improvement Program	-	27,613	27,613	
93.597	Grants to States for Access and Visitation Programs	-	76,984	76,984	
93.599	Chafee Education and Training Vouchers Program (ETV)	-	76,937	76,937	
93.603	Adoption and Legal Guardianship Incentive Payments	76,359	785,237	861,596	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	506,693	-	506,693	
93.639	COVID-19 - ACA-Transforming Clinical Practice Initiative: Support and Alignment Networks (SANs)	-	91,535	91,535	
93.643	Children's Justice Grants to States	16,299	22,810	39,109	
93.645	Stephanie Tubbs Jones Child Welfare Services Program	137,355	851,348	988,703	
93.645	COVID-19 - Stephanie Tubbs Jones Child Welfare Services Program	-	127,458	127,458	
93.658	Foster Care Title IV-E	36,227	26,201,910	26,238,137	
93.658	COVID-19 - Foster CareTitle IV-E	-	468,200	468,200	
93.659	Adoption Assistance	-	27,563,461	27,563,461	
93.659	COVID-19 - Adoption Assistance	-	2,025,256	2,025,256	
93.664	Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act	-	371,301	371,301	
93.665	COVID-19 - Emergency Grants to Address Mental and Substance Use Discorders During COVID-19	-	1,847,482	1,847,482	
93.667	Social Services Block Grant	5,760,457	8,281,786	14,042,243	
93.669	Child Abuse and Neglect State Grants	9,520	14,354	23,874	
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	970,323	20,971	991,294	

93.671	COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	112,019	399	112,418	
93.674	Chafee Foster Care Independence Program	136,532	399,631	536,163	
93.674	COVID-19 - Chafee Foster Care Independence Program	-	615,725	615,725	
93.687	Maternal Opioid Misuse ModelMaine Maternal Opioid Model (MaineMOM)	-	884,977	884,977	
93.747	Elder Abuse Prevention Interventions Program	-	74,439	74,439	
93.747	COVID-19 - Elder Abuse Prevention Interventions Program	311,144	54,849	365,993	
93.767	Children's Health Insurance Program	-	33,670,506	33,670,506	*
93.767	COVID-19 - Children's Health Insurance Program	-	1,954,929	1,954,929	*
93.788	Opioid STR	4,650,334	1,706,868	6,357,202	
93.791	Money Follows the Person Rebalancing Demonstration	95,333	3,476	98,809	
93.796	State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	-	1,059,068	1,059,068	
93.800	Organized Approaches to Increase Colorectal Cancer Screening	-	456,020	456,020	
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	6,028,361	558,474	6,586,835	
93.870	COVID-19 - Maternal, Infant and Early Childhood Home Visiting Grant Program	-	257,629	257,629	
93.889	National Bioterrorism Hospital Preparedness Program	-	953,750	953,750	
93.889	COVID-19 - National Bioterrorism Hospital Preparedness Program	-	6,196	6,196	
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	-	1,724,385	1,724,385	
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	-	21,816	21,816	
93.913	Grants to States for Operation of State Offices of Rural Health	-	258,976	258,976	
93.917	HIV Care Formula Grants	80,977	1,745,380	1,826,356	
93.917	COVID-19 - HIV Care Formula Grants	-	2,853	2,853	
[12] 93.928	Special Projects of National Significance	-	36,638	36,638	
93.940	HIV Prevention Activities Health Department Based	433,533	704,661	1,138,194	
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	-	143,118	143,118	
93.958	Block Grants for Community Mental Health Services	2,398,274	203,226	2,601,500	
93.958	COVID-19 - Block Grants for Community Mental Health Services	745,517	366,830	1,112,348	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	4,473,071	2,186,387	6,659,458	
93.959	COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse	-	3,901,755	3,901,755	
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	22,389	121,048	143,437	
93.982	COVID-19 - Mental Health Disaster Assistance and Emergency Mental Health	1,206,096	853,059	2,059,155	
93.991	Preventive Health and Health Services Block Grant	-	1,571,447	1,571,447	
93.994	Maternal and Child Health Services Block Grant to the States	-	3,510,295	3,510,295	
Medicaid Cluster					
93.775	State Medicaid Fraud Control Units	-	1,024,858	1,024,858	*
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	2,798,556	2,798,556	*
93.777	COVID-19 - State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	475,901	475,901	*
93.778	Medical Assistance Program	-	2,728,525,535	2,728,525,535	*
93.778	COVID-19 - Medical Assistance Program	-	190,482,020	190,482,020	*
Medicaid Cluster Total		-	2,923,306,870	2,923,306,870	
Head Start Cluster					
93.600	Head Start	-	149,690	149,690	
Head Start Cluster Total		-	149,690	149,690	
CCDF Cluster					
93.575	Child Care and Development Block Grant	547,982	18,589,416	19,137,398	*
93.575	COVID-19 - Child Care and Development Block Grant	382,773	79,200,353	79,583,126	*
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	-	10,226,977	10,226,977	*
CCDF Cluster Total		930,755	108,016,746	108,947,502	
Aging Cluster					
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	1,904,364	417,739	2,322,104	
93.044	COVID-19 - Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	689,655	-	689,655	
93.045	Special Programs for the Aging Title III, Part C Nutrition Services	2,617,844	155,486	2,773,330	
93.045	COVID-19 - Special Programs for the Aging Title III, Part C Nutrition Services	845,728	-	845,728	
93.053	Nutrition Services Incentive Program	519,795	-	519,795	
Aging Cluster Total		6,577,386	573,226	7,150,611	
Department of Health And Human Services Total		78,673,745	3,344,809,458	3,423,483,203	

Corporation For National And Community Service					
94.003	State Commissions	-	264,958	264,958	
94.003	COVID-19 - State Commissions	-	6,116	6,116	
94.006	AmeriCorps	807,004	368,378	1,175,381	
94.006	COVID-19 - AmeriCorps	34,732	-	34,732	
94.009	Training and Technical Assistance	-	216,682	216,682	
94.021	Volunteer Generation Fund	-	132,705	132,705	
Corporation For National And Community Service Total		841,735	988,838	1,830,573	
Social Security Administration					
Disability Insurance/SSI Cluster					
96.001	Social Security Disability Insurance	14,629	8,646,883	8,661,512	
Disability Insurance/SSI Cluster Total		14,629	8,646,883	8,661,512	
Social Security Administration Total		14,629	8,646,883	8,661,512	
Department of Homeland Security					
97.008	Non-Profit Security Program	169,039	-	169,039	
97.012	Boating Safety Financial Assistance	-	1,386,586	1,386,586	
97.032	Crisis Counseling	-	3,125	3,125	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	564,281	79,335	643,616	*
97.036	COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	55,445,337	24,119,326	79,564,663	*
97.039	Hazard Mitigation Grant	32,720	6,841	39,562	
97.041	National Dam Safety Program	-	37,507	37,507	
97.042	Emergency Management Performance Grants	1,380,206	1,234,478	2,614,684	
97.045	Cooperating Technical Partners	-	145,401	145,401	
97.047	Pre-Disaster Mitigation	596,235	-	596,235	
97.050	COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	-	520,632	520,632	
97.056	Port Security Grant Program	-	81,852	81,852	
[13] 97.067	Homeland Security Grant Program	2,962,206	1,764,812	4,727,018	
Department of Homeland Security Total		61,150,026	29,379,895	90,529,920	
Total Federal Expenditures		**996,166,430**	**4,707,974,630**	**5,704,141,060**	

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

[1] 10.215	University Of Vermont
[2] 11.417	Atlantic Offshore Lobstermen'S Association
[3] 11.454	Atlantic State Marine Fisheries Commission
[4] 11.472	Atlantic State Marine Fisheries Commission
[5] 11.473	The Nature Conservancy
[6] 11.474	Atlantic State Marine Fisheries Commission
[7] 15.663	National Fish & Wildlife Foundation
[8] 15.935	Appalachian Trail Commission
[9] 15.945	University Of Rhode Island
[10] 47.050	Hood College
[11] 90.601	Northern Border Regional Commission
[12] 93.928	Yale University
[13] 97.067	Aroostook County
[13] 97.067	Franklin County
[13] 97.067	Oxford County
[13] 97.067	Somerset County
[13] 97.067	Washington County

STATE OF MAINE
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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 by the Assistance Listing Number (ALN) are shown. Federal financial assistance programs, which have not been assigned a ALN 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, 2022, 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 $17.1 million in expenditures, distributions, or issuances for the year ended June 30, 2022. 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 (ALN 17.225) include:

State Funds	$	10,414,896
Federal Funds		193,163,104
ALN 17.225 Total		203,578,000
Subsidy from ALN 21.019 Coronavirus Relief Fund		8,000,000
Subsidy from ALN 21.027 Coronavirus State and Local Fiscal Recovery Funds		80,000,000
Maine's UI Program Total	$	291,578,000

4. Supplemental Nutrition Assistance Program

In response to the COVID-19 pandemic, the Supplemental Nutrition Assistance Program (SNAP, ALN 10.551) issued emergency allotment benefits. 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. Child Nutrition Cluster

In response to the COVID-19 pandemic, the Child Nutrition Cluster had increased funding as a result of Families First Coronavirus Response Act (FFCRA) waivers. However, the State of Maine is unable to isolate the amount of expenditures due to the waivers. Therefore, COVID-19 pandemic expenditures are included in the regular Child Nutrition Cluster expenditures on the Schedule of Expenditures of Federal Awards.

6. 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:

ALN	Assistance Listing	Noncash Awards
10.542	Pandemic EBT Food Benefits	$61,507,558
10.551	SNAP (Supplemental Nutrition Assistance Program)	$465,587,046
10.555	National School Lunch Program	$4,320,716
10.559	Summer Food Service Program for Children	$428,693
10.565	Commodity Supplemental Food Program	$1,898,155
10.569	Emergency Food Assistance Program	$4,999,510
10.664	Cooperative Forestry Assistance	$76,313
93.268	Immunization Cooperative Agreements	$15,006,906
97.067	Homeland Security Grant Program	$282,896

7. Donated Personal Protective Equipment

In response to the COVID 19 pandemic, the federal government donated PPE with an estimated fair market value of $4,348,000 to the State of Maine. Per the 2022 Compliance Supplement, this amount is not included in the Schedule of Expenditures of Federal Awards and is not subject to Audit. Therefore, this amount is unaudited.

8. Prior Period Expenditures

Credits to related to prior year program expenditures not netted with current year expenditures reported in the Schedule of Expenditures of Federal Awards include:

ALN	Assistance Listing	Credit Amount
84.425C	Education Stabilization Fund – Governor’s Emergency Education Relief Fund	$206,323
84.425D	Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	$1,462,290
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	$14,212,400

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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:

<u>Unmodified</u>
CCDF Cluster
Child Support Enforcement
Children's Health Insurance Program (CHIP)
National Guard Military Operations and Maintenance (O&M) Projects

<u>Qualified</u>
Child and Adult Care Food Program (CACFP)
Child Nutrition Cluster
Coronavirus State and Local Fiscal Recovery Funds
Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Education Stabilization Fund (ESF)
Emergency Rental Assistance Program
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
Immunization Cooperative Agreements
Medicaid Cluster
Pandemic EBT Food Benefits (P-EBT)
SNAP Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Temporary Assistance for Needy Families (TANF)
Unemployment Insurance (UI)

<u>Disclaimer of Opinion</u>
Pandemic EBT Food Benefits (P-EBT)

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:

ALN	**Name of Federal Program or Cluster**
SNAP Cluster	
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.582	Fresh Fruit and Vegetable Program
CCDF Cluster	
93.489	Child Care Disaster Relief
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
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 (Medicaid; Title XIX)

Other Major Programs:

10.542	Pandemic EBT Food Benefits (P-EBT)
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
10.558	Child and Adult Care Food Program (CACFP)
12.401	National Guard Military Operations and Maintenance (O&M) Projects
17.225	Unemployment Insurance (UI)
21.023	Emergency Rental Assistance Program
21.027	Coronavirus State and Local Fiscal Recovery Funds
84.425	Education Stabilization Fund (ESF)
93.268	Immunization Cooperative Agreements
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement
93.767	Children’s Health Insurance Program (CHIP)
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: $17,112,423

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	Child and Adult Care Food Program (CACFP)	$11,222 $50,275	2022-041 2022-043
	Pandemic EBT Food Benefits (P-EBT)	$61,507,558 $80,555	2022-022 2022-027
	SNAP Cluster	$2,952	2022-025
U.S. Department of Education	Education Stabilization Fund (ESF)	$620,676	2022-052
U.S. Department of Health and Human Services	Medicaid Cluster	Undeterminable	2022-085
	Temporary Assistance for Needy Families (TANF)	$1,447	2022-067
U.S. Department of Homeland Security	Homeland Security Grant Program *****	$59,759	2022-093
U.S. Department of Labor	Unemployment Insurance (UI)	$19,278	2022-045
U.S. Department of the Treasury	Coronavirus State and Local Fiscal Recovery Funds	$51,482,644	2022-051

***** This program was not audited as a major program in fiscal year 2022.

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section II – Index to Financial Statement Findings

State of Maine
Fiscal Year 2022
Index to Financial Statement Findings

Finding #	Brief Summary of Finding	Finding Type	Page
2022-001	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-13
2022-002	Internal control over financial reporting of accrued liabilities needs improvement	MW	E-14
2022-003	Internal control over financial reporting of National Opioid Settlement distributions needs improvement	MW	E-16
2022-004	________ over ________ within ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-18
2022-005	Internal control over accounting for pharmacy rebates needs improvement	SD	E-19
2022-006	Internal control over Lottery Fund accounts receivable reconciliations needs improvement	SD	E-21
2022-007	________ over ________ within ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-23
2022-008	Internal control over financial reporting of capital assets needs improvement	SD	E-24
2022-009	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-26
2022-010	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-27
2022-011	Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables needs improvement	SD	E-28
2022-012	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-30
2022-013	Internal control over financial reporting of capital assets needs improvement	SD	E-31
2022-014	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-33
2022-015	________ over ________ within the ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-34
2022-016	________ over the ________, ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-35

Continued on next page

State of Maine
Fiscal Year 2022
Index to Financial Statement Findings

Finding #	Brief Summary of Finding	Finding Type	Page
Continued from previous page			
2022-017	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-36
2022-018	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-37
2022-019	Internal control over financial reporting of OFI overpayments needs improvement	SD	E-38
2022-020	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-40
2022-021	Internal control over valuing estimates for the allowances for uncollectible unemployment insurance receivables needs improvement	SD	E-41

Legend of Abbreviations:
MW Material Weakness
SD Significant Deficiency

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings

(2022-001) Confidential finding, see below for more information

Title: ________ over **________** needs improvement

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

Prior Year Findings: None

Type of Finding: Material weakness

Corrective Action Plan: See F-6

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0208-01)

(2022-002)

Title: Internal control over financial reporting of accrued liabilities needs improvement

Prior Year Findings: None

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

Type of Finding: Material weakness

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; Generally Accepted Accounting Principles (GAAP); Office of the State Controller's (OSC) GAAP Financial Statement Closing Package

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

GAAP requires the dollar amount of expenditures to be recorded when the liability is incurred.

The OSC GAAP Financial Statement Closing Package states that annually from July 1 through August 31, the service date field will be required for General Accounting Expenditure (GAX) and Payment Request Commodity (PRC) documents, including interface documents.

Condition: The Supplemental Budget for the State of Maine was passed by the Legislature and approved by the Governor in April 2022. This budget provided $850 direct relief payments to eligible Maine tax filers.

The Office of the State Auditor (OSA) identified approximately 776,406 tax filers as eligible for relief payments at fiscal year end. The State had only issued 602,597 checks totaling $512 million as of year end. OSC did not record a liability of $148 million representing direct relief payments for the additional 173,809 eligible tax filers. OSA proposed an adjustment to properly accrue the liability, and OSC subsequently recorded the adjustment.

Additionally, OSC relies on the service date field to ensure that year-end accrual entries are properly included on the financial statements. All payments made in fiscal year 2023 with a fiscal year 2022 service date are recorded as a liability as of June 30, 2022. In our testing of expenditures, we found service dates were not accurately entered or the methodology of the service date was not consistently applied by agencies. The use of incorrect service dates resulted in an additional proposed adjustment to reduce the accrual and related expense by $4.1 million.

Context: Governmental fund expenditures processed between July 1 and August 31 totaled $1.8 billion.

Cause:

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

Effect:

- Prior to the audit adjustment prepared by OSA, the State's financial statements were misstated. Accounts payable and expenditures were understated by $148 million.
- The State's accounts payable and expenditures are overstated by approximately $4.1 million due to reliance on inaccurate service date information.

Recommendation: We recommend that OSC develop a review process to evaluate expenditures in order to determine when accruals are required. This will help ensure complete and accurate financial reporting.

We further recommend that OSC implement policies and procedures to define service date fields so that the information can be relied upon for accurate and complete financial reporting. We also recommend that oversight is increased to ensure agencies are correctly using service date fields during July and August.

Corrective Action Plan: See F-6

Management's Response: The Department agrees with this finding. The Office of the State Controller (OSC) will review and update our policy regarding service date use. We will work with agencies in order to verify that the service date fields are being used correctly. This will allow the OSC to rely on these fields for accounts payable accrual calculations. In addition, we will work closely with the agencies to identify all required accruals.

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

(State Number: 22-0208-02)

(2022-003)

Title: Internal control over financial reporting of National Opioid Settlement distributions needs improvement

Prior Year Findings: None

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

Type of Finding: Material weakness

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1547

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

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).

Condition: The Office of the Maine Attorney General, along with other Attorney General Offices across the country, participated in a combined effort to bring litigation against opioid distributors and manufacturers for their role in causing the opioid crisis. The National Opioid Settlement is a result of this litigation. In January 2022, the State of Maine announced an agreement estimated to bring as much as $131 million to Maine over an 18-year period to support State and local efforts to address the nationwide opioid crisis. On June 14, 2022, the court orders giving effect to the settlement agreements were signed by the Superior Court for Kennebec County.

The amount due to the State as a result of the National Opioid Settlement should have been reflected in the June 30, 2022 financial statements that were provided to the Office of the State Auditor (OSA) for audit purposes. OSA proposed an adjustment to the Office of the State Controller (OSC) to properly include a receivable and related deferral to recognize the State's portion of the settlement, which was subsequently recorded by OSC.

Context: The settlement provides approximately $131 million to the State of Maine as follows:

- 50 percent ($66 million) to the State for deposit into the Maine Recovery Fund
- 30 percent ($39 million) will be directly distributed to Maine counties and municipalities; therefore, this amount is not recorded in the State's financial statements.
- 20 percent ($26 million) to the State for the Office of the Maine Attorney General

Cause: Lack of procedures over financial reporting to ensure that information presented in the State's financial statements is complete and accurate

Effect: Prior to OSA's audit adjustment, accounts receivable and deferred inflows were understated by $92 million in the State's financial statements.

Recommendation: We recommend that the OSC develop a review process to evaluate the completeness of accounts receivable. This will help ensure complete and accurate financial reporting.

Corrective Action Plan: See F-6

Management's Response: The Department agrees with this finding and will review the accounts receivable completeness process.

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

(State Number: 22-0203-03)

(2022-004) Confidential finding, see below for more information

Title: ________ over **________** within **________** needs improvement

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

Prior Year Findings: None

Type of Finding: Material weakness

Corrective Action Plan: See F-7

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0305-03)

(2022-005)

Title: Internal control over accounting for pharmacy rebates needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Office of the State Controller
Office of Employee Health & Wellness
General Government Service Center

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1547; State Administrative and Accounting Manual (SAAM) Chapter 85

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

In accordance with 5 MRSA 1547, State departments shall submit all financial statements and any other materials considered necessary by the State Controller to ensure accurate financial reporting.

In accordance with SAAM Chapter 85, agencies may receive monies that represent non-revenue items. Receipts for recoveries of authorized current appropriation expenditures represent an offset to current appropriation allotment charges and are recorded as a credit against the current appropriation expenditure that was originally charged.

Condition: The State transitioned contracted pharmacy benefit coverage for active State employees and retirees to a new provider effective July 1, 2021. As a result, the State is entitled to pharmacy rebates from both the new and previous provider. The Department only recorded rebates received from the previous provider in the State's accounting system. The Office of Employee Health & Wellness (OEH) informed the Office of the State Auditor (OSA) that rebates from the new provider have not yet been received and thus, were not recorded in the State's accounting system. The Office of the State Controller (OSC) did not receive information on rebates from the new provider for inclusion in the State's financial statements. OSA notified the Department of the exclusion, providing the necessary rebate information to OSC, and OSC recorded an accrual for the new provider's rebates. However, the accrual erroneously excluded rebates for the quarter ending June 30, 2022. Additionally, all rebates were recorded as revenue instead of a reduction in pharmacy benefits expenses as required by SAAM Chapter 85.

Context: Approximately $11 million in rebates is owed to the State by the new pharmacy benefits provider for fiscal year 2022. Of the $11 million, OSC recorded $8.3 million as a receivable in the State's financial statements.

Cause:

- Lack of communication between OEH, the General Government Service Center (GGSC), and OSC regarding information that is required to be included in the State's financial statements
- Lack of supervisory oversight
- Lack of procedures to ensure proper accounting and reporting of pharmacy rebates

Effect: Internal Service Funds in the State's financial statements include the following:

- Approximately $12 million in pharmacy rebates is reported as revenue instead of as a reduction in expenses.
- The receivables balance is understated by approximately $2.8 million after OSC recorded an additional $8.3 million in receivables as part of OSA's audit adjustment.

Recommendation: We recommend that OEH and GGSC work collaboratively with OSC to ensure all pharmacy rebates are accurately recorded in the State's accounting system and reported to OSC for proper financial statement reporting.

Corrective Action Plan: See F-7

Management's Response: The Departments agree with this finding. The above is correct that the State is entitled to pharmacy rebates from the new and previous provider. The GGSC recorded rebates received from the previous provider in the State's accounting system. The new provider has not issued any rebates as of yet. Information related to the rebates due from the new provider through year end was not available. There is a 90-day delay on the reporting (not receipt) of rebates from the new provider. Going forward, the fourth quarter rebates should be issued by the provider in October and properly reported in the financial statements.

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

(State Number: 22-0320-01)

(2022-006)

Title: Internal control over Lottery Fund accounts receivable reconciliations needs improvement

Prior Year Findings:

FY21	FY20
2021-001	2020-002

State Department: Administrative and Financial Services
State Bureau: General Government Service Center
Office of the State Controller

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; State Administrative and Accounting Manual (SAAM) Chapter 90

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

SAAM Chapter 90 states that agencies are responsible for ensuring that assets and liabilities are properly and completely stated. All agencies are responsible for preparing, submitting, and retaining copies of auditable supporting documentation for all financial information submitted to the Office of the State Controller (OSC) for inclusion in the Annual Comprehensive Financial Report.

Condition: The State has a contract with a gaming vendor to administer Lottery instant ticket and draw games. The General Government Service Center (GGSC) relies on vendor reports to record revenues generated from the sales of tickets. Beginning in fiscal year 2020, GGSC engaged a consultant on behalf of the Bureau of Alcoholic Beverages and Lottery Operations (BABLO) to work with the gaming vendor to obtain the requisite data necessary to perform a full reconciliation of the Lottery Fund accounts receivable balance. GGSC personnel began conducting timely accounts receivable reconciliations in January 2022, and the consultant's engagement was completed in March 2022. An accumulated discrepancy between the accounts receivable balance reported by the gaming vendor and the balance in the State's accounting records continued to exist throughout fiscal year 2022 and totaled $3.8 million on June 30, 2022. Despite implementation of the new reconciliation process, the discrepancy has not been fully resolved and, as a result, State accounting records have not been adjusted.

At the close of each fiscal year, OSC records two adjusting entries related to the Lottery Fund accounts receivable balance. The first is a routine entry to record the accrual required to adjust Lottery Fund revenue and receivable year end balances to State fiscal year end balances. The second is a $6.6 million adjustment that has been repeated for several years to address a discrepancy in the accounts receivable balance that existed as of June 30, 2016. The June 30, 2022, accounts receivable balance supported by the new reconciliation process was not considered, and OSC continued to record this fiscal year 2016 adjustment for financial statement purposes. As a result of this entry, the Lottery Fund accounts receivable balance is not properly presented in the State's financial statements and does not agree to supporting documentation.

Context: According to the State's accounting records, the accounts receivable balance for the Lottery Fund totaled $29.2 million as of June 30, 2022. This does not include the effect of the Office of the State Auditor's (OSA) proposed audit adjustment totaling $2.7 million.

Cause:
- Lack of resources
- GGSC and OSC delayed full implementation of the new reconciliation process and related accounts receivable adjustment.

Effect: OSA's proposed audit adjustment was not recorded, and as a result, the Lottery Fund accounts receivable balance is understated by $2.7 million.

Recommendation: We recommend that GGSC work with OSC to take required steps to address the accumulated discrepancy in the accounts receivable balance. Adjusting entries recorded by OSC should utilize current year supporting documentation to ensure the State's financial statements properly present the Lottery Fund accounts receivable balance.

Corrective Action Plan: See F-7

Management's Response: The GGSC agrees with this finding with some clarifications. The GGSC, in collaboration with a consultant, developed and implemented significant improvements to the Lottery Fund accounts receivable process during FY2022. These improvements allowed for an accurate reconciliation of retailer accounts receivable balances for FY2022. The new accounting processes went live June 26, 2022, and as a result there was not sufficient time to verify if the new entries and postings resulted in a fully reconciled accounts receivable balance. Additionally, there are entries processed by the lottery office that are also part of the accounts receivable balance. Therefore, the GGSC needs FY23 as a review period to ensure a one-time write off event.

The one item that remains outstanding is the $6.6 million historical adjustment that has been repeated since Fiscal Year 2016. It was necessary to implement the new accounting processes prior to developing the final resolution of the historical adjustment. During FY2022 the GGSC began work with the OSC to address the accumulated discrepancy in the accounts receivable balance. We anticipate this will be resolved during Fiscal Year 2023.

Contact: Laurie Andre, Deputy Director, General Government Service Center, DFPS, DAFS, 207-592-0725

(State Number: 22-0305-01)

(2022-007) Confidential finding, see below for more information

Title: ________ over **________** within **________** needs improvement

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

Prior Year Findings: None

Type of Finding: Significant deficiency

Corrective Action Plan: See F-7

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0305-02)

(2022-008)

Title: Internal control over financial reporting of capital assets needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Natural Resources Service Center

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; Governmental Accounting Standards Board (GASB) Statement 34, Paragraphs 18 through 22; State Administrative and Accounting Manual (SAAM) Chapter 30

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

GASB Statement 34 defines capital assets as land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period. Capital assets should be depreciated over their estimated useful lives.

SAAM Chapter 30 requires departments to capitalize assets meeting a minimum dollar threshold of $5,000 that will be used for more than one fiscal year. The policy is inclusive of new acquisitions, additions to existing assets, and extraordinary repairs, betterments, or improvements meeting the State's capitalization policy. Assets must be capitalized when accepted or substantially complete and placed into service.

Condition: The Natural Resources Service Center maintains fixed asset records including buildings, structures, equipment, and land used in operations. Testing of capital asset expenditures performed by the Office of the State Auditor identified three capital assets totaling $5.2 million that were placed in service in fiscal year 2022. These assets were expensed but should have been capitalized and depreciated over estimated useful lives.

Context: In fiscal year 2022, $12.7 million in equipment acquisitions were appropriately reported and added to the State's capital asset listing.

Cause:

- Lack of policies and procedures
- Lack of supervisory oversight

Effect: Assets totaling $5.2 million were expensed rather than capitalized. As a result, expenditures are overstated and capital assets are understated.

Recommendation: We recommend that the Department work with the Office of the State Controller to develop policies and procedures designed to properly identify capitalizable assets and ensure that they are recorded correctly in the accounting records.

Corrective Action Plan: See F-7

Management's Response: The Department partially agrees with this finding. The condition resulted from the purchase of unique assets that did not trigger fixed asset shells within the accounting system and the assets were originally expensed rather than capitalized. The NRSC performs a post purchase review of all expenditures in the capital line category as a control to ensure fixed assets are appropriately recorded. In this instance, this review which detected the missing fixed asset records, was not performed until after the fiscal year end reporting process. The NRSC subsequently recorded each of the three assets identified in this finding in the fixed asset system.

The NRSC plans to provide training to NRSC staff to ensure fixed asset procurements are properly capitalized. Additionally, the NRSC will review all capital line-item purchases quarterly and the review will be conducted prior to fiscal year end to ensure assets are recorded in the appropriate fiscal year. Training will also be provided to the Department of Agriculture, Conservation and Forestry staff on the appropriate use of commodity codes to ensure fixed asset shells are created when necessary.

Contact: Gilbert M. Bilodeau, Director, Natural Resources Service Center, NRSC, 207-624-6363

Auditor's Concluding Remarks: The Office of the State Auditor acknowledges that the Department performed procedures that subsequently identified the capital expenditures in fiscal year 2023; however, policies and procedures were not in place to prevent inaccurate financial reporting, or to detect and correct such errors in a timely manner.

The finding remains as stated.

(State Number: 22-0600-01)

(2022-009) Confidential finding, see below for more information

Title: ________ over the **________** needs improvement
Pursuant to paragraph 6.63 of the U.S. Government Accountability Office's Government Auditing Standards (also known as the Yellow Book), we omitted details from this finding as they are confidential under the provisions of 5 MRSA 244-C (3). Though the content of this finding has been redacted, we provided the Department(s) with detailed information regarding the specific condition we identified, as well as the related criteria, context, causes, effects, and our specific recommendations for improvement.

Prior Year Findings: None

Type of Finding: Significant deficiency

Corrective Action Plan: See F-8

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0909-01)

(2022-010) Confidential finding, see below for more information

Title: ________ over the ________ needs improvement

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

Prior Year Findings:

FY21	FY20	FY19	FY18
Redacted	Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-8

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0909-02)

(2022-011)

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

Prior Year Findings:

FY21	FY20
2021-008	2020-007

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

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1547; State Administrative and Accounting Manual Chapter 80

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

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. An 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.

The Judicial Branch Revenue Manager provides the receivable aging report to the Office of the State Controller (OSC). OSC performs an analysis to establish an estimate for uncollectible accounts receivable. This estimate identifies all receivables outstanding more than 360 days as uncollectible and an allowance is recorded in the State's financial statements.

The Office of the State Auditor (OSA) requested current and historical collection data from the Judicial Branch's Chief of Finance and Administration in order to evaluate OSC's estimate. The Judicial Branch did not provide the requested collection data; therefore, OSA does not have sufficient data to develop an independent expectation to support the reasonableness of management's estimate.

Context: Fines and fees receivables for the Judicial Branch totaled $30.3 million as of June 30, 2022. The financial statements present receivables net of the allowance for uncollectible amounts of $24.5 million, resulting in a presentation of approximately $5.8 million.

Cause:
- Lack of supervisory oversight
- Lack of resources

Effect: Potential misstatement of the allowance for uncollectible amounts, the resulting net balance of fines and fees receivable, and the separately disclosed amount for the allowance for uncollectible amounts in Note 6 of the financial statements.

Recommendation: We recommend that OSC and the Judicial Branch coordinate to:
- work with the Office of Information Technology (OIT) to produce current and historical collection reports of fines and fees.
- implement a collaborative review process of the estimate calculation, assumptions, and other supporting information. This ensures that a single person is not solely responsible for the development of estimates.

Corrective Action Plan: See F-8

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 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 360 days old, which has been the acceptable method for many years.

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

Auditor's Concluding Remarks: Beginning in fiscal year 2022, OSC changed the uncollectible fines and fees threshold from 180 days to 360 days to be consistent with the treatment of other receivables. OSC provided an analysis in support of this change. To evaluate OSC's estimate, OSA requested current and historical collection data from the Judicial Branch. The Judicial Branch did not provide the requested collection data; therefore, OSA does not have sufficient data to develop an independent expectation to support the reasonableness of management's estimate.

We continue to recommend that the Judicial Branch and OSC work with OIT to produce current and historical collection reports of fines and fees and implement a collaborative review process of the estimate calculation, assumptions, and other supporting information. This ensures that a single person is not solely responsible for the development of estimates.

The finding remains as stated.

(State Number: 22-0203-02)

(2022-012) Confidential finding, see below for more information

Title: ________ over the **________** needs improvement

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

Prior Year Findings:

FY21	FY20	FY19
Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-9

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0908-01)

(2022-013)

Title: Internal control over financial reporting of capital assets needs improvement

Prior Year Findings: None

State Department: Transportation
State Bureau: Finance and Administration
Maine State Ferry Service

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; Governmental Accounting Standards Board (GASB) Statement 34, Paragraphs 18 through 22; State Administrative and Accounting Manual (SAAM) Chapter 30

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

GASB Statement 34 defines capital assets as land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period. Capital assets should be depreciated over their estimated useful lives.

SAAM Chapter 30 requires departments to capitalize assets meeting a minimum dollar threshold of $5,000 that will be used for more than one fiscal year. The policy is inclusive of new acquisitions, additions to existing assets, and extraordinary repairs, betterments, or improvements meeting the State's capitalization policy. Assets must be capitalized when accepted or substantially complete and placed into service.

Condition: The Maine Department of Transportation (MDOT) Ferry Service maintains fixed asset records including buildings, structures, equipment, and land used in operations, as well as construction work in process costs to be capitalized upon project completion. During the Office of the State Auditor's testing of capital assets for the MDOT Ferry Service, the following exceptions were identified:

- The construction work in process account includes two capital assets totaling $6.7 million that should have been transferred to appropriate asset classifications within MDOT's fixed asset records, as the projects were completed and placed into service during the fiscal year.
- Repairs and maintenance costs that extended useful lives and/or increased the functionality of existing capital assets were expensed as incurred; however, such costs should have been capitalized and depreciated over estimated useful lives. The Department does not have policies or procedures in place to require an assessment of whether repairs and maintenance costs should be capitalized.

Context: The construction work in process balance totaled $14.6 million as of June 30, 2022. Of this balance, $6.7 million in construction projects should have been properly transferred to capital asset classifications upon project completion. Based on completion dates, depreciation expense and accumulated depreciation totaling $139,000 should have been recorded in fiscal year 2022.

Cause:

- Lack of policies and procedures
- Lack of supervisory oversight

Effect:

- Completed construction projects are improperly classified in MDOT's fixed asset records as work in process. As a result, depreciation expense and accumulated depreciation are understated.
- Financial statement disclosures are not properly presented.

Recommendation: We recommend that MDOT:

- work with the Office of the State Controller to develop policies and procedures designed to properly identify capitalizable assets and ensure that they are properly recorded in MDOT's fixed asset records.
- implement a review process to ensure the capitalization of construction costs into appropriate asset classifications upon project completion.

Corrective Action Plan: See F-9

Management's Response: The Department agrees with this finding. We will communicate and work with the Office of the State Controller to properly record fixed assets. We will implement an additional review process of invoices to ensure the correct classification of costs and assets are being recorded.

Contact: Kathleen Malcolm, Financial Processing Director, MDOT, 207-624-3292

(State Number: 22-0302-01)

(2022-014) Confidential finding, see below for more information

Title: ________ over the **________** needs improvement

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

Prior Year Findings:

FY21	FY20	FY19
Redacted	Redacted	Redacted

Type of Finding: Material weakness

Corrective Action Plan: See F-9

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0907-01)

(2022-015) Confidential finding, see below for more information

Title: ________ over **________** within the **________** and **________** needs improvement

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

Prior Year Findings:

FY21
Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-9

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0902-01)

(2022-016) Confidential finding, see below for more information

Title: ________ over the ________, ________, and ________ needs improvement

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

Prior Year Findings: None

Type of Finding: Significant deficiency

Corrective Action Plan: See F-10

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0903-02)

(2022-017) Confidential finding, see below for more information

Title: ________ over **________** needs improvement

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

Prior Year Findings:

FY21	**FY20**	**FY19**	**FY18**	**FY17**
Redacted	Redacted	Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-10

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0900-01)

(2022-018) Confidential finding, see below for more information

Title: ________ over the **________** needs improvement

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

Prior Year Findings:

FY21	**FY20**
Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-10

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0900-02)

(2022-019)

Title: Internal control over financial reporting of OFI overpayments needs improvement

Prior Year Findings:

FY21	FY20
2021-003	2020-005

State Department: Administrative and Financial Services (DAFS)
Health and Human Services (DHHS)
State Bureau: Office of the State Controller, a Unit of DAFS
Health and Human Services Service Center, a Unit of DAFS
Office for Family Independence, a Unit of DHHS
Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services
Assistance Listing Title: SNAP Cluster (COVID-19)
Temporary Assistance for Needy Families (TANF) (COVID-19)
Assistance Listing Number: 10.551, 10.561; 93.558
Federal Award Identification Number: SNAP Benefits, Maine; 1901METANF,
2001METANF, 2101METANF

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1547

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

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).

Condition: The Office for Family Independence (OFI) tracks improper payments made to, or on behalf of, clients in a subsidiary ledger. These payments 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.

For the fiscal year ending June 30, 2022, improper payments in OFI's subsidiary ledger totaled $27.8 million in Federal and State dollars dating back to 1978. OFI does not have a claim termination policy in place to ensure that these improper payments are properly recovered or terminated.

Additionally, OSC properly discloses the contingent liability in Note 18 of the State's financial statements; however, OSC has also recorded a liability due to the Federal government on the financial statements for the amount deemed collectible. The Office of the State Auditor proposed an adjustment to remove the recorded liability as the entire amount due to the Federal government is contingent upon recovery. The proposed adjustment was not recorded by OSC.

Context: Of the $27.8 million receivable balance, $22 million, or 80 percent, was established over 5 years ago; $16.3 million, or 60 percent, was established more than 10 years ago; and $7.9 million, or 28 percent, was established more than 20 years ago.

Receivables totaled $27.8 million as of June 30, 2022, reduced by the estimated allowance for uncollectible accounts of $23.1 million. The allowance represents 83 percent of the total balance and results in management's presentation of $4.4 million in net receivables.

Cause:

- OFI does not have an established claim termination policy to write off, or terminate, non-recovery of improper payments.
- OSC did not consistently apply procedures for reporting contingent liabilities.

Effect:

- The accounts receivable balance and the related allowance for uncollectible accounts are overstated in Note 6 of the financial statements.
- The amount due to the Federal government is overstated and deferred inflows are understated by $4.4 million in the State's financial statements.

Recommendation: We recommend that the Department establish a claim termination policy in accordance with Federal program regulations to ensure that receivable balances are not misstated on the State's financial statements and that collection efforts are made in a timely manner. We further recommend that OSC implement procedures to ensure that financial reporting of contingent liabilities is consistent in the State's financial statements.

Corrective Action Plan: See F-10

Management's Response: The Department of Health and Human Services and the Office of the State Controller agree that the variance between the receivable and reserve should be booked as a deferred inflow. A claim termination policy will be established in accordance with federal regulations.

OSC Contact: Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
OFI Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

(State Number: 22-0203-01)

(2022-020) Confidential finding, see below for more information

Title: ________ over the **________** needs improvement

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

Prior Year Findings:

FY21	FY20
Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-11

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0905-01)

(2022-021)

Title: Internal control over valuing estimates for the allowances for uncollectible unemployment insurance receivables needs improvement

Prior Year Findings:

FY21	FY20	FY19
2021-009	2020-009	2019-004

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
Federal Agency: U.S. Department of Labor
Assistance Listing Title: Unemployment Insurance (UI) (COVID-19)
Assistance Listing Number: 17.225
Federal Award Identification Number: Unemployment Insurance Trust Fund, Maine, UI347192055A23, UI372842255A23, UI359482160A23, UI372272255A23, UI356522155A23, UI348602055A23, UI340622055A23

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1547; State Administrative and Accounting Manual, Chapter 80

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

Agencies are required by statute to prepare, submit, and retain auditable supporting documentation for all information submitted to the Office of the State Controller (OSC) for financial reporting purposes.

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 Maine Department of Labor (MDOL) utilizes the outsourced ReEmployME information system for processing and storage of data related to the Unemployment Insurance (UI) program. ReEmployME stores extensive financial and programmatic data, including records of balances owed to the State by individuals and employers. Detailed reports of receivables balances are necessary for financial reporting purposes. MDOL cannot provide an accounts receivable report from ReEmployME containing records for each debtor as of June 30, 2022.

The related valuations of the allowances for uncollectible UI receivables reported on the State's financial statements are not supported. The estimated allowances for uncollectible accounts related to Federal and State benefit overpayment receivables, unemployment tax receivables, and UI penalties and interest receivables are all based on the same assumption. Receivables outstanding for more than one year are automatically deemed uncollectible, rather than applying assumptions supported by data and evidence for each classification of receivables.

OSC's review and analysis of the estimated allowances is not sufficient. The supporting documentation for this analysis does not include management's considerations of historical data, detailed collections activity, or current economic trends. The Office of the State Auditor (OSA) performed a review and analysis of collections activity specific to Federal benefit overpayment receivables to determine if OSC's estimate for uncollectible UI receivables is reasonable. OSA's analysis found that collection activity did not support OSC's allowance. As a result, an audit adjustment was proposed to increase the estimated allowance for uncollectible receivables in the Federal Fund by $44.4 million. OSC did not record this proposed audit adjustment.

Context: UI receivables for the Employment Security Trust Fund (ESTF) totaled $112.5 million as of June 30, 2022, reduced by the estimated allowance for uncollectible accounts of $63.2 million. This results in management's presentation of $49.3 million in net ESTF UI receivables, not including interest and penalties.

Federal Fund UI receivables totaled $56.9 million as of June 30, 2022, reduced by the estimated allowance for uncollectible accounts of $10.2 million. This results in management's presentation of $46.7 million in net Federal UI receivables.

As of June 30, 2022, a receivable for interest and penalties related to UI totaling $61.8 million was included in the Other Special Revenue Fund, reduced by the estimated allowance for uncollectible accounts of $59 million. The allowance represents 95.5% of the total balance, and results in management's net presentation of approximately $2.8 million in UI receivables for interest and penalties.

Cause:

- Management has identified long-term and ongoing information system limitations that have not been resolved which inhibit functionality for receivables reporting.

- Lack of documented effective policies and procedures to:
    - o generate and retain detailed UI receivables information for financial reporting purposes; and
    - o support management's considerations in developing the estimated allowances for uncollectible accounts.
- Lack of supervisory oversight

Effect:

- Potential misstatement of ESTF UI receivables balances, the allowances for uncollectible accounts which are also separately disclosed in Note 6 of the financial statements, and the resulting net receivables balances.
- Federal Fund receivables are overstated by an estimated $44.4 million in the financial statements, and the allowance for uncollectible accounts separately disclosed in Note 6 of the financial statements is understated by an estimated $44.4 million.

Recommendation: We recommend that MDOL and the Security and Employment Service Center generate and retain detailed receivables reports, including collections activity, throughout the fiscal year for proper financial reporting of receivables balances. The reports should also be utilized to establish a formal, documented method to estimate the allowances for uncollectible accounts. The methodology should incorporate current and historical collection experience and other factors used to support professional judgment. MDOL personnel should perform a detailed secondary review of the methodology and calculated estimates for the allowances for uncollectible accounts.

In addition, we recommend that OSC request and analyze detailed collection data from MDOL as part of their review of the estimated allowances to reduce the risk of management bias and to prove the allowances are reasonable, complete, and accurate.

Corrective Action Plan: See F-11

Management's Response: The Departments agree that detailed receivables reports should be generated and retained during the fiscal year. The OSC will provide guidance to the Department of Labor (DOL) to develop a reporting mechanism that will provide a more detailed analysis of the activity of the receivable balances. The 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, the OSC and the 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. The OSC recently performed a five-year trend analysis of historical collections with information provided by the DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. The DOL implemented a new system and the 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: OSA performed a review and analysis of collections activity specific to Federal benefit overpayment receivables to determine if OSC's estimate for uncollectible UI receivables was reasonable. This analysis resulted in a proposed audit adjustment to increase the estimated allowance for uncollectible receivables in the Federal Fund by $44.4 million; therefore, OSC's methodology for determining the allowance is not reasonable and additional considerations, such as collections data, need to be made. We continue to recommend that MDOL and OSC work together to improve financial reporting to ensure that the State's financial statements are reasonable, complete, and accurate.

The finding remains as stated.

(State Number: 22-0308-01)

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section III - Indexes to Federal Program Findings

INDEXES TO FEDERAL PROGRAM FINDINGS

Eight findings (2022-014 through 2022-021) included in Section II – Financial Statement Findings also relate to Section III – Federal Findings and Questioned Costs and will be included in the following indexes.

State of Maine
Fiscal Year 2022
Index to Federal Findings
By Federal Program and Finding Type

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Pandemic EBT Food Benefits (P-EBT) ALN 10.542			
2022-020	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-40
2022-022	Internal control over P-EBT Food Benefits needs improvement	MW MNC QC ($61,507,558/ $61,507,558)	E-67
2022-023	Internal control over the submission and review of SNAP and P-EBT Schedule of Expenditures of Federal Awards information needs improvement	MW MNC	E-71
2022-024	________ over ________, ________ and ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-74
2022-027	Internal control over EBT reconciliation procedures needs improvement	SD QC ($80,555/ $80,555)	E-80
2022-029	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-86
2022-083	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-208
SNAP Cluster ALN 10.551, 10.561			
2022-019	Internal control over financial reporting of OFI overpayments needs improvement	SD	E-38
2022-020	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-40
2022-023	Internal control over the submission and review of SNAP and P-EBT Schedule of Expenditures of Federal Awards information needs improvement	MW MNC	E-71
2022-024	________ over ________, ________ and ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-74
2022-025	Internal control over automated SNAP eligibility determinations and benefit calculations needs improvement	SD QC ($2,952/ $7,686,166)	E-75

SNAP Cluster continued on next page

State of Maine
Fiscal Year 2022
Index to Federal Findings
By Federal Program and Finding Type

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
SNAP Cluster continued from previous page			
2022-026	Internal control over the issuance of SNAP benefits needs improvement	SD	E-78
2022-027	Internal control over EBT reconciliation procedures needs improvement	SD	E-80
2022-028	Internal control over EBT card security needs improvement	SD	E-83
2022-029	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-86
2022-082	Internal control over the eligibility determination process needs improvement	MW	E-205
2022-083	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-208
Child Nutrition Cluster (CNC) ALN 10.553, 10.555, 10.556, 10.559, 10.582			
2022-030	Internal control over CNC special reporting needs improvement	MW MNC	E-87
2022-031	Internal control over Child Nutrition claim reimbursements needs improvement	MW	E-89
2022-032	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-91
2022-033	________ over the ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-92
2022-034	Internal control over the submission of CNC Schedule of Expenditures of Federal Awards information needs improvement	SD	E-93
2022-035	Internal control over CNC subrecipient audit procedures needs improvement	SD	E-96
2022-036	Internal control over Child Nutrition donated food inventory needs improvement	SD	E-98
2022-037	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-100
2022-038	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-101

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) ALN 10.557			
2022-039	Internal control over WIC subrecipient monitoring needs improvement	MW MNC	E-102
2022-040	Internal control over WIC cash balances needs improvement	SD	E-104
2022-069	Internal control over subrecipient cash management needs improvement	MW MNC	E-174
2022-072	Internal control over special reporting needs improvement	MW MNC	E-184
Child and Adult Care Food Program (CACFP) ALN 10.558			
2022-032	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-91
2022-033	________ over the ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-92
2022-037	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-100
2022-041	Internal control over CACFP claim reimbursements needs improvement	MW MNC QC ($11,222/ UN)	E-106
2022-042	Internal control over CACFP subrecipient audit procedures needs improvement	MW MNC	E-110
2022-043	Internal control over CACFP eligibility needs improvement	SD QC ($50,275/ UN)	E-112
2022-044	Internal control over CACFP subrecipient risk evaluation procedures needs improvement	SD	E-115
National Guard Military Operations and Maintenance (O&M) Projects ALN 12.401			
2022-046	Internal control over monitoring of employee classification and compensation needs improvement	SD	E-123
2022-047	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-126

State of Maine
Fiscal Year 2022
Index to Federal Findings
By Federal Program and Finding Type

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Unemployment Insurance (UI) ALN 17.225			
2022-014	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-33
2022-021	Internal control over valuing estimates for the allowances for uncollectible unemployment insurance receivables needs improvement	SD	E-41
2022-045	Internal control over UI claim payments needs improvement	MW MNC QC ($19,278/ $2,700,000)	E-117
2022-046	Internal control over monitoring of employee classification and compensation needs improvement	SD	E-123
2022-047	________ over _______ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-126
Emergency Rental Assistance (ERA) Program ALN 21.023			
2022-048	Internal control over ERA Program special reporting needs improvement	MW MNC	E-127
2022-049	Internal control over ERA Program subrecipient monitoring needs improvement	MW MNC	E-129
2022-050	Internal control over ERA Program reporting needs improvement	MW MNC	E-131
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) ALN 21.027			
2022-051	Internal control over CSLFRF expenditures needs improvement	MW MNC QC ($51,482,644/ $51,482,644)	E-133
Education Stabilization Fund (ESF) ALN 84.425			
2022-052	Internal control over ESF expenditures needs improvement	MW MNC QC ($620,676/ $6,364,627)	E-137
Education Stabilization Fund (ESF) continued on next page			

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Education Stabilization Fund (ESF) continued from previous page			
2022-053	Internal control over submission and review of ESF Schedule of Expenditures of Federal Awards information needs improvement	MW	E-140
2022-054	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-143
2022-055	________ over the ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-144
2022-056	Internal control over ESF special reporting needs improvement	SD	E-145
2022-057	Internal control over ESF subrecipient monitoring procedures needs improvement	SD	E-147
Immunization Cooperative Agreements (ICA) ALN 93.268			
2022-046	Internal control over monitoring of employee classification and compensation needs improvement	SD	E-123
2022-047	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-126
2022-058	Internal control over ICA program subrecipient monitoring procedures needs improvement	MW MNC	E-149
2022-059	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-152
2022-060	Internal control over the submission of ICA Schedule of Expenditures of Federal Awards reporting needs improvement	SD	E-153
2022-061	Internal control over ICA program cash management needs improvement	SD	E-155
2022-062	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-157
2022-069	Internal control over subrecipient cash management needs improvement	MW MNC	E-174
2022-072	Internal control over special reporting needs improvement	MW MNC	E-184
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) ALN 93.323			
2022-063	Internal control over ELC program reporting needs improvement	MW MNC	E-158
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) continued on next page			

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) continued from previous page			
2022-064	Internal control over submission and review of ELC Schedule of Expenditures of Federal Awards information needs improvement	MW MNC	E-160
2022-065	Internal control over ELC program cash management needs improvement	MW MNC	E-163
2022-066	Internal control over ELC program suspension and debarment needs improvement	SD	E-165
2022-072	Internal control over special reporting needs improvement	MW MNC	E-184
<u>CCDF Cluster</u> ALN 93.489, 93.575, 93.596			
2022-078	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-195
2022-079	Internal control over the CCDF Cluster eligibility determination process needs improvement	SD	E-196
<u>Temporary Assistance for Needy Families (TANF)</u> ALN 93.558			
2022-019	Internal control over financial reporting of OFI overpayments needs improvement	SD	E-38
2022-020	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-40
2022-024	________ over ________, ________ and ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-74
2022-029	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-86
2022-067	Internal control over payments made to and on behalf of TANF clients needs improvement	MW MNC QC ($1,447/ $35,002)	E-168
2022-068	Internal control over Income Eligibility and Verification System procedures needs improvement	MW MNC	E-171
2022-069	Internal control over subrecipient cash management needs improvement	MW MNC	E-174
2022-070	Internal control over TANF client child support sanction procedures needs improvement	MW MNC	E-177
Temporary Assistance for Needy Families (TANF) continued on next page			

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Temporary Assistance for Needy Families (TANF) continued from previous page			
2022-071	Internal control over TANF subrecipient risk evaluation procedures needs improvement	MW MNC	E-181
2022-072	Internal control over special reporting needs improvement	MW MNC	E-184
2022-073	Internal control over TANF reporting needs improvement	MW MNC	E-186
2022-074	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-188
2022-075	Internal control over TANF performance reporting and work participation procedures needs improvement	SD	E-189
2022-076	Internal control over TANF subrecipient audit procedures needs improvement	SD	E-191
2022-082	Internal control over the eligibility determination process needs improvement	MW	E-205
2022-083	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-208
Child Support Enforcement ALN 93.563			
2022-046	Internal control over monitoring of employee classification and compensation needs improvement	SD	E-123
2022-047	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-126
2022-077	Internal control over Child Support Enforcement expenditures needs improvement	SD	E-193
Children's Health Insurance Program (CHIP) ALN 93.767			
2022-020	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-40
2022-082	Internal control over the eligibility determination process needs improvement	MW	E-205
2022-083	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-208
Children's Health Insurance Program (CHIP) continued on next page			

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Children's Health Insurance Program (CHIP) continued from previous page			
2022-088	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-218
2022-089	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-219
Medicaid Cluster ALN 93.775, 93.777, 93.778			
2022-015	________ over ________ within the ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-34
2022-016	________ over the ________, ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-35
2022-017	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-36
2022-018	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-37
2022-020	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-40
2022-080	Internal control over Long Term Care Facility audits needs improvement	MW MNC	E-199
2022-081	Internal control over cases opened due to potential fraud, abuse, or questionable practices needs improvement	MW MNC	E-203
2022-082	Internal control over the eligibility determination process needs improvement	MW	E-205
2022-083	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-208
2022-084	Internal control over Medicare Part B premium payments needs improvement	SD	E-209
2022-085	Internal control over cost of care assessments needs improvement	SD	E-211
2022-086	Internal control over deceased client cases and claims analysis needs improvement	SD	E-213
2022-087	Internal control over the outsourced medical claims coding process needs improvement	SD	E-216
Medicaid Cluster continued on next page			

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Medicaid Cluster continued from previous page			
2022-088	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-218
2022-089	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-219
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA) ALN 97.036			
2022-090	Internal control over DG – PA program cash management needs improvement	MW MNC	E-220
2022-091	Internal control over DG – PA program special reporting needs improvement	MW MNC	E-222
2022-092	Internal control over the submission and review of DG – PA Schedule of Expenditures of Federal Awards information needs improvement	SD	E-224
Emergency Management Performance Grant* ALN 97.042			
2022-093	Internal control over expenditure processing needs improvement	SD	E-227
Homeland Security Grant Program* ALN 97.067			
2022-093	Internal control over expenditure processing needs improvement	SD QC ($59,759/ UN)	E-227

* This program was not audited as a major program in fiscal year 2022.

Legend of Abbreviations:

MNC Material Noncompliance
MW Material Weakness
SD Significant Deficiency
QC Questioned Costs (Known/Likely)
UN Undeterminable

State of Maine
Fiscal Year 2022
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														
2022-015	Medicaid Cluster		✓											E-34
2022-016	Medicaid Cluster		✓											E-35
2022-017	Medicaid Cluster		✓		✓									E-36
2022-018	Medicaid Cluster		✓											E-37
2022-019	SNAP Cluster, TANF		✓											E-38
2022-021	Unemployment Insurance (UI)		✓											E-41
2022-023	SNAP Cluster, Pandemic EBT Food Benefits (P-EBT)										✓			E-71
2022-034	Child Nutrition Cluster (CNC)										✓			E-93
2022-040	WIC			✓										E-104
2022-046	Multiple Programs		✓											E-123
2022-047	Multiple Programs		✓											E-126
2022-051	Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)	✓	✓											E-133
2022-053	Education Stabilization Fund (ESF)										✓			E-140
2022-060	Immunization Cooperative Agreements (ICA)										✓			E-153
2022-061	Immunization Cooperative Agreements (ICA)			✓										E-155
2022-064	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)										✓			E-160

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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 Administrative and Financial Services continued from previous page														
2022-065	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			✓										E-163
2022-073	TANF										✓			E-186
2022-077	Child Support Enforcement	✓	✓											E-193
2022-084	Medicaid Cluster		✓											E-209
2022-092	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA)										✓			E-224
2022-093	Homeland Security Grant Program*, Emergency Management Grant Program*		✓											E-227
Department of Defense, Veterans and Emergency Management														
2022-090	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA)			✓										E-220
2022-091	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA)										✓			E-222
2022-092	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA)										✓			E-224

* This program was not audited as a major program in fiscal year 2022.

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 Economic and Community Development														
2022-048	Emergency Rental Assistance (ERA) Program										✓			E-127
2022-049	Emergency Rental Assistance (ERA) Program											✓		E-129
2022-050	Emergency Rental Assistance (ERA) Program										✓			E-131
Department of Education														
2022-030	Child Nutrition Cluster (CNC)										✓			E-87
2022-031	Child Nutrition Cluster (CNC)		✓											E-89
2022-032	Child Nutrition Cluster (CNC), Child and Adult Care Food Program (CACFP)		✓											E-91
2022-033	Child Nutrition Cluster (CNC), Child and Adult Care Food Program (CACFP)		✓											E-92
2022-034	Child Nutrition Cluster (CNC)										✓			E-93
2022-035	Child Nutrition Cluster (CNC)											✓		E-96
2022-036	Child Nutrition Cluster (CNC)												✓	E-98
2022-037	Child Nutrition Cluster (CNC), Child and Adult Care Food Program (CACFP)		✓											E-100

Department of Education 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 Education continued from previous page														
2022-038	Child Nutrition Cluster (CNC)		✓											E-101
2022-041	Child and Adult Care Food Program (CACFP)		✓											E-106
2022-042	Child and Adult Care Food Program (CACFP)											✓		E-110
2022-043	Child and Adult Care Food Program (CACFP)		✓		✓									E-112
2022-044	Child and Adult Care Food Program (CACFP)											✓		E-115
2022-052	Education Stabilization Fund (ESF)	✓	✓											E-137
2022-053	Education Stabilization Fund (ESF)										✓			E-140
2022-054	Education Stabilization Fund (ESF)		✓								✓			E-143
2022-055	Education Stabilization Fund (ESF)		✓								✓			E-144
2022-056	Education Stabilization Fund (ESF)										✓			E-145
2022-057	Education Stabilization Fund (ESF)											✓		E-147
Department of Health and Human Services														
2022-019	SNAP Cluster, TANF		✓											E-38
2022-020	Multiple Programs		✓		✓								✓	E-40
2022-022	Pandemic EBT Food Benefits (P-EBT)	✓	✓		✓									E-67
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														
2022-023	SNAP Cluster, Pandemic EBT Food Benefits (P-EBT)										✓			E-71
2022-024	Multiple Programs		✓								✓		✓	E-74
2022-025	SNAP Cluster		✓		✓								✓	E-75
2022-026	SNAP Cluster		✓		✓									E-78
2022-027	SNAP Cluster, Pandemic EBT Food Benefits (P-EBT)		✓										✓	E-80
2022-028	SNAP Cluster												✓	E-83
2022-029	Multiple Programs		✓								✓		✓	E-86
2022-039	WIC											✓		E-102
2022-040	WIC			✓										E-104
2022-058	Immunization Cooperative Agreements (ICA)											✓		E-149
2022-059	Immunization Cooperative Agreements (ICA)		✓										✓	E-152
2022-060	Immunization Cooperative Agreements (ICA)										✓			E-153
2022-062	Immunization Cooperative Agreements (ICA)												✓	E-157
2022-063	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)										✓			E-158
2022-064	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)										✓			E-160
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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 Health and Human Services continued from previous page														
2022-065	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			✓										E-163
2022-066	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)								✓					E-165
2022-067	TANF	✓	✓											E-168
2022-068	TANF				✓								✓	E-171
2022-069	Multiple Programs			✓								✓		E-174
2022-070	TANF												✓	E-177
2022-071	TANF											✓		E-181
2022-072	Multiple Programs										✓			E-184
2022-074	TANF		✓								✓		✓	E-188
2022-075	TANF										✓		✓	E-189
2022-076	TANF											✓		E-191
2022-078	CCDF Cluster		✓		✓									E-195
2022-079	CCDF Cluster		✓		✓									E-196
2022-080	Medicaid Cluster												✓	E-199
2022-081	Medicaid Cluster												✓	E-203
2022-082	Multiple Programs		✓		✓									E-205
2022-083	Multiple Programs		✓		✓								✓	E-208
2022-084	Medicaid Cluster		✓											E-209
2022-085	Medicaid Cluster		✓											E-211
2022-086	Medicaid Cluster		✓		✓									E-213
2022-087	Medicaid Cluster												✓	E-216
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State of Maine
Fiscal Year 2022
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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 Health and Human Services continued from previous page														
2022-088	Medicaid Cluster, CHIP		✓								✓		✓	E-218
2022-089	Medicaid Cluster, CHIP		✓								✓		✓	E-219
Department of Labor														
2022-014	Unemployment Insurance (UI)		✓		✓									E-33
2022-021	Unemployment Insurance (UI)		✓											E-41
2022-045	Unemployment Insurance (UI)		✓		✓									E-117
2022-051	Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)	✓	✓											E-133

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Section III – Federal Findings and Questioned Costs

(2022-022)

Title: Internal control over P-EBT Food Benefits needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Pandemic EBT Food Benefits (P-EBT) (COVID-19)
Assistance Listing Number: 10.542
Federal Award Identification Number: P-EBT Benefits, Maine

Compliance Area: Activities allowed or unallowed
Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $61,507,558
Likely Questioned Costs: $61,507,558. The full amount of P-EBT Food Benefits issued during fiscal year 2022 are reported as known questioned costs.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 274.5; Families First Coronavirus Response Act (FFCRA) (Public Law 116-127), Section 1101; State Plan for Pandemic EBT: Children in School, School Year 2020-2021; State Plan for Pandemic EBT: Children in School and Child Care, Summer 2021; State Plan for Pandemic EBT: Children in School/Child Care 2021-2022

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Costs must be adequately documented. The State's financial management systems, including records documenting compliance with the terms and conditions of the Federal award, must be sufficient to determine that such funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The State is required to maintain Electronic Benefit Transfer (EBT) issuance, inventory, reconciliation, and other accountability records for a period of three years. The State agency shall control all issuance documents which establish household eligibility while the documents are transferred and processed within the State. The State agency shall use numbers, batching, inventory control logs, or similar controls from the point of initial receipt through the issuance and reconciliation process.

The Department must carry out the Pandemic EBT (P-EBT) program, authorized by the FFCRA, in accordance with their State agency plan approved by the U.S. Department of Agriculture (USDA).

The State was required to submit plans to the USDA as a precondition for participation in the P-EBT Food Benefits program. The plans outline the proposed framework for operating the program including details on how benefits will be issued, estimates for the total amount of P-EBT benefits and the number of children participating, tentative issuance schedules, and how the State will identify eligible school children and children in child care. Three separate plans were approved by the USDA for P-EBT benefit issuances during fiscal year 2022: School Year 2020-2021, Summer 2021, and School Year 2021-2022.

Condition: The FFCRA authorized the establishment of the P-EBT Food Benefits program in response to the COVID-19 public health emergency. The P-EBT program is administered by the Office for Family Independence (OFI) and provides nutrition assistance for school-age children who would have received free or reduced-price school meals under the National School Lunch Program and School Breakfast Program, and children in child care whose child-care facility was closed or had reduced attendance/hours due to the COVID-19 public health emergency.

As outlined in the State's USDA-approved plans, OFI established an agreement with the Maine Department of Education (MDOE) to provide information required for issuance of P-EBT benefits to eligible children. MDOE provided data on children participating in the Free and Reduced School Lunch Program as the starting point for eligibility determinations under the P-EBT program. OFI utilized this information to apply additional eligibility criteria and build issuance files for P-EBT benefit processing. The agreement between OFI and MDOE established OFI as the responsible party for the maintenance of data used for determining client eligibility and distributing benefits.

Federal guidance over the P-EBT program outlines that audit procedures provide assurance that the Department has established and implemented processes to properly determine program eligibility and benefit levels. This includes testing a sample of clients who were issued P-EBT benefits during the fiscal year to verify consistency with the State's USDA-approved plans and compliance with Federal program requirements.

The Office of the State Auditor (OSA) requested original data files containing client and benefit issuance information utilized by OFI during the fiscal year for all P-EBT issuances that occurred. OFI could not provide OSA with these files. Without a population of the original client and benefit information transmitted for P-EBT issuance, OSA is unable to verify compliance with Federal program eligibility and allowability requirements. As a result, all P-EBT benefits issued during fiscal year 2022 totaling $61,507,558 are considered questioned costs.

Context: In fiscal year 2022, the State provided approximately 115,000 P-EBT clients with $61.5 million in Federal benefits.

Cause:

- Lack of supervisory oversight
- Lack of adequate procedures

Effect:

- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department establish procedures to ensure that documentation in support of P-EBT eligibility determinations and allowability of resulting benefit issuances can be provided to corroborate Federal award program expenditures and demonstrate compliance with Federal regulations.

Corrective Action Plan: See F-11

Management's Response: The Department disagrees with this finding. The Department provided the Office of the State Auditor (OSA) with all material used to determine P-EBT benefits. While we acknowledge that due to restrictions imposed on us through a Memorandum of Understanding we have with Maine's Department of Education (MDOE), which called for the destruction of MDOE's original records, we did provide OSA with the modified records used to determine eligibility benefits. This modification (such as removal of duplicates and address correction) was necessary for ingestion of these records into our Automated Client Eligibility System (ACES), the files were based on an exact replica of MDOE's original data files. These files, the output (client payments) and supporting information necessary for OSA to conduct testing and verify compliance with federal program requirements has been and continues to be available. We believe that the costs are allowable and supported by adequate documentation as required by the Uniform Guidance. Without performing audit testing on the population of payments in question, there is no basis for questioning compliance with eligibility requirements for this population and no basis for questioned costs. It should not be assumed that the entire population is considered ineligible without actually performing audit testing.

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

Auditor's Concluding Remarks: The Department has not provided OSA with all requested documentation used to determine P-EBT benefits as outlined below:

1. Files received from MDOE were not provided: The files containing raw student data provided to OFI from MDOE were destroyed after transfer. OFI contends that this was done in accordance with the MOU in place between OFI and MDOE; however, the MOU further states that OFI should maintain the data used for determining client eligibility and distribution of benefits. In addition, while MDOE could recreate the student data, the files would not be adequate because benefit allotments and client identification information applied by OFI prior to P-EBT benefit issuance would not be included.

Auditor's Concluding Remarks are continued on the following page.

2. Modified files based on MDOE data were provided: As noted in Management's Response, modifications were made to MDOE raw student data files so that the files could be imported into OFI's database. These modified files were used by OFI to generate benefit issuance files; however, the files contained student data from MDOE but did not provide client identification information or benefit allotment applied to each client. While OFI asserts that the files are based on an exact replica of MDOE's original data files, OSA is unable to verify that the data presented in the modified files is an exact replica, that the data is accurate, or that all P-EBT eligible clients are included in the modified files.

3. Benefit Issuance files were not provided: OFI could not provide these files to OSA as they were not maintained in accordance with Federal regulations. Issuance files represent the information provided for the establishment and processing of benefits and contain the P-EBT benefit amounts allotted and related eligibility criteria used to issue Federal benefits to each child/client during the fiscal year. These benefit issuance files would have provided OSA an accurate population in order to test Federal compliance requirements for P-EBT eligibility and resulting benefit payment allowability.

4. Paid Benefit files were provided: OFI provided OSA with files containing information on paid benefit issuances during fiscal year 2022, referenced as the output (client payments) files in Management's Response. While the data fields may be similar to the benefit issuance files used to process eligible clients and related benefit allotments, OSA does not have assurance that the output (client payments) file is accurate, complete, and aligns with the intended P-EBT recipients as established by the benefit issuance files.

OFI did not provide OSA with all material used to determine P-EBT benefits. As outlined above, OFI provided modified records rather than original records because OFI did not maintain original issuance files utilized to provide client P-EBT benefits. Federal requirement 7 CFR 274.5 requires that States maintain issuance records for a period of three years. OFI failed to do so, resulting in noncompliance with Federal regulations.

Because of OFI's failure to provide issuance files, OSA was unable to test compliance with P-EBT eligibility and allowability. In accordance with 2 CFR 200.403, costs must be adequately documented. OFI could not provide documentation to support compliance with the terms and conditions of the Federal award to determine that such funds have been used in accordance with Federal program regulations. Therefore, OSA questions all costs for the program.

The finding remains as stated.

(State Number: 22-1108-05)

(2022-023)

Title: Internal control over the submission and review of SNAP and P-EBT Schedule of Expenditures of Federal Awards information needs improvement

Prior Year Findings: None

State Department: Health and Human Services
Administrative and Financial Services
State Bureau: Office for Family Independence
Office of the State Controller
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: SNAP Cluster (COVID-19)
Pandemic EBT Food Benefits (P-EBT) (COVID-19)
Assistance Listing Number: 10.551, 10.561; 10.542
Federal Award Identification Number: SNAP Benefits, Maine; P-EBT Benefits, Maine

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.510

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements which must include the total Federal awards expended. At a minimum, the SEFA must provide total Federal awards expended for each individual Federal program and the Assistance Listing Number (ALN).

Condition: The Department must complete and submit exhibits and related schedules to the Office of the State Controller (OSC) at the close of each fiscal year to report Federal award information for inclusion on the State's SEFA. OSC is responsible for compiling this information on behalf of the State.

In fiscal year 2022, the Department received funding for Supplemental Nutrition Assistance Program (SNAP) benefits under ALN 10.551. In addition, the Department received funding for Pandemic EBT Food Benefits (P-EBT) under ALN 10.542. At the close of the fiscal year, the Department and its Service Center provided a summary of Federal expenditures to OSC that included SNAP Cluster and P-EBT expenditures; however, the summary did not specifically identify P-EBT expenditures separately as funding under ALN 10.542.

This summary was then used by OSC to compile and prepare the SEFA and the related Notes to the SEFA. Upon preparation, P-EBT expenditures were erroneously reported as SNAP expenditures under ALN 10.551 in the SEFA and in the related Note 5 to the SEFA which outlines Noncash Awards. Subsequent OSC review procedures were not designed to detect and correct these errors. As a result, P-EBT expenditures were omitted from the State's fiscal year 2022 SEFA and related Notes when provided to the Office of the State Auditor for audit purposes.

Context: For fiscal year 2022, P-EBT expenditures totaling $61.5 million were incorrectly reported on the SEFA and in the Notes to the SEFA, resulting in the omission of a Federal program and the overstatement of SNAP benefit expenditures.

Cause:

- Lack of adequate internal control relating to Department SEFA submissions to OSC
- Lack of adequate review procedures by OSC

Effect: Incomplete or inaccurate amounts by Federal program and ALN on the SEFA would result in noncompliance with Federal regulations if undetected. The SEFA is submitted to the Federal government and may be used for programmatic, policy, or statistical purposes.

Recommendation: We recommend that the Department and its Service Center implement additional procedures to improve preparation and submission of SEFA information to OSC. We further recommend that OSC implement additional supervisory review procedures over the SEFA information compiled on behalf of the State. These control procedures will ensure that expenditures are reported accurately on the SEFA and in the related Notes to the SEFA.

Corrective Action Plan: See F-12

Management's Response:
DHHS and DHHS Financial Service Center Response: The DHHS and DHHS Financial Service Center agree with this finding. For the next SEFA for SFY 2023, the OFI will report SNAP and P-EBT Benefit expenditures for the associated ALN to the Service Center. The OFI will report any new ALN, as documented in the April 2022 Coronavirus State and Local fiscal Recovery Funds, Department of the Treasury Assistance Listing Recovery Funds, as verified by SNAP, and associated expenses to the Service Center, if applicable. The Financial Service Center will then provide a summary and backup of what is being reported on the SEFA to OFI for their written approval. The Financial Service Center will add to the reviewer's checklist that the preparer has consulted and has proper backup with the OFI to verify that the benefits are reported under the correct ALN. This will be completed by December 31, 2023.

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

OSC Response: The Office of the State Controller partially agrees with this finding. Federal funds reporting is decentralized and agencies use different methods for tying amounts to specific federal programs in Advantage. The Management Representation letters received from the agencies acknowledge that the agencies are responsible for the fair presentation of the expenditures in conformity with and in compliance with the rules and regulations of 2 CFR §200. OSC is responsible to compile the data and submit the SEFA. OSC will update or clarify guidance as necessary and will consult with service center and agency financial personnel to help ensure their compilation/review systems are designed to provide accurate information for the SEFA.

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

Auditor's Concluding Remarks: In reply to OSC's Management Response, the Office of the State Auditor (OSA) recognizes that SEFA reporting is a decentralized process and that OSC receives Management Representation Letters from agencies acknowledging responsibility for the fair presentation of SEFA information; however, OSC is responsible for reviewing the SEFA before it is provided to OSA for audit purposes.

OSC has established review procedures prior to submission to OSA and that review and approval is documented on agencies' submissions. This review process, as stated in the finding, was not designed to detect and correct the errors noted in this finding, and findings 2022-053, 2022-064, and 2022-092, which are all related to agency submissions and OSC review of SEFA information.

In addition, the Department of Administrative and Financial Services and OSC provide a signed Engagement Letter and Management Representation Letter to OSA, acknowledging the following responsibilities related to the annual Single Audit:

- Understanding and complying with the requirements of 2 CFR 200, including requirements relating to preparation of the SEFA
- Preparing and fairly presenting the SEFA and related disclosures in accordance with the requirements of the Uniform Guidance, including full identification of all government programs and related activities subject to the Federal compliance audit and all SEFA expenditures made during the audit period for all awards provided by Federal agencies

OSA asserts that a year-to-year SEFA comparison would have detected the errors identified in the aforementioned findings; therefore, we continue to recommend that OSC implement additional supervisory review procedures over the SEFA information compiled on behalf of the State. This will provide assurance relating to the responsibility for SEFA information as outlined above and attested to OSA at the commencement and conclusion of the annual Single Audit.

The finding remains as stated.

(State Number: 22-1108-01)

(2022-024) Confidential finding, see below for more information

Title: ________ over ________, ________ and ________, and ________ needs improvement
Pursuant to paragraph 6.63 of the U.S. Government Accountability Office's Government Auditing Standards (also known as the Yellow Book), we omitted details from this finding as they are confidential under the provisions of 5 MRSA 244-C (3). Though the content of this finding has been redacted, we provided the Department(s) with detailed information regarding the specific condition we identified, as well as the related criteria, context, causes, effects, and our specific recommendations for improvement.

Prior Year Findings: None

Type of Finding: Material weakness

Corrective Action Plan: See F-12

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0905-05)

(2022-025)

Title: Internal control over automated SNAP eligibility determinations and benefit calculations needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: SNAP Cluster (COVID-19)
Assistance Listing Number: 10.551, 10.561
Federal Award Identification Number: SNAP Benefits, Maine

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

Type of Finding: Significant deficiency
Questioned costs

Known Questioned Costs: $2,952
Likely Questioned Costs: $7,686,166. Likely questioned costs were projected by dividing the known questioned costs in the sample by total authorized benefits tested to establish an error rate, then applying that error rate to total authorized benefits in fiscal year 2022.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 272.10; Families First Coronavirus Response Act (FFCRA) (Public Law 116-127), Section 2302

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statues, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

7 CFR 272.10 requires all State agencies to sufficiently automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing and transmitting information concerning SNAP.

The FFCRA established emergency allotments for households participating in SNAP to provide temporary food needs at the applicable maximum allotment for the household size.

Condition: The Supplemental Nutrition Assistance Program (SNAP) administered by the Office for Family Independence (OFI) provides monthly benefits to eligible households to purchase nutritious foods. OFI is required by Federal program regulations to utilize an automated information system for SNAP. The information system must maintain all casefile information necessary to properly process eligibility determinations and benefit computations.

The Automated Client Eligibility System (ACES) is the information system used by OFI to automate SNAP operations. ACES relies on the maintenance of a complex framework of system rules to make eligibility determinations, benefit calculations, and notifications when redetermination or revalidation of client eligibility factors is warranted.

The Office of the State Auditor (OSA) tested a sample of 60 cases to verify the accuracy of automated SNAP operations utilizing ACES. In two cases, ACES did not properly process casefile information related to social security income in system benefit calculations. Of the two cases, one case resulted in a monthly calculated benefit overpayment of $33 and one case resulted in a monthly calculated benefit overpayment of $2; however, both cases were paid accurate total monthly benefits due to the emergency allotment from the FFCRA which provided the maximum benefit amount for each case. Existing policies and procedures over the automated information system did not identify these errors in system benefit calculations.

OSA's audit procedures also identified one case where household countable assets were inaccurately entered into ACES by OFI personnel. The case should have been deemed ineligible based on household asset limits; however, the case received a monthly benefit amount of $234 for three months and $250 for nine months of fiscal year 2022. The Department does not review information entered into ACES prior to SNAP eligibility determinations and benefit calculations. Known questioned costs total $2,952.

OSA selected a non-statistical random sample.

OSA issued two other related findings: 2022-082, *Internal control over the eligibility determination process needs improvement;* and 2022-083, ________ *over* ________ *needs improvement.*

Context: In fiscal year 2022, the State provided approximately 119,000 SNAP eligible clients with $466 million in Federal benefits.

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

Effect:
- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement additional policies and procedures to ensure that:
- automated eligibility determinations and benefit calculations are processed in accordance with Federal regulations, and
- case information entered into ACES is accurate.

Corrective Action Plan: See F-12

Management's Response: The Department partially agrees with this finding. The Department acknowledges that errors were made in three cases out of the sample of sixty reviewed. However, the Department disagrees with the calculation of the payment error in the third case. Asset limits were eliminated for all categorically eligible households effective January 1, 2022, as part of SNAP rule #212. Therefore, the known questioned costs should only be $1,452. There is an incorrect reference in the condition, in two cases the income type is state supplement income which is issued by the Department and not the Social Security Administration. The Department will continue to review its standard operating procedures to identify opportunities for improvement.

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

Auditor's Concluding Remarks: OSA recognizes that categorically eligible household asset limits were eliminated by a State SNAP rule change effective January 1, 2022, based on guidance from the U.S. Department of Agriculture's Food and Nutrition Service. In the third case noted in Management's Response above, OFI is incorrectly applying the rule change. The change in eligibility criteria is only applicable to new determinations or redeterminations; therefore, in the case identified by OSA, the applicant would have had to apply for redetermination subsequent to the rule change in order for the asset limitation to be exempted from the eligibility determination process. OSA's calculation of questioned costs totaling $2,952 for all fiscal year 2022 benefits related to this case is accurate.

In regard to the incorrect reference noted in Management's Response, OFI contends that "information related to social security income" is an incorrect reference in the Condition; however, OSA maintains that the reference is correct and refers to State Supplemental Payments paid to eligible recipients of social security income. The reference as written, or as OFI suggests, does not change the deficiency reported by OSA which identified that controls relied upon in the automated information system did not identify errors in benefit calculations related to this income component.

The finding remains as stated.

(State Number: 22-1108-06)

(2022-026)

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

Prior Year Findings:

FY21	FY20	FY19
2021-015	2020-019	2019-013

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: SNAP Cluster (COVID-19)
Assistance Listing Number: 10.551, 10.561
Federal Award Identification Number: SNAP Benefits, Maine

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.403

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statues, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

Condition: The Department receives date of death (DOD) information from the Maine Center for Disease Control & Prevention (MeCDC) and the Social Security Administration (SSA) on a weekly basis. The Office of the State Auditor (OSA) obtained DOD information from MeCDC and compared it to clients who received Supplemental Nutrition Assistance Program (SNAP) benefits during fiscal year 2022.

Of the cases that had benefit issuances after the client's DOD, OSA identified 998 cases where SNAP benefits were issued in excess of 30 days following the client's DOD. In 17 of the 998 cases, benefits were issued 140 days or more after the client's DOD. In 4 of the 17 cases, MeCDC's reported DOD did not match the DOD documented in the client's eligibility system case file. Issuance of benefits to a deceased client does not necessarily result in unallowable program costs, as the issued benefits may not be expended.

Context: In fiscal year 2022, the State provided approximately 119,000 SNAP clients with $466 million in Federal benefits. Of the 119,000 SNAP clients, 1,875 had a DOD in fiscal year 2022.

Cause:

- Lack of adequate procedures
- Lack of supervisory oversight

Effect:

- Benefits issued on behalf of deceased clients may go undetected, and may result in unallowable benefit transaction activity.
- Potential 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 to prevent incorrect issuances of benefits.

Corrective Action Plan: See F-13

Management's Response: The Department partially agrees with this finding. The Department acknowledges the 17 exceptions cited, 4 of which also contained a data mismatch between our ACES system and Maine's CDC DAVE system. However, it should be noted that although we agree with the specific exceptions cited, they represent only 17 cases or 0.9% out of a pool of approximately 1,875 deceased clients identified, well within a reasonable margin of error. The reference to 998 cases cited in the finding, where SNAP benefits were issued in excess of 30 days, is inconsistent with the 365-day requirement from FNS. It should be noted that language contained in 7 CFR 272.14(c)(1) only requires that states make a comparison of deceased matched data with no less frequency of once per year. Our date of death procedures includes weekly processing of discrepancy reports from federal agencies as well as monthly crosswalks between ACES and Maine's CDC.

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

Auditor's Concluding Remarks: The Department receives DOD information from MeCDC and the SSA on a weekly basis, and as noted in Management's Response, has established policies and procedures that require crossmatching of SNAP client information with DOD information on a more frequent basis than the annual requirement cited above. The 17 cases noted as exceptions had benefits issued 140 days or more past DOD and represented the most egregious cases; however, a total of 998 cases were identified out of 1,875 deceased clients where benefits were issued more than 30 days after DOD. This represents 53% of deceased clients in fiscal year 2022 that should have been identified through weekly processing of discrepancy reports from the SSA and through the monthly data crossmatch between ACES and MeCDC. The established procedures are not effective in preventing incorrect issuances of benefits.

The finding remains as stated.

(State Number: 22-1108-04)

(2022-027)

Title: Internal control over EBT reconciliation procedures needs improvement

Prior Year Findings:

FY21
2021-016

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: SNAP Cluster (COVID-19)
Pandemic EBT Food Benefits (P-EBT) (COVID-19)
Assistance Listing Number: 10.551, 10.561; 10.542
Federal Award Identification Number: SNAP Benefits, Maine; P-EBT Benefits, Maine

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

Type of Finding: Significant deficiency
Questioned costs

Known Questioned Costs: $80,555 under ALN 10.542, P-EBT Food Benefits
Likely Questioned Costs: $80,555 under ALN 10.542, P-EBT Food Benefits

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 274.4

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 shall account for all Electronic Benefit Transfer (EBT) issuances through a reconciliation of total funds entered into, exiting from, and remaining in the EBT system each day.

Condition: The Supplemental Nutrition Assistance Program (SNAP) provides monthly benefits to eligible households to purchase nutritious foods. The Pandemic EBT (P-EBT) Food Benefits program provides temporary emergency nutrition benefits to eligible school children. Both programs utilize EBT cards as the mechanism to provide benefits.

Benefit information is transmitted by the Department to the Electronic Payment Processing and Information Control (EPPIC) system for processing. As EBT purchases are made by SNAP and P-EBT clients, EPPIC automatically draws Federal funds using the Automated Standard Application for Payments (ASAP) system in order to pay retailers. The Department is required by

Federal program regulations to reconcile EBT activity between the systems every day. The Department did not perform daily reconciliations from July 2021 through April 2022. The Department retrospectively performed these daily reconciliations in April 2022.

This retrospective reconciliation process identified an error in July 2021 SNAP benefit issuances. Benefits totaling $80,555 were incorrectly issued out of the Federal P-EBT Food Benefits program instead of the Federal/State SNAP program due to an EPPIC processing error. The error has not been corrected as of February 2023.

Context: In fiscal year 2022, the State provided approximately:
- 119,000 SNAP clients with $466 million in Federal benefits, and
- 115,000 P-EBT clients with $61.5 million in Federal benefits.

Cause:
- Lack of adequate policies and procedures
- Lack of supervisory oversight to ensure required reconciliations are completed
- The staff member responsible for performing this Federal requirement did not have access to the ASAP system for nine months of the fiscal year, which is needed to perform the daily reconciliation. Access to the ASAP system was granted in April 2022.

Effect:
- SNAP program expenditures are understated and P-EBT Food Benefits program expenditures are overstated by $80,555 as reported to the Federal government.
- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department maintain policies and procedures to ensure compliance with Federal program regulations and that require:
- completion of EBT reconciliations on a daily basis, and
- timely correction of issuance errors.

Corrective Action Plan: See F-13

Management's Response: The Department partially agrees with this finding. The Department agrees that reconciliations were not completed as required until April of 2022, but that they were done retrospectively. The Department disagrees that there are questioned costs in the amount of $80,555. This debt was not caused by a failure to perform reconciliations. Rather, it was discovered by the retroactive reconciliations performed by the Department.

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

Auditor's Concluding Remarks: In accordance with 7 CFR 274.4, the Department is required to perform daily reconciliations of the EBT system. The Department's failure to perform these daily reconciliations resulted in noncompliance with Federal regulations. Furthermore, if the daily reconciliations had been performed as required, the issuance error would have been detected and corrected in a timely manner, preventing reoccurrence throughout the month of July 2021.

In accordance with 2 CFR 200.403, for a cost to be allowable under a Federal award, the costs must be reasonable and necessary for the performance of the Federal award. Issuing benefits out of the wrong Federal program is not a necessary cost for the performance of the Federal award; therefore, the Office of the State Auditor questions the allowability of these costs.

The finding remains as stated.

(State Number: 22-1108-03)

(2022-028)

Title: Internal control over EBT card security needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: SNAP Cluster (COVID-19)
Assistance Listing Number: 10.551, 10.561
Federal Award Identification Number: SNAP Benefits, Maine

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 7 CFR 274.5

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The State is required to provide the following minimum security and control procedures for EBT cards: secure storage; access limited to authorized personnel; inventory control records; and a periodic review and validation of inventory controls and records by parties not otherwise involved in maintaining control records. Issuance, inventory, reconciliation, and other accountability records must be maintained for a period of three years.

Condition: The Supplemental Nutrition Assistance Program (SNAP) provides monthly benefits to eligible households to purchase nutritious foods. The program utilizes Electronic Benefit Transfer (EBT) cards as the mechanism to provide benefits. SNAP benefit information is transmitted to the Electronic Payment Processing and Information Control (EPPIC) system used for EBT. An EBT card is issued by EPPIC and mailed to the client's home address. EBT cards that are undeliverable are returned to the regional Department of Health and Human Services office for processing.

The Department has assigned responsibility for processing returned EBT cards to one employee. This process includes receiving returned cards, record keeping activity, and actual destruction or retransmission of cards. Returned EBT cards are either destroyed or retransmitted and these actions are tracked using two separate spreadsheets. The Department has not implemented segregation of duties within the process to ensure that the activity recorded on the spreadsheets aligns with the activity that occurred. In addition, the existing process does not require that returned EBT cards are secured; returned cards are placed in an open mailbox during processing.

The Office of the State Auditor (OSA) tested a sample of 60 returned EBT cards to verify the accuracy and completeness of the activity recorded on the tracking spreadsheets. Three returned EBT cards were disabled in EPPIC between two and seven months before being recorded as destroyed. Since documentation noting the date of receipt at DHHS is not maintained, OSA was unable to verify the security of the EBT card during the extended periods of inactivity.

OSA selected a non-statistical random sample.

Additional analytical procedures identified:

- two returned EBT cards which were included on both spreadsheets. Additional audit procedures identified that these cards should have been logged as retransmitted.
- three returned EBT cards which were processed utilizing inaccurate client information. Multiple client names were tied to the same client identification number.

Context: In fiscal year 2022, the State provided approximately 119,000 SNAP clients with $466 million in Federal benefits. The Department processed 2,200 returned EBT cards; 790 were recorded as retransmitted and 1,410 were recorded as destroyed.

Cause:

- Lack of policies and procedures relating to the security of returned EBT cards
- Lack of segregation of duties

Effect: Potential unauthorized use of EBT cards

Recommendation: We recommend that the Department implement procedures to maintain adequate security over returned EBT cards, including proper segregation of duties within the process.

Corrective Action Plan: See F-13

Management's Response: The Department agrees with this finding. The Department acknowledges the need to implement a revised SOP governing returned card processing. The revised SOP will include clear segregation of duties to include enhanced management oversight by and between personnel involved.

The Department disagrees that adequate security controls are not maintained. Undeliverable EBT cards are delivered to a regional office each business day, and those cards are worked the day they are received. They are placed in the mailbox of a clerical resource that works in the office. The mailbox is located in an area restricted to those that have badge access.

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

Auditor's Concluding Remarks: The State is required by Federal regulations to maintain minimum security procedures for EBT cards that include secure storage and limited access. An unsecured mailbox in a location accessible to numerous employees not authorized to handle returned EBT cards is not secure storage or limited access. In addition, because documentation noting the date of receipt of returned EBT cards at DHHS is not maintained, OSA is unable to verify that cards are processed on the date of receipt.

The finding remains as stated.

(State Number: 22-1108-02)

(2022-029) Confidential finding, see below for more information

Title: ________ over the ________ needs improvement

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

Prior Year Findings:

FY21	FY20	FY19
Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-13

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0905-02)

(2022-030)

Title: Internal control over CNC special reporting needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Commissioner's Office
Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child Nutrition Cluster (COVID-19)
Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582
Federal Award Identification Number: 214ME300L1603, 214ME301N1099, 214ME301N1199, 224ME301N1199, 224ME300L1603, 214ME102H1703, 224ME902N8903

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 170

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Agencies must report each subaward that equals or exceeds the first-tier subaward threshold of $30,000 in Federal funds in the public-facing Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System.

Condition: When an amount exceeding the first-tier subaward threshold is awarded to a subrecipient, the Department must collect and enter data into the FFATA Subaward Reporting System. The Department did not report any of its first-tier subawards under the Child Nutrition Cluster (CNC) in the FFATA reporting system for fiscal year 2022.

Context: In fiscal year 2022, the Department was required to report first-tier subawards totaling $113 million under the CNC. First-tier subawards account for 95 percent of the program's fiscal year 2022 expenditures.

Cause:
- Lack of supervisory oversight
- Lack of policies and procedures

Effect:

- Noncompliance with Federal regulations
- First-tier subaward information for the CNC was not reported to the Federal government. This information may be used for programmatic, policy, or statistical purposes.

Recommendation: We recommend that the Department implement policies and procedures to ensure subawards meeting or exceeding the first-tier threshold are reported accurately, timely, and in accordance with Federal regulations.

Corrective Action Plan: See F-14

Management's Response: The Department agrees with this finding. The USDA Child Nutrition grant funds are paid as expenditure reimbursements rather than awarded by a formula or fixed amount. Reimbursements are processed through a claims system specific to Child Nutrition instead of through the Department's grant management system which houses grant awards from the USDOE. Due to these factors, a new process must be developed to capture reportable Child Nutrition expenditure data.

The Department will develop and implement a procedure for the Child Nutrition Cluster to ensure subawards meeting or exceeding the first-tier threshold are reported accurately, timely, and in accordance with Federal regulations.

Contact: Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880

(State Number: 22-1203-05)

(2022-031)

Title: Internal control over Child Nutrition claim reimbursements needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child Nutrition Cluster (COVID-19)
Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582
Federal Award Identification Number: 214ME300L1603, 214ME301N1099, 214ME301N1199, 224ME301N1199, 224ME300L1603, 214ME102H1703, 224ME902N8903

Compliance Area: Allowable costs/cost principles

Type of Finding: Material weakness

Questioned Costs: None

Criteria: 2 CFR 200.303; 7 CFR 210.7 and .8

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Claims for reimbursement must be based on lunch counts taken daily at the point of service, which correctly identify the number of free, reduced price, and paid lunches served to eligible children.

The Department is required to review each School Food Authority's (SFA) claim for reimbursement, on a monthly basis, to ensure that monthly claims are limited to the number of lunches served to eligible children. The Department then reimburses the SFA for actual meals served, based on the SFA's claim for reimbursement utilizing rates that are programmed in the system.

Condition: The Child Nutrition Program (CNP) provides nutritious meals to eligible children in schools, child-care facilities, and summer lunch programs. Each SFA must submit a monthly claim for reimbursement (CFR) to the State through the CNPWeb system that includes actual meals served for the month. The Department then reimburses the SFA for meals served based on the SFA's CFR utilizing rates that are programmed in the system. The Department relies on the rates that are programmed in the CNPWeb system to ensure that claims are processed correctly. The Department could not provide documentation that CNPWeb system rates and related rate changes were approved, or tested for accuracy. Furthermore, the Department does not have a process in place to review and monitor discrepancies within the CNPWeb system.

The Office of the State Auditor (OSA) selected 60 CFRs for testing and found one claim which included two schools. In this claim, meal counts did not accurately reflect the number of meals from the daily point of service for meals served. Instead, total meals were combined and then split equally between the two schools.

OSA selected a non-statistical random sample.

Context: Child Nutrition Cluster expenditures totaled $118.3 million in fiscal year 2022.

Cause:
- Lack of policies and procedures
- Lack of supervisory oversight

Effect:
- CFRs may be processed incorrectly, resulting in erroneous reimbursements to SFAs.
- Noncompliance with Federal regulations
- Potential questioned costs and disallowances

Recommendation: We recommend that the Department implement policies and procedures which require review, approval, and a listing of system changes. We further recommend that oversight of the review and processing of monthly CFRs be implemented.

Corrective Action Plan: See F-14

Management's Response: The Department agrees with this finding. The Department will implement policies and procedures to review and approve CNPWeb system changes.

The CFR exception noted in this finding occurred during the period of time that schools were operating the Seamless Summer Option (SSO) and operating in varied circumstances due to the pandemic. In this situation two schools that share a cafeteria were operating one line and counting students as one group rather than by school, and then dividing the meals between the schools. The Summer Food Service Program will offer updated training that will include specific procedures on meal counting and claiming for schools that may operate this provision. Additionally, a policy will be created for the oversight of claiming procedures during the SSO operations.

Contact: Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880

(State Number: 22-1203-02)

(2022-032) Confidential finding, see below for more information

Title: ________ over the ________ needs improvement
Pursuant to paragraph 6.63 of the U.S. Government Accountability Office's Government Auditing Standards (also known as the Yellow Book), we omitted details from this finding as they are confidential under the provisions of 5 MRSA 244-C (3). Though the content of this finding has been redacted, we provided the Department(s) with detailed information regarding the specific condition we identified, as well as the related criteria, context, causes, effects, and our specific recommendations for improvement.

Prior Year Findings: None

Type of Finding: Material weakness

Corrective Action Plan: See F-14

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0909-04)

(2022-033) Confidential finding, see below for more information

Title: ________ over the ________ and ________ needs improvement

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

Prior Year Findings: None

Type of Finding: Material weakness

Corrective Action Plan: See F-14

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0909-06)

(2022-034)

Title: Internal control over the submission of CNC Schedule of Expenditures of Federal Awards information needs improvement

Prior Year Findings: None

State Department: Education
Administrative and Financial Services
State Bureau: Child Nutrition Services
General Government Service Center
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child Nutrition Cluster (COVID-19)
Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582
Federal Award Identification Number: 214ME300L1603, 214ME301N1099, 214ME301N1199, 224ME301N1199, 224ME300L1603, 214ME102H1703, 224ME902N8903

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.502; 2 CFR 200.510; 2 CFR 200, Appendix XI, OMB M-20-26; Section 2202(a) Families First Coronavirus Response Act (FFCRA)

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements which must include the total Federal awards expended, including distribution or use of food commodities, and must be based on when the activity related to the Federal award occurs. For a cluster of programs, the schedule must list individual Federal programs within the cluster.

To maximize the transparency and accountability of COVID-19 related award expenditures, OMB M-20-26 (June 18, 2020) instructed recipients and subrecipients to separately identify the COVID-19 Emergency Acts expenditures on the SEFA. Therefore, non-Federal entities should separately identify COVID-19 expenditures on the SEFA. For existing programs that have both COVID-19 expenditures and non-COVID-19 expenditures, this may be accomplished by identifying COVID-19 expenditures on the SEFA on a separate line by Assistance Listing number (ALN) with "COVID-19" as a prefix to the program name.

Several waivers were issued by Food and Nutrition Services under section 2202(a) of the FFCRA. These waivers allowed School Food Authorities to participate in various programs and be paid at higher rates, and allowed schools to be reimbursed for all meals served to students regardless of eligibility status.

Condition: The Department must complete and submit exhibits and related schedules to the Office of the State Controller (OSC) at the close of each fiscal year to report Federal award information for inclusion on the State's SEFA. OSC is responsible for compiling this information on behalf of the State. The Department submitted exhibits to OSC that:

- incorrectly reported expenditures for ALN 10.553 School Breakfast Program ($23.5 million) and ALN 10.556 Special Milk Program ($8,354) under ALN 10.555 National School Lunch Program.
- reported the amount of noncash assistance that the State was entitled to use ($5.9 million), rather than the amount that was actually used ($4.8 million). Furthermore, the entire amount was incorrectly reported under ALN 10.555 when a portion of this should have been reported under ALN 10.559 Summer Food Service Program for Children.
- did not specifically identify COVID-19 related expenditures for the Child Nutrition Cluster (CNC) on the State's fiscal year 2022 SEFA; this has since been corrected. Furthermore, CNC expenditures increased significantly due to waivers issued under the FFCRA. These expenditures were issued under existing grant awards and therefore cannot be easily identified. As a result, these expenditures are not separately reported on the SEFA as COVID-19 expenditures.

Context: In fiscal year 2022, CNC expenditures totaled $118 million. Of that amount:

- $1.7 million was expended under a COVID-19 specific grant.
- $4.8 million was expended as distributions of noncash food commodities.
- expenditures for the School Breakfast Program and Special Milk Program were $23.5 million and $8,354, respectively.

Cause:

- Lack of adequate policies and procedures relating to Department SEFA submissions to OSC
- Lack of supervisory oversight

Effect: Inaccurate reporting of expenditure amounts on the SEFA, which is submitted to the Federal government, may result in incorrect information used for programmatic, policy, or statistical purposes.

Recommendation: We recommend that the Department implement additional procedures to ensure accurate preparation, review and submission of SEFA information to OSC.

Corrective Action Plan: See F-15

Management's Response: The Department agrees with this finding. The Department will report expenditures for the School Breakfast Program and Special Milk Program under the individual ALNs rather than including those expenditures in the broader ALN 10.555. The Department will report noncash assistance at the amount actually used rather than the amount authorized for use. The Department will add a note to the SEFA report indicating any COVID-19 expenditures that cannot be isolated due to waivers.

Contact: Nicole Denis, Director of Finance, DOE, 207-530-2161

(State Number: 22-1203-01)

(2022-035)

Title: Internal control over CNC subrecipient audit procedures needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Commissioner's Office
Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child Nutrition Cluster (COVID-19)
Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582
Federal Award Identification Number: 214ME300L1603, 214ME301N1099, 214ME301N1199, 224ME301N1199, 224ME300L1603, 214ME102H1703, 224ME902N8903

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

When a subrecipient's Federal award expenditures are expected to equal or exceed $750,000 during the fiscal year, the Department must verify that the subrecipient is audited as required.

Condition: The Department of Education (DOE) School Finance and Operations is responsible for tracking and reviewing subrecipient audits on behalf of the Child Nutrition Cluster (CNC). CNC program subrecipients include schools that are provided Federal funds to support food service programs.

The Office of the State Auditor (OSA) requested a list of subrecipients that required audits in fiscal year 2022 from DOE to test compliance with Federal regulations. OSA independently queried the State's accounting system to develop a separate list for comparison and to ensure completeness. OSA compared DOE's tracking to OSA's generated list and found two subrecipients that were excluded from DOE's tracking. DOE's tracking excluded two private schools that received Federal funds in excess of the $750,000 Single Audit requirement; therefore, the audits for the two schools were not received or reviewed.

Context: In fiscal year 2022, $113 million was provided to 254 subrecipients. Approximately 120 subrecipients were required to have an audit in accordance with Federal regulations.

Cause:
- Lack of adequate policies and procedures. DOE policies do not provide guidance over tracking audits of private schools.
- Lack of supervisory oversight

Effect:
- Noncompliance with Federal regulations
- Subrecipients may not be complying with Federal statutes, regulations, or the terms and conditions of the subaward.

Recommendation: We recommend that the Department implement policies and procedures to ensure that audit reports for all subrecipients, including private schools, receiving over $750,000 in Federal awards are tracked, received, and reviewed.

Corrective Action Plan: See F-15

Management's Response: The Department agrees with this finding. Child Nutrition will create policies and procedures to collect, track, and review single audits for private schools receiving over $750,000 in Federal awards.

Contact: Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880

(State Number: 22-1203-04)

(2022-036)

Title: Internal control over Child Nutrition donated food inventory needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child Nutrition Cluster (COVID-19)
Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582
Federal Award Identification Number: 214ME300L1603, 214ME301N1099, 214ME301N1199, 224ME301N1199, 224ME300L1603, 214ME102H1703, 224ME902N8903

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 7 CFR 250.12 and .19

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The distributing agency must ensure that a separate inventory record of donated foods is maintained. The distributing agency's system of inventory management must ensure that donated foods are distributed in a timely manner and in optimal condition.

Condition: The Department receives donated foods from the U.S. Department of Agriculture (USDA) for distribution to School Food Authorities (SFAs).

In fiscal year 2022, the Department implemented a new inventory system for tracking donated foods. The system, as implemented, did not provide the level of detail needed for accurate tracking of inventory. Limitations included lack of data fields to record:

- lost or damaged goods, and
- the date for all stages of the inventory process (order date, receipt date, distribution date).

The Office of the State Auditor (OSA) tested 12 donated food items for proper recording. OSA reviewed documentation of USDA food requests, inventory receipts, and distributions made to SFAs against information in the inventory system. Inventory calculated by OSA did not align with system-generated inventory records for all 12 items.

OSA selected a non-statistical random sample.

Context: In fiscal year 2022, the Department distributed approximately $5 million of donated foods to SFAs.

Cause:

- Lack of a reliable inventory tracking system
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Inaccurate reporting of noncash Federal awards on the Schedule of Expenditures of Federal Awards
- Theft, loss, or damage of inventory may go undetected.

Recommendation: We recommend that the Department:

- continue to enhance the inventory tracking system, and
- increase oversight of donated food tracking and the inventory systems used.

This will ensure inventory records are accurate and complete.

Corrective Action Plan: See F-15

Management's Response: The Department agrees with this finding. Child Nutrition has purchased software and is in the implementation stages of the project. This year, the Food Distribution Program has done supplemental record keeping, supplementing the detail within the system. We will continue to improve the tracking and enhance the inventory system.

Contact: Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880

(State Number: 22-1203-06)

(2022-037) Confidential finding, see below for more information

Title: ________ over the ________ needs improvement

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

Prior Year Findings: None

Type of Finding: Significant deficiency

Corrective Action Plan: See F-15

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0909-05)

(2022-038) Confidential finding, see below for more information

Title: ________ over the ________ needs improvement

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

Prior Year Findings: None

Type of Finding: Significant deficiency

Corrective Action Plan: See F-16

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0909-08)

(2022-039)

Title: Internal control over WIC subrecipient monitoring needs improvement

Prior Year Findings:

FY21	FY20	FY19
2021-019	2020-022	2019-019

State Department: Health and Human Services
State Bureau: Maine Center for Disease Control & Prevention
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (COVID-19)
Assistance Listing Number: 10.557
Federal Award Identification Number: 194ME743W5003, 204ME743W5003, 214ME701W1003, 214ME743W5003, 224ME743W5003, 224ME701W1003

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 7 CFR 246.19

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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. Monitoring 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 State contracts with eight local agencies to administer the WIC program. The Department is required to perform management evaluation reviews (MERs) of each local agency at least once every two years. The Department performed full-year MERs for five of the eight local agencies during fiscal year 2022. In the Office of the State Auditor's (OSA's) testing:

- three local agencies had full-year MERs, conducted in excess of the two-year timeframe:
  - one local agency MER due in July 2020 was not performed until September 2021;
  - one local agency MER due in April 2020 was not performed until May 2021; and
  - one local agency MER due in October 2020 was not performed until November 2021.
- the financial review portion of the MER was not completed for any of the five local agencies.

Of the three remaining local agencies for which the Department did not perform a full-year MER during fiscal year 2022:

- one local agency MER due in November 2021 was not performed during the fiscal year.
- two local agencies were not due for a full-year MER until after audit testing; therefore, OSA did not perform audit testing on these local agency MERs.

Context: The Department provided $3.6 million in WIC program funds to eight local agencies in fiscal year 2022.

Cause:

- Lack of staff resources available to perform the financial portion of the MERs
- Lack of supervisory oversight

Effect:

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

Recommendation: We recommend that the Department:

- implement a process to ensure that the backlog of reviews is completed;
- review its staffing needs to ensure there are adequate resources allocated to the MER process to ensure all portions of the reviews are fully completed; and
- implement additional oversight procedures to ensure all portions of the reviews are fully completed.

Corrective Action Plan: See F-16

Management's Response: The Department agrees with this finding. WIC completed five MERs for FY 22, due to COVID and lack of personnel the three remaining MERs were delayed. WIC is working to catch up on MERs and has begun working with additional staff from DHHS Internal Audit to aid in completing the MER financial component timelier. The training and planning with the DHHS Internal Audit team is underway. All local agencies were monitored for FY22.

Contact: Ginger Roberts-Scott, Senior Health Program Manager, DHHS, 207-287-5342

(State Number: 22-1113-03)

(2022-040)

Title: Internal control over WIC cash balances needs improvement

Prior Year Findings:

FY21	FY20	FY19
2021-018	2020-021	2019-021

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
Assistance Listing Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (COVID-19)
Assistance Listing Number: 10.557
Federal Award Identification Number: 194ME743W5003, 204ME743W5003, 214ME701W1003, 214ME743W5003, 224ME743W5003, 224ME701W1003

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.302

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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.

Condition: The Office of the State Auditor (OSA) issued finding 2019-021 as a result of procedures performed for the fiscal year 2019 audit. This finding identified that "Program personnel did not take the existing cash balance into consideration when requesting Federal funds for the Food portion of the WIC grant." This resulted in an excess cash balance for the Food grant. The finding was repeated as finding 2020-021 for the fiscal year 2020 audit and finding 2021-018 for the fiscal year 2021 audit.

In response to these findings, the Department performed a reconciliation of all prior grant awards to determine the cause of the excess cash balance. This reconciliation identified a $1,055,088 discrepancy between the State's accounting system, WIC reporting. and Federal draws from the 2013 WIC Food grant.

Context: The Department calculated a $1,055,088 residual cash balance from WIC Food grant awards issued in 2013.

Cause: Lack of adequate recordkeeping and account reconciliation in prior years

Effect: The State may be required to return $1,055,088 to the Federal awarding agency.

Recommendation: We recommend that the Department contact the Federal awarding agency to resolve this matter.

Corrective Action Plan: See F-16

Management's Response: The DHHS and DHHS Financial Service Center agree with this finding. To date, considerable effort has been invested in performing grant reconciliations from present back to 2013. Reconciling grants and matching revenues to expenses is labor intensive and takes detailed transaction level analysis. The Department will finalize the reconciliations and take the necessary steps to put the cash balances where they belong.

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

(State Number: 22-1113-01)

(2022-041)

Title: Internal control over CACFP claim reimbursements needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child and Adult Care Food Program (CACFP)
Assistance Listing Number: 10.558
Federal Award Identification Number: 214ME301N1099, 214ME301N1199, 224ME301N1199, 214ME320N1150, 214ME325N2020, 224ME320N1150, 224ME325N2020, 214ME202H1706, 204ME320N1050

Compliance Area: Allowable costs/cost principles

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $11,222
Likely Questioned Costs: Undeterminable. Due to the variety of institution types in the test population and varied meal claim counts, the projection of questioned costs utilizing the error rate related to the known exception and amount tested would not produce a reasonable estimate of likely questioned costs.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 226.7, .10, .11, and .16

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

Each State agency shall establish procedures for institutions to properly submit claims for reimbursement (CFR). Such procedures must include State agency edit checks, including but not limited to ensuring that payments are made only for approved meal types and that the number of meals for which reimbursement is provided does not exceed the product of the total enrollment, operating days, and approved meal types.

Prior to submitting its consolidated monthly claim to the State agency, each sponsoring organization must conduct reasonable edit checks on the sponsored centers' meal claims.

Condition: The Child and Adult Care Food Program (CACFP) provides nutritious foods that contribute to wellness, healthy growth, and development of eligible children and adults receiving care in day-care centers, day-care homes (DCHs), and at-risk after school snack programs. Each child and adult care center, including day-care homes, must submit a monthly CFR to the State. CFRs by DCHs are first submitted to Sponsoring Organizations (SOs). SOs are responsible for reviewing and consolidating claims into one comprehensive CFR for submission to the State agency. The State reimburses the SOs and centers for actual meals served based on the CFR.

The State utilizes the Child Nutrition Program Web (CNPWeb) system to process monthly claims. System edits were relied upon when the claims were submitted; however, edits were not properly implemented during fiscal year 2022. Furthermore, the Department did not obtain enrollment data from DCHs to set maximum claim reimbursement restrictions when processing claims.

The Office of the State Auditor (OSA) tested meal counts claimed on 60 CFRs submitted by SOs and found that 14 contained discrepancies. The SOs' CFRs included meals claimed that exceeded the allowable licensed capacity for facilities included in the consolidated CFR. OSA relied on licensed capacity rather than enrollment data when testing claims, as enrollment data was not obtained by the Department.

The meals claimed for reimbursement exceeded licensed capacity for 14 facilities. The amount paid over allowable capacity for these facilities totaled $11,222. The Department could not provide documentation to support that the amount paid in excess of capacity was allowable.

OSA deemed monthly reimbursements to one SO to be significant to CACFP. To test a sample of claims for this SO, OSA selected all 12 months of the SO's CFRs and used a risk-based approach for DCH claims and a random approach for all other claims.

OSA selected a non-statistical random sample of claims from all other facilities and SOs for the remaining sample.

Context: In fiscal year 2022, CACFP expenditures totaled $9.4 million, of which $5.7 million was paid through SOs.

Cause:
- Lack of policies and procedures
- Lack of supervisory oversight

Effect:
- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement policies and procedures that require:
- review, approval and testing of system controls to ensure that edit checks are operating as designed; and
- review of monthly CFRs for accuracy.

We further recommend that the Department follow up with SOs to identify unallowable costs and recoup costs if warranted.

Corrective Action Plan: See F-16

Management's Response: The Department disagrees with this finding. As explained to OSA by DOE, DHHS, and USDA, Child Care Centers/Providers can enroll and claim over the licensed capacity. The claim edit check that was in place for SY22 for DCH Providers was Total Monthly Attendance x Approved Meal Types due to the fact that providers can enroll over the licensed capacity. Sponsors have been trained: Total Monthly Attendance equals the number of unique kids who attended during the day, are enrolled in CACFP and who ate at least one meal or snack during the day, then add up those daily totals for the month. To use licensed capacity as an edit check, which OSA did to calculate the costs in question, disallows provider reimbursement for eligible meals. CACFP Total Monthly Attendance is a better edit check as it only calculates attendance for enrolled participants. For the provider claims in question the CACFP Team tested them against the Total Monthly Attendance edit check and none suggest an overclaim. The CACFP Team discovered the missing enrollment edit check on 8/24/22 and immediately submitted a ticket to the web designers. This correction required multiple meetings with the web designers and in-depth system testing. The correction to the edit check was completed on 12/23/22. The claim edit checks now in place are: Attendance x Approved Meal Types (same as before) – AND- Enrollment x Operating Days x Approved Meal Types.

Contact: Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880

Auditor's Concluding Remarks: In accordance with 7 CFR 226.7(k), the Department must establish procedures for facilities to properly submit claims; however, the Department did not have the following procedures in place:

- The Department did not obtain enrollment data to be utilized in the calculation of claims for reimbursement.
- The edit checks that the Department relied upon did not function as intended. The design and implementation of edit checks must ensure that:
  - payments are only made for approved meal types; and
  - the number of meals reimbursed does not exceed the total enrollment times the number of operating days times the approved meal types.

  The Department discovered that the edit checks were not operating as intended on August 24, 2022; however, the Department cannot provide evidence of when the failure occurred as the Department did not test system controls at any time during implementation. Furthermore, the discovery of failed edit checks was identified as a result of an inquiry made by USDA, not by Department controls. OSA also issued finding 2022-033, a material weakness for this system, due to the lack of controls over the system.

As stated above and in the Condition of this finding, OSA could not use enrollment data to test the allowability of claims because this data was not obtained by the Department. As an alternative procedure, OSA identified DCHs with CFRs that exceeded licensed capacity and provided this information to the Department for consideration. The Department did not provide documentation to support the allowability of these CFRs, as OSA recognizes Child Care Centers/Providers can enroll and submit CFRs over licensed capacity. In accordance with 2 CFR 200.403, for a cost to be allowable under a Federal award, the costs must be reasonable and necessary for the performance of the Federal award and must be adequately documented. Because the Department did not provide the requested documentation, OSA questions the allowability of these costs.

The finding remains as stated.

(State Number: 22-1115-01)

(2022-042)

Title: Internal control over CACFP subrecipient audit procedures needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Commissioner's Office
Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child and Adult Care Food Program (CACFP)
Assistance Listing Number: 10.558
Federal Award Identification Number: 214ME301N1099, 214ME301N1199, 224ME301N1199, 214ME320N1150, 214ME325N2020, 224ME320N1150, 224ME325N2020, 214ME202H1706, 204ME320N1050

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

When a subrecipient's Federal award expenditures are expected to equal or exceed $750,000 during the fiscal year, the Department must verify that the subrecipient is audited as required.

Condition: The Child and Adult Care Food Program (CACFP) provides nutritious foods that contribute to wellness, healthy growth, and development of eligible children and adults receiving care in day-care centers, day-care homes, and at-risk after school snack programs. Child Nutrition Services (CNS) is responsible for monitoring 104 subrecipients that administer these services. Those monitoring procedures include verifying that subrecipients that expend over $750,000 obtain a Single Audit in accordance with Federal regulations.

CACFP was previously administered by the State Department of Health and Human Services (DHHS) and subrecipient audits were tracked, received, and reviewed by DHHS' Division of Audit. Prior to fiscal year 2022, the administration of CACFP was moved to the Department of Education (DOE). DOE School Finance and Operations is responsible for the tracking, receipt, and review of subrecipient audits for most programs administered by DOE.

CNS asserted that subrecipient audits for private non-profit institutions were received and forwarded to DOE School Finance and Operations for review; however, DOE only stored the audits. Neither CNS nor DOE could provide documentation to support that tracking of subrecipient audit reports was maintained or that reports were received and reviewed. As a result, 19 private non-profit subrecipients that reported receiving over $750,000 in Federal funds and required audits were not reviewed.

Context: In fiscal year 2022, $9.3 million in CACFP funds was provided to 104 subrecipients, 51 of which are private non-profit subrecipients and 19 were required to have an audit.

Cause:

- Lack of policies and procedures. CNS and DOE School Finance and Operations have not defined roles and responsibilities for tracking, receiving, and reviewing subrecipient audit reports.
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Subrecipients may not be complying with Federal statutes, regulations, or the terms and conditions of the subaward.

Recommendation: We recommend that CNS and DOE School Finance and Operations collaborate on implementing policies and procedures that define the roles and responsibilities for tracking, receipt, and review of subrecipient audits.

Corrective Action Plan: See F-17

Management's Response: The Department agrees with this finding. Child Nutrition will implement policies and procedures for the tracking, receipt, and review of audits for subrecipients that expend over $750,000, in accordance with Federal regulations.

Contact: Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880

(State Number: 22-1115-04)

(2022-043)

Title: Internal control over CACFP eligibility needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child and Adult Care Food Program (CACFP)
Assistance Listing Number: 10.558
Federal Award Identification Number: 214ME301N1099, 214ME301N1199, 224ME301N1199, 214ME320N1150, 214ME325N2020, 224ME320N1150, 224ME325N2020, 214ME202H1706, 204ME320N1050

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Significant deficiency
Questioned costs

Known Questioned Costs: $50,275
Likely Questioned Costs: Undeterminable. Likely questioned costs cannot be determined as the projection of questioned costs utilizing the error rate is not tested by dollar amount, but instead is based on eligibility.

Criteria: 2 CFR 200.303; 7 CFR 226.2 and .6

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The State agency must establish application review procedures to determine eligibility of new and renewing institutions, and facilities for which applications are submitted by sponsoring organizations. Required enrollment information includes the number of enrolled participants that are eligible for free, reduced or paid meals. A for-profit center must have more than 25 percent of the children in care eligible for free or reduced price meals. Documentation that each for-profit center application meets the 25 percent definition is required. A pre-approval visit by the State agency to confirm the information in the institution's application is required for all new applications.

Condition: The Child and Adult Care Food Program (CACFP) provides nutritious foods that contribute to wellness, healthy growth, and development of eligible children and adults receiving care in day-care centers, day-care homes, and at-risk after school snack programs. Annually, these facilities must submit electronic applications and site information, including current enrollment data, for each location. The Department is required to review the application and determine whether the application should be approved or rejected. Before an application for a new facility is approved, the Department must complete a pre-approval site visit to verify that the information provided by the facility is complete and accurate. The Department has established procedures which require the use of a site visit checklist to ensure that all components of approval are reviewed. One requirement for approval included on the checklist is verification of enrollment data. Claims should not be processed or paid until the entire approval process, including the site visit, has been completed.

The Office of the State Auditor (OSA) tested a sample of facilities determined eligible for CACFP and found one approved facility that should have been deemed ineligible. The facility reported a percentage of children eligible for free or reduced-price meals that did not meet the minimum 25 percent requirement for eligibility. Furthermore, the Department could not provide documentation to demonstrate that a pre-approval site visit was completed. The Department processed $50,275 in claims to this facility.

OSA selected a non-statistical random sample.

Context: In fiscal year 2022, CACFP expenditures totaled $9.4 million, of which $9.3 million was paid to facilities.

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

Effect:
- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement policies and procedures that require:
- retention of documentation used to support facility applications including pre-approval site visit information and checklists, and
- review and approval of eligibility requirements for both new and annual renewal applications.

This will ensure that all applications are accurate and complete and that funds are only provided to eligible facilities.

Corrective Action Plan: See F-17

Management's Response: The Department partially agrees with this finding. The Department has put additional procedures in place for the review and approval of eligibility requirements. The documentation to support facility applications was retained but was misplaced at the time of the audit.

Contact: Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880

Auditor's Concluding Remarks: Federal regulations state that for costs to be allowable under Federal awards, the costs must be adequately documented. The Department was unable to provide documentation to support information on the application. Therefore, the facility is ineligible and OSA questions the allowability of payments to the facility.

The finding remains as stated.

(State Number: 22-1115-02)

(2022-044)

Title: Internal control over CACFP subrecipient risk evaluation procedures needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child and Adult Care Food Program (CACFP)
Assistance Listing Number: 10.558
Federal Award Identification Number: 214ME301N1099, 214ME301N1199, 224ME301N1199, 214ME320N1150, 214ME325N2020, 224ME320N1150, 224ME325N2020, 214ME202H1706, 204ME320N1050

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 procedures.

Condition: The Child and Adult Care Food Program (CACFP) provides nutritious foods that contribute to wellness, healthy growth, and development of eligible children and adults receiving care in day-care centers, day-care homes, and at-risk after school snack programs. The Department is responsible for monitoring 104 subrecipients that administer these services. The level of monitoring required by Federal regulations must be determined using a risk-based approach. Subrecipient risk evaluation should include considerations of:

- the subrecipient's experience with the program,
- the results of subrecipient audits,
- changes in personnel or systems, and
- the extent of Federal awarding agency monitoring procedures.

CACFP regulations require the Department to monitor 33.3 percent of total active facilities in each review cycle (annually). In addition, all facilities must be monitored at least once every three years and Sponsoring Organizations (SOs) with 100 or more facilities must be monitored once every two years. SOs provide administration and support for smaller facilities.

Department subrecipient monitoring procedures are based on CACFP regulations and do not use the risk-based approach as required by Federal regulations.

Context: In fiscal year 2022, CACFP expenditures totaled $9.4 million, of which $9.3 million was provided to 104 subrecipients.

Cause: Lack of adequate policies and procedures

Effect:
- Noncompliance with Federal regulations
- 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 review and update policies and procedures to incorporate Federal regulations along with program regulations. The risk evaluation process should be documented and retained.

Corrective Action Plan: See F-17

Management's Response: The Department agrees with this finding. The CACFP team will create a risk assessment tool to use in scheduling subrecipient reviews.

Contact: Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880

(State Number: 22-1115-03)

(2022-045) Confidential finding, see below for more information

Title: Internal control over UI claim payments needs improvement

Prior Year Findings:

FY21	FY20	FY19	FY18	FY17	FY16	FY15
2021-021	2020-026	2019-027	2018-023	2017-006	2016-005	2015-031

State Department: Labor
State Bureau: Unemployment Compensation
Federal Agency: U.S. Department of Labor
Assistance Listing Title: Unemployment Insurance (UI) (COVID-19)
Assistance Listing Number: 17.225
Federal Award Identification Number: Unemployment Insurance Trust Fund, Maine, UI347192055A23, UI372842255A23, UI359482160A23, UI372272255A23, UI356522155A23, UI348602055A23, UI340622055A23

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $19,278
Likely Questioned Costs: Likely questioned costs totaling $2.7 million were projected within each entitlement program by dividing the identified ineligible benefit payments in our sample by the total benefit payments tested to establish an error rate, then applying that error rate to each entitlement program's benefit payment totals for fiscal year 2022.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 20 CFR 615.8; Middle Class Tax Relief and Job Creation Act of 2012; Social Security Act (SSA) Title III, Section 303; Unemployment Insurance Program Letter (UIPL) No. 5-13; Coronavirus Aid, Relief, and Economic Security (CARES) Act; 26 MRSA 1190 through 1199; Consolidated Appropriations Act, 2021; American Rescue Plan Act of 2021

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

A State administering UI must have State laws and policies in place that are consistent with Federal provisions and required by 20 CFR 615.8; the Middle Class Tax Relief and Job Creation Act of 2012; 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

The State of Maine's statutory requirements for UI program benefits are outlined in 26 MRSA 1190 through 1199.

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. The CARES Act created three temporary Federal unemployment compensation entitlement programs that continued in fiscal year 2022, as follows:

- Pandemic Unemployment Assistance (PUA) provides UI benefits for individuals who are not eligible for regular UI benefits and are unemployed, partially unemployed, or unable or unavailable to work due to COVID-19. Covered individuals include the self-employed, independent contractors, part-time workers, and others not normally eligible to receive regular UI benefits.
- Pandemic Emergency Unemployment Compensation (PEUC) provides an additional 13 weeks of UI benefits for unemployed workers who have exhausted regular UI benefits. This was extended to 24 weeks through enactment of the Consolidated Appropriations Act signed into law at the end of December 2020.
- Federal Pandemic Unemployment Compensation (FPUC) initially provided an additional $600 weekly to all unemployed workers receiving traditional UI benefits, PUA, or PEUC. This was changed to $300 weekly in December 2020 through enactment of the Consolidated Appropriations Act.

The Federal American Rescue Plan Act signed into law in March 2021 granted additional extensions of the PUA, PEUC, and FPUC programs through September 2021.

Condition:
Pursuant to paragraph 6.63 of the U.S. Government Accountability Office's Government Auditing Standards (also known as the Yellow Book), we omitted details from this finding as they are confidential under the provisions of 5 MRSA 244-C (3). Though the content of this finding has been redacted, we provided the Department(s) with detailed information regarding the specific condition we identified, as well as the related criteria, context, causes, effects, and our specific recommendations for improvement.

<u>Department Controls:</u>
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 Unit tasked with investigating a prescribed number of UI paid claims and denied claims each week.

Audit Testing Results:
As part of the initial eligibility determination process, State UI law requires MDOL to confirm claimant separation from employment through correspondence with a claimant's most recent employer. OSA's test of 60 regular UI claimants' initial eligibility identified one claimant where a separation letter was not sent to the most recent employer as required.

As part of the continuing eligibility determination process, State UI law requires a weekly claim to be filed and work search activities to be reported. In OSA's test of 60 regular UI claimants' continuing eligibility, the following exceptions were noted:

- Three claimants reported the same work search activity for multiple claims ranging from three to eighteen weeks without the existence of further verifiable details. Controls were not in place to require additional work search verification procedures prior to continued benefit payments. OSA did not report the underlying benefits paid as questioned costs.
- One claimant did not report work search activities for a period of three weeks. OSA reported benefits totaling $1,476 paid to the claimant during this time as known questioned costs.

As part of the PUA eligibility determination process, Federal program regulations require that claimants provide proof of employment information. In OSA's test of 60 PUA claimants, nine claimants were deemed ineligible to receive benefits by MDOL. These claimants were required to provide proof of employment within 90 days of notification from MDOL. MDOL did not notify two of the claimants until May 2021, six of the claimants until July 2021, and one of the claimants until February 2022. As a result, claimants who did not provide proof of employment received benefits in fiscal year 2021 and fiscal year 2022. Benefits paid to these ineligible claimants totaled $14,832 in fiscal year 2022; OSA reported this amount as known questioned costs.

As part of the PEUC eligibility determination process, Federal program regulations require the claimant to have exhausted regular UI benefits. In OSA's test of 60 PEUC claimants, one claimant received benefits before the exhaustion of regular UI benefits. Regular UI benefits were exhausted prior to fiscal year 2022 and all ineligible PEUC benefit payments occurred in the prior year; therefore, OSA did not report questioned costs for fiscal year 2022.

OSA selected non-statistical random samples.

Data Analytics:
Additional audit procedures included obtaining information from Maine Vital Records and performing cross-matches with benefit payment data from ReEmployME. These procedures identified that:

- based on an analysis of claimant dates of death, five claimants received UI benefit payments from various entitlement programs after their dates of death. These benefit payments totaled $2,970 through the end of fiscal year 2022. OSA reported this amount as known questioned costs.

- based on an analysis of claimant dates of birth, the following claimants received UI benefits during fiscal year 2022:
  - 2 claimants under the age of 10. State UI law does not restrict benefit payments based on age. Employment and wage documentation required for eligibility were provided by both claimants so MDOL did not deem the claimants ineligible; however, the system did not identify the claimants for further review prior to benefit issuance. OSA did not report questioned costs for these claimants.
  - 290 claimants over the age of 80, including:
    - 275 claimants between the ages of 80 and 89; and
    - 15 claimants between the ages of 90 and 99.

MDOL does not have adequate procedures in place to identify and review claimant dates of death as well as the reasonableness of claimant age prior to the issuance of benefit payments.

Context: The UI program provided $98.5 million in State UI benefits and $163.3 million in Federal UI benefits during fiscal year 2022.

Cause:

- Lack of resources
- Lack of adequate controls over initial and continuing claimant eligibility determinations
- Lack of adequate supervisory oversight over information system application controls
- Lack of adequate policies and procedures to identify and review claimant dates of death prior to the issuance of benefit payments

Effect:

- Noncompliance with Federal regulations
- Known questioned costs
- Potential future questioned costs and disallowances
- Potential liability, and applicable interest, due to the Federal government for claims paid to ineligible or fraudulent Federal UI benefit claimants

Recommendation: We recommend that the Department enhance policies and procedures to require:

- that eligibility requirements are met and adequately supported prior to issuance of benefit payments.
- implementation of additional information system application controls.
- incorporation of data analytics and data cross-matching procedures to prevent or detect payments to ineligible claimants.

This will provide assurance that payments to ineligible claimants are prevented, or detected and corrected, in a timely manner.

Corrective Action Plan: See F-17

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

The finding 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 the 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.

The finding states that the Department has insufficient controls in place to detect claimants using the same work search activities for multiple claims. The work search activity provided by the three claimants in question was participation in a CareerCenter-led job fair, or other accepted work search activity, on multiple claims. The Department agrees with the recommendation of additional controls in this area and expects to implement additional controls before the end of SFY 23. The finding furthermore states that one claimant filed claims without a work search for three consecutive weeks. A review of the claim determined the claimant appropriately received a documented work search warning for the first week, but no decision was rendered on the two subsequent weeks due to a staff training error. The Department agrees with these testing results of the finding.

The finding furthermore states that the Department erred in paying benefits to individuals collecting on the Pandemic Unemployment Assistance (PUA) program. The Continued Assistance Act (CAA), released in December 2020, added a new requirement to the PUA program. To continue to receive PUA benefits, claimants were required to provide documentation substantiating employment or self-employment, or the planned commencement of employment or self-employment within 21 or 90 days (depending on the date of initial PUA filing) from the date of the guidance, or when first noticed by the Department. This last part serves as USDOL's acknowledgement that it would take time to implement the changes into existing functionality and systems. In Maine, the first notices went out on May 6, 2021. Two of the claimants listed received their notice on this day, with one receiving their denial decision on day 90, and one on day 93, preventing further benefits. The Department agrees with the testing results in the latter case. Five claimants received their notice on July 7, 2021, and a denial 90 days later, properly preventing further benefits. The Department disagrees with the testing results of the finding for the claimants cited in July. The remaining two cases cited were claimants who filed a PUA initial claim, and PUA weekly claims in 2020, prior to the release of the CAA. However, payments for these weeks were not processed until 2021 and 2022. At that time, notices to provide proof of employment were sent, followed by a denial decision for failure to respond/provide adequate proof. However, no overpayment was created because the week ending dates of the weeks paid all pre-dated the implementation of the CAA and therefore were not subject to overpayment. The Department disagrees with these testing results of the finding.

The finding also states the Department needs additional controls for claims filed after a claimant's date of death, as well as the claimant's age when filing a claim for benefits. Though the Department has made significant enhancements to the Vital Statistic crossmatch process, it agrees that the current crossmatch with the state's Vital Records office that identifies deceased claimants should be reviewed further. That said, there are timing differences that cannot be avoided, and overpayments cannot be completely ruled out. Overpayments, penalties, and prosecutions are all considered when it is determined someone falsely filed for benefits using a deceased person's information. Regarding the age of the individual filing for benefits, additional controls were implemented during SFY 23, with additional controls still under review for further enhancement and implementation.

Contact: Laura Boyett, Director, Bureau of Unemployment Compensation, DOL, 207-621-5156

Auditor's Concluding Remarks: Management's Response states that the Department collects necessary information to determine initial and continuing claimant eligibility prior to benefit issuance; however, exceptions included in the finding were the result of a failure to solicit or collect required documentation in support of eligibility for claimants prior to the issuance of benefit payments.

For PUA eligibility, OSA acknowledges that the December 2020 implementation of the requirement for PUA claimants to provide proof of employment did place a significant burden on MDOL to develop related controls timely and that guidance from U.S. DOL stated that benefit payments should not be held while awaiting documentation; however, MDOL did not implement necessary controls to address this Federal requirement until several months later. As a result, procedures were not in place to prevent payments to ineligible claimants from December 2020 to May 2021, and claimants that should have been deemed ineligible subsequent to December 2020 continued to receive benefits into fiscal year 2022.

OSA acknowledges that timing differences for weekly claim filings and claimant dates of death cannot be entirely prevented; however, the exceptions included in the finding concern the timeliness and frequency of data cross-matching procedures, and the initiation of appropriate follow up action in order to prevent overpayments.

The finding remains as stated.

(State Number: 22-1302-01)

(2022-046)

Title: Internal control over monitoring of employee classification and compensation needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Human Resources
Federal Agency: U.S. Department of Labor
U.S. Department of Health and Human Services
U.S. Department of Defense
Assistance Listing Title: Unemployment Insurance (UI) (COVID-19)
Immunization Cooperative Agreements (COVID-19)
Child Support Enforcement
National Guard Military Operations and Maintenance (O&M) Projects
Assistance Listing Number: 17.225; 93.268; 93.563; 12.401
Federal Award Identification Number: Unemployment Insurance Trust Fund, Maine, UI347192055A23, UI372842255A23, UI359482160A23, UI372272255A23, UI356522155A23, UI348602055A23, UI340622055A23; NH23IP922604; 2001MECSES, 2101MECSES, 2201MECSES; W912JD-19-2-1001, W912JD-19-2-1005, W912JD-20-2-1001, W912JD-20-2-1002, W912JD-20-2-1003, W912JD-20-2-1007, W912JD-20-2-1010, W912JD-21-2-1001, W912JD-21-2-1002, W912JD-21-2-1003, W912JD-21-2-1004, W912JD-21-2-1007, W912JD-21-2-1010, W912JD-21-2-1021, W912JD-21-2-1022, W912JD-21-2-1023, W912JD-21-2-1024, W912JD-21-2-1040, W912JD-22-2-1001, W912JD-22-2-1002, W912JD-22-2-1003, W912JD-22-2-1004, W912JD-22-2-1007, W912JD-22-2-1010, W912JD-22-2-1021, W912JD-22-2-1022, W912JD-22-2-1023, W912JD-22-2-1024, W912JD-22-2-1040, W912JD-22-2-2010

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.430

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Costs of compensation are allowable to the extent that personal services are rendered during the period of performance under the Federal award, total compensation is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity, and follows an appointment made in accordance with a non-Federal entity's laws and/or rules or written policies.

Condition: The Bureau of Human Resources (BHR) employs Functional Job Analysis (FJA) reports to summarize each State employee's position duties and responsibilities, and to assign the position to a classification and salary grade representing reasonable compensation for services rendered by the position. The assigned salary grade provides a basis for the allowability of compensation costs charged to Federal grant awards by documenting the reasonableness of compensation for services rendered by State employees, and that the position appointment was made and maintained in accordance with State statute.

BHR maintains the position classification specifications and related compensation plan of State employees. Periodic review of position classifications, including required duties and responsibilities, are completed by individual agency personnel through the following processes:

- Annual performance reviews as required by the Performance Management System and related forms which include detail of position duties and responsibilities
- Hiring justification forms completed by agency heads to attest to the duties and responsibilities of positions being filled
- Review and approval of job vacancy announcements prior to advertisement which reflect the duties and responsibilities of the position's FJA on file

These processes have been established to ensure that documented duties and responsibilities of all State employee positions are accurate and up to date. These processes are the responsibility of individual agencies; however, BHR is responsible for the oversight to ensure that agencies are completing the established processes accurately and timely. BHR does not have policies and procedures that require a documented level of oversight or monitoring of agency-level activities.

Context: During fiscal year 2022, $122 million of payroll expenditures were charged to Federal grants. This represents approximately 10 percent of fiscal year 2022 Statewide payroll expenditures, which totaled $1.2 billion.

Cause:

- Competing priorities
- Lack of resources
- Lack of adequate policies and procedures

Effect:

- State employee job classification and compensation may not accurately reflect current duties and responsibilities of each position. As a result, payroll costs charged to Federal awards may not be supported.
- Without documented evidence that these activities are occurring, BHR cannot ensure that the classification and compensation plan of all State employee positions is maintained and properly supported by documentation that accurately reflects the job duties and responsibilities of each position.

Recommendation: We recommend that the Department implement additional policies and procedures to ensure proper oversight and monitoring of agency-level activities related to position duties and responsibilities and maintenance of the State classification and compensation plan.

Corrective Action Plan: See F-18

Management's Response: The Department partially agrees with this finding. In addition to the three bullets noting how BHR conducts reviews of position classifications, BHR also conducts the following:

- management submits a management-initiated FJA when a position's duties are being significantly changed, and that FJA is audited by BHR to determine the correct classification;
- an employee may submit an employee-initiated FJA if they believe they are working out of classification, and the FJA will be audited by BHR for determination of the correct classification; and
- classification specifications are reviewed periodically by BHR to determine accuracy and make any changes (this includes when BHR reviews a classification for recruitment and retention purposes).

Contact: Breena D. Bissell, Director, Bureau of Human Resources, DAFS, 207-215-0886

Auditor's Concluding Remarks: The Office of the State Auditor recognizes the additional processes conducted by BHR noted in Management's Response; however, the existing policies and procedures do not ensure proper oversight and monitoring of agency-level activities related to position duties and responsibilities and maintenance of the State classification and compensation plan.

The finding remains as stated.

(State Number: 22-0111-01)

(2022-047) Confidential finding, see below for more information

Title: ________ over ________ needs improvement

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

Prior Year Findings:

FY21
Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-18

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0902-02)

(2022-048)

Title: Internal control over ERA Program special reporting needs improvement

Prior Year Findings:

FY21
2021-029

State Department: Economic and Community Development
State Bureau: Commissioner's Office
Federal Agency: U.S. Department of the Treasury
Assistance Listing Title: Emergency Rental Assistance Program (COVID-19)
Assistance Listing Number: 21.023
Federal Award Identification Number: ERA0299, ERA0434, ERAE0515, ERAE0563

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 170

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Agencies must report each subaward that equals or exceeds the first-tier subaward threshold of $30,000 in Federal funds in the public-facing Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System.

Condition: When an amount exceeding the first-tier subaward threshold is awarded to a subrecipient, the Department must collect and enter data into the FFATA Subaward Reporting System. The Department did not report its first-tier subaward under the Emergency Rental Assistance (ERA) Program in the FFATA reporting system for fiscal year 2022.

Context: In fiscal year 2022, the Department was required to report a first-tier subaward totaling $152 million to the only subrecipient of the ERA Program. First-tier subawards account for 100 percent of the program's fiscal year 2022 expenditures.

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

Effect:
- Noncompliance with Federal regulations
- First-tier subaward information for the ERA Program was not reported to the Federal government. This information may be used for programmatic, policy, or statistical purposes.

Recommendation: We recommend that the Department implement additional policies and procedures, including increased supervisory oversight, to ensure subawards meeting or exceeding the first-tier threshold are reported accurately, timely, and in accordance with Federal regulations.

Corrective Action Plan: See F-19

Management's Response: The Department agrees with this finding. Due to the evolving reporting requirements for the Emergency Rental Assistance program, the Department did not originally identify the FFATA requirements as applicable and did not submit accordingly. Currently, the existing policies and procedures have been modified to ensure that from this point forward, FFATA reporting is completed for all subawards that meet or exceed the first-tier threshold.

Contact: Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817

(State Number: 22-1695-01)

(2022-049)

Title: Internal control over ERA Program subrecipient monitoring needs improvement

Prior Year Findings: None

State Department: Economic and Community Development
State Bureau: Commissioner's Office
Federal Agency: U.S. Department of the Treasury
Assistance Listing Title: Emergency Rental Assistance Program (COVID-19)
Assistance Listing Number: 21.023
Federal Award Identification Number: ERA0299, ERA0434, ERAE0515, ERAE0563

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must monitor the activities of the subrecipient as necessary to ensure that subawards are used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are achieved.

When a subrecipient's Federal award expenditures are expected to equal or exceed $750,000 during the fiscal year, the Department must verify that the subrecipient is audited as required.

Condition: In fiscal year 2022, the Department passed through Emergency Rental Assistance (ERA) Program funds to one subrecipient. Subrecipient monitoring procedures included providing Federal award information in grant award agreements and frequent communication with the subrecipient; however, the Department:

- did not adequately design and document ongoing monitoring activities to ensure that the subaward was used for authorized purposes and in compliance with Federal regulations.
- could not provide a documented review of the subrecipient's audit report to verify compliance with Subpart F of 2 CFR 200 and to ensure that the subrecipient took timely and appropriate action on all deficiencies pertaining to the Department's subaward. The Office of the State Auditor reviewed the subrecipient's audit report covering a portion of fiscal year 2022 and noted findings related to the subaward that should have been considered in relation to the risk of subrecipient noncompliance and planned monitoring procedures.

- did not require submission of detailed expenditure information with the subrecipient's requests for reimbursement of ERA Program funds. A summary spreadsheet outlining actual and projected expenditures for second-tier subrecipients was the only support provided to the Department with each reimbursement request.

Context: The Department provided $245.8 million to the ERA subrecipient during fiscal year 2022.

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

Effect:
- Noncompliance with Federal regulations
- Lack of ongoing subrecipient monitoring procedures could result in subrecipient noncompliance.

Recommendation: We recommend that the Department develop and implement additional policies and procedures to require:
- ongoing subrecipient monitoring during the use of the subaward;
- receipt and documented review of subrecipient audits in order to consider the effects of audit results on subrecipient risk assessment and planned monitoring procedures; and
- receipt of detailed documentation in support of subrecipient reimbursement requests prior to payment approval.

Corrective Action Plan: See F-19

Management's Response: The Department agrees with this finding. Due to the Emergency Rental Assistance Program coming to a close, the Department plans on utilizing a consultant to assist with close out procedures that will ensure these subrecipient funds were used for authorized purposes and in compliance with Federal regulations. Additionally, the Department will ensure that the review of subrecipient audit reports are sufficiently documented.

Contact: Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817

(State Number: 22-1695-02)

(2022-050)

Title: Internal control over ERA Program reporting needs improvement

Prior Year Findings: None

State Department: Economic and Community Development
State Bureau: Commissioner's Office
Federal Agency: U.S. Department of the Treasury
Assistance Listing Title: Emergency Rental Assistance Program (COVID-19)
Assistance Listing Number: 21.023
Federal Award Identification Number: ERA0299, ERA0434, ERAE0515, ERAE0563

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; Consolidated Appropriations Act, 2021, Section 501(g)

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must report the total number of participating households receiving Emergency Rental Assistance (ERA) of any kind and the total amount of ERA funds expended by the ERA grantee to or for participating households on behalf of eligible households on a monthly basis. Additionally, the Department must submit quarterly reports providing financial and performance data regarding grantee administration of their ERA projects and capture program design in addition to program status data elements.

Condition: The Department contracts with a subrecipient to administer the ERA Program. A Memorandum of Understanding (MOU) between the Department and the subrecipient outlines the following:

- The subrecipient is responsible for preparation of all required reporting under the ERA Program.
- The Department is responsible for certification and submission of all reports prepared by the subrecipient.

The Office of the State Auditor (OSA) reviewed ERA Program reporting and found that the subrecipient prepared, certified, and submitted 24 monthly and 9 quarterly performance reports during fiscal year 2022. The Department did not review, approve, or certify any of the fiscal year 2022 reports prior to submission to the Federal government. The reports were only provided to the Department subsequent to submission.

The Department provided OSA with all monthly and quarterly reports for the fiscal year; however, the Department was unable to provide:

- documentation to support amounts reported on the State's fiscal year 2022 ERA Program performance reports.
- documentation of review and approval of performance reports prepared by the subrecipient, as they were prepared, certified, and submitted with no oversight by the Department.

The Department has no assurance that the ERA Program information prepared by the subrecipient and submitted to the Federal government on behalf of the State is accurate or properly supported.

Context: In fiscal year 2022, the Department provided $245.8 million to the ERA subrecipient.

Cause:

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

Effect: The Department did not properly oversee the ERA Program as required by Federal regulations. ERA Program reports submitted to the Federal government are not properly supported and may not be accurate as documentation is not reviewed or maintained by the Department.

Recommendation: We recommend that the Department implement additional policies and procedures to require a documented review and approval of all ERA Program reports prepared by the subrecipient prior to Department certification and submission. This will ensure that information reported to the Federal government is accurate and complete.

Corrective Action Plan: See F-19

Management's Response: The Department agrees with this finding. The Department will document the review and approval of all ERA program reports prepared by the subrecipient prior to Department certification and submission.

Contact: Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817

(State Number: 22-1695-03)

(2022-051)

Title: Internal control over CSLFRF expenditures needs improvement

Prior Year Findings: None

State Department: Labor
Administrative and Financial Services
State Bureau: Unemployment Compensation
Commissioner's Office
Office of the State Controller
Federal Agency: U.S. Department of the Treasury
Assistance Listing Title: Coronavirus State and Local Fiscal Recovery Funds (COVID-19)
Assistance Listing Number: 21.027
Federal Award Identification Number: SLFRP0144

Compliance Area: Activities allowed or unallowed
Allowable costs/cost principles

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: \$51,482,644
Likely Questioned Costs: \$51,482,644

Criteria: 2 CFR 200.303; 2 CFR 200.403; 2 CFR 200.302; Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) Interim Final Rule, Federal Register Volume 86, Issue 93 (May 17, 2021)

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Costs must be adequately documented. The State's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to determine that such funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The CSLFRF Interim Final Rule states that recipients may make deposits into the State account of the Unemployment Trust Fund up to the level needed to restore the pre-pandemic balances of such account as of January 27, 2020, or to pay back advances received for the payment of benefits between January 27, 2020, and May 17, 2021, given the close nexus between Unemployment Trust Fund costs, solvency of Unemployment Trust Fund systems, and pandemic economic impacts.

Condition: As part of the American Rescue Plan Act, the State was advanced \$997 million in Federal CSLFRF to support its response to and recovery from the COVID-19 public health emergency. In response, Public Law 2021, Chapter 483, Section D-1 was enacted and states that "notwithstanding any provision of law to the contrary, the State Controller shall transfer $80 million from the Federal Expenditures Fund – ARP State Fiscal Recovery balance to the Department of Labor, Unemployment Compensation Fund no later than November 30, 2021."

To support the allowability of the $80 million transfer under the Public Health and Economic Impacts use category, the Maine Department of Labor (MDOL) prepared an analysis that compared the balance between January 25, 2020 ($502,137,397) and September 30, 2021 ($405,167,938). Under this use category, transfers to the Unemployment Trust Fund are only allowable up to the level needed to restore the Trust Fund to the pre-pandemic balance as of January 27, 2020. The Department of Administrative and Financial Services (DAFS) reviewed and approved the calculation for reasonableness and allowability. As a result, DAFS transferred $80 million from the Federal Fund to the State Unemployment Trust Fund on November 30, 2021.

Using the State's Trust Fund Balance Reports, the Office of the State Auditor (OSA) compared the January 27, 2020, balance ($499,966,386) to the September 30, 2021, balance ($471,449,030). The $28,517,356 difference represents the amount allowed to restore the State Unemployment Trust Fund to the pre-pandemic balance as of January 27, 2020, under the Public Health and Economic Impacts use category.

MDOL and DAFS were unable to provide:
- documentation supporting the $405.2 million balance on September 30, 2021, used to substantiate allowability of the $80 million transfer, and
- a justification of why the Trust Fund Balance Reports were not used in the calculation.

Therefore, the $80 million transfer exceeds the amount needed to restore the State Unemployment Trust Fund to the pre-pandemic balance by $51,482,644 under the Public Health and Economic Impacts use category.

Context: The $80 million transfer to the State's Unemployment Trust Fund represents approximately 66 percent of the $121.5 million in CSLFRF expenditures during fiscal year 2022.

Cause: Misinterpretation of Federal guidance

Effect:
- Noncompliance with Federal regulations
- Known questioned costs and potential disallowances

Recommendation: We recommend that MDOL and DAFS review expenditures charged to CSLFRF, including the above-noted expenditure, to ensure that costs are adequately documented to support that only allowable costs are funded by CSLFRF.

Corrective Action Plan: See F-19

Management's Response: We disagree with this finding. Likewise, we are unable to determine why the auditor has identified a questioned cost or includes a recommendation that only allowable costs are funded by CSLFRF. The transfer of $80 million to the Unemployment Trust Fund is completely allowable, with a portion categorized under the Public Health and Economic Impacts use category and a portion under the Revenue Loss - Provision of Government Services use category.

Questioned costs are defined by the Uniform Guidance, 2CFR § 200.1, Questioned cost means a cost that is questioned by the auditor because of an audit finding:

> (1) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award, including for funds used to match Federal funds;
>
> > ***In this case, there was no violation of statute, regulation or terms of the federal award for the SLFRF program (ALN 21.027). Regardless of category, the transfer of $80M to the UI Trust is considered an allowable cost under the program; thus, there is no portion of the transfer that is considered unallowable and no basis for a questioned cost.***
>
> (2) Where the costs, at the time of the audit, are not supported by adequate documentation; or
>
> > ***All parties agree that the transfer is allowable under the SLFRF program (ALN 21.027) and adequate documentation has been provided to support that determination.***
>
> (3) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
>
> > ***All parties agree that the cost appears reasonable; consequently, there is no amount that should be questioned.***

All documentation to support the allowability of this transfer was provided to the auditor for review. There were errors in the original calculation of the total amount eligible under the Public Health and Economic Impacts category; however, we provided documentation to support that the total amount was eligible under the Revenue Loss - Provision of Government Services use category. Although we have identified a weakness in internal control over compliance, there was no actual noncompliance. Consequently, there is no cost that is considered unallowable; therefore, there should be no questioned cost.

DOL Contact: Kimberly Smith, Deputy Commissioner, DOL, 207-621-5096
DAFS Contact: Frank Wiltuck, Director of Internal Audit, OSC, 207-626-8420

Auditor's Concluding Remarks: Management asserts, *"The transfer of $80 million to the Unemployment Trust Fund is completely allowable, with a portion categorized under the Public Health and Economic Impacts use category and a portion under the Revenue Loss - Provision of Government Services use category."* However, OSC did not provide documentation to support this statement, as described below.

OSA initially questioned the allowability of the $80 million transfer in November 2022. In the following months and in response to OSA's request for all documentation to corroborate the allowability of the transfer, OSC only provided evidence to support the transfer under the CSLFRF Public Health and Economic Impacts use category. OSA reviewed this support and identified errors in the calculation for the allowable amount of the transfer under the CSLFRF Public Health and Economic Impacts use category. As a result of these errors, OSA notified the Department that a finding would be issued and costs of $51,482,644 would be questioned.

In response to the finding communication from OSA, OSC initiated discussion of alternative use categories for CSLFRF under which the transferred amount would be considered allowable. OSC proposed recategorizing the unallowable portion of the transfer from the Public Health and Economic Impacts use category to the Provision of Government Services use category of CSLFRF. Though the unallowable portion of the transfer (the questioned costs) may ultimately be allowable under this alternative use category, the costs, at the time of the audit, were incurred under the Public Health and Economic Impacts use category.

Management states, *"we are unable to determine why the auditor has identified a questioned cost"* and has provided the definition of Questioned Costs as defined by 2 CFR 200.1. However, OSC's interpretation implies that OSA should allow changes in supporting documentation that do not align with the original intent of the usage of funds. The recategorization of the unallowable costs to another use category may be part of OSC's corrective action plan; however, the documentation provided as audit evidence does not properly support $51,482,644 in CSLFRF Public Health and Economic Impacts costs. OSA cannot allow the Department to alter supporting documentation to avoid questioned costs. If OSA permitted the State to alter supporting documentation whenever OSA identified unallowable costs, there would never be any questioned costs to report. This is not the intent of 2 CFR 200.1.

Managements acknowledges *"there were errors in the original calculation of the total amount eligible under the Public Health and Economic Impacts category"* and *"we have identified a weakness in internal control over compliance,"* which is the basis of this finding.

The finding remains as stated.

(State Number: 22-1699-01)

(2022-052)

Title: Internal control over ESF expenditures needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Office of Federal Emergency Relief Programs
Federal Agency: U.S. Department of Education
Assistance Listing Title: Education Stabilization Fund (ESF) (COVID-19)
Assistance Listing Number: 84.425D, 84.425U
Federal Award Identification Number: S425C200004, S425C210004, S425D200004, S425D210004, S425U210004, S425W210020, S425R210044, S425B200039

Compliance Area: Activities allowed or unallowed
Allowable costs/cost principles

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $620,676
Likely Questioned Costs: Likely questioned costs totaling $6,364,627 were projected by dividing the known questioned costs in our sample by total expenditures tested to establish an error rate, then applying that error rate to total expenditures paid in fiscal year 2022.

Criteria: 2 CFR 200.303; 2 CFR 200.403; Coronavirus Aid, Relief, and Economic Security (CARES) Act, Public Law No. 116-136; Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, Public Law No. 116-260; American Rescue Plan (ARP) Act, Public Law No. 117-2

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

The CARES Act, CRRSA Act, and ARP Act authorized the creation of the Education Stabilization Fund and its subprograms. Governors and State Education Agencies (SEAs) must demonstrate that costs incurred by governors, SEAs, and subrecipients are allowable under the relevant statutory and regulatory provisions, assurances, and certification and agreement, and consistent with the purpose of the Education Stabilization Fund, which is to prevent, prepare for, and respond to COVID-19.

Condition: Education Stabilization Funds (ESF) were authorized by Federal legislation for use by school administrative units (SAUs) within the State to prevent, prepare for, and respond to the COVID-19 pandemic. SAUs were required to submit applications to the Office of Federal Emergency Relief Programs (OFERP) under the Department of Education outlining identified uses for ESF including planned projects. Applications included detail on costs and the necessity of costs as a result of the COVID-19 pandemic. Program coordinators within OFERP were responsible for reviewing and approving applications submitted by SAUs. Once there was an approved application on file, SAUs could submit reimbursement requests to the Department for expenditures identified and approved in the application.

The Office of the State Auditor (OSA) tested 60 SAU reimbursement requests to ensure that only allowable costs were charged to ESF and found that:

- one request for reimbursement contained an invoice for the purchase and installation of a new hot water boiler. The boiler project description stated that the school was in need of a new hot water boiler because it was likely that the existing equipment would not pass inspection after the current year. The cost of the new boiler and installation totaled $154,800. Replacing a boiler that was likely not going to pass upcoming inspections would have been a necessary project of the SAU independent of the COVID-19 pandemic.
- one request for reimbursement contained an invoice for replacing two sections of roof at a district elementary school. The roofing project description stated that the roof replacement was needed because they had leaks that may start to impact air quality and a functioning roof was needed in order to have students in person full-time. The cost of the roofing job totaled $54,915. Replacing a leaking roof would have been a necessary project of the SAU independent of the COVID-19 pandemic.

Both subrecipients had an approved application on file with OFERP listing these specific projects.

OSA selected a non-statistical random sample.

OSA expanded testing as a result of the exceptions noted above. OSA reviewed the applications on file for the two SAUs and found a roof replacement project totaling $410,961. The SAU documented the roofing project as necessary to address concerns that could contribute to the possible spread of COVID-19. Replacing a roof would have been a necessary project of the SAU independent of the COVID-19 pandemic.

The supporting documentation provided by the SAUs and maintained by the State does not demonstrate that the above costs are consistent with the purpose of ESF which is to prevent, prepare for, and respond to COVID-19; as a result, questioned costs total $620,676.

Context: In fiscal year 2022, ESF expenditures totaled $126.4 million, of which $120.6 million was paid to subrecipient SAUs.

Cause:

- Misinterpretation of Federal regulations
- Lack of explicit Federal guidance surrounding ESF allowability

Effect:
- Noncompliance with Federal regulations
- Known questioned costs
- Potential future questioned costs and disallowances

Recommendation: We recommend that the Department review all ESF expenditures to ensure that only allowable costs are charged to the Federal program. Expenditures that do not meet ESF criteria for allowability should be transferred out of ESF.

Corrective Action Plan: See F-20

Management's Response: The Maine Department of Education (MDOE) disagrees with the identified questioned costs. The Office of Federal Emergency Relief Programs (OFERP) utilized guidance provided by the U.S. Department of Education (grantor) and conferred in writing with Maine's assigned U.S. Department of Education program officer throughout the Education Stabilization Fund application review process. The Maine Department of Education's OFERP provided the auditor with the grantor's guidance which clearly states that the questioned costs were allowable, reasonable, and necessary to prepare, prevent, and respond to the COVID-19 pandemic. Throughout the application review process, OFERP utilized ESF federal statutory language and the grantor's published guidance to determine allowability. Once funding applications were approved, SAUs requested reimbursement from the OFERP for the approved costs outlined in the school administrative unit (SAU) application. The OFERP reviewed SAU reimbursement requests and provided payment for approved expenses. The ESF costs outlined in this finding were allowable, reasonable, and necessary to prepare, prevent, and respond to the COVID-19 pandemic. Documentation provided by the grantor supports the determinations made by the Maine Department of Education.

Contact: Shelly Chasse-Johndro, Director of OFERP, DOE, 207-458-3180

Auditor's Concluding Remarks: Supporting documentation provided by the Department for the reimbursements totaling $620,676 related to two roof replacements and a boiler replacement did not provide adequate evidence that these expenditures were necessary and in line with the allowability criteria of ESF, which is to prevent, prepare for, or respond to COVID-19. While all subrecipients had approved applications on file listing these specific projects, additional allowability considerations should have been made and documented prior to reimbursement. All questioned costs reported by OSA are related to projects that, based on the support maintained by the Department, would have been necessary for the SAU to address independent of the COVID-19 pandemic.

Without documentation and evidence to substantiate that the expenditures are for needs directly arising from the public health emergency, OSA cannot determine that the reimbursements were in fact to prepare for, prevent, and respond to COVID-19; therefore, OSA questions the allowability of these costs.

The finding remains as stated.

(State Number: 22-1235-04)

(2022-053)

Title: Internal control over submission and review of ESF Schedule of Expenditures of Federal Awards information needs improvement

Prior Year Findings:

FY21
2021-034

State Department: Education
Administrative and Financial Services
State Bureau: Commissioner's Office
Office of the State Controller
Federal Agency: U.S. Department of Education
Assistance Listing Title: Education Stabilization Fund (ESF) (COVID-19)
Assistance Listing Number: 84.425B, 84.425C, 84.425D, 84.425R
Federal Award Identification Number: S425C200004, S425C210004, S425D200004, S425D210004, S425U210004, S425W210020, S425R210044, S425B200039

Compliance Area: Reporting

Type of Finding: Material weakness

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.510

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements which must include the total Federal awards expended. At a minimum, the SEFA must provide total Federal awards expended for each individual Federal program and the Assistance Listing Number (ALN).

Condition: The Department must complete and submit exhibits and related schedules to the Office of the State Controller (OSC) at the close of each fiscal year to report Federal award information for inclusion on the State's SEFA. OSC is responsible for compiling this information on behalf of the State.

In fiscal year 2022, the Department received funding from the Education Stabilization Fund (ESF) under ALN 84.425. The U.S. Department of Education awarded ESF funds to grantees, including the State, under 23 subprograms. An alphabetic character at the end of ALN 84.425 is used to delineate each subprogram. Each subprogram has its own funding requirements and compliance requirements.

At the close of the fiscal year, the Department provided a summary of ESF expenditures to OSC; however, the summary did not properly identify ESF subprograms and related expenditures. This summary was then used by OSC to compile and prepare the SEFA. The summary of ESF expenditures resulted in the following errors:

- Expenditures under subprogram 84.425B Discretionary Grants: Rethink K-12 Education Model Grants, were erroneously reported under 84.425R Coronavirus Response and Relief Supplemental Appropriations Act, 2021 – Emergency Assistance to Non-Public Schools. As a result, subprogram 84.425B was originally omitted from the SEFA.
- Subprogram 84.425C Governor's Emergency Education Relief was originally missing its subprogram alphabetic character designation and was incorrectly labeled as 84.425. This alphabetic character designation is required for SEFA and Federal reporting purposes.
- The Department transferred allowable prior year ESF expenditures to the Coronavirus Relief Fund (CRF) during fiscal year 2022. These amounts reduced the current year expenditures of the program, and as a result, ESF program totals were understated on the SEFA by $1.4 million.

Subsequent OSC review procedures were not designed to detect and correct the errors outlined above. As a result, the errors were included on the State's fiscal year 2022 SEFA provided to the Office of the State Auditor (OSA) for audit purposes.

Context: The 2022 SEFA originally reported expenditures under ESF subprograms totaling $125 million; however, this included the following errors:

- Subprogram 84.425R reported expenditures totaling $4.8 million. This amount incorrectly included $1.7 million of expenditures that should have been listed separately under 84.425B.
- $1.4 million of prior year ESF expenditures were transferred out of current year SEFA totals to the CRF, resulting in an understatement of fiscal year 2022 ESF expenditures.

Cause:

- Lack of adequate internal control relating to Department SEFA submissions to OSC
- Lack of adequate review procedures by OSC

Effect: Incomplete or inaccurate amounts by Federal program or subprogram and ALN on the SEFA would result in noncompliance with Federal regulations if undetected. The SEFA is submitted to the Federal government and may be used for programmatic, policy or statistical purposes.

Recommendation: We recommend that the Department implement additional procedures to improve preparation and submission of SEFA information to OSC. We further recommend that OSC implement additional supervisory review procedures over the SEFA information compiled on behalf of the State. These control procedures will ensure that expenditures are reported accurately on the SEFA.

Corrective Action Plan: See F-20

Management's Response:
DOE Response: The Department agrees with this finding. The Department will be mindful to detect typographical errors through an increased level of scrutiny when conducting the review.

DOE Contact: Nicole Denis, Director of Finance, DOE, 207-530-2161

OSC Response: The Office of the State Controller partially agrees with this finding. Federal funds reporting is decentralized and agencies use different methods for tying amounts to specific federal programs in Advantage. The Management Representation letters received from the agencies acknowledge that the agencies are responsible for the fair presentation of the expenditures in conformity with and in compliance with the rules and regulations of 2 CFR §200. OSC is responsible to compile the data and submit the SEFA. OSC will update or clarify guidance as necessary and will consult with service center and agency financial personnel to help ensure their compilation/review systems are designed to provide accurate information for the SEFA.

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

Auditor's Concluding Remarks: In reply to OSC's Management Response, OSA recognizes that SEFA reporting is a decentralized process and that OSC receives Management Representation Letters from agencies acknowledging responsibility for the fair presentation of SEFA information; however, OSC is responsible for reviewing the SEFA before it is provided to OSA for audit purposes.

OSC has established review procedures prior to submission to OSA and that review and approval is documented on agencies' submissions. This review process, as stated in the finding, was not designed to detect and correct the errors noted in this finding, and findings 2022-023, 2022-064, and 2022-092, which are all related to agency submissions and OSC review of SEFA information.

In addition, the Department of Administrative and Financial Services and OSC provide a signed Engagement Letter and Management Representation Letter to OSA, acknowledging the following responsibilities related to the annual Single Audit:

- Understanding and complying with the requirements of 2 CFR 200, including requirements relating to preparation of the SEFA
- Preparing and fairly presenting the SEFA and related disclosures in accordance with the requirements of the Uniform Guidance, including full identification of all government programs and related activities subject to the Federal compliance audit and all SEFA expenditures made during the audit period for all awards provided by Federal agencies

OSA asserts that a year-to-year SEFA comparison would have detected the errors identified in the aforementioned findings; therefore, we continue to recommend that OSC implement additional supervisory review procedures over the SEFA information compiled on behalf of the State. This will provide assurance relating to the responsibility for SEFA information as outlined above and attested to OSA at the commencement and conclusion of the annual Single Audit.

The finding remains as stated.

(State Number: 22-1235-01)

(2022-054) Confidential finding, see below for more information

Title: ________ over the ________ needs improvement

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

Prior Year Findings:

FY21
Redacted

Type of Finding: Material weakness

Corrective Action Plan: See F-21

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0909-03)

(2022-055) Confidential finding, see below for more information

Title: ________ over the ________ and ________ needs improvement

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

Prior Year Findings:

FY21
Redacted

Type of Finding: Material weakness

Corrective Action Plan: See F-21

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0909-07)

(2022-056)

Title: Internal control over ESF special reporting needs improvement

Prior Year Findings:

FY21
2021-032

State Department: Education
State Bureau: Commissioner's Office
Federal Agency: U.S. Department of Education
Assistance Listing Title: Education Stabilization Fund (ESF) (COVID-19)
Assistance Listing Number: 84.425U
Federal Award Identification Number: S425C200004, S425C210004, S425D200004, S425D210004, S425U210004, S425W210020, S425R210044, S425B200039

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 170

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.

Agencies must report each subaward that equals or exceeds the first-tier subaward threshold of $30,000 in Federal funds in the public-facing Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System.

Condition: When an amount exceeding the first-tier subaward threshold is awarded to a subrecipient, the Department must collect and enter data into the FFATA Subaward Reporting System (FSRS).

In the Office of the State Auditor's (OSA) test of 36 subawards that exceeded the first-tier subaward threshold, the following FFATA reporting exceptions were identified:

- One subaward listed an incorrect project description; and
- One subaward totaling $683,794 was incorrectly reported for Education in the Unorganized Territories (EUT). This is not a subrecipient award as the EUT is governed by the State.

In addition, the Department could not provide evidence that a secondary review of FFATA reports occurred prior to submission in the FSRS to ensure that information entered was accurate and complete. The Department implemented a secondary review process in February 2022; however, this was not in place when ESF subawards were reported in September and October 2021.

OSA selected a non-statistical random sample.

Context: During fiscal year 2022, the Department obligated $371 million in first-tier subawards to 177 subrecipients of ESF. All 177 subrecipients had awards that exceeded the first-tier subaward threshold for reporting in the FSRS.

Cause:
- Lack of supervisory review
- Lack of policies and procedures prior to February 2022

Effect: Inaccurate, incomplete, or untimely information was and may continue to be reported to the Federal government. This information may be used for programmatic, policy or statistical purposes.

Recommendation: We recommend that the Department maintain policies and procedures to ensure all subawards that meet or exceed the first-tier threshold are reported accurately, timely, and in accordance with Federal regulations. Documentation of supervisory review for each FFATA report submitted in the FSRS should be retained as required by policies and procedures established in February 2022.

Corrective Action Plan: See F-21

Management's Response: The Department agrees with this finding. Beginning in February 2022, the Department implemented a procedure for reviewing FFATA reports for accuracy prior to submission. Where this finding relates to FFATA reports prior to February 2022, and the Department has taken steps to address the previous finding, management feels that no further corrective action is necessary.

Contact: Nicole Denis, Director of Finance, DOE, 207-530-2161

(State Number: 22-1235-02)

(2022-057)

Title: Internal control over ESF subrecipient monitoring procedures needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Commissioner's Office
Federal Agency: U.S. Department of Education
Assistance Listing Title: Education Stabilization Fund (ESF) (COVID-19)
Assistance Listing Number: 84.425D, 84.425R, 84.425U
Federal Award Identification Number: S425C200004, S425C210004, S425D200004, S425D210004, S425U210004, S425W210020, S425R210044, S425B200039

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.313; 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.

For equipment acquired with Federal funding, records must be maintained that include:

- a description and identification number;
- the source of funding, including the Federal Award Identification Number;
- who holds title and the acquisition date;
- the cost of the property, including the percentage of Federal participation in the project costs for the Federal award under which the property was acquired;
- the location, use and condition; and
- any ultimate disposition data including the date of disposal and sale price of the property.

A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

The Department must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Condition: The Education Stabilization Fund (ESF) provides funding to school administrative units (SAUs) to purchase equipment for use in preventing, preparing for, or responding to the

COVID-19 pandemic. SAUs were required to submit applications to the Office of Federal Emergency Relief Programs (OFERP) under the Department of Education outlining identified uses for ESF including planned equipment purchases. Program coordinators within OFERP were responsible for reviewing and approving applications submitted by SAUs. Once there was an approved application on file, SAUs could submit reimbursement requests to the Department for equipment purchases identified and approved in the application.

All SAU equipment purchases reimbursed with ESF are subject to applicable inventory control, log maintenance, and disposition requirements consistent with Federal regulations for equipment and real property management. During fiscal year 2022, the Department did not have policies and procedures in place to track SAU equipment purchases reimbursed with ESF; therefore, the Department does not have assurance that:

- a complete and accurate record of all equipment purchased with ESF funds was maintained by each SAU.
- proper monitoring activities surrounding subrecipient compliance with Federal regulations for equipment and real property management were conducted.

Context: In fiscal year 2022, ESF expenditures totaled $126.4 million, of which $120.6 million was paid to subrecipient SAUs.

Cause:

- Lack of policies and procedures
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Subrecipients may not be in compliance with equipment and real property management requirements.
- Assets purchased with ESF funds may not be properly safeguarded or maintained.

Recommendation: We recommend that the Department implement policies and procedures to ensure that a complete and accurate record of all equipment purchased under ESF is maintained by the Department and by each SAU. This record should be utilized during subrecipient monitoring activities to verify subrecipient compliance with Federal regulations.

Corrective Action Plan: See F-21

Management's Response: The Department agrees with this finding. The Office of Federal Emergency Relief Programs will develop and implement policies and procedures so that complete and accurate records of all equipment purchased under ESF will be maintained by each SAU and the Department when collected during subrecipient monitoring.

Contact: Shelly Chasse-Johndro, Director of OFERP, DOE, 207-458-3180

(State Number: 22-1235-06)

(2022-058)

Title: Internal control over ICA program subrecipient monitoring procedures needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Maine Center for Disease Control & Prevention
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Immunization Cooperative Agreements (COVID-19)
Assistance Listing Number: 93.268
Federal Award Identification Number: NH23IP922604

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must:

- include Federal award information in the subaward that enables subrecipients to identify the source of the Federal award, as well as certain subrecipient information.
- evaluate each subrecipient's risk of noncompliance with Federal regulations for the purposes of determining the appropriate level of subrecipient monitoring to be performed.
- monitor the activities of the subrecipient as necessary to ensure that subawards are used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are achieved.

Condition: The Department is responsible for ensuring subrecipients comply with Federal requirements by:

- reviewing subrecipient grant awards to ensure accurate Federal award identification information is included to allow subrecipients to accurately identify the source of the subawards;
- utilizing risk evaluations to determine the appropriate level of monitoring activities to be performed that correspond to the results of those risk evaluations; and
- performing ongoing monitoring activities to ensure that the subaward was used for authorized purposes and in compliance with Federal regulations.

The Office of the State Auditor (OSA) tested compliance with subrecipient monitoring requirements for 7 subrecipients and found that:

- 3 subawards did not properly identify required Federal award information:
    - o 2 subawards were missing the subrecipient's Data Universal Numbering System (DUNS) number.
    - o 2 subawards reported the wrong Assistance Listing Number.
- 2 subrecipients were deemed "higher risk" after the Department performed a risk evaluation; however, the Department could not provide documentation to support that additional monitoring activities were performed in response to the "higher risk" designation.
- 80 performance reports were required to be completed and submitted for fiscal year 2022 to ensure subaward performance goals are achieved.
    - o 47 reports were provided to the auditor but lacked evidence of supervisory review.
    - o 33 reports could not be provided.
- 52 financial reports were required to be completed and submitted for fiscal year 2022 to ensure subawards are used for approved budgeted expenditures.
    - o 32 reports were provided to the auditor but lacked evidence of supervisory review.
    - o 20 reports could not be provided.

The Department could not provide any further documentation to support subrecipient monitoring procedures occurred during fiscal year 2022 to ensure that the subaward was used for authorized purposes.

OSA selected a non-statistical random sample.

Context: The Department provided $2.5 million to 35 Immunization Cooperative Agreements (ICA) program subrecipients in fiscal year 2022.

Cause:

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

Effect:

- Noncompliance with Federal regulations
- Lack of ongoing subrecipient monitoring procedures could result in undetected subrecipient noncompliance.

Recommendation: We recommend that the Department implement policies and procedures to ensure that:

- subaward agreements include all required information and are accurate;
- risk evaluations are utilized to determine the appropriate level of monitoring activities to be performed; and
- ongoing subrecipient monitoring is completed during the subaward and documented.

This will ensure that the Department is in compliance with subrecipient monitoring requirements.

Corrective Action Plan: See F-22

Management's Response: The Department agrees with this finding. The Department initiated these subrecipient agreements to ensure equitable access to COVID-19 vaccines. As a result of these agreements, Maine had one of the best vaccine roll-outs in the country, including among Black, Indigenous, and People of Color. Some of the information requested by OSA was unable to be accessed because it was saved in individual staff files which were moved when an employee was transferred or left employment with the Department. The Department will implement processes in SFY23 to improve record keeping for these subawards including: 1) reviewing subaward agreements using a checklist to ensure they include all the required information and are accurate; 2) ensuring that risk evaluations are utilized to determine the appropriate level of monitoring; and 3) improving and centralizing subrecipient monitoring documentation within the Office of Population Health Equity (OPHE) at Maine CDC.

Contact: Ian Yaffe, Director, Office of Population Health Equity, DHHS, 207- 592-1481

(State Number: 22-1118-03)

(2022-059) Confidential finding, see below for more information

Title: ________ over ________ and ________ needs improvement

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

Prior Year Findings:

FY21	**FY20**
Redacted	Redacted

Type of Finding: Material weakness

Corrective Action Plan: See F-22

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0906-02)

(2022-060)

Title: Internal control over the submission of ICA Schedule of Expenditures of Federal Awards reporting needs improvement

Prior Year Findings: None

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 Health and Human Services
Assistance Listing Title: Immunization Cooperative Agreements (COVID-19)
Assistance Listing Number: 93.268
Federal Award Identification Number: NH23IP922604

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.510

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements which must include the total Federal awards expended. At a minimum, the SEFA must provide total Federal awards expended for each individual Federal program and the Assistance Listing Number (ALN).

Condition: The Department must complete and submit exhibits and related schedules to the Office of the State Controller (OSC) at the close of each fiscal year to report Federal award information for inclusion on the State's SEFA. OSC is responsible for compiling this information on behalf of the State.

In fiscal year 2022, the Department received funding for the Immunization Cooperative Agreements (ICA) program. At the close of the fiscal year, the Department and its Service Center provided a summary of Federal ICA expenditures to OSC which included noncash vaccine awards; however, the summary included the wrong fiscal year's noncash vaccine award data.

This summary was then used by OSC to compile and prepare the SEFA and the related Notes to the SEFA. As a result, ICA expenditures were inaccurately reported on the State's fiscal year 2022 SEFA and related Notes when provided to the Office of the State Auditor for audit purposes.

Context: In fiscal year 2022, noncash flu vaccines totaling $169,070 were not reported to OSC by the Department for inclusion in the SEFA.

Cause: Lack of adequate internal control relating to Department SEFA submissions to OSC

Effect:
- Inaccurate reporting of expenditure amounts on the SEFA, which is submitted to the Federal government, may result in incorrect information used for programmatic, policy, or statistical purposes.
- Inaccurate information was reported in the fiscal year 2022 Annual Comprehensive Financial Report.

Recommendation: We recommend that the Department and its Service Center implement additional procedures to improve preparation and submission of SEFA information to OSC. These control procedures will ensure that expenditures are reported accurately on the SEFA and in the related Notes to the SEFA.

Corrective Action Plan: See F-22

Management's Response: The DHHS and DHHS Financial Service Center agree with this finding. For the next SEFA for SFY 2023, when the request is sent from the Financial Service Center to the MIP Senior Health Program Manager (SHPM), the SHPM will request the information from the MIP Planning and Research Associate. The SHPM will be required to review the requested data prior to the response, which will include fiscal year accuracy of the reports. The Financial Service Center will then provide a summary and backup of what is being reported on the SEFA to CDC's Immunization program for their written approval. The Financial Service Center will add to the reviewer's checklist that the preparer has consulted and has proper backup with CDC's Immunization's program to verify that the information provided was accurate. This will be completed by 12/31/2023.

Contact: Jessica Shiminski, Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-7087

(State Number: 22-1118-01)

(2022-061)

Title: Internal control over ICA program cash management needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Immunization Cooperative Agreements (COVID-19)
Assistance Listing Number: 93.268
Federal Award Identification Number: NH23IP922604

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

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 Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 no more than seven business days.

Condition: The Department of Health and Human Services Service Center (DHHS SC) is responsible for the drawdown of funds for the Immunization Cooperative Agreements (ICA) program. The DHHS SC requests Federal funds in order to reimburse ICA program expenditures. In December 2021, $478,459 of program expenditures that had previously been reimbursed under the ICA program were recategorized as eligible Coronavirus Relief Fund expenditures. The DHHS SC did not immediately return the funds that were received for these expenditures and continued to draw additional Federal funds under the ICA grant. As a result, the State's Federal cash balances for the ICA program exceeded the State's administratively feasible threshold of seven business days for approximately seven months.

Context: In fiscal year 2022, there were approximately 160 Federal grant drawdowns totaling $8.7 million for the ICA program.

Cause:

- Lack of adequate procedures to capture all program activity
- 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 DHHS SC develop and implement policies and procedures to address identification and timely return of excess grant funds to the Federal government.

Corrective Action Plan: See F-23

Management's Response: The DHHS and the DHHS Financial Service Center agree with this finding. Policies and procedures will be reviewed for CMIA, draw procedures and reconciliations. The grant daily files will be reconciled for the Immunization grants from 2021 through current by December 31, 2023 in order to timely identify and return excess grant funds.

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

(State Number: 22-1118-02)

(2022-062) Confidential finding, see below for more information

Title: ________ over the ________ needs improvement

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

Prior Year Findings:

FY21	FY20	FY19
Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-23

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0906-01)

(2022-063)

Title: Internal control over ELC program reporting needs improvement

Prior Year Findings:

FY21
2021-038

State Department: Health and Human Services
State Bureau: Maine Center for Disease Control & Prevention
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (COVID-19)
Assistance Listing Number: 93.323
Federal Award Identification Number: NU50CK000523

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; Coronavirus Aid, Relief, and Economic Security (CARES) Act Section 18115; Paycheck Protection Program and Health Care Enhancement Act of 2020 (PL 116-139); Coronavirus Response and Relief Supplemental Appropriations Act of 2020 (PL 116-260)

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must ensure that every laboratory that performs or analyzes a test that is intended to detect or diagnose a possible case of COVID-19 reports the results from each test to the U.S. Department of Health and Human Services.

Condition: During fiscal year 2022, the Maine Center for Disease Control & Prevention (MeCDC) was required to complete the following reports:

- Quarterly and annual performance reports for four separate Federal awards
- Quarterly special reports for jurisdictional testing and positive/negative test results

MeCDC could not provide supporting documentation to verify the accuracy, completeness, and timeliness of the filed reports. In addition, all reports were filed without documentation of approval by a secondary person prior to submission.

Context: During fiscal year 2022, 16 quarterly performance reports, four annual performance reports, and two quarterly special reports were required to be filed.

Cause:

- Lack of adequate internal controls
- Lack of supervisory oversight
- Lack of staff resources due to a significant increase in workload

Effect:

- Incorrect or incomplete data may be reported to the Federal government.
- Potential Federal noncompliance due to performance and special reports not filed timely

Recommendation: We recommend that MeCDC implement a documented process over the completion, filing, review, and retention of performance and special reports.

Corrective Action Plan: See F-23

Management's Response: The Department agrees with this finding. The Division of Disease Surveillance, within the Maine Center of Disease Control and Prevention put into place a comprehensive process to ensure quarterly and annual performance reports and special reports are properly completed, reviewed, filed, and retained during the fall of 2022. In September 2022, the Division hired a Grants Manager who developed a report tracking system using Microsoft Project. The individuals completing the reports, now complete them in Microsoft Project and from there the Grant Manager reviews for completeness and uploads into the federal site. The Grants Manager sends an email to the Principal Investigator when reports are complete and have been submitted to the federal CDC.

Contact: Sara Robinson, Senior Program Manager, MeCDC, DHHS, 207-287-4610

(State Number: 22-1156-01)

(2022-064)

Title: Internal control over submission and review of ELC Schedule of Expenditures of Federal Awards information needs improvement

Prior Year Findings: None

State Department: Health and Human Services
Administrative and Financial Services
State Bureau: Maine Center for Disease Control & Prevention
Health and Human Services Service Center
Office of the State Controller
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (COVID-19)
Assistance Listing Number: 93.323
Federal Award Identification Number: NU50CK000523

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.510

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements which must include the total Federal awards expended. At a minimum, the SEFA must provide total Federal awards expended for each individual Federal program and the Assistance Listing Number (ALN).

Condition: The Department must complete and submit exhibits and related schedules to the Office of the State Controller (OSC) at the close of each fiscal year to report Federal award information for inclusion on the State's SEFA. OSC is responsible for compiling this information on behalf of the State.

At the close of the fiscal year, the Department and its Service Center reported Federal expenditures of $45 million under the ELC program to OSC; however, current year expenditures actually totaled $59 million. This information was then used by OSC to compile and prepare the SEFA. Subsequent OSC review procedures were not designed to detect and correct this error. As a result, ELC expenditures were incorrect on the State's fiscal year 2022 SEFA when provided to the Office of the State Auditor for audit purposes.

Context: The 2022 SEFA originally reported total expenditures under ELC totaling $45 million; however, this included $14 million of prior year ELC expenditures that were transferred out of current year SEFA totals to the Coronavirus Relief Fund, resulting in an understatement of fiscal year ELC expenditures.

Cause:

- Lack of adequate internal control relating to SEFA submissions to OSC
- Lack of adequate review procedures by OSC

Effect: Incomplete or inaccurate amounts by Federal program on the SEFA would result in noncompliance with Federal regulations if undetected. The SEFA is submitted to the Federal government and may be used for programmatic, policy or statistical purposes.

Recommendation: We recommend that the Department work with its Service Center to implement additional procedures to improve preparation and submission of SEFA information to OSC. We further recommend that OSC implement additional supervisory review procedures over the SEFA information compiled on behalf of the State. These control procedures will ensure that expenditures are reported accurately on the SEFA.

Corrective Action Plan: See F-23

Management's Response:
DHHS and DHHS Financial Service Center Response: The DHHS and the DHHS Financial Service Center agree with this finding. The Financial Service Center will work with OSC to develop and implement additional procedures related to reporting of prior period adjustments beginning with the SEFA that is for the State Fiscal Year 2023, by December 31, 2023.

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

OSC Response: The Office of the State Controller partially agrees with this finding. Federal funds reporting is decentralized and agencies use different methods for tying amounts to specific federal programs in Advantage. The Management Representation letters received from the agencies acknowledge that the agencies are responsible for the fair presentation of the expenditures in conformity with and in compliance with the rules and regulations of 2 CFR §200. OSC is responsible to compile the data and submit the SEFA. OSC will update or clarify guidance as necessary and will consult with service center and agency financial personnel to help ensure their compilation/review systems are designed to provide accurate information for the SEFA.

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

Auditor's Concluding Remarks: In reply to OSC's Management Response, the Office of the State Auditor (OSA) recognizes that SEFA reporting is a decentralized process and that OSC receives Management Representation Letters from agencies acknowledging responsibility for the fair presentation of SEFA information; however, OSC is responsible for reviewing the SEFA before it is provided to OSA for audit purposes.

Auditor's Concluding Remarks are continued on the following page.

OSC has established review procedures prior to submission to OSA and that review and approval is documented on agencies' submissions. This review process, as stated in the finding, was not designed to detect and correct the errors noted in this finding, and findings 2022-023, 2022-053, and 2022-092, which are all related to agency submissions and OSC review of SEFA information.

In addition, the Department of Administrative and Financial Services and OSC provide a signed Engagement Letter and Management Representation Letter to OSA, acknowledging the following responsibilities related to the annual Single Audit:

- Understanding and complying with the requirements of 2 CFR 200, including requirements relating to preparation of the SEFA
- Preparing and fairly presenting the SEFA and related disclosures in accordance with the requirements of the Uniform Guidance, including full identification of all government programs and related activities subject to the Federal compliance audit and all SEFA expenditures made during the audit period for all awards provided by Federal agencies

OSA asserts that a year-to-year SEFA comparison would have detected the errors identified in the aforementioned findings; therefore, we continue to recommend that OSC implement additional supervisory review procedures over the SEFA information compiled on behalf of the State. This will provide assurance relating to the responsibility for SEFA information as outlined above and attested to OSA at the commencement and conclusion of the annual Single Audit.

The finding remains as stated.

(State Number: 22-1156-02)

(2022-065)

Title: Internal control over ELC program cash management needs improvement

Prior Year Findings: None

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 Health and Human Services
Assistance Listing Title: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (COVID-19)
Assistance Listing Number: 93.323
Federal Award Identification Number: NU50CK000523

Compliance Area: Cash management

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

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 Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 no more than seven business days.

Condition: The Department of Health and Human Services (DHHS) Service Center (SC) provides services including human resources, payroll, accounting, and finance to programs administered by DHHS, including the Epidemiology and Laboratory for Infectious Diseases (ELC) program.

The DHHS SC requests Federal funds to reimburse ELC program expenditures utilizing a system report of expenditures. This report includes both expenditures that have been paid and expenditures that are pending payment. Expenditures that are pending payment can take a significant amount of time to process.

In the Office of the State Auditor's testing of 48 Federal drawdowns, four drawdowns of Federal funds for the ELC program were beyond the administratively feasible requirement for disbursement. Disbursements ranged from 8 to 63 days after the receipt of Federal funds.

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

Context: In fiscal year 2022, there were 211 Federal grant draws for the ELC program totaling $43.7 million. The four draws beyond the administratively feasible requirement for disbursement totaled $5.9 million.

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

Effect:
- Noncompliance with Federal regulations
- The Federal government may impose more stringent program-specific cash management requirements based on noncompliance.

Recommendation: We recommend that the DHHS SC review and revise current policies and include guidance for drawing Federal funds to exclude pending expenditures to ensure that Federal cash is requested based on immediate cash needs.

Corrective Action Plan: See F-24

Management's Response: The DHHS and the DHHS Financial Service Center agree with this finding. Policies and procedures will be reviewed for CMIA, draw procedures and reconciliations. Due to the number of individual CDC COVID grants received, the volume of daily processes has increased. The DHHS Financial SC will work to obtain and/or increase estimated revenue within the COVID appropriations. With an approval of estimated revenue, expenses will process first, and federal cash will be drawn after, reducing the risk of CMIA as Federal cash will be instantly replenishing the account rather than waiting for invoices to process.

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

(State Number: 22-1156-05)

(2022-066)

Title: Internal control over ELC program suspension and debarment needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Division of Contract Management
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (COVID-19)
Assistance Listing Number: 93.323
Federal Award Identification Number: NU50CK000523

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 180.220 and .300; Division of Contract Management Policy

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR 180.220.

The Division of Contract Management (DCM) requires all subrecipients to register in the System of Award Management (SAM) prior to awarding Federal funds to a recipient. DCM's policy also requires annual verification, review and documentation of suspension and debarment compliance obtained from the SAM website. This document is required to be retained for each subrecipient that administers the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) grant.

Condition: The Department of Health and Human Services' DCM administers subrecipient contracts for the ELC program. Included in all contracts is a Debarment, Performance, and Non-Collusion Certification. Annually, contract administrators are responsible for verifying that entities are not suspended or debarred on the SAM website.

The Office of the State Auditor (OSA) selected eight subrecipients for testing compliance with suspension and debarment regulations. DCM could not provide documented support that:

- review and verification procedures were completed for five of the eight subrecipients tested.
- one subrecipient was registered on the SAM website. As a result, compliance with suspension and debarment could not be verified. The Department paid $54,423 to the subrecipient.

OSA selected a non-statistical random sample.

Context: The Department provided $5.9 million to the 43 subrecipients that administered the ELC program during fiscal year 2022.

Cause:

- Lack of adequate procedures
- Lack of supervisory oversight

Effect:

- Potential questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement additional procedures to ensure that verification of suspension and debarment procedures are performed, properly documented, and retained. This will ensure that the Department does not enter into an agreement with a suspended or debarred entity.

Corrective Action Plan: See F-24

Management's Response: The Department disagrees with this finding. The Uniform Guidance part 200.214 identifies that non-Federal entities are subject to the non-procurement debarment and suspension regulations in 2 CFR part 180. 2 CFR part 180 requires that "when you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by: (a) Checking SAM Exclusions; or (b) Collecting a certification from that person; or (c) Adding a clause or condition to the covered transaction with that person." The Department meets this requirement as part of the contracting process by collecting certifications from the Community Agencies stating that they are not suspended or debarred. Therefore, we are in compliance with the Federal requirements for Suspension and debarment. The intent of the Department's policy to utilize the System for Award Management Exclusions (SAM) is to be an optional and additional assurance to the required collection of certifications that the next lower tier persons are not suspended or debarred. The SAM is utilized as time and resources permit and is not intended to replace the certifications.

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

Auditor's Concluding Remarks: DCM established the following policies to ensure compliance with Federal regulations:

- Subrecipients must register with the SAM prior to receiving Federal funds.
- Annual verification that the subrecipient is not suspended or debarred must be completed by obtaining and retaining such information from the SAM website.
- A Debarment, Performance, and Non-Collusion Certification is included in the subrecipient contract.

One subrecipient was not registered with the SAM and the Department could not provide documentation to support that verification was performed for five subrecipients.

It is the responsibility of the Department to implement policies and procedures to ensure compliance with Federal regulations. The Department has established such policies and identified these policies as the control mechanism to ascertain that the Department does not contract subrecipients who are suspended or debarred. To attest that a policy is optional negates the effectiveness of the control mechanism.

The Department did not follow its established policies; therefore, a failure in the control process exists.

The finding remains as stated.

(State Number: 22-1156-03)

(2022-067)

Title: Internal control over payments made to and on behalf of TANF clients needs improvement

Prior Year Findings:

FY21	FY20	FY19	FY18
2021-040	2020-039	2019-040	2018-031

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF) (COVID-19)
Assistance Listing Number: 93.558
Federal Award Identification Number: 1901METANF, 2001METANF, 2101METANF

Compliance Area: Activities allowed or unallowed
Allowable costs/cost principles

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $1,447
Likely Questioned Costs: Likely questioned costs totaling $35,002 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 TANF clients for these services and payments to providers on behalf of TANF clients in fiscal year 2022.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 45 CFR 263.11

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 a TANF client for various items and services. The Department also issues TANF payments directly to providers on behalf of TANF clients for services rendered such as child care and transportation. The Office of the State Auditor (OSA) tested 60 payments and found that:

- one payment issued in October 2021 overpaid a provider by $22 for Transitional Child Care. Upon further review, OSA found that an additional $506 was overpaid to the childcare provider during fiscal year 2022. The overpayment was identified by the Department in December 2021; however, as of audit testing, 14 months after the overpayment was identified, there has not been a recoupment.

- one payment overpaid a provider by $15 for Transitional Child Care. Upon further review, OSA found that an additional $555 was overpaid to the childcare provider during fiscal year 2022. The overpayment was identified by OSA during testing.
- one payment overpaid a provider by $17 for Transitional Child Care. Upon further review, OSA found that an additional $323 was overpaid to the childcare provider during fiscal year 2022. The overpayment was identified by OSA during testing.
- one payment issued in May 2022 overpaid a TANF client a total of $75 for clothing. An advance allowance was issued to the TANF client; however, the TANF client did not submit a receipt substantiating the purchase as required. The Department identified the overpayment in July 2022 and $66 of the overpayment was recouped on January 6, 2023.

OSA selected a non-statistical random sample**.**

Context: In fiscal year 2022, payments to TANF clients for services other than direct cash benefits and payments to providers on behalf of TANF clients totaled $6.8 million.

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

Effect:
- Known 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 clients and providers are accurate, allowable, and adequately documented. We further recommend that the Department increase monitoring procedures over these payments.

Corrective Action Plan: See F-24

Management's Response: The Department disagrees with this finding. The Department's effective internal controls identified the overpayments, made the referrals, and followed procedures for two of the four exceptions noted. The two exceptions that we did not identify as overpayments we believe are in accordance with the reasonably calculated requirement to accomplish one or more of the four TANF purposes and should not be considered unallowable. The criteria cited do not indicate any requirement to recoup funds within a specific time frame and the exceptions noted demonstrate the effective internal controls rather than indicate any misuse of funds.

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

Auditor's Concluding Remarks are on the following page.

Auditor's Concluding Remarks: The Department's internal controls did not identify two overpayments in OSA's sample. The Department did identify the other two overpayments in OSA's sample; however, for one of those overpayments, no action had been taken by the Department 14 months after the overpayment was identified. Therefore, the Department's internal controls do not provide reasonable assurance that the Federal award is being managed in compliance with Federal statutes, regulations, and the terms and condition of the award.

In accordance with 2 CFR 200.403, for a cost to be allowable under a Federal award, the costs must be reasonable and necessary for the performance of the Federal award. Overpayments made to providers or clients with Federal funds are not a necessary cost for the performance of the Federal award; therefore, OSA questions the allowability of these costs.

The finding remains as stated.

(State Number: 22-1111-03)

(2022-068)

Title: Internal control over Income Eligibility and Verification System procedures needs improvement

Prior Year Findings:

FY21	FY20	FY19
2021-043	2020-043	2019-037

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF) (COVID-19)
Assistance Listing Number: 93.558
Federal Award Identification Number: 1901METANF, 2001METANF, 2101METANF

Compliance Area: Eligibility
Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 205.56

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department is required to comply with Federal Income Eligibility and Verification System (IEVS) exchange rules and regulations in accordance with program agreements. The Department is required to resolve all discrepancies identified through IEVS reports within 45 days of receipt.

Condition: IEVS is used to exchange information among State and Federal agencies to verify various 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 IEVS reports within 45 days of receipt.

Federal guidance over the TANF program outlines audit procedures to ensure that the State has established and implemented the required IEVS exchange for data matching and verification of such data. These procedures include testing a sample of TANF cases subject to IEVS. OSA requested a list of TANF cases subject to IEVS for testing purposes; in response, the Department provided OSA with all IEVS discrepancy reports run in fiscal year 2022. The reports provided by the Department contain cases for TANF, SNAP, and Medicaid/Medicare, and do not have a specific Federal program indicator. The Department was unable to provide OSA with a report that isolates TANF-specific cases subject to IEVS. Without a population of TANF-specific cases, OSA is unable to verify that the program is in compliance with Federal requirements.

Context: Approximately 195 IEVS reports are required to be generated annually. The number of discrepancies on each report can vary from zero to almost 20,000. The Department cannot determine the number of discrepancies related to TANF.

Cause:
- Lack of resources
- Lack of adequate procedures to ensure that an accurate report of TANF cases subject to IEVS can be provided

Effect:
- IEVS information may not be updated timely in ACES, which could result in incorrect eligibility determinations.
- Failure to maintain documentation to support compliance with required TANF exchange rules may result in the U.S. Department of Health and Human Services penalizing the State up to two percent of the grant award.

Recommendation: We recommend that the Department establish procedures to ensure IEVS discrepancy reports can be provided for the identified Federal award program so that audit procedures can be performed in accordance with Federal regulations.

Corrective Action Plan: See F-25

Management's Response: The Department disagrees with this finding. The Office for Family Independence (OFI) has conducted the required IEVS eligibility verifications. Additionally, sufficient evidence of these efforts has been provided to the Office of the State Auditor so that audit procedures can be performed in accordance with Federal regulations.

OFI utilizes the Federally provided IEVS system which integrates the three named population groups (Medicaid, SNAP, TANF). The IEVS discrepancy reports have not contained Federal program indicators since program inception over 20 years ago. This is consistent with the methodology utilized by the Social Security Administration, as they too group the OFI programs together in their discrepancy reports. These same reports have been provided for prior Single Audits without being considered an exception condition.

Upon request, the Department provided OSA:
1. All IEVS discrepancy reports for State fiscal year 2022, containing cases for Medicaid, SNAP, and TANF.
2. A complete listing of all TANF cases subject to IEVS in State fiscal year 2022.

3. Access to our Automated Client Eligibility System, which documents all IEVS related case notes.

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

Auditor's Concluding Remarks: As stated in the Condition, Federal guidance requires OSA to develop audit procedures in order to test a sample of TANF cases subject to IEVS.

In an internal control meeting on January 9, 2023, between OSA and OFI, OFI management raised concerns regarding IEVS exceptions noted in finding 2021-043 in the fiscal year ending June 30, 2021 Single Audit Report. Management asserted that the exceptions listed in the finding were not TANF-specific as they related mainly to Medicaid and SNAP. In addition, in accordance with Federal guidelines, Assistance Listing Number 93.558, OSA is required to test a sample of TANF cases subject to IEVS in order to meet audit requirements. OSA requested a population of TANF cases subject to IEVS in order to draw a sample for testing purposes. OFI did not provide the information requested and therefore, OSA was unable to test compliance with 45 CFR 205.56.

In response to the materials provided to OSA by OFI:

1. "All IEVS discrepancy reports for State fiscal year 2022, containing cases for Medicaid, SNAP, and TANF." The IEVS discrepancy reports provided by the Department contain cases for Medicaid, SNAP, and TANF, and do not have a specific Federal program indicator to delineate TANF-specific cases. OFI further informed OSA that they did not have the current bandwidth to manually cross-walk the complete list of all TANF eligible recipients against the IEVS discrepancy reports to identify TANF-only cases. OFI insisted that OSA perform the task. Suggesting that OSA crosswalk information to prepare a population for audit testing would impair auditor independence. Auditor independence is defined in Government Auditing Standards issued by the Comptroller General of the United States.
   Therefore, the reports provided cannot be utilized for audit testing.
2. "A complete listing of all TANF cases subject to IEVS in State fiscal year 2022." This list includes all TANF eligible clients for fiscal year 2022 subject to IEVS; however, not all TANF eligible clients will show up on an IEVS discrepancy report.
   Therefore, this listing cannot be utilized for audit testing.
3. "Access to our Automated Client Eligibility System, which documents all IEVS related case notes." This provides OSA with access to ACES for audit testing purposes. As noted above, OSA was not provided the information requested in order to complete audit testing.

Therefore, as detailed in the finding, the Department cannot provide OSA with an accurate population in order to test compliance with 45 CFR 205.56.

The finding remains as stated.

(State Number: 22-1111-02)

(2022-069)

Title: Internal control over subrecipient cash management needs improvement

Prior Year Findings:

FY21	FY20	FY19	FY18	FY17
2021-042	2020-042	2019-035	2018-026	2017-009

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
Assistance Listing Title: Temporary Assistance for Needy Families (TANF) (COVID-19)
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (COVID-19)
Immunization Cooperative Agreements (COVID-19)
Assistance Listing Number: 93.558; 10.557; 93.268
Federal Award Identification Number: 1901METANF, 2001METANF, 2101METANF; 194ME743W5003, 204ME743W5003, 214ME743W5003, 224ME743W5003, 228ME000M2003, 214ME701W1003, 214ME701W1006, 224ME701W1003, 224ME701W1006, 214ME721W6003, 214ME721W6006, 214ME752W7003; NH23IP922604

Compliance Area: Cash management
Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.305

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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: The Department did not monitor subrecipients to ensure they were drawing Federal funds in accordance with cash management requirements.

For cost-settled subawards, Department procedures include making equal advance monthly payments and then 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.

For "cost-settled by invoice" (reimbursement) subawards, Department procedures do not require obtaining documentation to support the monthly invoices submitted by the subrecipient for costs that were already paid by the subrecipient, thus verifying it was for reimbursement and not advance payment.

Context: In fiscal year 2022, the Department provided:

- $17.9 million to subrecipients from TANF grant funds of $81.9 million. TANF's subawards are either cost-settled, cost-settled by invoice, or fee for service.
- $3.6 million to subrecipients from WIC grant funds of $15 million. All of WIC's subawards are cost-settled.
- $2.5 million to subrecipients from Immunization Cooperative Agreements grant funds of $23 million. Immunization Cooperative Agreement's subawards are either cost-settled or cost-settled by invoice.

Cause:

- Misinterpretation of Federal regulations. 2 CFR 200.305(b)(1) references that the timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity. The Department interpreted this Federal requirement to mean it applied to the State; however, the requirement is directed towards non-Federal entities other than states.
- Lack of adequate subrecipient monitoring procedures. In addition to monitoring the total amount paid to subrecipients, the Department is required to monitor the timing between when the subrecipient receives Federal funds from the Department and when the subrecipient disburses those funds for program purposes.

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 for cost-settled subawards.
- the payment of Federal funds to the subrecipient is for reimbursement purposes, and not for advance payment, for "cost-settled by invoice" subawards.

Corrective Action Plan: See F-25

Management's Response: The Department disagrees with this finding. The Department reviews budgeted expenses to determine their timing and nature (one time, recurring, allowability); reviews quarterly expense reports and alters payments to meet immediate cash needs, and finally, monitors subrecipient single audits to ensure there are no cash management findings. The Department's approach is administratively reasonable and does minimize the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes given administrative and operational needs. We believe we have procedures in place that can be corroborated by the fact that our subrecipients do not receive single audit findings related to cash management.

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

Auditor's Concluding Remarks: The subrecipient monitoring procedures outlined in Management's Response do not ensure that subrecipients are drawing funds in accordance with Federal cash management requirements, as follows:

- Reviewing budgeted expenses is not monitoring the subrecipient's compliance with cash management requirements as the subrecipient has not disbursed the funds yet.
- The Department does not obtain documentation to support the timing of the subrecipient's expenditures reported on the quarterly expense reports and to substantiate compliance.
- Though reviewing the subrecipient's Single Audits for findings is beneficial:
    - the Single Audit is usually completed towards the end or after the grant award period.
    - it is not guaranteed that cash management will be selected for testing by the subrecipient's auditor; therefore, relying on the subrecipient's auditor to discover cash management issues is not an adequate procedure to monitor the subrecipient's compliance with that requirement.

Therefore, the Department was noncompliant with Federal regulation 2 CFR 200.305 that requires monitoring cash drawdowns of 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.

The finding remains as stated.

(State Number: 22-1111-04)

(2022-070)

Title: Internal control over TANF client child support sanction procedures needs improvement

Prior Year Findings:

FY21	FY20
2021-046	2020-040

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF) (COVID-19)
Assistance Listing Number: 93.558
Federal Award Identification Number: 1901METANF, 2001METANF, 2101METANF

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 264.30; 42 USC 608(a)(2)

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 (sanction requests) to TANF personnel when individuals not cooperating with child support enforcement requirements are identified. If TANF personnel determine that the individual needs to be sanctioned after reviewing the individual's case, they will process the sanction request in the Automated Client Eligibility System (ACES).

Federal guidance requires the Office of the State Auditor (OSA) to develop audit procedures in order to test a sample of cases referred to TANF by DSER. OSA requested a list of sanction requests from DSER for testing purposes. In response to this request, the Department provided 960 email notifications relating to child support sanction requests. OSA selected a random sample of 60 emails from the population for testing and determined the following:

- 35 emails were DSER requests to lift prior sanctions imposed. OSA was unable to determine if the sanction was requested and referred during the fiscal year.
- One email requested a child support affidavit which is not related to child support sanctions.
- One email contained a disability determination review application which is not related to child support sanctions.
- One email requested a child support sanction but omitted client identification information required to process the request.

Therefore, OSA was unable to test compliance with sanction requirements for 38 of the 60 emails sampled from the population of sanction requests provided by the Department.

OSA selected a non-statistical random sample.

Context: DSER personnel transmit sanction requests through email to a general inbox that receives other notifications and collects approximately 400 emails per day. The sanction requests are then forwarded by a designated supervisor to the appropriate TANF personnel to be processed in ACES.

Cause:

- Lack of resources. The Department is unable to obtain a complete listing of sanction requests from DSER without dedicating a significant amount of time and resources sorting through the general email inbox.
- Lack of supervisory oversight

Effect:

- Noncompliant clients may be paid benefits that they are not entitled to receive.
- Failure to maintain appropriate documentation to demonstrate compliance with Federal program 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 establish procedures to ensure that all sanction requests are maintained in a central repository so that they can be easily retrieved for tracking and review purposes. We further recommend that the Department increase oversight to ensure compliance with Federal requirements.

Corrective Action Plan: See F-25

Management's Response: The Department disagrees with this finding. The Office for Family Independence (OFI) has sufficient internal controls in place to ensure compliance with Federal requirements. Specifically, based on the finding's stated condition, OSA did not take exception with the 22 items that were actually tested for compliance. Additionally, OFI has provided sufficient information for OSA to identify and conduct the audit and compliance testing of cases referred by DSER for sanction.

The Department has provided OSA with the following material as requested:

1. The list of all sanction referrals generated by OFI-DSER, the Title IV-D agency.
2. The list of all OFI-TANF clients actually sanctioned by TANF Eligibility.
3. The list of all OFI-TANF clients
4. Copies of all emails pertaining to all sanction activity
5. Access to our Automated Client Eligibility System which includes all documented case notes.

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

Auditor's Concluding Remarks: As stated in the Condition, Federal guidance requires OSA to develop audit procedures in order to test a sample of cases referred to TANF by the Title IV-D agency, DSER.

In an internal control meeting held on January 11, 2023, between OSA and the Department, the Department identified the control process over sanction requests used by DSER staff after non-compliance by a Custodial Parent (CP) as an email generated by DSER staff that is sent to a general email box at OFI with the subject line of "Sanction Request". The Department established that the referral email alerts OFI Eligibility Specialists to the issue and requests OFI to sanction the CP. OSA requested the population of these emails in order to draw a sample for audit testing and was provided a listing of 960 emails from which OSA selected a random sample.

OSA tested compliance with sanction requests from the random sample. As a result of this testing, OSA agrees that the population provided by the Department was incorrect.

In response to the materials provided to OSA by the Department:

1. "The list of all sanction referrals generated by OFI-DSER, the Title IV-D agency." This list was generated based on noncooperation dates entered in the Child Support Enforcement of Maine (CSEME) system; however, the Department confirmed that noncooperation dates are not consistently entered into CSEME by DSER personnel.
   Therefore, this list cannot be relied upon.
2. "The list of all OFI-TANF clients actually sanctioned by TANF Eligibility." This list documents sanction requests that were processed by OFI Eligibility. The list omits requests where OFI eligibility determined a sanction request was not required.
   Therefore, this list cannot be relied upon.
3. "The list of all OFI-TANF clients." This list includes all TANF eligible clients for fiscal year 2022; however, not all TANF eligible clients are sanctioned for child support noncooperation.
   Therefore, this list cannot be relied upon.
4. "Copies of all emails pertaining to all sanction activity." The Department provided OSA with 960 emails that were both sanction and non-sanction related. Suggesting that OSA categorize emails to delineate sanction requests versus other emails in order to prepare a population for audit testing would impair auditor independence. Auditor independence is defined in Government Auditing Standards issued by the Comptroller General of the United States.
   Therefore, as noted above, this list cannot be relied upon.

Auditor's Concluding Remarks are continued on the following page.

5. “Access to our Automated Client Eligibility System (ACES) which includes all documented case notes.” This provides OSA with access to ACES for audit testing purposes which OSA completed based on the information provided by the Department.

Therefore, as detailed in this finding, the Department cannot provide OSA with an accurate population in order to test compliance with 45 CFR 264.30.

The finding remains as stated.

(State Number: 22-1111-01)

(2022-071)

Title: Internal control over TANF subrecipient risk evaluation procedures needs improvement

Prior Year Findings:

FY21	FY20	FY19	FY18	FY17
2021-048	2020-044	2019-038	2018-030 2018-032	2017-013

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
Assistance Listing Title: Temporary Assistance for Needy Families (TANF) (COVID-19)
Assistance Listing Number: 93.558
Federal Award Identification Number: 1901METANF, 2001METANF, 2101METANF

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 has established subrecipient monitoring procedures depending on whether the subaward is competitively bid or not.

If a subaward is competitively bid, the Department seeks input from the Department of Health and Human Services Service Center, and the Department's Division of Audit and Division of Contract Management regarding known issues with the provider who submitted the bid. Those responses are collected and provided to the evaluation team which consists of various program personnel. The subaward agreement is then drafted and the level of subrecipient monitoring is included in the agreement.

If a subaward is not competitively bid, the subaward agreement is drafted based on the level of subrecipient monitoring that the Department has established for the provided services.

The Office of the State Auditor (OSA) selected seven TANF subrecipients for testing and found:

- one subrecipient competitively bid on the subaward. The Department was able to provide evidence to support that feedback was solicited from other Bureaus for any known issues or prior noncompliance; however, documentary evidence could not be provided to support the level of subrecipient monitoring that was completed.
- six subrecipients did not competitively bid on the subaward. For those six subrecipients, no documentary evidence could be provided to support the level of subrecipient monitoring that was completed.

OSA selected a non-statistical random sample.

Context: The Department provided $17.9 million to TANF subrecipients during fiscal year 2022.

Cause: Lack of adequate policies and procedures

Effect:

- Without a documented process, subrecipient risk evaluation procedures may not be consistently followed, and documentation may not be adequately maintained.
- 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:

- document procedures that outline the collaborative process with all Bureaus.
- implement policies and procedures that require evaluation of each subrecipient's risk of noncompliance specifically for the purposes of determining the appropriate subrecipient monitoring to be performed. This will ensure subrecipients are monitored appropriately based on risk designation.

Corrective Action Plan: See F-26

Management's Response: The Department disagrees with this finding. The Department has subrecipient monitoring procedures for all of its subrecipients whether they were competitively bid or not. The first assessment of risk, as noted in the finding, is when a subaward is competitively bid. Secondly, another risk assessment built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which requires higher risk subrecipients to undergo a higher level of testing. Additionally, there are audit and review requirements at a much lower threshold than that of the Uniform Guidance (UG). Finally, the Social Service Unit of the Division of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk. The Department's subrecipient monitoring procedures ensures that we comply with the UG 200.332(d) Pass-through entity (PTE) monitoring of the subrecipient must include: 1) Review of financial and performance reports. 2) Following-up and ensuring that subrecipients take timely and appropriate action on all deficiencies. 3) Issues management decisions. 4) PTE is responsible for resolving audit findings specifically related to the subaward. Based on the Department's MAAP rules we ensure we comply with UG 200.332(e). Depending on the PTE's assessment of risk, the following tools may be useful: 1) Training and technical assistance. 2) On-site reviews. 3) Arranging for agreed upon procedures. The Department covers #3 by ensuring that all of our subrecipients have a requirement to submit to the Department a/an Audit, Review or Schedule of Expenditures of Department Awards (SEDA).

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

Auditor's Concluding Remarks: The Department has misinterpreted the Federal regulation cited in this finding. The Department has responded to 2 CFR 200.332(d), which identifies monitoring procedures to be conducted during the subrecipient award period. OSA audited compliance with this during-the-award monitoring requirement and did not identify deficiencies.

The Federal regulation that the Department failed to meet is 2 CFR 200.332(b). This regulation identifies procedures to be performed prior to monitoring procedures in order to determine the level of monitoring required for each subrecipient. 2 CFR 200.332(b) states that the Department must 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, which may include consideration of factors such as:

- the subrecipient's prior experience with the same or similar subawards;
- the results of previous audits including whether or not the subrecipient receives a Single Audit, and the extent to which the same or similar subaward has been audited as a major program;
- whether the subrecipient has new personnel or new or substantially changed systems; and
- the extent and results of Federal awarding agency monitoring.

The Department did not provide any documentation to support that monitoring procedures performed were based on an evaluation of the subrecipient's risk of noncompliance.

The finding remains as stated.

(State Number: 22-1111-05)

(2022-072)

Title: Internal control over special reporting needs improvement

Prior Year Findings:

FY21
2021-041

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
Assistance Listing Title: Temporary Assistance for Needy Families (TANF) (COVID-19)
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (COVID-19)
Immunization Cooperative Agreements (COVID-19)
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (COVID-19)
Assistance Listing Number: 93.558; 93.323; 93.268; 10.557
Federal Award Identification Number: 1901METANF, 2001METANF, 2101METANF; NU50CK000523; NH23IP922604; 194ME743W5003, 204ME743W5003, 214ME743W5003, 224ME743W5003, 214ME701W1003, 214ME701W1006, 224ME701W1003, 224ME701W1006, 214ME721W6003, 214ME721W6006, 214ME752W7003, 228ME000M2003

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 170

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Agencies must report each subaward that equals or exceeds the first-tier subaward threshold of $30,000 in Federal funds in the public-facing Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System.

Condition: When an amount exceeding the first-tier subaward threshold is awarded to a subrecipient, the Department must collect and enter data into the FFATA Subaward Reporting System. The Department erroneously reported subaward data in the FFATA Subaward Reporting System based on individual Federal Award Identification Numbers (FAIN) within subawards; however, the required reporting threshold should have been based on the obligating action represented by the subaward. There can be numerous FAINs within one subaward.

Additionally, the Department could not provide evidence that any of the FFATA reports were reviewed prior to submission in the FFATA Subaward Reporting System to ensure the information entered was accurate and complete.

Context: During fiscal year 2022, the Department disbursed $35.3 million in first-tier subawards to 75 subrecipients from the TANF, ELC, Immunization Cooperative Agreements, and WIC programs. Of the 75 subrecipients, 62 subrecipients received subawards exceeding the first-tier subaward threshold. These 62 subawards totaled $35.1 million in fiscal year 2022.

Cause:
- Misinterpretation of Federal regulations
- Lack of adequate policies and procedures
- Lack of supervisory review

Effect:
- Inaccurate, incomplete, and untimely information was and may continue to be reported to the Federal government. This information may be used for programmatic, policy, or statistical purposes.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement policies and procedures to ensure all subawards that meet or exceed the first-tier subaward threshold are reported accurately, timely, and in accordance with Federal regulations. We further recommend that the Department retain documentation of supervisory review for each FFATA report submitted in the FFATA Subaward Reporting System.

Corrective Action Plan: See F-26

Management's Response: The Department agrees with this finding. The Department implemented the corrective action plan from FY21, and it is currently in place. In summary, the Department revised the standard operating procedure and improved the technology to ensure data accuracy and added a layer of review to ensure accuracy of the FFATA reporting. This was finalized in November of 2022.

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

(State Number: 22-1100-01)

(2022-073)

Title: Internal control over TANF reporting needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF) (COVID-19)
Assistance Listing Number: 93.558
Federal Award Identification Number: 1901METANF, 2001METANF, 2101METANF

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.302(b)

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must maintain accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with reporting requirements.

Condition: The Department is required to submit accurate and complete financial reports to the Federal government. On the *SF-425* financial report for the period ending December 31, 2021, cumulative Federal cash disbursements should have been reported in the amount of $54,898,345 instead of $32,885,310.

Context: TANF program expenditures totaled $81.9 million in fiscal year 2022.

Cause: Lack of supervisory oversight

Effect: Noncompliance with Federal reporting requirements

Recommendation: Although TANF is no longer required by the Federal government to submit *SF-425* reports beginning with the period ending March 31, 2022, we recommend that the Department enhance their review procedures to ensure all financial reports are accurate and complete.

Corrective Action Plan: See F-27

Management's Response: The DHHS and the DHHS Financial Service Center agree with this finding. Effective April 1, 2022, the US Department of Health and Human Services grant recipients are no longer required to complete the quarterly Federal Cash Transaction Report "FCTR" (also referred to as the FFR-425 or SF-425) to report cumulative Federal cash disbursements. Procedures are currently in place to ensure Federal financial reporting is reviewed accurately.

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

(State Number: 22-1100-03)

(2022-074) Confidential finding, see below for more information

Title: ________ over the ________ needs improvement

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

Prior Year Findings:

FY21	**FY20**	**FY19**	**FY18**
Redacted	Redacted	Redacted	Redacted

Type of Finding: Material weakness

Corrective Action Plan: See F-27

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0905-03)

(2022-075)

Title: Internal control over TANF performance reporting and work participation procedures needs improvement

Prior Year Findings:

FY21	FY20	FY19	FY18	FY17
2021-047	2020-041	2019-039	2018-028	2017-012

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF) (COVID-19)
Assistance Listing Number: 93.558
Federal Award Identification Number: 1901METANF, 2001METANF, 2101METANF

Compliance Area: Reporting
Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 261.60 through .62; 45 CFR 265.7 and .8

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 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 14 clients, including inaccurate:

- subsidized childcare,
- countable months towards the Federal time limit of 60 months,
- work participation status,
- unsubsidized employment hours,
- and vocational education training hours

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 2022, 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 36,000 to 38,000 clients.

Cause:
- Lack of adequate procedures to ensure work participation data is accurately reflected in the Automated Client Eligibility System (ACES) and Fedcap Customer Assistance for Re-employment and Economic Support (FedcapCARES) case management system, 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 TANF's 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 enhance existing procedures 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. This should include increased systemic monitoring to improve the reliability of work participation data that is reported to the Federal government.

Corrective Action Plan: See F-27

Management's Response: The Department agrees with this finding. The Department acknowledges eight of the fourteen cases cited as containing errors. Significant improvements have been made to the systemic monitoring of the ACF-199 and ACF-209 reports as evidenced by recent edits to the standard operating procedures governing this system in February and May of 2022. Due to the nature of corrective action plans, and the timing of the state audit, the Department does not believe a corrective action plan is warranted at this time.

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

(State Number: 22-1111-06)

(2022-076)

Title: Internal control over TANF subrecipient audit procedures needs improvement

Prior Year Findings:

FY21
2021-049

State Department: Health and Human Services
State Bureau: Division of Audit
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF) (COVID-19)
Assistance Listing Number: 93.558
Federal Award Identification Number: 1901METANF, 2001METANF, 2101METANF

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

When a subrecipient's Federal award expenditures are expected to equal or exceed $750,000 during the fiscal year, the Department must verify that the subrecipient is audited.

Condition: The Department requires subrecipients to submit their Single Audit to the Department's Division of Audit. The Division maintains a database to track when subrecipient Single Audit reports are due and ensures that they are received.

The Office of the State Auditor (OSA) tested four TANF subrecipients that had a Single Audit due in fiscal year 2022 for compliance with Federal regulations and found that the Division did not obtain the Single Audit for one subrecipient. The Division could not provide documentation to support that they contacted the subrecipient when the Single Audit was late. OSA was able to confirm that the subrecipient did have a Single Audit as required.

Context: A Single Audit was due in fiscal year 2022 for eight TANF subrecipients that received $28.2 million of Federal funds in fiscal year 2021.

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

Effect: Noncompliance with Federal regulations

Recommendation: We recommend that the Department enhance existing procedures to ensure that subrecipients that expend $750,000 or more in Federal awards complete and submit a Single Audit within the required time requirements.

Corrective Action Plan: See F-27

Management's Response: The Department agrees with this finding. We will revise our standard operating procedures (SOP) to include the search for out of state subrecipients on the Federal Audit Clearinghouse.

Contact: Herb Downs, Director, Division of Audit, DHHS, 207-287-2778

(State Number: 22-1100-02)

(2022-077)

Title: Internal control over Child Support Enforcement expenditures needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Child Support Enforcement
Assistance Listing Number: 93.563
Federal Award Identification Number: 2001MECSES, 2101MECSES, 2201MECSES

Compliance Area: Activities allowed or unallowed
Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.302; 2 CFR 200.403; Cooperative Agreement Between State of Maine DHHS and Maine State Judicial Branch for State Fiscal Years 2022 and 2023, Section V (b)(1)

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Costs must be adequately documented. The State's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to determine that such funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Except where otherwise authorized by statute, costs must conform to any limitations or exclusions set forth in cost principles or in the Federal award as to types or amount of cost items.

The Administrative Office of the Courts (AOC) under the Judicial Branch must provide a report to the Department of Health and Human Services' (DHHS) Division of Support and Recovery (DSER) for all Judicial Branch estimated expenditures. This report must detail costs that are eligible for Federal financial participation and must be provided within 35 calendar days after the close of the quarters ending in March, June, September, and December. These estimated expenditures are calculated using the per minute rate that was in effect for the prior fiscal year. Within 35 days after the close of the State fiscal year, the AOC will update the per minute rate and provide DSER a report with actual expenditures for the State fiscal year.

Condition: The Child Support Enforcement (CSE) program is administered by DSER within DHHS. DHHS has a cooperative agreement with AOC that defines roles, relationships, and responsibilities of the parties, and sets forth a basis for financial reimbursement for court services provided to DHHS by AOC. These services include conducting paternity hearings; hearings to establish, modify, or enforce support orders; civil and criminal complaint hearings related to CSE; providing mediation services; and conducting proceedings related to income withholding responsibilities.

AOC sends monthly invoices to the DHHS Service Center (DHHS SC) with estimated costs for work performed for the CSE program. DHHS SC is responsible for transferring funds from the CSE program to AOC. On a quarterly basis, AOC provides DHHS SC with a reconciliation of estimated costs to actual costs. This quarterly reconciliation utilizes the per minute rate that was in effect for the prior fiscal year and is due 35 days after the close of the quarter. Annually, the per minute rate is updated and AOC provides DHHS SC with a final report of actual costs with the updated per minute rate. This final report is due within 35 days after the close of the fiscal year.

The Office of the State Auditor (OSA) selected six transfers from DHHS SC to AOC for testing and found that costs incurred for court services were not adequately supported. DHHS SC did not receive two quarterly reports from AOC; therefore, court expenditures were based on estimated costs rather than actual costs. Furthermore, the annual report and reconciliation of estimated costs to actual costs was not completed until five months after the fiscal year end. As a result, expenditure amounts reported by the CSE program are not based on actual costs. OSA reviewed the annual reconciliation and determined that the variance is not material to the program.

OSA selected a non-statistical random sample.

Context: The CSE program expended $18.8 million in Federal funds during fiscal year 2022, of which $2.2 million was used for court services.

Cause: Management override of controls. The program elected to defer reconciling estimated costs to actual costs until the per minute rate was updated by AOC.

Effect: CSE program expenditures for fiscal year 2022, specifically relating to AOC expenditures, were understated by the amount included in the annual reconciling invoice for AOC.

Recommendation: We recommend that the Department enhance oversight of established procedures to ensure that CSE is in compliance with Federal regulations.

Corrective Action Plan: See F-27

Management's Response: The Department agrees with this finding. The Division of Support Enforcement and Recovery and the Judicial Branch will modify the language of the cooperative agreement to clarify that all allowable costs subject to federal financial participation are adequately and timely documented.

Contact: Jerry Joy, Director, Division of Support Enforcement and Recovery, DHHS, 207-624-6985

(State Number: 22-1128-02)

(2022-078) Confidential finding, see below for more information

Title: ________ over ________ and ________ needs improvement

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

Prior Year Findings: None

Type of Finding: Material weakness

Corrective Action Plan: See F-28

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0906-03)

(2022-079)

Title: Internal control over the CCDF Cluster eligibility determination process needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Office of Child and Family Services
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: CCDF Cluster (COVID-19)
Assistance Listing Number: 93.489, 93.575, 93.596
Federal Award Identification Number: 2101MECCDF, 2001MECCDF, 2101MECCC5, 2001MECCC3, 2101MECDC6, 2101MECSC6

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

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 Child Care and Development Fund (CCDF) provides child-care benefits to parents based on financial and program eligibility factors. Eligibility for benefits is determined based on application information from families that is manually entered into the Maine Automated Child Welfare Information System (MACWIS) by Department personnel. Once the application information has been entered, computerized eligibility determinations are processed through MACWIS. There is no secondary review of manually entered application information prior to initiation of computerized eligibility determinations.

The Department does not have a process in place to ensure information entered into MACWIS is accurate and in agreement with paper application information prior to eligibility determinations and resulting benefit payments. While the Department does have subsequent monitoring procedures in place, this does not prevent the potential utilization of inaccurate information for eligibility determination.

Context: In fiscal year 2022, the Department processed 6,862 family applications and provided $46.3 million in benefits under programs within the CCDF Cluster.

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

Effect: Inaccurate information manually entered into MACWIS could result in individuals not eligible for services being deemed eligible or eligible individuals being deemed ineligible.

Recommendation: We recommend that the Department implement policies and procedures that require a review of manually entered CCDF program application information prior to eligibility determinations.

Corrective Action Plan: See F-28

Management's Response: The Department of Health and Human Services (DHHS) management disagrees with the audit finding that the CCDF program is not meeting requirements identified in 2 CFR 200.303 Internal controls, (a).

DHHS believes the current internal controls that are in place provide reasonable assurance that DHHS is managing federal funds in compliance with all regulations. Although "reasonable" is not defined, DHHS believes it is effectively meeting the Administration for Children and Families' (ACF) expectations, as the funding source, as well as meeting the Child Care Development Fund (CCDF) grant goals and objectives.

ACF approved Maine's FFY22-24 CCDF State Plan which includes a description of OCFS' internal control activities.

The potential effect or risk identified by OSA is that without implementing a secondary review of all data entry in the income field, individuals not eligible for services could be deemed eligible or eligible individuals could be deemed ineligible which would result in Improper Payments. In the last quarter of FFY 2022, the Improper Payments rate was 3.37%, well below the federal threshold of 10%. Inaccurate data entry was not noted as a significant cause of Improper Payments.

Contact: Todd Landry, Director, Office of Child and Family Services, DHHS, 207-624-7900

Auditor's Concluding Remarks: The monitoring procedures outlined in Management's Response do not include specific controls to ensure that the information entered into MACWIS is accurate and in agreement with paper application information prior to making eligibility determinations. The risk that improper payments will be made or that benefits will be denied for families that should have been deemed eligible would be mitigated by establishing a secondary review of manually entered application information.

As part of the fiscal year 2022 audit, OSA reviewed the *ACF-404 State Improper Payments Report* submitted in August 2021. This report identified a 14.49 percent improper payment rate in the cases reviewed. In addition, 24.64 percent of cases reviewed contained erroneous case information. In response to the significant error rates identified in the report, the Department was required to prepare and submit a comprehensive corrective action plan.

As stated in the *ACF-404*, corrective action was initiated in October 2021; therefore, the control deficiencies existed for several months during fiscal year 2022. The improper payment rate of 3.37 percent included in Management's Response relates to the quarter ending

September 30, 2022, which was after the required corrective action and also outside of the audit period.

The report submitted during the audit period, along with the required corrective action, validates the necessity for enhanced control procedures to prevent utilization of inaccurate case information in eligibility determinations.

The finding remains as stated.

(State Number: 22-1114-01)

(2022-080)

Title: Internal control over Long Term Care Facility audits needs improvement

Prior Year Findings:

FY21	FY20	FY19	FY18	FY17	FY16	FY15
2021-050	2020-048	2019-047	2018-049	2017-025	2016-025	2015-005

State Department: Health and Human Services
State Bureau: Division of Audit
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 2105ME5MAP, 2205ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 42 CFR 447.253(g); MaineCare Benefits Manual, Chapter III, Sections 50 and 67

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department is required to provide for the periodic audits of the financial and statistical records of participating providers.

The MaineCare Benefits Manual (MCBM) Chapter III, Sections 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 365 days of receipt of an acceptable cost report filing.

Condition: The Division of Audit did not issue Long Term Care Facility (LTCF) audits in accordance with Federal regulations. LTCF audits include both audits of NFs and Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IIDs).

<u>LTCF – Nursing Facilities</u>
The MCBM states uniform desk reviews shall be completed within 365 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. Unless the Division of Audit intends to schedule an on-site audit or an unusual situation referenced above exists, a written summary report of findings and adjustments shall be issued upon completion of the uniform desk review.

The population of NF uniform desk reviews due for issuance in fiscal year 2022 was 140. Of those 140 uniform desk reviews, one was issued timely, 49 were issued 47 to 487 days late, and 90 had not been issued at the time of audit testing.

<u>LTCF – ICF/IIDs</u>
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."

Neither 42 CFR nor the MCBM specifies a specific timeframe to complete an audit of a ICF/IID cost report. The Division of Audit has stated its understanding of the periodic requirement to be that all ICF/IID cost report audits must be completed "at some point in time." The Department has audit responsibilities over 16 ICF/IID facilities. The Division of Audit issued 12 audits during fiscal year 2022. Of those 12 audits, 9 were issued in under 365 days, and 3 were issued in a range of 497 to 505 days after receipt of the cost report.

Context: The Department provided $316.1 million in Federal Medicaid funding and $84.5 million in State Medicaid funding to LTCFs during fiscal year 2022 as follows:

- Nursing Facilities:
    - $286.2 million in Federal funding
    - $84.5 million in State funding
- ICF/IID:
    - $29.9 million in Federal funding

Cause:

- Lack of resources
- Lack of explicit guidance regarding the timeframe for LTCF audit issuance
- The Department asserts that the State is in compliance with timeframe requirements for ICF/IID audit issuance.

Effect: Noncompliance with Federal and State regulations

Recommendation: We recommend that the Department reallocate resources to address the backlog of audits and uniform desk reviews. Timely audit issuance will minimize the impact on providers of potential payables and receivables. We further recommend that the Department update the MCBM to provide an explicit timeframe for issuance of ICF/IID audits in line with NFs.

Corrective Action Plan: See F-29

Management's Response: The Department agrees with this finding in regard to LTCF - Nursing Facilities. The delay in completing the Nursing Facilities audits is the result of staff shortages and competing priorities due to COVID-19 activities, such as reconciling outbreak payments. Once the Public Health Emergency (PHE) officially ends, the staff assigned to COVID-19 related activities will be reassigned to LTCF audits, which will help with more timely processing.

The Department disagrees with this finding in regard to LTCF - ICF/IID's. The ICF/IID audits do not have a specific time requirement in the MBM for completion. The federal regulations only require that periodic audits of financial records occur. All ICF/IID cost reports submitted to the Department are recorded in a database and tracked for audit purposes. All cost reports are audited as resources are available. We have worked with our Federal partners who have agreed with our interpretation of the regulation and the timing of our audits for the ICF/IIDs.

Contact: Herb Downs, Director, Division of Audit, DHHS, 207-287-2778

Auditor's Concluding Remarks: 42 CFR 447.253(f-g) states "[the agency] must provide for the periodic filing of uniform cost reports by each participating provider [and] periodic audits of the financial and statistical records of participating providers." The Department is correct in its assertion that the regulation does not define a timeframe for either the filing of uniform cost reports by providers or the audit of financial and statistical records; however, the following factors must be considered:

- MCBM Chapter III, Section 50 (ICF/IIDs) states the following:
  - "All long-term care facilities are required to submit annual cost reports," and
  - "The cost report and financial statements for each facility shall be filed no later than five (5) months after the fiscal year end of the provider."
- MCBM Chapter III, Section 67 (NFs) states the following:
  - "Each long-term care facility in Maine must submit an annual cost report within five (5) months of the end of the fiscal year,"
  - "The Division of Audit shall perform a uniform desk review on each cost report submitted," and
  - "Uniform desk reviews shall be completed within three hundred and sixty-five (365) days after the receipt of an acceptable cost report filing."

  ICF/IIDs are LTCFs. Though the language regarding audit timeframe is omitted from MCBM Chapter III, Section 50 (ICF/IIDs), it is reasonable to conclude that all LTCFs, including ICF/IIDs, must submit cost reports annually and the Department must perform LTCF audits annually.
- The Department's interpretation that there is no deadline for performing audits of the financial and statistical records of certain classifications of LTCFs leads to an open-ended timeframe where audits of LTCF cost reports are never required to be completed. As noted in the preceding bullet, this is inconsistent with other LTCF sections of the MCBM.
- The Department requires that providers submit cost reports annually. The periodic audit of a facility's financial and statistical records should follow the same pattern as the periodic submission of those financial and statistical records. Failure to do so leads to delays in

identifying funds due to or due from the provider, which could lead to financial hardship for the facility and threaten the care Medicaid clients receive.

- Delays in identifying funds due from a facility postpone recoupment of overpayments by the State and postpone Federal reimbursement for those funds.
- Delays in performing audits prevents the Department from providing reasonable assurance that the Department is managing the Federal award as required by 2 CFR 200.303.

In addition to reallocating resources to address the backlog of audits, OSA continues to recommend that the Department update the MCBM to align financial and statistical reporting and auditing requirements across all LTCFs, including ICF/IIDs. This will serve to mitigate the risks posed by these delays.

The finding remains as stated.

(State Number: 22-1106-04)

(2022-081)

Title: Internal control over cases opened due to potential fraud, abuse, or questionable practices needs improvement

Prior Year Findings:

FY21	FY20	FY19	FY18	FY17	FY16
2021-051	2020-051	2019-048	2018-052	2017-027	2016-032

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 2105ME5MAP, 2205ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 42 CFR 455.13 through .15; MaineCare Benefits Manual, Sections 1.17 and 1.18

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 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: The Office of the State Auditor (OSA) judgmentally selected 12 cases related to potential fraud, abuse, or questionable practices based upon the age of the case or the amount of identified recoupment. In OSA's test of 12 cases, 7 cases were found to be inactive for an extended period, ranging from 314 to 1,738 days.

Of the remaining population of cases, a non-statistical random sample of 60 cases was selected. In OSA's test of 60 cases, 5 cases were found to be inactive for an extended period, ranging from 275 to 828 days.

There was no evidence of monitoring or supervisory review during these extended periods.

Context: In fiscal year 2022, the State paid $3.9 billion to providers, including $2.9 billion in Federal funds.

Cause:

- Lack of resources
- Lack of procedures to ensure that cases are continually monitored

Effect:

- Fraud, abuse or questionable practices may remain undetected.
- Costs that should be recovered may not be identified.

Recommendation: We recommend that the Department establish procedures to identify inactive cases to ensure case reviews and investigations are completed in accordance with regulatory requirements and Department procedures.

Corrective Action Plan: See F-29

Management's Response: The Department agrees that the cases identified lacked documentation to support the reason for periods of non-activity. However, the Department notes that 7 of the 12 cases identified by the Auditor either had been closed or had findings issued prior to the Department's receipt of the sample list from the Auditor. Two of the remaining five cases were cases where the assigned staffer left the unit. Those two cases have been reassigned to current staff and are presently being worked. The remaining three cases were instances where the Program Integrity reviewer left their position and were no longer available to handle the cases.

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

(State Number: 22-1106-06)

(2022-082)

Title: Internal control over the eligibility determination process needs improvement

Prior Year Findings:

FY21	FY20	FY19
2021-054	2020-054	2019-052

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
Assistance Listing Title: Medicaid Cluster (COVID-19)
Children's Health Insurance Program (CHIP) (COVID-19)
SNAP Cluster (COVID-19)
Temporary Assistance for Needy Families (TANF) (COVID-19)
Assistance Listing Number: 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
Federal Award Identification Number: 2105ME5MAP, 2205ME5MAP; 2005ME5021, 2105ME5021; SNAP Benefits, Maine; 1901METANF, 2001METANF, 2101METANF

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness

Questioned Costs: None

Criteria: 2 CFR 200.303

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Condition: The Department did not have a documented process in place throughout fiscal year 2022 to ensure information entered into the Automated Client Eligibility System (ACES) is accurate and complete.

Eligibility specialists manually enter information into ACES and initiate computerized eligibility determinations. Documentation supports that there is no process in place to ensure the accuracy of manually entered data used in eligibility determinations.

Supervisors perform a 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.

In June 2022, the Department fully implemented a new supervisory case reading system. Components of the formal case review include a review of the accuracy of data entry and resulting eligibility determinations, and appropriateness of processes. The system also serves as a formalized tracking tool for supervisory case readings.

However, the Department does not have a process in place to review a random selection of cases, track specific issues identified in the reviews, identify common errors, and determine if those errors have a broader impact on eligibility determinations. Cases subject to review are judgmentally selected by supervisors. With approximately 300 eligibility specialists, case reviews are only performed for approximately one percent of all eligibility determinations. Identified errors are corrected in individual case files, but the results of case reviews are not monitored to identify common issues.

In response to the COVID-19 Public Health Emergency (PHE) during fiscal year 2020, Federal oversight agencies waived the requirements for certain eligibility criteria and eligibility determination procedures. These waivers remained in effect throughout fiscal year 2022. As a result, the Department's risk of noncompliance with eligibility determination criteria was significantly reduced. Conversely, as the PHE-related waivers expire, the risk of noncompliance will increase.

The Office of the State Auditor (OSA) issued three other related findings: 2022-025, *Internal control over automated SNAP eligibility determinations and benefit calculations needs improvement*; 2022-083, ________ *over* ________ *needs improvement*; and 2022-085, *Internal control over cost of care assessments needs improvement.*

Context: In fiscal year 2022, the State provided approximately:

- 421,000 Medicaid/CHIP clients with $2.9 billion in Federal benefits;
- 119,000 SNAP clients with $466 million in Federal benefits; and
- 16,000 TANF clients with $35 million in Federal benefits.

Cause: Lack of adequate procedures to prevent, or detect and correct, errors and inaccuracies affecting the overall population of eligibility determinations

Effect:

- Individuals not eligible for services could be determined eligible or eligible individuals could be deemed ineligible.
- Potential questioned costs and disallowances

Recommendation: We recommend that the Department enhance formal case review procedures to include a systematic, random selection of cases for review. This will ensure that a representative sample of eligibility determinations are objectively reviewed. We further recommend that the Department implement procedures to track errors and inaccuracies identified through the review process, determine common issues and areas of concern, and apply those results to the broader population of eligibility determinations. This will ensure that eligibility determinations are performed accurately.

Corrective Action Plan: See F-30

Management's Response: The Department disagrees with this finding. The systems we have in place are both necessary and sufficient in meeting programmatic requirements to ensure accurate eligibility determinations are being made. There has been no citation of federal regulation provided by OSA during this review that contradicts this.

The Department would like to note: 1. Supervisors do a minimum of 1 case reading per month and a minimum of 1 call monitoring per week for staff on phones. It is commonplace for them to do more, especially for a new employee, or known coaching issues. 2. These case readings were tracked by supervisors and units and were tracked centrally on our Streamline Management Y-Drive in SFY2022. 3. Phone calls can be referenced by Supervisors in real time or afterwards, via recording. 4. Specifics of case reading, and call monitoring were formalized with specific expectations in multiple categories, which were followed up on by coaching staff if not all of the expectations were met. With a goal of continuous improvement, it was also noted to the OSA that we formally implemented the Calabrio System which dramatically enhanced and further automated our ability to track Case Readings and Call Monitoring performance statewide in June of 2022. A corresponding user guide was also developed and implemented in June of 2022. This example of continuous quality improvement has led to a more holistic understanding of trends and training needs.

Furthermore, SNAP cases are randomly selected and reviewed by USDA partially-funded SNAP Quality Control staff. These findings are reported monthly to FNS and OFI senior management. A team of QC, training, program, operations, business technology and senior management meet bi-weekly to review trends and implement solutions. These have included technological enhancements, reminder e-mails, targeted trainings, and pop quizzes. While this effort focuses on SNAP, the vast majority of SNAP cases also involve MaineCare, and some include TANF. Solutions for one program typically aid all.

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

Auditor's Concluding Remarks: The Calabrio System was implemented in the final month of the fiscal year; therefore, the system was not in place for the majority of the fiscal year. OSA requested evidence to support the Department's tracking of deficiencies identified through case reading and call monitoring procedures, the application of those results to the broader population of eligibility determinations to track the frequency and cause of deficiencies, and the implementation of broad-based corrective action taken in response to those findings. The Department did not provide evidence that this occurred.

The Department did not demonstrate the establishment and maintenance of effective internal control over the Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards as required by 2 CFR 200.303.

The finding remains as stated.

(State Number: 22-1106-01)

(2022-083) Confidential finding, see below for more information

Title: ________ over ________ needs improvement

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

Prior Year Findings:

FY21	FY20
Redacted	Redacted

Type of Finding: Material weakness

Corrective Action Plan: See F-30

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0905-04)

(2022-084)

Title: Internal control over Medicare Part B premium payments needs improvement

Prior Year Findings:

FY21	FY20	FY19
2021-053	2020-053	2019-050

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
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 2105ME5MAP, 2205ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 42 CFR 431.625

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

42 CFR 431.625 outlines eligibility criteria which, if met, allows 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 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 clients that supports the invoice to the Office of Information Technology (OIT). OIT produces a Monthly Reconciliation Report identifying potential discrepancies between the CMS detailed listing and the Department's eligibility information recorded in ACES. Office for Family Independence personnel use this reconciliation report to identify clients for whom payment should not be made.

In the Office of the State Auditor's (OSA) test of the 12 Monthly Reconciliation Reports required in fiscal year 2022, completion of review or documentation of corrective action could not be provided for two reports.

In OSA's sample of 60 premium payments:

- two premiums were paid by the Department on behalf of clients who were coded eligible on the CMS invoice but were coded not eligible in ACES.
- two premiums were paid by the Department on behalf of clients who were coded eligible in ACES but were not included on the CMS invoice.
- one premium was paid by the Department on behalf of a client who was not coded eligible in ACES and was not included on the CMS invoice.
- seven premiums were paid by the Department on behalf of clients who were coded eligible on the CMS invoice and in ACES; however, discrepancies existed between their Federal and State Buy-In eligibility codes.

The Monthly Reconciliation Report did not identify these discrepancies. However, additional OSA procedures determined that the clients were eligible and the payments were allowable.

OSA selected a non-statistical random sample.

Context: In fiscal year 2022, $121 million in Federal funds and $51 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:

- Potential Medicare Part B premiums paid by the State for ineligible clients
- Potential questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department establish procedures to ensure the review and follow up to Monthly Reconciliation Reports, and that the Department improve procedures for the documentation of those reports. We further recommend that the Department design the Monthly Reconciliation Report to identify all discrepancies.

Corrective Action Plan: See F-30

Management's Response: The Departments agree with this finding. We continue to address this repeat finding as evidenced by substantial edits to our current business practice and the SOP governing Medicare Part B Buy-in reconciliation effective March 10, 2022. Existing work on the SOP development includes the incorporation of a recent CMS implemented web-portal tool to address Medicare Part B Buy-in discrepancies known as ELMO, a tool we are already leveraging.

Work continues to include Information Technology processes in order to determine where system changes may enhance and further automate reconciliation for individuals with SSI and Medicare premium changes.

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

(State Number: 22-1106-03)

(2022-085)

Title: Internal control over cost of care assessments needs improvement

Prior Year Findings:

FY21	FY20	FY19	FY18	FY17	FY16	FY15
2021-055	2020-049	2019-045	2018-053	2017-017	2016-030	2015-012

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 2105ME5MAP, 2205ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: Undeterminable. Incorrectly calculated cost of care (COC) assessments may result in an overpayment or underpayment to the providers when the State makes a payment for long-term care. Since there is not always a claim for every assessment, a projection of questioned costs cannot be reasonably estimated.

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 Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must reduce its payment to an institution for service provided to an individual 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 COC.

Condition: A COC assessment represents the required contribution that a MaineCare recipient must pay toward care in a Long Term Care Facility. The Office for Family Independence (OFI) is responsible for calculating COC assessments for Medicaid for all members in the State. COC assessments are either calculated by the Automated Client Eligibility System (ACES) or calculated manually by eligibility specialists. System generated COC assessments are not subject to secondary review.

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 (OSA) tested a sample of 60 COC assessments and related deductions from paid claims. Two exceptions for COC assessments that were not adjusted correctly after notification of a change in income or expense were identified as follows:

- One COC was calculated correctly but had an incorrect end date. The COC should have ended on June 30, 2022, but was programmed to end on July 31, 2022. This error did not affect any claims in fiscal year 2022.
- One COC was lower than it should have been by $12. The assessment was $1,079 and should have been $1,091 for six months during the fiscal year. This member had six claims where the incorrect COC was applied.

For both exceptions, the COC assessment was calculated correctly by ACES based on the data that was entered into the system; however, that data was entered incorrectly.

OSA selected a non-statistical random sample.

OSA issued two other related findings: 2022-082, *Internal control over the eligibility determination process needs improvement;* and 2022-083, ________ *over* ________ *needs improvement.*

Context: In fiscal year 2022, approximately:

- 26,000 COC assessments were calculated by OFI;
- 9,500 members had COC assessments; and
- $495 million was paid to nursing facilities and residential care facilities.

Cause: Lack of supervisory oversight

Effect:

- Inaccurate COC assessments and retroactive changes may result in overpayments or underpayments for members or the State.
- Potential questioned costs and disallowances

Recommendation: We recommend that the Department implement oversight procedures to ensure that data entered into ACES is accurate and can be relied upon for COC assessment calculations. This will ensure that MaineCare recipients are not overcharged or undercharged for their required contribution towards care in long-term care facilities.

Corrective Action Plan: See F-31

Management's Response: The Department agrees with the two exceptions found by the Office of the State Auditor. However, we believe that the Department has reasonable assurance with the controls in place that results in a 97% compliance rate with the COC calculations, which is a 2% increase from last year. In the prior year's finding the Department committed to continuing to achieve a 95% compliance rate and CMS agreed with the Department and closed the prior finding.

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

(State Number: 22-1106-08)

(2022-086)

Title: Internal control over deceased client cases and claims analysis needs improvement

Prior Year Findings:

FY21	FY20
2021-056	2020-056

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
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 2105ME5MAP, 2205ME5MAP

Compliance Area: Allowable costs/costs principles
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.403

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 upon by the Office of MaineCare Services (OMS) to approve, deny, process, and analyze claims.

OFI relies on numerous data sources for identifying and providing client date of death (DOD) information for input into ACES. In some cases where the exact DOD may not be immediately available, the DOD is entered as the last day of the month so that OFI can close the case of a known deceased client in a timely manner. OFI performs monthly crosswalks to compare the DOD entered in ACES to the reported DOD obtained from the Maine Center for Disease Control & Prevention (MeCDC) vital records.

OMS has established procedures to identify claims paid with a service date after DOD. These procedures include staff review of claims and identification of appropriate action for any claim that was improperly paid, as certain claims with service dates after death are allowable.

With regards to OMS claims identification procedures, OSA analyzed all claims paid for a client with a DOD in fiscal year 2022 and identified 110 claims paid on behalf of 75 clients that had service dates after death but were not identified by OMS procedures. Claims paid on behalf of these clients after DOD totaled $9,988 in fiscal year 2022.

With regards to OFI eligibility procedures, OSA tested a sample of 60 clients with DOD in fiscal year 2022 and identified:

- four clients with a DOD in ACES that did not correspond to the actual DOD provided by MeCDC vital records; and
- one client with no DOD recorded in ACES.

OSA selected a non-statistical random sample.

Audit procedures also identified that:

- three clients for whom claims were paid after DOD had no DOD recorded in ACES; and
- 13 clients with an incorrect DOD identified by OSA during the fiscal year 2021 audit were still not corrected in ACES.

Context: The Medicaid program processed $2.2 billion in paid claims in fiscal year 2022.

Cause:

- Lack of adequate procedures to ensure DOD information is entered accurately and appropriately updated in ACES
- Lack of adequate procedures to ensure all claims paid after a client's DOD are identified

Effect:

- Claims paid on behalf of deceased clients may go undetected.
- Potential questioned costs and disallowances

Recommendation: We recommend that OFI enhance existing procedures to identify and correct DOD information when a known DOD is not initially provided. We further recommend that OFI implement oversight to ensure DOD information is accurately entered into ACES.

We recommend that OMS enhance existing procedures to ensure that all claims with service dates after a client's DOD are identified for review to detect any claims that are not allowable.

Corrective Action Plan: See F-31

Management's Response: The Department partially agrees with this finding. OFI acknowledges a data mismatch of five clients. Edits were made to the standard operating procedures governing the date of death procedures in November of 2021 including articulation of responsible parties and expected timelines for processing. Additionally, OFI continues to process weekly IEVS discrepancy reports based on death data from our federal partners as well as conduct monthly crosswalks with Maine's CDC Office of Vital Statistics.

OMS worked with OSA to review the original population of over 600 claims that were made after a client's DOD. The original claims identified by OSA were reduced to 110. OMS did not have sufficient time to perform a more detailed analysis into the underlying reasons that these 110 claims were made to clients after DOD. OMS will complete the in-depth review and then consider if additional updates to procedures are necessary.

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

Auditor's Concluding Remarks: OFI indicates they have enhanced their procedures as of November 2021, implying these will prevent the types of errors identified in the finding. However, of the three clients for whom no DOD was entered into ACES, two occurred after OFI's November 2021 standard operating procedures update.

Though OSA initially identified approximately 600 claims paid after a client's DOD that were not identified through OMS' procedures, OMS was able to provide additional documentation to remove approximately 500 claims from OSA's list of exceptions. For the remaining 110 claims, OMS could not provide documentation to support that these claims were identified through OMS' procedures.

The finding remains as stated.

(State Number: 22-1106-11)

(2022-087)

Title: Internal control over the outsourced medical claims coding process needs improvement

Prior Year Findings:

FY21	FY20
2021-057	2020-059

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number: 93.775, 93.777, 93.778
Federal Award Identification Number: 2105ME5MAP, 2205ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

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 Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

State Medicaid Agencies (SMAs) are required to incorporate National Correct Coding Initiative (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 CMS NCCI Policy Manual states that SMAs must download specific confidential NCCI edit files available on the secure portal, known as MII RISSNET, 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 Office of MaineCare Services (OMS) contracts with a vendor to process medical claims. The vendor updates the claims processing system to incorporate the NCCI edit files; however, the vendor is not obtaining and applying the specific confidential files from MII RISSNET as required by CMS.

Context: OMS processed $1.9 billion in Federal medical claims in fiscal year 2022.

Cause: OMS determined that the benefit of utilizing the correct coding files did not support the time and expense required to implement the change.

Effect:

- Incorrect coding could result in payment of unallowable claims or denial of allowable claims.
- Potential questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that OMS devote the necessary resources to facilitate claims processing using the MII RISSNET files as required by CMS.

Corrective Action Plan: See F-31

Management's Response: The Department agrees with this finding. The State of Maine is now obtaining and forwarding the RISSNET files to Gainwell. The files for Calendar Year Q4 2022 and Calendar Year Q1 2023 were forwarded prior to the start of Q4 2022 and Q1 2023. Gainwell has provided the files to the vendor, Context, for formatting. Neither file was properly validated or applied. The state will work with Gainwell to ensure the previous files are corrected and to ensure current and future files are processed correctly.

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

(State Number: 22-1106-05)

(2022-088) Confidential finding, see below for more information

Title: ________ over _______ needs improvement

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

Prior Year Findings: None

Type of Finding: Significant deficiency

Corrective Action Plan: See F-31

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0904-01)

(2022-089) Confidential finding, see below for more information

Title: ________ over the ________ needs improvement

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

Prior Year Findings: None

Type of Finding: Significant deficiency

Corrective Action Plan: See F-32

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 22-0904-02)

(2022-090)

Title: Internal control over DG – PA program cash management needs improvement

Prior Year Findings:

FY21
2021-059

State Department: Defense, Veterans and Emergency Management
State Bureau: Maine Emergency Management Agency
Federal Agency: U.S. Department of Homeland Security
Assistance Listing Title: Disaster Grants – Public Assistance (Presidentially Declared Disasters) (COVID-19)
Assistance Listing Number: 97.036
Federal Award Identification Number: 4354DRMEP00000001, 4367DRMEP00000001, 4522DRMEP00000001

Compliance Area: Cash management

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

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 Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 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 no more than seven business days.

Condition: The Maine Emergency Management Agency (MEMA) did not minimize the time between drawdown and disbursement of Federal funds. In the Office of the State Auditor's (OSA) testing of 21 drawdowns:

- the cash balance was not taken into consideration when requesting any of the Federal drawdowns; and

- 11 of the disbursements for program costs ranged from 8 to 45 days after the Federal funds were received.

OSA selected a judgmental and a non-statistical random sample.

Context: During fiscal year 2022, MEMA expended $80.2 million in Disaster Grants – Public Assistance (DG – PA) grant funds.

Cause:
- Lack of adequate policies and procedures
- Lack of staff resources available to process grant drawdowns, monitor cash balances, and process payments to subrecipients due to the increased number of COVID-19 grants managed by the agency

Effect:
- The Federal government may impose more stringent program-specific cash management requirements based on noncompliance.
- Noncompliance with Federal and State regulations

Recommendation: We recommend that the Department develop and implement policies and procedures to ensure that Federal cash is requested based on immediate cash needs which includes consideration of existing cash balances. We also recommend the Department review its staffing needs to ensure there are adequate resources to process and provide supervisory oversight over the increased workload from COVID-19 grants.

Corrective Action Plan: See F-32

Management's Response: The Department agrees with this finding. In State Fiscal Year 2023 MEMA started utilizing the Security and Employment Service Center to draw funds and to ensure the drawdown procedure addresses the need to (1) consider previous cash balances before making a drawdown and (2) ensure the period from drawdown to disbursement does not exceed seven days. The new procedure will provide for limited review and testing by MEMA as appropriate.

Contact: Joe Legee, Deputy Director, MEMA, DVEM, 207-624-4400

(State Number: 22-1502-02)

(2022-091)

Title: Internal control over DG – PA program special reporting needs improvement

Prior Year Findings:

FY21
2021-062

State Department: Defense, Veterans and Emergency Management
State Bureau: Maine Emergency Management Agency
Federal Agency: U.S. Department of Homeland Security
Assistance Listing Title: Disaster Grants – Public Assistance (Presidentially Declared Disasters) (COVID-19)
Assistance Listing Number: 97.036
Federal Award Identification Number: 4354DRMEP00000001, 4367DRMEP00000001, 4522DRMEP00000001

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 170

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Agencies must report each subaward that equals or exceeds the first-tier subaward threshold of $30,000 in Federal funds in the public-facing Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System.

Condition: When an amount exceeding the first-tier subaward threshold is awarded to a subrecipient, the Department must collect and enter data into the FFATA Subaward Reporting System. The Department did not report any of its first-tier subawards under the Disaster Grants – Public Assistance (DG – PA) program in the FFATA reporting system for fiscal year 2022.

Context: First-tier subawards totaled $56 million under the DG – PA program in fiscal year 2022. First-tier subawards account for approximately 70 percent of the program's expenditures.

Cause:
- Competing priorities related to an increase in aid requests as a result of COVID-19
- Lack of resources

Effect:

- Noncompliance with Federal regulations
- First-tier subaward information for the DG – PA program was not reported to the Federal government. This information may be used for programmatic, policy, or statistical purposes.

Recommendation: We recommend that MEMA allocate resources to fully implement newly established procedures to ensure that subrecipient awards are properly reported as required by Federal program regulations.

Corrective Action Plan: See F-32

Management's Response: The Department agrees with this finding. MEMA will ensure FY23 subawards are entered into the FFATA reporting system.

Contact: Joe Legee, Deputy Director, MEMA, DVEM, 207-624-4400

(State Number: 22-1502-04)

(2022-092)

Title: Internal control over the submission and review of DG – PA Schedule of Expenditures of Federal Awards information needs improvement

Prior Year Findings:

FY21
2021-061

State Department: Defense, Veterans and Emergency Management
Administrative and Financial Services
State Bureau: Maine Emergency Management Agency
Office of the State Controller
Federal Agency: U.S. Department of Homeland Security
Assistance Listing Title: Disaster Grants – Public Assistance
(Presidentially Declared Disasters) (COVID-19)
Assistance Listing Number: 97.036
Federal Award Identification Number: 4354DRMEP00000001, 4367DRMEP00000001,
4522DRMEP00000001

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.510; 2 CFR 200, Appendix XI, Assistance Listing Number 97.036; OMB M-20-26

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements which must include the total Federal awards expended.

To maximize the transparency and accountability of COVID-19 related award expenditures, OMB M-20-26 (June 18, 2020) instructed recipients and subrecipients to separately identify the COVID-19 Emergency Acts expenditures on the SEFA. Therefore, non-federal entities should separately identify COVID-19 expenditures on the SEFA. For existing programs that have both COVID-19 expenditures and non-COVID-19 expenditures, this may be accomplished by identifying COVID-19 expenditures on the SEFA on a separate line by Assistance Listing number with "COVID-19" as a prefix to the program name.

Condition: The Department must complete and submit exhibits and related schedules to the Office of the State Controller (OSC) at the close of each fiscal year to report Federal award information for inclusion on the State's SEFA. OSC is responsible for compiling this information on behalf of the State.

In fiscal year 2022, the Department received funding for the Disaster Grants – Public Assistance (DG – PA) program, which had both COVID-19 expenditures and non-COVID-19 expenditures during the fiscal year. At the close of the fiscal year, the Department provided a summary of Federal DG – PA expenditures to OSC; however, the summary did not specifically identify COVID-19 related expenditures under this program.

This summary was then used by OSC to compile and prepare the SEFA. Upon preparation, COVID-19 related expenditures were not identified as such in the SEFA. Subsequent OSC review procedures were not designed to detect and correct this error. As a result, DG – PA COVID-19 related expenditures were not identified on the State's fiscal year 2022 SEFA when provided to the Office of the State Auditor for audit purposes.

Context: During fiscal year 2022, DG – PA program expenditures totaled $80.2 million. Of that amount, $79.5 million were COVID-19 related expenditures.

Cause:

- Lack of adequate internal control relating to Department SEFA submissions to OSC
- Lack of adequate review procedures by OSC

Effect: Inaccurate reporting of expenditure amounts on the SEFA, which is submitted to the Federal government, may result in incorrect information used for programmatic, policy, or statistical purposes.

Recommendation: We recommend that the Department implement additional procedures to improve preparation and submission of SEFA information to OSC. We further recommend that OSC implement additional supervisory review procedures over the SEFA information compiled on behalf of the State. These control procedures will ensure that expenditures are reported accurately on the SEFA.

Corrective Action Plan: See F-32

Management's Response:

MEMA Response: The Department agrees with this finding. MEMA will implement controls to ensure the accuracy of Assistance Listing Numbers before SEFA data is submitted to OSC.

MEMA Contact: Joe Legee, Deputy Director, MEMA, DVEM, 207-624-4400

OSC Response: The Office of the State Controller partially agrees with this finding. Federal funds reporting is decentralized and agencies use different methods for tying amounts to specific federal programs in Advantage. The Management Representation letters received from the agencies acknowledge that the agencies are responsible for the fair presentation of the expenditures in conformity with and in compliance with the rules and regulations of 2 CFR §200. OSC is responsible to compile the data and submit the SEFA. OSC will update or clarify guidance as necessary and will consult with service center and agency financial personnel to help ensure their compilation/review systems are designed to provide accurate information for the SEFA.

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

Auditor's Concluding Remarks: In reply to OSC's Management Response, the Office of the State Auditor (OSA) recognizes that SEFA reporting is a decentralized process and that OSC receives Management Representation Letters from agencies acknowledging responsibility for the fair presentation of SEFA information; however, OSC is responsible for reviewing the SEFA before it is provided to OSA for audit purposes.

OSC has established review procedures prior to submission to OSA and that review and approval is documented on agencies' submissions. This review process, as stated in the finding, was not designed to detect and correct the errors noted in this finding, and findings 2022-023, 2022-053, and 2022-064, which are all related to agency submissions and OSC review of SEFA information.

In addition, the Department of Administrative and Financial Services and OSC provide a signed Engagement Letter and Management Representation Letter to OSA, acknowledging the following responsibilities related to the annual Single Audit:

- Understanding and complying with the requirements of 2 CFR 200, including requirements relating to preparation of the SEFA
- Preparing and fairly presenting the SEFA and related disclosures in accordance with the requirements of the Uniform Guidance, including full identification of all government programs and related activities subject to the Federal compliance audit and all SEFA expenditures made during the audit period for all awards provided by Federal agencies

OSA asserts that a year-to-year SEFA comparison would have detected the errors identified in the aforementioned findings; therefore, we continue to recommend that OSC implement additional supervisory review procedures over the SEFA information compiled on behalf of the State. This will provide assurance relating to the responsibility for SEFA information as outlined above and attested to OSA at the commencement and conclusion of the annual Single Audit.

The finding remains as stated.

(State Number: 22-1502-01)

(2022-093)

Title: Internal control over expenditure processing needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Security and Employment Service Center
Federal Agency: U.S. Department of Homeland Security
Assistance Listing Title: Homeland Security Grant Program
Emergency Management Performance Grant
Assistance Listing Number: 97.067; 97.042
Federal Award Identification Number: EMW2018SS00049S01; EMB2019EP00004

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency
Questioned costs

Known Questioned Costs: $59,759 under ALN 97.067, Homeland Security Grant Program
Likely Questioned Costs: Likely questioned costs cannot be determined due to the variety of expenditures within the population. The projection of questioned costs utilizing the error rate related to the known exception and amounts tested would not produce a reasonable estimate of likely questioned costs.

Criteria: 2 CFR 200.303; 2 CFR 200.403

The Department must establish and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

Condition: The Security and Employment Service Center is responsible for processing invoices for multiple State agencies.

The Office of the State Auditor (OSA) tested a sample of 60 Federal expenditure transactions to ensure that the expenditure was accurately recorded. OSA found that one quarterly lease payment totaling $59,759 was processed incorrectly. The coding on the invoice indicated that the expenditure should be split coded utilizing Federal and State funds, and that the Federal share should be paid utilizing funds from the Emergency Management Performance Grant. Instead, Homeland Security Grant Program funds were erroneously charged.

OSA selected a non-statistical random sample.

Context: In fiscal year 2022, the Department reported expenditures of $2.6 million for the Emergency Management Performance Grant and $4.7 million for the Homeland Security Grant Program.

Cause: Lack of supervisory oversight

Effect:
- Questioned costs and potential disallowances
- Inaccurate reporting of expenditures

Recommendation: We recommend that the Department improve oversight procedures to ensure staff are properly recording expenditures in the correct accounts with the proper utilization of grant funds.

Corrective Action Plan: See F-33

Management's Response: The Department agrees with this finding. The Security and Employment Service Center will continue to provide training for data entry and invoice approval processes.

Contact: Marilyn Leimbach, Director, Service and Employment Service Center, DFPS, DAFS, 207-248-2556

(State Number: 22-1000-01)

STATE OF MAINE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

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, 2022

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	
2022-001	Department:	Redacted
	Title:	________ over ________ needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	This finding relates to an ongoing internal review. We are unable to respond to any recommendations or determine an appropriate corrective action plan until our review is complete.
	Completion Date:	To be determined
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-002	Department:	Administrative and Financial Services
	Title:	Internal control over financial reporting of accrued liabilities needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Office of the State Controller (OSC) will review and update our policy regarding service date use. We will work with agencies in order to verify that the service date fields are being used correctly. This will allow the OSC to rely on these fields for accounts payable accrual calculations. In addition, we will work closely with the agencies to identify all required accruals.
	Completion Date:	May 31, 2023
	Agency Contact:	Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
2022-003	Department:	Administrative and Financial Services
	Title:	Internal control over financial reporting of National Opioid Settlement distributions needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will request additional information from the Attorney General's office to verify if any settlement agreements have been signed but not collected and/or recorded.
	Completion Date:	June 30, 2023
	Agency Contact:	Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451

2022-004	Department:	Redacted
	Title:	________ over ________ within ________ needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	This finding relates to an ongoing internal review. We are unable to respond to any recommendations or determine an appropriate corrective action plan until our review is complete.
	Completion Date:	To be determined
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-005	Department:	Administrative and Financial Services
	Title:	Internal control over accounting for pharmacy rebates needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Going forward, the Office of Employee Health & Wellness, the General Government Service Center and the Office of the State Controller will work together to verify that all pharmacy rebates for the year are posted in the ACFR as a reduction to expense.
	Completion Date:	October 31, 2023
	Agency Contact:	Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
2022-006	Department:	Administrative and Financial Services
	Title:	Internal control over Lottery Fund accounts receivable reconciliations needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The General Government Service Center (GGSC) will review and analyze the new accounting entries to ensure there is a complete reconciliation of accounts receivable for the Lottery Office, Retailer accounts and insufficient funds. The GGSC will work with the Office of the State Controller to properly adjust the accounts receivable balance.
	Completion Date:	June 24, 2023
	Agency Contact:	Laurie Andre, Deputy Director, General Government Service Center, DFPS, DAFS, 207-592-0725
2022-007	Department:	Redacted
	Title:	over within needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	This finding relates to an ongoing internal review. We are unable to respond to any recommendations or determine an appropriate corrective action plan until our review is complete.
	Completion Date:	To be determined
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-008	Department:	Administrative and Financial Services
	Title:	Internal control over financial reporting of capital assets needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress

	Corrective Action:	The Department of Agriculture, Conservation and Forestry (DACF) will seek a clear direction from the Office of the State Controller and Division of Procurement Services with regard to the appropriate use of commodity codes. The DACF will provide training to agency staff on the appropriate use of commodity codes to ensure fixed asset shells are created when necessary. The Natural Resources Service Center (NRSC) will provide training to staff to ensure the review of fixed asset procurements and the creation of fixed asset shells. The NRSC will review all capital line item purchases quarterly as an additional measure to ensure fixed assets are appropriately recorded. A review will be conducted prior to fiscal year end to ensure assets are recorded in the appropriate fiscal year.
	Completion Date:	December 31, 2022 (first three items) and June 30, 2023 (fourth item)
	Agency Contact:	Gilbert M. Bilodeau, Director, Natural Resources Service Center, NRSC, 207-624-6363
2022-009	Department:	Redacted
	Title:	________ over the ________ needs improvement
	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:	January 31, 2023, March 31, 2023, April 30, 2023 and June 30, 2024 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-010	Department:	Redacted
	Title:	________ over the ________ needs improvement
	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:	January 31, 2023, March 31, 2023, April 30, 2023 and June 30, 2024 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-011	Department:	Judicial Branch Administrative and Financial Services
	Title:	Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables 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 360 days old, which has been the acceptable method for many years.
	Completion Date:	N/A
	Agency Contact:	Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
2022-012	Department:	Redacted
	Title:	over the needs improvement
	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:	September 2022 and June 30, 2023 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-013	Department:	Transportation
	Title:	Internal control over financial reporting of capital assets needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will communicate and work with the Office of the State Controller to properly record fixed assets. The Department will implement an additional review process of invoices to ensure the correct classification of costs and assets are being recorded
	Completion Date:	November 28, 2022
	Agency Contact:	Kathleen Malcolm, Financial Processing Director, DOT, 207-624-3292
2022-014	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2023
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-015	Department:	Redacted
	Title:	________ over ________ within the ________ and ________ needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with this finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action

		plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2023
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-016	Department:	Redacted
	Title:	________ over the ________, ________, and ________ needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with this finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2023
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-017	Department:	Redacted
	Title:	________ over ________ needs improvement
	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:	January 2023 (first and third items) and February 2023 (second item)
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-018	Department:	Redacted
	Title:	over the needs improvement
	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:	January 2023, December 2023, December 2024 and December 2026 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-019	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over financial reporting of OFI overpayments needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department of Health and Human Services and the Office of the State Controller agree that the variance between the receivable and reserve should be booked as a deferred inflow. A claim termination policy will be established in accordance with federal regulations.

	Completion Date:	June 30, 2023
	Agency Contact:	Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451 Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-020	Department:	Redacted
	Title:	over the needs improvement
	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:	May 1, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-021	Department:	Labor Administrative and Financial Services
	Title:	Internal control over valuing estimates for the allowances for uncollectible unemployment insurance receivables needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Office of the State Controller (OSC) will provide guidance to the Department of Labor (DOL) to develop a reporting mechanism that will provide a more detailed analysis of the activity of the receivable balances. The 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, the OSC and the 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. The OSC recently performed a five-year trend analysis of historical collections with information provided by the DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. The DOL implemented a new system and the OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.
	Completion Date:	June 30, 2023
	Agency Contact:	Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431
2022-022	Department:	Health and Human Services
	Title:	Internal control over P-EBT Food Benefits needs improvement
	Questioned Costs:	Known: $61,507,558 Likely: None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding and does not believe that corrective action is warranted. During the course of the audit, the Department provided the Office of the State Auditor (OSA) with the complete population of recipients as well as the supporting information necessary for OSA to conduct testing to verify

		compliance with federal program requirements. The only remaining action that is required is for OSA to perform their testing.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-023	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over the submission and review of SNAP and P-EBT Schedule of Expenditures of Federal Awards information needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Office for Family Independence (OFI) will verify the Assistance Listing Number (ALN) for the P-EBT Benefit expenditures with the USDA SNAP program. OFI will report SNAP and P-EBT Benefit expenditures for the associated ALN to the DHHS Financial Service Center. The DHHS Financial Service Center will provide OFI a summary and backup of what is being reported and OFI will verify it is accurate. The DHHS Financial Service Center will add to the reviewer's checklist that the preparer has consulted and has proper backup with OFI to verify that the benefits are reported under the correct ALN. The Office of the State Controller will update or clarify guidance as necessary and will consult with service center and agency financial personnel to help ensure their compilation/review systems are designed to provide accurate information for the SEFA.
	Completion Date:	June 30, 2023 (first and fifth items), December 31, 2023 (second, third and fourth items)
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
2022-024	Department:	Redacted
	Title:	________ over ________, ________ and ________, and ________ needs improvement
	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:	Completed (first item), March 31, 2023 (second item), April 30, 2023 (third item) and May 31, 2024 (fourth item)
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-025	Department:	Health and Human Services
	Title:	Internal control over automated SNAP eligibility determinations and benefit calculations needs improvement
	Questioned Costs:	Known: $2,952 Likely: $7,686,166
	Status:	Corrective action in progress

	Corrective Action:	The management of OFI will review the standard operating procedures to identify opportunities for improvement and distribute to all staff involved.
	Completion Date:	June 1, 2023
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-026	Department:	Health and Human Services
	Title:	Internal control over the issuance of SNAP benefits needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	A Corrective Action Plan is not necessary. Additional standard operating procedure development was implemented on November 17, 2021.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-027	Department:	Health and Human Services
	Title:	Internal control over EBT reconciliation procedures needs improvement
	Questioned Costs:	Known: $80,555 Likely: $80,555
	Status:	Corrective action is completed regarding controls over EBT reconciliations Corrective action in progress regarding the correction of an error
	Corrective Action:	Since May of 2022, the reconciliations in question have been completed each day, per Federal regulations. Additionally, the FY 2022 reconciliations that were due prior to April 2022 were completed retrospectively. The auditor did not note any deviations in the current process; therefore, no additional corrective action is required. There is no current deficiency in the Department's EBT reconciliation processes. While performing reconciliations, the Department detected an $80,555 error where benefits were charged to the incorrect program. Upon the completion of revisions to reports dating as far back as October 2020, the Department will move any incorrectly charged amounts to the correct program to include the $80,555 of questioned costs.
	Completion Date:	May 2022 and April 2023
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-028	Department:	Health and Human Services
	Title:	Internal control over EBT card security needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will revise current standard operating procedures to include enhanced, regular monthly management review of activity logs.
	Completion Date:	June 30, 2023
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-029	Department:	Redacted
	Title:	________ over the ________ needs improvement
	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:	April 30, 2023
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-030	Department:	Education
	Title:	Internal control over CNC special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will develop and implement a procedure for the Child Nutrition Cluster to ensure subawards meeting or exceeding the first-tier threshold are reported accurately, timely, and in accordance with Federal regulations.
	Completion Date:	June 30, 2023
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2022-031	Department:	Education
	Title:	Internal control over Child Nutrition claim reimbursements needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will offer updated SSO training to include specific procedure on meal counting and claiming by building. The Department will create a policy for oversight of claiming procedures during SSO operations. The Department will implement policies and procedures to review and approved CNP system changes.
	Completion Date:	June 1, 2023 (first two items) and June 30, 2023 (third item)
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2022-032	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2023 and December 31, 2023 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-033	Department:	Redacted
	Title:	________ over the ________ and ________ needs improvement
	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:	April 1, 2023 June 1, 2023 and December 31, 2023 Respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

2022-034	Department:	Education Administrative and Financial Services
	Title:	Internal control over the submission of CNC Schedule of Expenditures of Federal Awards information needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will report expenditures for the School Breakfast Program and Special Milk Program under the individual ALNs rather than including those expenditures in the broader ALN 10.555. The Department will report noncash assistance at the amount actually used rather than the amount authorized for use. The Department will add a note to the SEFA report indicating any COVID-19 expenditures that cannot be isolated due to waivers.
	Completion Date:	June 30, 2023
	Agency Contact:	Nicole Denis, Director of Finance, DOE, 207-530-2161
2022-035	Department:	Education
	Title:	Internal control over CNC subrecipient audit procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will create policies and procedures to collect, track, and review single audits for private schools receiving over $750,000 in Federal awards.
	Completion Date:	September 1, 2023
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2022-036	Department:	Education
	Title:	Internal control over Child Nutrition donated food inventory needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	A Food Distribution Program (FDP) staff member and Director will attend the American Commodity Distribution Conference in April to get a better understanding of the program. FDP staff and the Director will evaluate the program for efficiencies. FDP staff and the Director will work to align CNPWeb with the needs of the program.
	Completion Date:	April 30, 2023, July 1, 2023 and September 1, 2023 respectively
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2022-037	Department:	Redacted
	Title:	________ over the ________ needs improvement
	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:	September 30, 2023
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-038	Department:	Redacted
	Title:	over the needs improvement
	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:	March 31, 2023
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-039	Department:	Health and Human Services
	Title:	Internal control over WIC subrecipient monitoring needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will complete training and planning with DHHS Internal Audit for completing the financial component of MERs and begin reviews. The Department will complete catch up on overdue MERs.
	Completion Date:	May 1, 2023 and March 3, 2024 Respectively
	Agency Contact:	Ginger Roberts-Scott, Senior Health Program Manager, DHHS, 207-287-5342
2022-040	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over WIC cash balances needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will finalize the reconciliations and take the necessary steps to put the cash balances where they belong.
	Completion Date:	December 31, 2023
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2022-041	Department:	Education
	Title:	Internal control over CACFP claim reimbursements needs improvement
	Questioned Costs:	Known: $11,222 Likely: Undeterminable
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. As explained to OSA by DOE, DHHS, and USDA, Child Care Centers/Providers can enroll and claim over the licensed capacity. The claim edit check that was in place for SY22 for DCH Providers was Total Monthly Attendance x Approved Meal Types due to the fact that providers can enroll over the licensed capacity. Sponsors have been trained: Total Monthly Attendance equals the number of unique kids who attended during the day, are enrolled in CACFP and who ate at least one meal or snack during the day, then add up those daily totals for the month. To use licensed capacity as an edit check, which OSA did to calculate the costs in question, disallows provider reimbursement for eligible meals. CACFP Total Monthly Attendance is a better edit check as it only calculates attendance for enrolled participants. For the

		provider claims in question the CACFP Team tested them against the Total Monthly Attendance edit check and none suggest an overclaim. The CACFP Team discovered the missing enrollment edit check on 8/24/22 and immediately submitted a ticket to the web designers. This correction required multiple meetings with the web designers and in-depth system testing. The correction to the edit check was completed on 12/23/22. The claim edit checks now in place are: Attendance x Approved Meal Types (same as before) – AND- Enrollment x Operating Days x Approved Meal Types.
	Completion Date:	N/A
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2022-042	Department:	Education
	Title:	Internal control over CACFP subrecipient audit procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will implement policies and procedures for the tracking, receipt, and review of audits for subrecipients that expend over $750,000, in accordance with Federal regulations.
	Completion Date:	June 30, 2023
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2022-043	Department:	Education
	Title:	Internal control over CACFP eligibility needs improvement
	Questioned Costs:	Known: $50,275 Likely: Undeterminable
	Status:	Corrective action complete
	Corrective Action:	The Department added to the check list a space for the on-site documentation for the pre-approval site visit to be uploaded into CNPWeb. The Department made the pre-site visit mandatory before the start of the program.
	Completion Date:	March 6, 2023
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2022-044	Department:	Education
	Title:	Internal control over CACFP subrecipient risk evaluation procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The CACFP team will create a risk assessment tool to use in scheduling subrecipient reviews.
	Completion Date:	June 30, 2023
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2022-045	Department:	Labor
	Title:	Internal control over UI claim payments needs improvement
	Questioned Costs:	Known: $19,278 Likely: $2,700,000
	Status:	Management’s opinion is that corrective action is not required (first item) Corrective action in progress (remaining items)
	Corrective Action:	The Department disagrees with the findings around the PUA program and the timing of the notices to provide Proof of Employment for continued eligibility. USDOL in its guidance acknowledged that it would take time to implement the new requirement from a systems and operational perspective. The Department worked diligently to implement the new requirement (along with other requirements from the CAA) as soon as possible. Furthermore, the PUA program

		was a one-time program created by the Federal government in response to the COVID-19 pandemic, to provide monetary support to those individuals who traditionally do not qualify for unemployment compensation benefits. All CARES Act programs, including PUA, ended in September, 2021. At this time there is no corrective action we can take, as the program no longer exists in its prior form. At most we may still see PUA eligibility as a result of a pending appeal, or court case. We will follow established processes at that time, which are based on Federal guidance provided. The Department will add a text field to obtain more information on the location of a job fair or the name of an activity when a claimant reports a CareerCenter job fair or other activity as a work search. Information will be provided to businesses through a new report for review. The Department will create a work search issue for fact-finding and possible adjudication when a claimant reports a CareerCenter Job Fair or other activity as a work search more than three times. The Department will review functionality of Vital Statistics Crossmatch to ensure that all data related to date of death for active claimants is received as timely as possible. The Department will add system controls when entering a date of birth, both for claimants and businesses to prevent avoidable data entry errors.
	Completion Date:	June 30, 2023 (second and third items), June 30, 2024 (fourth and fifth items)
	Agency Contact:	Laura Boyett, Director, Bureau of Unemployment Compensation, DOL, 207-621-5156
2022-046	Department:	Administrative and Financial Services
	Title:	Internal control over monitoring of employee classification and compensation needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will require Service Center and Agency HR Directors to notify supervisors at least twice per year of overdue performance evaluations. The Department will require Service Center and Agency HR Directors to review Hiring Requests to ensure duties identified are consistent with classifications. The Department will require Service Center and Agency HR Directors and/or HR recruiters to review job vacancy postings to ensure duties are consistent with classifications. The Department will implement a 'review of classification specification date' on class specs (currently only note date when a change is made).
	Completion Date:	October 1, 2023 (first item), and April 30, 2023 (remaining items)
	Agency Contact:	Breena D Bissell, Director, Bureau of Human Resources, DAFS, 207-215-0886
2022-047	Department:	Redacted
	Title:	________ over ________ needs improvement
	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:	July 1, 2023
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-048	Department:	Economic and Community Development
	Title:	Internal control over ERA Program special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department has modified existing policies and procedures to ensure FFATA reporting is completed for all subawards that meet or exceed the first-tier threshold. Monthly reports are run for new awards which are then reported within 30 days in FFATA. The Department will complete FFATA reporting for all prior and current subawards that meet or exceed the first-tier threshold related to this program.
	Completion Date:	June 30, 2023
	Agency Contact:	Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817
2022-049	Department:	Economic and Community Development
	Title:	Internal control over ERA Program subrecipient monitoring needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will contract with a consultant to conduct close out procedures that will ensure these subrecipient funds were used for authorized purposes and in compliance with Federal regulations. The Department will ensure that the review of subrecipient audit reports are sufficiently documented.
	Completion Date:	June 30, 2023
	Agency Contact:	Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817
2022-050	Department:	Economic and Community Development
	Title:	Internal control over ERA Program reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will require MaineHousing to submit data gathered to prepare reports to DECD for review and approval prior to certification and submission.
	Completion Date:	June 30, 2023
	Agency Contact:	Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817
2022-051	Department:	Labor Administrative and Financial Services
	Title:	Internal control over CSLFRF expenditures needs improvement
	Questioned Costs:	Known: $51,482,644 Likely: $51,482,644
	Status:	Management’s opinion is that corrective action is not required

	Corrective Action:	We disagree with this finding. Likewise, we are unable to determine why the auditor has identified a questioned cost or includes a recommendation that only allowable costs are funded by CSLFRF. The transfer of $80 million to the Unemployment Trust Fund is completely allowable, with a portion categorized under the Public Health and Economic Impacts use category and a portion under the Revenue Loss - Provision of Government Services use category. All documentation to support the allowability of this transfer was provided to the auditor for review. There were errors in the original calculation of the total amount eligible under the Public Health and Economic Impacts category; however, we provided documentation to support that the total amount was eligible under the Revenue Loss - Provision of Government Services use category. Although we have identified a weakness in internal control over compliance, there was no actual noncompliance. Consequently, there is no cost that is considered unallowable; therefore, there should be no questioned cost.
	Completion Date:	N/A
	Agency Contact:	DOL Contact: Kimberly Smith, Deputy Commissioner, Department of Labor, 207-621-5096 DAFS Contact: Frank Wiltuck, Director of Internal Audit, OSC, 207-626-8420
2022-052	Department:	Education
	Title:	Internal control over ESF expenditures needs improvement
	Questioned Costs:	Known: $620,676 Likely: $6,364,627
	Status:	Management’s opinion is that corrective action is not required
	Corrective Action:	The Maine Department of Education (MDOE) disagrees with the identified questioned costs. The Office of Federal Emergency Relief Programs (OFERP) utilized guidance provided by the U.S. Department of Education (grantor) and conferred in writing with Maine’s assigned U.S. Department of Education program officer throughout the Education Stabilization Fund application review process. The Maine Department of Education’s OFERP provided the auditor with the grantor’s guidance which clearly states that the questioned costs were allowable, reasonable, and necessary to prepare, prevent, and respond to the COVID-19 pandemic. Throughout the application review process, OFERP utilized ESF federal statutory language and the grantor’s published guidance to determine allowability. Once funding applications were approved, SAUs requested reimbursement from the OFERP for the approved costs outlined in the school administrative unit (SAU) application. The OFERP reviewed SAU reimbursement requests and provided payment for approved expenses. The ESF costs outlined in this finding were allowable, reasonable, and necessary to prepare, prevent, and respond to the COVID-19 pandemic. Documentation provided by the grantor supports the determinations made by the Maine Department of Education.
	Completion Date:	N/A
	Agency Contact:	Shelly Chasse-Johndro, Director of OFERP, DOE, 207-458-3180
2022-053	Department:	Education Administrative and Financial Services
	Title:	Internal control over submission and review of ESF Schedule of Expenditures of Federal Awards information needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department of Education will verify individual Assistance Listing Numbers on the SEFA report review. The Office of the State Controller will update or clarify guidance as necessary and will consult with service center and agency financial personnel to help ensure their

		compilation/review systems are designed to provide accurate information for the SEFA.
	Completion Date:	September 1, 2023
	Agency Contact:	Nicole Denis, Director of Finance, DOE, 207-530-2161 Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
2022-054	Department:	Redacted
	Title:	________ over the ________ needs improvement
	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 30, 2023 and September 30, 2023 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-055	Department:	Redacted
	Title:	________ over the ________ and ________ needs improvement
	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, 2023, April 15, 2023 and April 30, 2023 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-056	Department:	Education
	Title:	Internal control over ESF special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action complete
	Corrective Action:	Beginning in February 2022, the Department implemented a procedure for reviewing FFATA reports for accuracy prior to submission. Where this finding relates to FFATA reports prior to February 2022, and the Department has taken steps to address the previous finding, management feels that no further corrective action is necessary.
	Completion Date:	February 28, 2022
	Agency Contact:	Nicole Denis, Director of Finance, DOE, 207-530-2161
2022-057	Department:	Education
	Title:	Internal control over ESF subrecipient monitoring procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	During the review of ESF applications, the Office of Federal Emergency Relief Programs (OFERP) team will confirm that equipment purchases are denoted in the equipment budget category of the application. Equipment inventories and real property lists will be collected during the subrecipient monitoring process from school administrative units (SAUs) and reviewed for compliance by the OFERP team.

	Completion Date:	December 31, 2023
	Agency Contact:	Shelly Chasse-Johndro, Director of OFERP, DOE, 207-458-3180
2022-058	Department:	Health and Human Services
	Title:	Internal control over ICA program subrecipient monitoring procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will update subrecipient monitoring policies and procedures for all OPHE subawards based on this finding and recommendations. The Department will develop a subaward tracking tool for each agreement. The Department will transfer all subaward monitoring records to a centralized location within OPHE that can be accessed by the entire team, including approval records and copies of reports submitted by each subaward recipient. The Department will conduct subaward risk assessments for SFY23 contracts. The Department will complete subaward monitoring processes for SFY23 contracts following the updated monitoring policies and procedures and ensure all documentation (including approvals) is saved in the centralized location.
	Completion Date:	March 30, 2023, April 15, 2023, April 30, 2023 and June 30, 2023 respectively
	Agency Contact:	Ian Yaffe, Director, Office of Population Health Equity, DHHS, 207- 592-1481
2022-059	Department:	Redacted
	Title:	over and needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2023 (first, third and fifth items), June 1, 2023 (second item) and May 15, 2024 (fourth item)
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-060	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over the submission of ICA Schedule of Expenditures of Federal Awards reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Maine Immunization Program (MIP) Senior Health Program Manager will request the data needed for the SEFA from the MIP Planning and Research Associate. The MIP Senior Health Program Manager will review the data prior to the submission to the Service Center, which will include fiscal year accuracy of the report.

		The Service Center will provide the CDC/Immunization program a summary and back up of what is being reported and the CDC/Immunization program will verify it is accurate. The Service Center will add to the reviewer's checklist that the preparer has consulted and has the proper backup with the CDC/Immunization program to verify that the information provided was accurate.
	Completion Date:	December 31, 2023
	Agency Contact:	Jessica Shiminski, Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-7087
2022-061	Department:	Administrative and Financial Services
	Title:	Internal control over ICA program cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The DHHS Financial Service Center will reconcile daily files for the Immunization grants from 2021 to present.
	Completion Date:	December 31, 2023
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2022-062	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	None
	Status:	Corrective action complete
	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:	August 9, 2022
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-063	Department:	Health and Human Services
	Title:	Internal control over ELC program reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action complete
	Corrective Action:	The Department has implemented Microsoft Project (within the ELC Team) for each Program Area. The Department has developed a process to document the completion of each submission. The first quarterly reports due will be submitted to federal CDC using the new documented process
	Completion Date:	January 15, 2023 (first and second items) and February 28, 2023 (third item)
	Agency Contact:	Sara Robinson, Senior Program Manager, DHHS, 207-287-4610
2022-064	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over submission and review of ELC Schedule of Expenditures of Federal Awards information needs improvement
	Questioned Costs:	None

	Status:	Corrective action in progress
	Corrective Action:	The DHHS Financial Service Center will work with the Office of the State Controller to develop and implement additional procedures for SEFA reporting. The Office of the State Controller will update or clarify guidance as necessary and will consult with service center and agency financial personnel to help ensure their compilation/review systems are designed to provide accurate information for the SEFA.
	Completion Date:	December 31, 2023 and September 1, 2023 respectively
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626 Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
2022-065	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over ELC program cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Financial Service Center will request estimated revenue for the CDC COVID appropriations and ensure procedures and reconciliations reflect this change.
	Completion Date:	December 31, 2023
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2022-066	Department:	Health and Human Services
	Title:	Internal control over ELC program suspension and debarment needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Uniform Guidance part 200.214 identifies that non-Federal entities are subject to the non-procurement debarment and suspension regulations in 2 CFR part 180. 2 CFR part 180 requires that "when you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by: (a) Checking SAM Exclusions; or (b) Collecting a certification from that person; or (c) Adding a clause or condition to the covered transaction with that person." The Department meets this requirement as part of the contracting process by collecting certifications from the Community Agencies stating that they are not suspended or debarred. Therefore, we are in compliance with the Federal requirements for Suspension and debarment. The intent of the Department's policy to utilize the System for Award Management Exclusions (SAM) is to be an optional and additional assurance to the required collection of certifications that the next lower tier persons are not suspended or debarred. The SAM is utilized as time and resources permit and is not intended to replace the certifications.
	Completion Date:	N/A
	Agency Contact:	Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2022-067	Department:	Health and Human Services
	Title:	Internal control over payments made to and on behalf of TANF clients needs improvement
	Questioned Costs:	Known: $1,447 Likely: $35,002
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department's effective internal controls identified the overpayments, made the referrals, and followed procedures for two of the four exceptions noted. The two exceptions that we did not identify as overpayments we believe are in accordance with the reasonably calculated requirement to accomplish one or more of the four

		TANF purposes and should not be considered unallowable. The criteria cited do not indicate any requirement to recoup funds within a specific time frame and the exceptions noted demonstrate the effective internal controls rather than indicate any misuse of funds.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-068	Department:	Health and Human Services
	Title:	Internal control over Income Eligibility and Verification System procedures needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Office for Family Independence (OFI) has conducted the required IEVS eligibility verifications. Additionally, sufficient evidence of these efforts has been provided to the Office of the State Auditor so that audit procedures can be performed in accordance with Federal regulations. OFI utilizes the Federally provided IEVS system which integrates the three named population groups (Medicaid, SNAP, TANF). The IEVS discrepancy reports have not contained Federal program indicators since program inception over 20 years ago. This is consistent with the methodology utilized by the Social Security Administration, as they too group the OFI programs together in their discrepancy reports. These same reports have been provided for prior Single Audits without being considered an exception condition. Upon request, the Department provided OSA: 1. All IEVS discrepancy reports for State fiscal year 2022, containing cases for Medicaid, SNAP, and TANF. 2. A complete listing of all TANF cases subject to IEVS in State fiscal year 2022. 3. Access to our Automated Client Eligibility System, which documents all IEVS related case notes.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-069	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 Department disagrees with this finding. The Department reviews budgeted expenses to determine their timing and nature (one time, recurring, allowability); reviews quarterly expense reports and alters payments to meet immediate cash needs, and finally, monitors subrecipient single audits to ensure there are no cash management findings. The Department's approach is administratively reasonable and does minimize the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes given administrative and operational needs. We believe we have procedures in place that can be corroborated by the fact that our subrecipients do not receive single audit findings related to cash management.
	Completion Date:	N/A
	Agency Contact:	Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2022-070	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:	The Department disagrees with this finding. The Office for Family Independence (OFI) has sufficient internal controls in place to ensure compliance with Federal requirements. Specifically, based on the finding's stated condition, OSA did not take exception with the 22 items that were actually tested for compliance. Additionally, OFI has provided sufficient information for OSA to identify and conduct the audit and compliance testing of cases referred by DSER for sanction. The Department has provided OSA with the following material as requested: 1. The list of all sanction referrals generated by OFI-DSER, the Title IV-D agency. 2. The list of all OFI-TANF clients actually sanctioned by TANF Eligibility. 3. The list of all OFI-TANF clients 4. Copies of all emails pertaining to all sanction activity 5. Access to our Automated Client Eligibility System which includes all documented case notes.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-071	Department:	Health and Human Services
	Title:	Internal control over TANF subrecipient risk evaluation procedures needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with the finding. The Department has subrecipient monitoring procedures for all of its subrecipients whether they were competitively bid or not. The first assessment of risk, as noted in the finding, is when a subaward is competitively bid. Secondly, another risk assessment built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which requires higher risk subrecipients to undergo a higher level of testing. Additionally, there are audit and review requirements at a much lower threshold than that of the Uniform Guidance (UG). Finally, the Social Service Unit of the Division of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk. The Department's subrecipient monitoring procedures ensures that we comply with the UG 200.332(d) Pass-through entity (PTE) monitoring of the subrecipient must include: 1) Review of financial and performance reports. 2) Following-up and ensuring that subrecipients take timely and appropriate action on all deficiencies. 3) Issues management decisions. 4) PTE is responsible for resolving audit findings specifically related to the subaward. Based on the Department's MAAP rules we ensure we comply with UG 200.332(e) Depending on the PTE's assessment of risk, the following tools may be useful: 1) Training and technical assistance. 2) On-site reviews. 3) Arranging for agreed upon procedures. The Department covers #3 by ensuring that all of our subrecipients have a requirement to submit to the Department a/an Audit, Review or Schedule of Expenditures of Department Awards (SEDA).
	Completion Date:	N/A
	Agency Contact:	Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2022-072	Department:	Health and Human Services
	Title:	Internal control over special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action complete
	Corrective Action:	The Department implemented the corrective action plan from FY21, and it is currently in place. In summary, the Department revised the standard operating

		procedure and improved the technology to ensure data accuracy and added a layer of review to ensure accuracy of the FFATA reporting. This was finalized in November of 2022.
	Completion Date:	November 30, 2022
	Agency Contact:	Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2022-073	Department:	Administrative and Financial Services
	Title:	Internal control over TANF reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action is completed
	Corrective Action:	Effective April 1, 2022, US Department of Health and Human Services grant recipients are no longer required to complete the quarterly Federal Cash Transaction Report "FCTR" (also referred to as the FFR-425 or SF-425) to report cumulative Federal cash disbursements. Procedures are currently in place to ensure Federal financial reporting is reviewed accurately.
	Completion Date:	April 1, 2022
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2022-074	Department:	Redacted
	Title:	________ over the ________ needs improvement
	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:	September 30, 2023
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-075	Department:	Health and Human Services
	Title:	Internal control over TANF performance reporting and work participation procedures needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	Due to the nature of corrective action plans, and the timing of recent edits to the standard operating procedures in February and May of 2022, a corrective action plan is not warranted at this time.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-076	Department:	Health and Human Services
	Title:	Internal control over TANF subrecipient audit procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will revise the standard operating procedures to include a search for out of state subrecipients.
	Completion Date:	April 30, 2023
	Agency Contact:	Herb Downs, Director, Division of Audit, DHHS, 207-287-2778
2022-077	Department:	Administrative and Financial Services
	Title:	Internal control over Child Support Enforcement expenditures needs improvement

	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Division of Support Enforcement and Recovery and the Judicial Branch will revisit and modify the terms and language of the cooperative agreement to help clarify that all allowable costs subject to federal financial participation are adequately and timely documented.
	Completion Date:	June 1, 2023
	Agency Contact:	Jerry Joy, Director, Division of Support Enforcement and Recovery, DHHS, 207-624-6985
2022-078	Department:	Redacted
	Title:	________ over ________ and ________ needs improvement
	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 3, 2023 (first and second items) and December 31, 2023 (third item)
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-079	Department:	Health and Human Services
	Title:	Internal control over the CCDF Cluster eligibility determination process needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	DHHS believes the current internal controls that are in place provide reasonable assurance that DHHS is managing the funds in compliance with all regulations. Reasons include; • The ongoing quality assurance process is one of the major controls in place. In 2019, the OCFS Quality Assurance (QA) team, separate from the Child Care Subsidy Program (CCSP) team, comprised of 10 staff, began conducting 23 CCSP case reviews per month. This is systematic monitoring. QA uses the initial documentation submitted by the parent (applications, proof of income, etc.) and checks it against the information in the MACWIS system to ensure eligibility is calculated correctly and data was entered accurately. • A summary of findings from the QA check is provided to CCSP management each month. CCSP management documents the needed remediation plan, with the Financial Resource Specialist (FRS) making the necessary corrections as soon as possible. Additionally, CCSP management conducts internal periodic audits of files and evaluates deficiencies. • Information Technology Controls minimizes potential errors by utilizing pre-defined drop-down menus of approved entries. Several fields limit the number of characters allowed to be entered or only allow numeric entries. • The Information Technology system provides an enhanced internal control that provides visual cues to enter dollar amounts. Users receive an error message if data is entered incorrectly. • The Financial Resource Specialist Staff Manual provides detailed, step-by-step instructions of the process for entering information into the Information Technology system to ensure accuracy and consistency of data entry. Staff are

		trained using this manual and are provided ongoing access to the manual. Staff undergo regular training on the eligibility determination process. DHHS believes the process and technical solutions in place are a reasonable attempt to assure proper eligibility determination for CCSP funding.
	Completion Date:	N/A
	Agency Contact:	Todd Landry, Director of the Office of Child and Family Services, DHHS, 207-624-7900
2022-080	Department:	Health and Human Services
	Title:	Internal control over Long Term Care Facility audits needs improvement
	Questioned Costs:	None
	Status:	LTCF - Nursing Facilities: Corrective action in progress LTCF – ICF/IIDs: Management's opinion is that corrective action is not required
	Corrective Action:	LTCF - Nursing Facilities: The staff currently assigned to working on outbreak reconciliations resulting from COVID will be reassigned back to LTC audits at the end of the Public Health Emergency. The Director will work with Human resources to recruit candidates to fill the vacant audit positions. The Director and Audit Program Manager for LTCF audits will meet bi-weekly to monitor the completion of audit within identified timelines and reassign staff as necessary. LTCF – ICF/IIDs: The Department disagrees with this finding in regard to LTCF - ICF/IID's. The ICF/IID audits do not have a specific time requirement in the MBM for completion. The federal regulations only require that periodic audits of financial records occur. All ICF/IID cost reports submitted to the Department are recorded in a database and tracked for audit purposes. All cost reports are audited as resources are available. We have worked with our Federal partners who have agreed with our interpretation of the regulation and the timing of our audits for the ICF/IIDs.
	Completion Date:	May 31, 2023 (first item), and June 30, 2023 (second and third items)
	Agency Contact:	Herb Downs, Director, Division of Audit, DHHS, 207-287-2778
2022-081	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 Manager will continue to run a quarterly report to identify any cases assigned to former staff and will evaluate the cases for closure or reassignment. The Program Manager will establish a separate quarterly meeting with the Director of Compliance to review and document the results of the quarterly report. The Program Manager will use best efforts to fill the staffing vacancies that contributed to this finding.
	Completion Date:	March 29, 2023, May 7, 2023 and June 1, 2023 respectively
	Agency Contact:	Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

2022-082	Department:	Health and Human Services
	Title:	Internal control over the eligibility determination process needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The systems we have in place are both necessary and sufficient in meeting programmatic requirements to ensure accurate eligibility determinations are being made. There has been no citation of federal regulation provided by OSA during this review that contradicts this. The Department would like to note: 1. Supervisors do a minimum of 1 case reading per month and a minimum of 1 call monitoring per week for staff on phones. It is commonplace for them to do more, especially for a new employee, or known coaching issues. 2. These case readings were tracked by supervisors and units and were tracked centrally on our Streamline Management Y-Drive in SFY2022. 3. Phone calls can be referenced by Supervisors in real time or afterwards, via recording. 4. Specifics of case reading, and call monitoring were formalized with specific expectations in multiple categories, which were followed up on by coaching staff if not all of the expectations were met. With a goal of continuous improvement, it was also noted to the OSA that we formally implemented the Calabrio System which dramatically enhanced and further automated our ability to track Case Readings and Call Monitoring performance statewide in June of 2022. A corresponding user guide was also developed and implemented in June of 2022. This example of continuous quality improvement has led to a more holistic understanding of trends and training needs. Furthermore, SNAP cases are randomly selected and reviewed by USDA partially-funded SNAP Quality Control staff. These findings are reported monthly to FNS and OFI senior management. A team of QC, training, program, operations, business technology and senior management meet bi-weekly to review trends and implement solutions. These have included technological enhancements, reminder e-mails, targeted trainings, and pop quizzes. While this effort focuses on SNAP, the vast majority of SNAP cases also involve MaineCare, and some include TANF. Solutions for one program typically aid all.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-083	Department:	Redacted
	Title:	________ over ________ needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The 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:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-084	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over Medicare Part B premium payments needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress

	Corrective Action:	The Office for Family Independence (OFI) will incorporate the CMS business change processes (ELMO portal) into the Buy-In Reconciliation standard operating procedures. OFI will implement technology improvements in support of reducing manual data entry and increased regulatory compliance.
	Completion Date:	September 30, 2023 and June 1, 2024 respectively
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-085	Department:	Health and Human Services
	Title:	Internal control over cost of care assessments needs improvement
	Questioned Costs:	Undeterminable
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department agrees with the two exceptions found by the Office of the State Auditor. However, we believe that the Department has reasonable assurance with the controls in place that results in a 97% compliance rate with the COC calculations, which is a 2% increase from last year. In the prior year's finding the Department committed to continuing to achieve a 95% compliance rate and CMS agreed with the Department and closed the prior finding. No corrective action is necessary as a result of an error rate of only 3%. The Department will continue to actively manage and monitor the Cost of Care system in compliance with federal regulations.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-086	Department:	Health and Human Services
	Title:	Internal control over deceased client cases and claims analysis needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will complete a review of claims identified by OSA and if that analysis suggests that procedures need to be enhanced, the Department will do so.
	Completion Date:	May 31, 2023
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2022-087	Department:	Health and Human Services
	Title:	Internal control over the outsourced medical claims coding process needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department obtained and provided the RISSNET files to the vendor. The Department completed the processing of RISSNET data in the MIHMS system with the vendor. The Department will validate the RISSNET data was processed correctly. The UAT team will validate all steps are complete to ensure compliance.
	Completion Date:	September 30, 2022 (first and second items), June 15, 2023 (third item) and June 30, 2023 (fourth item)
	Agency Contact:	Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2022-088	Department:	Redacted
	Title:	________ over ________ needs improvement
	Questioned Costs:	None

	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with this finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 1, 2023
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-089	Department:	Redacted
	Title:	over the needs improvement
	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 31, 2023
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-090	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over DG – PA program cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Maine Emergency Management Agency (MEMA) and the Security and Employment Service Center (SESC) will work jointly to develop and implement a cash management procedure that meets the Federal and State requirements. MEMA and SESC will seek technical assistance as appropriate.
	Completion Date:	June 30, 2023
	Agency Contact:	Joe Legee, Deputy Director, MEMA, 207-624-4400
2022-091	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over DG – PA program special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will develop an estimate of the number of FY23 subawards. The Department will identify staff to input entries to FFATA.
	Completion Date:	March 15, 2023 and October 31, 2023 respectively
	Agency Contact:	Joe Legee, Deputy Director, MEMA, 207-624-4400
2022-092	Department:	Defense, Veterans and Emergency Management Administrative and Financial Services
	Title:	Internal control over the submission and review of DG – PA Schedule of Expenditures of Federal Awards information needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Maine Emergency Management Agency (MEMA) will develop and implement a procedure for the review of the following sources to ensure the accuracy of the ALN: award documents, the OMB Compliance Supplement, and other authoritative resources. Where written resources do not clearly identify the

		ALN, MEMA will seek technical assistance from awarding agency staff, the Office of State Controller, and the Office of State Auditor. MEMA will develop and implement a procedure for the review of Assistance Listing Numbers (ALN) coding in the Advantage financial system. MEMA will develop and implement a procedure for the review of SEFA data before submission to the Office of State Controller. MEMA's procedures will provide for staff training. The training will be documented. MEMA's procedures will provide for the review and approval by a second staff person. The review and approval will be documented. The Office of the State Controller will update or clarify guidance as necessary and will consult with service center and agency financial personnel to help ensure their compilation/review systems are designed to provide accurate information for the SEFA.
	Completion Date:	June 30, 2023 (first through fifth items), and September 1, 2023 (sixth item)
	Agency Contact:	Joe Legee, Deputy Director, MEMA, 207-624-4400 Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
2022-093	Department:	Administrative and Financial Services
	Title:	Internal control over expenditure processing needs improvement
	Questioned Costs:	Known: 59,759 Likely: Undeterminable
	Status:	Corrective action complete
	Corrective Action:	The Department will reverse the unallowable charge to the HSGP grant. The Department will provide additional training for data entry and invoice approval processes.
	Completion Date:	March 1, 2023 and March 31, 2023 respectively
	Agency Contact:	Marilyn Leimbach, Director, Service and Employment Service Center, DFPS, DAFS, 207-248-2556

STATE OF MAINE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

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 2022

<u>Summary Schedule of Prior Audit Findings</u>

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**	
2021-009* 2020-009* 2019-004**	Finding Title:	Internal control over financial reporting of unemployment insurance receivables needs improvement
	State Department:	Labor Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Departments agree that detailed receivables reports should be generated and retained during the fiscal year. The OSC will provide guidance to the Department of Labor (DOL) to develop a reporting mechanism that will provide a more detailed analysis of the activity of the receivable balances. The 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,

Summary Schedule of Prior Audit Findings					
Finding Number	**Prior Audit Finding Status**				
		the OSC and the 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. The OSC recently performed a five-year trend analysis of historical collections with information provided by the DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. The DOL implemented a new system and the OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.			
	FY 2022 Finding:	2022-021			
2021-010* 2020-016* 2020-015* 2020-014* 2019-007** 2019-005**	Finding Title:	________ over ________ and ________ for the ________ system needs improvement			
	State Department:	Redacted			
	ALN:	Redacted			
	Initial Finding FY:	2019			
	Questioned Costs:	None			
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)			
	Explanation:	The Department is taking steps to address and remediate this condition			
	FY 2022 Finding:	2022-012			
2021-005* 2020-011* 2019-006**	Finding Title:	________ over the ________ system needs improvement			
	State Department:	Redacted			
	ALN:	Redacted			
	Initial Finding FY:	2018			
	Questioned Costs:	None			
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)			
	Explanation:	The Department is taking steps to address and remediate this condition			
	FY 2022 Finding:	2022-010			
2020-018* 2019-012**	Finding Title:	Internal control over SNAP benefit calculations within the automated data processing system needs improvement			
	State Department:	Health and Human Services			
	ALN:	10.551, 10.561			
	Initial Finding FY:	2019			
	Questioned Costs 2020-018:	Questioned Costs	Total	Federal	State
		Known	$74	$74	$0
		Likely	$111,273	$111,273	$0
	Questioned Costs 2019-012:	Questioned Costs	Total	Federal	State
		Known	$261	$261	$0
		Likely	$5,144,620	$5,144,620	$0

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	FY22 Status:	* Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department partially agrees with this finding. The Department acknowledges that errors were made in three cases out of the sample of sixty reviewed. However, the Department disagrees with the calculation of the payment error in the third case. Asset limits were eliminated for all categorically eligible households effective January 1, 2022, as part of SNAP rule #212. Therefore, the known questioned costs should only be $1,452. There is an incorrect reference in the condition, in two cases the income type is state supplement income which is issued by the Department and not the Social Security Administration. The Department will continue to review its standard operating procedures to identify opportunities for improvement.
	FY 2022 Finding:	2022-025
2021-015* 2020-019* 2019-013**	Finding Title:	Internal control over the issuance of SNAP benefits needs improvement
	State Department:	Health and Human Services
	ALN:	10.551, 10.561
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department partially agrees with this finding. The Department acknowledges the 17 exceptions cited, 4 of which also contained a data mismatch between our ACES system and Maine's CDC DAVE system. However, it should be noted that although we agree with the specific exceptions cited, they represent only 17 cases or 0.9% out of a pool of approximately 1,875 deceased clients identified, well within a reasonable margin of error. The reference to 998 cases cited in the finding, where SNAP benefits were issued in excess of 30 days, is inconsistent with the 365-day requirement from FNS. It should be noted that language contained in 7 CFR 272.14(c)(1) only requires that states make a comparison of deceased matched data with no less frequency of once per year. Our date of death procedures includes weekly processing of discrepancy reports from federal agencies as well as monthly crosswalks between ACES and Maine's CDC.
	FY 2022 Finding:	2022-026
2021-012* 2020-020* 2019-014**	Finding Title:	over the system needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-029

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2021-017* 2020-020* 2019-014**	Finding Title:	________ over the ________ system needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-029
2019-015	Finding Title:	Internal control over State matching requirements needs improvement
	State Department:	Education
	ALN:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY22 Status:	Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	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 2022 Finding:	No finding was issued for FY 2022 and this program was audited as a major program.
2019-017	Finding Title:	Internal control over subrecipient monitoring procedures needs improvement
	State Department:	Education
	ALN:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY22 Status:	Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	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 2022 Finding:	No finding was issued for FY 2022 and this program was audited as a major program.
2019-018	Finding Title:	Internal control over the donated food inventory needs improvement
	State Department:	Education
	ALN:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY22 Status:	Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	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 2022 Finding:	2022-036
2021-019* 2020-022* 2019-019**	Finding Title:	Internal control over subrecipient monitoring needs improvement
	State Department:	Health and Human Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. WIC completed five MERs for FY 22, due to COVID and lack of personnel the three remaining MERs were delayed. WIC is working to catch up on MERs and has begun working with additional staff from DHHS Internal Audit to aid in completing the MER financial component timelier. The training and planning with the DHHS Internal Audit team is underway. All local agencies were monitored for FY22.
	FY 2022 Finding:	2022-039
2021-020* 2020-024* 2019-020**	Finding Title:	Internal control over subrecipient awards needs improvement
	State Department:	Health and Human Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	* Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. The Department will implement additional procedures to ensure subrecipient awards are complete, accurate and in accordance with Federal regulations.
	FY 2022 Finding:	ML 22-1113-02
2021-018* 2020-021* 2019-021**	Finding Title:	Internal control over cash balances needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	The DHHS and DHHS Financial Service Center agree with this finding. To date, considerable effort has been invested in performing grant reconciliations from present back to 2013. Reconciling grants and matching revenues to expenses is labor intensive and takes detailed transaction level analysis. The Department will finalize the reconciliations and take the necessary steps to put the cash balances where they belong.
	FY 2022 Finding:	2022-040
2019-023	Finding Title:	Internal control over payroll costs needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	12.401
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY22 Status:	Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	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 2022 Finding:	ML 22-1503-01
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
	ALN:	12.401
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	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 2022 Finding:	No finding was issued for FY 2022 and this program was audited as a major program.
2019-025	Finding Title:	Internal control over subrecipient monitoring procedures needs improvement
	State Department:	Health and Human Services
	ALN:	14.267
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department has policies and procedures in place to ensure subrecipients use Continuum of Care funds in accordance with all award

<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">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.</td></tr>
<tr><td>FY 2022 Finding:</td><td colspan="4">No finding was issued for FY 2022; however, this program was not audited as a major program</td></tr>
<tr><td rowspan="15">2021-021*
2020-026*
2019-027**</td><td>Finding Title:</td><td colspan="4">Internal control over Unemployment Insurance claim payments needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Labor</td></tr>
<tr><td>ALN:</td><td colspan="4">17.225</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2011</td></tr>
<tr><td>Questioned Costs 2021-021:</td><td colspan="4">Known questioned costs totaling $2,032,324 in Federal Unemployment Insurance (UI) benefit payments were identified in audit procedures. The details of these totals are included in the Effect section. Likely questioned costs totaling $29.1 million were projected within each entitlement program by dividing the identified ineligible benefit payments by the total benefit payments tested to establish an error rate. The individual error rates were then applied to each entitlement program's benefit payment totals for fiscal year 2021 to project likely questioned costs.</td></tr>
<tr><td rowspan="3">Questioned Costs 2020-026:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$63,371,162</td><td>$37,047,183</td><td>$26,323,979</td></tr>
<tr><td>Likely</td><td>Undeterminable</td><td>Undeterminable</td><td>Undeterminable</td></tr>
<tr><td rowspan="3">Questioned Costs 2019-027:</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>FY22 Status:</td><td colspan="4">*Corrective action was not completed in FY 2022
** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)</td></tr>
<tr><td rowspan="3">Explanation:</td><td colspan="4">The Department partially agrees with this finding.</td></tr>
<tr><td colspan="4">The finding 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 the 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.</td></tr>
<tr><td colspan="4">The finding states that the Department has insufficient controls in place to detect claimants using the same work search activities for multiple claims. The work search activity provided by the three claimants in question was participation in a CareerCenter-led job fair, or other accepted work search activity, on multiple claims. The Department agrees with the</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		recommendation of additional controls in this area and expects to implement additional controls before the end of SFY 23. The finding furthermore states that one claimant filed claims without a work search for three consecutive weeks. A review of the claim determined the claimant appropriately received a documented work search warning for the first week, but no decision was rendered on the two subsequent weeks due to a staff training error. The Department agrees with these testing results of the finding. The finding furthermore states that the Department erred in paying benefits to individuals collecting on the Pandemic Unemployment Assistance (PUA) program. The Continued Assistance Act (CAA), released in December 2020, added a new requirement to the PUA program. To continue to receive PUA benefits, claimants were required to provide documentation substantiating employment or self-employment, or the planned commencement of employment or self-employment within 21 or 90 days (depending on the date of initial PUA filing) from the date of the guidance, or when first noticed by the Department. This last part serves as USDOL's acknowledgement that it would take time to implement the changes into existing functionality and systems. In Maine, the first notices went out on May 6, 2021. Two of the claimants listed received their notice on this day, with one receiving their denial decision on day 90, and one on day 93, preventing further benefits. The Department agrees with the testing results in the latter case. Five claimants received their notice on July 7, 2021, and a denial 90 days later, properly preventing further benefits. The Department disagrees with the testing results of the finding for the claimants cited in July. The remaining two cases cited were claimants who filed a PUA initial claim, and PUA weekly claims in 2020, prior to the release of the CAA. However, payments for these weeks were not processed until 2021 and 2022. At that time, notices to provide proof of employment were sent, followed by a denial decision for failure to respond/provide adequate proof. However, no overpayment was created because the week ending dates of the weeks paid all pre-dated the implementation of the CAA and therefore were not subject to overpayment. The Department disagrees with these testing results of the finding. The finding also states the Department needs additional controls for claims filed after a claimant's date of death, as well as the claimant's age when filing a claim for benefits. Though the Department has made significant enhancements to the Vital Statistic crossmatch process, it agrees that the current crossmatch with the state's Vital Records office that identifies deceased claimants should be reviewed further. That said, there are timing differences that cannot be avoided, and overpayments cannot be completely ruled out. Overpayments, penalties, and prosecutions are all considered when it is determined someone falsely filed for benefits using a deceased person's information. Regarding the age of the individual filing for benefits, additional controls were implemented during SFY 23, with additional controls still under review for further enhancement and implementation
	FY 2022 Finding:	2022-041

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
2021-011* 2020-013* 2019-028**	Finding Title:	________ over the ________ system needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-014
2020-031* 2019-030**	Finding Title:	Internal control over claim reimbursements needs improvement
	State Department:	Labor
	ALN:	84.126
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	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 2022 Finding:	No finding was issued for FY 2022; however, this program was not audited as a major program
2020-032 2019-031	Finding Title:	Internal control over the timeliness of eligibility determinations needs improvement
	State Department:	Labor
	ALN:	84.126
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	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 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 2022 Finding:	No finding was issued for FY 2022; however, this program was not audited as a major program
2021-035 2020-034 2019-032	Finding Title:	Internal control over provider monitoring needs improvement
	State Department:	Health and Human Services
	ALN:	93.268
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	Corrective action was taken during FY 2022
2021-036* 2020-037* 2019-034**	Finding Title:	over the system needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-062
2021-042* 2020-042* 2019-035**	Finding Title:	Internal control over subrecipient cash management needs improvement
	State Department:	Health and Human Services
	ALN:	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

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	FY22 Status:	*Management disagrees with this finding and does not believe that corrective action is required ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department disagrees with this finding. The Department reviews budgeted expenses to determine their timing and nature (one time, recurring, allowability); reviews quarterly expense reports and alters payments to meet immediate cash needs, and finally, monitors subrecipient single audits to ensure there are no cash management findings. The Department's approach is administratively reasonable and does minimize the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes given administrative and operational needs. We believe we have procedures in place that can be corroborated by the fact that our subrecipients do not receive single audit findings related to cash management.
	FY 2022 Finding:	2022-069
2021-043* 2020-043* 2019-037**	Finding Title:	Internal control over Income Eligibility and Verification System procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	*Management disagrees with this finding and does not believe that corrective action is required ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department disagrees with this finding. The Office for Family Independence (OFI) has conducted the required IEVS eligibility verifications. Additionally, sufficient evidence of these efforts has been provided to the Office of the State Auditor so that audit procedures can be performed in accordance with Federal regulations. OFI utilizes the Federally provided IEVS system which integrates the three named population groups (Medicaid, SNAP, TANF). The IEVS discrepancy reports have not contained Federal program indicators since program inception over 20 years ago. This is consistent with the methodology utilized by the Social Security Administration, as they too group the OFI programs together in their discrepancy reports. These same reports have been provided for prior Single Audits without being considered an exception condition. Upon request, the Department provided OSA: 1. All IEVS discrepancy reports for State fiscal year 2022, containing cases for Medicaid, SNAP, and TANF. 2. A complete listing of all TANF cases subject to IEVS in State fiscal year 2022. 3. Access to our Automated Client Eligibility System, which documents all IEVS related case notes
	FY 2022 Finding:	2022-068

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2021-048* 2020-044* 2019-038**	Finding Title:	Internal control over subrecipient risk evaluation procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY22 Status:	*Management disagrees with this finding and does not believe that corrective action is required ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department disagrees with this finding. The Department has subrecipient monitoring procedures for all of its subrecipients whether they were competitively bid or not. The first assessment of risk, as noted in the finding, is when a subaward is competitively bid. Secondly, another risk assessment built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which requires higher risk subrecipients to undergo a higher level of testing. Additionally, there are audit and review requirements at a much lower threshold than that of the Uniform Guidance (UG). Finally, the Social Service Unit of the Division of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk. The Department's subrecipient monitoring procedures ensures that we comply with the UG 200.332(d) Pass-through entity (PTE) monitoring of the subrecipient must include: 1) Review of financial and performance reports. 2) Following-up and ensuring that subrecipients take timely and appropriate action on all deficiencies. 3) Issues management decisions. 4) PTE is responsible for resolving audit findings specifically related to the subaward. Based on the Department's MAAP rules we ensure we comply with UG 200.332(e) Depending on the PTE's assessment of risk, the following tools may be useful: 1) Training and technical assistance. 2) On-site reviews. 3) Arranging for agreed upon procedures. The Department covers #3 by ensuring that all of our subrecipients have a requirement to submit to the Department a/an Audit, Review or Schedule of Expenditures of Department Awards (SEDA).
	FY 2022 Finding:	2022-071
2021-047* 2020-041* 2019-039**	Finding Title:	Internal control over TANF performance reporting and work participation procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. The Department acknowledges eight of the fourteen cases cited as containing errors. Significant improvements have been made to the systemic monitoring of the ACF-199 and ACF-209 reports as evidenced by recent edits to the standard operating procedures governing this system in February and May of 2022.

<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">Due to the nature of corrective action plans, and the timing of the state audit, the Department does not believe a corrective action plan is warranted at this time.</td></tr>
<tr><td>FY 2022 Finding:</td><td colspan="4">2022-075</td></tr>
<tr><td rowspan="16">2021-040*
2020-039*
2019-040**</td><td>Finding Title:</td><td colspan="4">Internal control over payments to and on behalf of TANF clients needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs 2021-040:</td><td colspan="4">The Office of the State Auditor (OSA) tested a sample of payments to TANF clients for services other than direct cash benefits and payments to providers on behalf of TANF clients. OSA identified known questioned costs totaling $8,377. Likely questioned costs totaling $667,074 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 TANF clients for these services and payments to providers on behalf of TANF clients in fiscal year 2021.</td></tr>
<tr><td rowspan="3">Questioned Costs 2020-039:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$18,606</td><td>$18,606</td><td>$0</td></tr>
<tr><td>Likely</td><td>$608,524</td><td>$608,524</td><td>$0</td></tr>
<tr><td rowspan="3">Questioned Costs 2019-040</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$1,120</td><td>$1,120</td><td>$0</td></tr>
<tr><td>Likely</td><td>$1,295,496</td><td>$1,295,496</td><td>$0</td></tr>
<tr><td>FY22 Status:</td><td colspan="4">*Management disagrees with this finding and does not believe that corrective action is required
** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department disagrees with this finding. The Department’s effective internal controls identified the overpayments, made the referrals, and followed procedures for two of the four exceptions noted. The two exceptions that we did not identify as overpayments we believe are in accordance with the reasonably calculated requirement to accomplish one or more of the four TANF purposes and should not be considered unallowable. The criteria cited do not indicate any requirement to recoup funds within a specific time frame and the exceptions noted demonstrate the effective internal controls rather than indicate any misuse of funds.

Corrective action is significantly different from corrective action previously reported.</td></tr>
<tr><td>FY 2022 Finding:</td><td colspan="4">2022-067</td></tr>
</table>

<table>
<tr><td rowspan="4">2021-044*
2020-046*
2019-042**</td><td>Finding Title:</td><td>over the system needs improvement</td></tr>
<tr><td>State Department:</td><td>Redacted</td></tr>
<tr><td>ALN:</td><td>Redacted</td></tr>
<tr><td>Initial Finding FY:</td><td>2018</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-074
2020-047	Finding Title:	________ and ________ for the ________ system need improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-078
2021-055* 2020-049* 2019-045**	Finding Title:	Internal control over cost of care assessment needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs 2021-055:	Undeterminable. Incorrectly calculated cost of care (COC) assessments may result in an overpayment or underpayment to the providers when the State makes a payment for long-term care. Since there is not always a claim for every assessment, a projection of questioned costs cannot be reasonably estimated.
	Questioned Costs 2020-049:	None
	Questioned Costs 2019-045:	Undeterminable
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with the two exceptions found by the Office of the State Auditor. However, we believe that the Department has reasonable assurance with the controls in place that results in a 97% compliance rate with the COC calculations, which is a 2% increase from last year. In the prior year's finding the Department committed to continuing to achieve a 95% compliance rate and CMS agreed with the Department and closed the prior finding.
	FY 2022 Finding:	2022-085
2021-052* 2020-052* 2019-046**	Finding Title:	Internal control over compliance with eligibility determination requirements needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2017
	Questioned Costs:	None

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	FY22 Status:	* Management disagrees with this finding and does not believe that corrective action is required. ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department disagrees with this finding. OSA has misinterpreted MaineCare policy by excluding the eligibility system (ACES) as part of the electronic case record. Electronic data sources are required per federal regulations and documentation of citizenship and identity verifications are stored within ACES. The requirement to verify identity is part of Medicaid citizenship verification requirements. Maine verifies citizenship and identity through electronic data matches in accordance with 42 CFR §435.949; the results of this match are stored in ACES. The state cannot request paper documentation from applicants after successful electronic verification for the purpose of storing it in another system, nor can we establish more restrictive verification requirements than those allowed by federal regulations. This was a prior year finding (2020-052) that the Department disagreed with and the cognizant agency, CMS, agreed with the Department's position and closed the finding.
	FY 2022 Finding:	ML 22-1106-02
2021-050* 2020-048* 2019-047**	Finding Title:	Internal control over Hospital and Long Term Care Facility audits needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 for the LTCF – Nursing Facilities and Hospitals portion of this finding. Management Disagrees with the LTCF – ICF/IID's portion of this finding and does not believe that corrective action is required. ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding in regard to LTCF - Nursing Facilities. The delay in completing the Nursing Facilities audits is the result of staff shortages and competing priorities due to COVID-19 activities, such as reconciling outbreak payments. Once the Public Health Emergency (PHE) officially ends, the staff assigned to COVID-19 related activities will be reassigned to LTCF audits, which will help with more timely processing. The Department disagrees with this finding in regard to LTCF - ICF/IID's. The ICF/IID audits do not have a specific time requirement in the MBM for completion. The federal regulations only require that periodic audits of financial records occur. All ICF/IID cost reports submitted to the Department are recorded in a database and tracked for audit purposes. All cost reports are audited as resources are available. We have worked with our Federal partners who have agreed with our interpretation of the regulation and the timing of our audits for the ICF/IIDs.
	FY 2022 Finding:	2022-080

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2021-051* 2020-051* 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
	ALN:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY22 Status:	* Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees that the cases identified lacked documentation to support the reason for periods of non-activity. However, the Department notes that 7 of the 12 cases identified by the Auditor either had been closed or had findings issued prior to the Department's receipt of the sample list from the Auditor. Two of the remaining five cases were cases where the assigned staffer left the unit. Those two cases have been reassigned to current staff and are presently being worked. The remaining three cases were instances where the Program Integrity reviewer left their position and were no longer available to handle the cases.
	FY 2022 Finding:	2022-081
2020-061* 2019-049**	Finding Title:	Internal control over provider license verification procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	* Management disagrees with this finding and does not believe that corrective action is required. ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	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 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

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status				
		system upgrade does not mean that, before the implementation of the upgrade, the Department lacked a process to ensure a provider was licensed.			
	FY 2022 Finding:	No finding was issued for 2022 and this program was audited as a major program			
2021-053* 2020-053* 2019-050**	Finding Title:	Internal control over Medicare Part B premium payments needs improvement			
	State Department:	Health and Human Services Administrative and Financial Services			
	ALN:	93.775, 93.777, 93.778			
	Initial Finding FY:	2019			
	Questioned Costs 2021-053:	None			
	Questioned Costs 2020-053:	Questioned Costs	Total	Federal	State
		Known	$279	$187	$92
		Likely	$4,675,373	$3,136,240	$1,539,133
	Questioned Costs 2019-050:	Questioned Costs	Total	Federal	State
		Known	$134	$86	$48
		Likely	$2,163,872	$1,395,265	$768,607
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)			
	Explanation:	The Departments agree with this finding. We continue to address this repeat finding as evidenced by substantial edits to our current business practice and the SOP governing Medicare Part B Buy-in reconciliation effective March 10, 2022. Existing work on the SOP development includes the incorporation of a recent CMS implemented web-portal tool to address Medicare Part B Buy-in discrepancies known as ELMO, a tool we are already leveraging. Work continues to include Information Technology processes in order to determine where system changes may enhance and further automate reconciliation for individuals with SSI and Medicare premium changes.			
	FY 2022 Finding:	2022-084			
2019-051	Finding Title:	Internal control over Acute Care Critical Access Hospital supplemental pool payments needs improvement			
	State Department:	Health and Human Services			
	ALN:	93.775, 93.777, 93.778			
	Initial Finding FY:	2019			
	Questioned Costs:	None			
	FY22 Status:	Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)			
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC;			

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		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 2022 Finding:	No finding was issued for FY 2022 and this program was audited as a major program.
2021-054* 2020-054* 2019-052**	Finding Title:	Internal control over the eligibility determination process needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	*Management disagrees with this finding and does not believe that corrective action is required ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department disagrees with this finding. The systems we have in place are both necessary and sufficient in meeting programmatic requirements to ensure accurate eligibility determinations are being made. There has been no citation of federal regulation provided by OSA during this review that contradicts this. The Department would like to note: 1. Supervisors do a minimum of 1 case reading per month and a minimum of 1 call monitoring per week for staff on phones. It is commonplace for them to do more, especially for a new employee, or known coaching issues. 2. These case readings were tracked by supervisors and units and were tracked centrally on our Streamline Management Y-Drive in SFY2022. 3. Phone calls can be referenced by Supervisors in real time or afterwards, via recording. 4. Specifics of case reading, and call monitoring were formalized with specific expectations in multiple categories, which were followed up on by coaching staff if not all of the expectations were met. With a goal of continuous improvement, it was also noted to the OSA that we formally implemented the Calabrio System which dramatically enhanced and further automated our ability to track Case Readings and Call Monitoring performance statewide in June of 2022. A corresponding user guide was also developed and implemented in June of 2022. This example of continuous quality improvement has led to a more holistic understanding of trends and training needs. Furthermore, SNAP cases are randomly selected and reviewed by USDA partially-funded SNAP Quality Control staff. These findings are reported monthly to FNS and OFI senior management. A team of QC, training, program, operations, business technology and senior management meet bi-weekly to review trends and implement solutions. These have included technological enhancements, reminder e-mails, targeted trainings, and pop quizzes. While this effort focuses on SNAP, the vast majority of SNAP cases also involve MaineCare, and some include TANF. Solutions for one program typically aid all.
	FY 2022 Finding:	2022-082

Summary Schedule of Prior Audit Findings

Finding Number	**Prior Audit Finding Status**	
2021-014* 2020-063* 2019-057**	Finding Title:	________ over ________ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-017
2021-059* 2019-061**	Finding Title:	Internal control over cash management needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	97.036
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	*Corrective action was not completed in FY 2022 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. In State Fiscal Year 2023 MEMA started utilizing the Security and Employment Service Center to draw funds and to ensure the drawdown procedure addresses the need to (1) consider previous cash balances before making a drawdown and (2) ensure the period from drawdown to disbursement does not exceed seven days. The new procedure will provide for limited review and testing by MEMA as appropriate.
	FY 2022 Finding:	2022-090
2021-063 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
	ALN:	97.036
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	Corrective action was taken during FY 2022
2021-060 2019-063	Finding Title:	Internal control over monitoring subrecipient Single Audits needs to be established
	State Department:	Defense, Veterans and Emergency Management
	ALN:	97.036
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department will write and implement a procedure for identifying subrecipients subject to Single Audit requirements. The process must be based on accurate expenditure data from the general ledger. Where

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		general ledger data is transferred to spreadsheets, a reconciliation must be performed.
	FY 2022 Finding:	ML 22-1502-03
2021-001 2020-002	Finding Title:	Internal control over lottery receivable reconciliations needs improvement
	State Department:	Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The GGSC agrees with this finding with some clarifications. The GGSC, in collaboration with a consultant, developed and implemented significant improvements to the Lottery Fund accounts receivable process during FY2022. These improvements allowed for an accurate reconciliation of retailer accounts receivable balances for FY2022. The new accounting processes went live June 26, 2022, and as a result there was not sufficient time to verify if the new entries and postings resulted in a fully reconciled accounts receivable balance. Additionally, there are entries processed by the lottery office that are also part of the accounts receivable balance. Therefore, the GGSC needs FY23 as a review period to ensure a one-time write off event. The one item that remains outstanding is the $6.6 million historical adjustment that has been repeated since Fiscal Year 2016. It was necessary to implement the new accounting processes prior to developing the final resolution of the historical adjustment. During FY2022 the GGSC began work with the OSC to address the accumulated discrepancy in the accounts receivable balance. We anticipate this will be resolved during Fiscal Year 2023.
	FY 2022 Finding:	2022-006
2021-003 2020-005	Finding Title:	Internal control over financial reporting of OFI overpayments needs improvement
	State Department:	Administrative and Financial Services Health and Human Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department of Health and Human Services and the Office of the State Controller agree that the variance between the receivable and reserve should be booked as a deferred inflow. A claim termination policy will be established in accordance with federal regulations. Corrective action is significantly different from corrective action previously reported.
	FY 2022 Finding:	2022-019

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
2021-007 2020-006	Finding Title:	________ over the ________ and ________ system needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	No finding was issued for FY 2022; however, this program was not audited as a major program
2021-008 2020-007	Finding Title:	Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables needs improvement
	State Department:	Judicial Branch Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	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 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 360 days old, which has been the acceptable method for many years.
	FY 2022 Finding:	2022-011
2021-006 2020-030	Finding Title:	________ over ________ and ________ for the ________ system needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	This audit finding does not warrant further action
	Explanation:	This finding is no longer applicable to the Department and has been directed towards another Department.
	FY 2022 Finding:	2022-018

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
2020-033	Finding Title:	Internal control over Federal cash management needs improvement
	State Department:	Administrative and Financial Services Labor
	ALN:	84.126
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Corrective action was taken during FY 2022
2021-037 2020-038	Finding Title:	________ over ________, ________, and ________ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-059
2021-046 2020-040	Finding Title:	Internal control over TANF client child support sanction procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department disagrees with this finding. The Office for Family Independence (OFI) has sufficient internal controls in place to ensure compliance with Federal requirements. Specifically, based on the finding's stated condition, OSA did not take exception with the 22 items that were actually tested for compliance. Additionally, OFI has provided sufficient information for OSA to identify and conduct the audit and compliance testing of cases referred by DSER for sanction. The Department has provided OSA with the following material as requested: 1. The list of all sanction referrals generated by OFI-DSER, the Title IV-D agency. 2. The list of all OFI-TANF clients actually sanctioned by TANF Eligibility. 3. The list of all OFI-TANF clients 4. Copies of all emails pertaining to all sanction activity 5. Access to our Automated Client Eligibility System which includes all documented case notes. Corrective action is significantly different from corrective action previously reported
	FY 2022 Finding:	2022-070

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2021-056 2020-056	Finding Title:	Internal control over deceased client cases and claims analysis needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department partially agrees with this finding. OFI acknowledges a data mismatch of five clients. Edits were made to the standard operating procedures governing the date of death procedures in November of 2021 including articulation of responsible parties and expected timelines for processing. Additionally, OFI continues to process weekly IEVS discrepancy reports based on death data from our federal partners as well as conduct monthly crosswalks with Maine's CDC Office of Vital Statistics. OMS worked with OSA to review the original population of over 600 claims that were made after a client's DOD. The original claims identified by OSA were reduced to 110. OMS did not have sufficient time to perform a more detailed analysis into the underlying reasons that these 110 claims were made to clients after DOD. OMS will complete the in-depth review and then consider if additional updates to procedures are necessary.
	FY 2022 Finding:	2022-086
2020-058	Finding Title:	Internal control over Patient Service Revenue needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	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.
	FY 2022 Finding:	No finding was issued for 2022 and this program was audited as a major program.
2021-057 2020-059	Finding Title:	Internal control over the outsourced medical claims coding process needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department agrees with this finding. The State of Maine is now obtaining and forwarding the RISSNET files to Gainwell. The files for Calendar Year Q4 2022 and Calendar Year Q1 2023 were forwarded prior

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		to the start of Q4 2022 and Q1 2023. Gainwell has provided the files to the vendor, Context, for formatting. Neither file was properly validated or applied. The state will work with Gainwell to ensure the previous files are corrected and to ensure current and future files are processed correctly.
	FY 2022 Finding:	2022-087
2021-013 2020-062	Finding Title:	________ over the Office of Information Technology's ________ procedures needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-018
2021-058 2020-065	Finding Title:	over the system needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022 for finding 2022-020 Management disagrees with this finding and does not believe that corrective action is required for finding 2022-083
	Explanation:	2022-020 - The Department is taking steps to address and remediate this condition 2022-083 - The Department disagrees with this finding and will not be taking steps to address and remediate this condition
	FY 2022 Finding:	2022-020 & 2022-083
2021-002	Finding Title:	________ over ________ within the ________ system needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-015
2021-004	Finding Title:	Internal control over accounting for personal protective equipment inventory needs improvement
	State Department:	Administrative and Financial Services Health and Human Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2021

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Questioned Costs:	None
	FY22 Status:	Corrective action was taken during FY 2022
2021-016	Finding Title:	Internal control over EBT reconciliation procedures needs improvement
	State Department:	Health and Human Services
	ALN:	10.551, 10.561
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department partially agrees with this finding. The Department agrees that reconciliations were not completed as required until April of 2022, but that they were done retrospectively. The Department disagrees that there are questioned costs in the amount of $80,555. This debt was not caused by a failure to perform reconciliations. Rather, it was discovered by the retroactive reconciliations performed by the Department.
	FY 2022 Finding:	2022-027
2021-022	Finding Title:	Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement
	State Department:	Labor Administrative and Financial Services
	ALN:	17.225, 97.050
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was taken during FY 2022
2021-023	Finding Title:	Internal control over education expenditures charged to the Coronavirus Relief Fund needs improvement
	State Department:	Education
	ALN:	21.019
	Initial Finding FY:	2021
	Questioned Costs:	The Office of the State Auditor (OSA) tested a sample of 60 payments to subrecipients and contractors charged to the Coronavirus Relief Fund (CRF). OSA identified one exception with known questioned costs totaling $27,169. Likely questioned costs cannot be determined due to the variety of activity within the subrecipient expenditure population. The projection of questioned costs utilizing the error rate related to the known exception and amounts tested would not produce a reasonable estimate of likely questioned costs.
	FY22 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Office of Federal Emergency Relief Programs has written justification of the projects and expenses that were proposed by the school administrative units to prepare, prevent, and respond to the COVID-19 pandemic. Each written justification was reviewed and discussed to determine allowability, reasonableness, and necessity during our team review sessions. The Office of Federal Emergency Relief Programs conferred with the guidance and with our US. Department of Education's program officer throughout the review process. The Office of Federal

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		Emergency Relief Programs made the required determination related to the statutory requirements and nature of the funding but failed to document those decisions separately from the application approvals. We acknowledge that the discussions to determine allowability, reasonableness, and necessity for the intended use may not have been fully documented due to the emergency needs and time-sensitive nature of the funding. Once the applications were approved, the school may submit for reimbursement to cover approved costs that were incurred between March 1, 2020 and June 30, 2021. The reimbursement requests were reviewed by the Office of Federal Emergency Relief Programs and only purchases that aligned to the projects in the approved application were processed for payment. The process complied with US Treasury guidance on use of CRF in the following ways: The expenses to be covered through CRF reflect critical and time sensitive needs; the expenses are directly due to the Covid-19 pandemic; the expenses were not previously budgeted items and will not supplant existing resources; and the expenses will not be reimbursed by any other funding source. The approved projects and expenses were the documented justification for the expenses that were approved in the invoice review process. While the Office of Federal Emergency Relief Programs acknowledges that documentation of the discussion about the determination for allowability, reasonableness and necessity should have been maintained, the Office can confirm that these expenses were: to prepare, prevent, and respond to COVID-19; for an allowable use; and, were reasonable and necessary.
	FY 2022 Finding:	No finding was issued for FY 22; however, this was not audited as a major program
2021-024	Finding Title:	Internal control over payroll transfers to the Coronavirus Relief Fund needs improvement
	State Department:	Administrative and Financial Services
	ALN:	21.019
	Initial Finding FY:	2021
	Questioned Costs:	The Office of the State Auditor (OSA) tested a sample of 60 payroll transactions charged to the Coronavirus Relief Fund (CRF). OSA identified known questioned costs totaling $4,867. Likely questioned costs cannot be determined. The known questioned costs were a result of a nonroutine component included in the audit test sample; therefore, the projection of questioned costs utilizing the error rate related to the known exceptions and amounts tested would not produce a reasonable estimate of likely questioned costs.
	FY22 Status:	Management disagrees with this finding and does not believe that corrective action is required.
	Explanation:	The Departments disagree with this finding. Payroll costs are incurred when the service is provided; however, the cost of leave benefits (including vacation, sick and compensatory time) is not incurred until claimed by the employee. The cost of benefits in question were claimed by substantially dedicated public safety employees during the period of performance in accordance with CRF guidance.
	FY 2022 Finding:	No finding was issued for FY 22; however, this was not audited as a major program

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2021-025	Finding Title:	Internal control over subrecipient risk evaluation procedures needs improvement
	State Department:	Health and Human Services
	ALN:	21.019
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Management disagrees with this finding and does not believe that corrective action is required.
	Explanation:	The Department disagrees with this finding. In the middle of a pandemic the Department contracted with many new providers in order to prevent the spread of COVID-19 infections by creating local prevention plans and providing education to businesses and towns. Many of these contracts were limited period contracts (4 months) and guidance from the Federal government was to promote flexibility in the disbursement of these funds. The Department, knowing that the timing of contracting and disbursing these funds was critical and that many of these providers were new to contracting with the State, recognized these providers as "high risk". Recognizing these providers as "high risk", the Department utilized 2 of the 3 suggested monitoring tools in the Uniform Guidance based on the assessment of risk posed by the subrecipients. Those tools, 1) providing subrecipients with training and technical assistance and 2) arranging for agreed-upon procedures engagements, which is built into the Department's Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) were required and performed for all of these subrecipients. The third monitoring tool identified in the Uniform Guidance related to high risk subrecipients, performing on-site visits of subrecipient's program operations, was not practical in the middle of the pandemic.
	FY 2022 Finding:	No finding was issued for FY 22; however, this was not audited as a major program
2021-026	Finding Title:	________ over ________ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-047
2021-027	Finding Title:	________ over the ________ system needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-054

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2021-028	Finding Title:	________ over ________, ________, and ________ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2022 Finding:	2022-055
2021-029	Finding Title:	Internal control over special reporting needs improvement
	State Department:	Economic and Community Development
	ALN:	21.023
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department agrees with this finding. Due to the evolving reporting requirements for the Emergency Rental Assistance program, the Department did not originally identify the FFATA requirements as applicable and did not submit accordingly. Currently, the existing policies and procedures have been modified to ensure that from this point forward, FFATA reporting is completed for all subawards that meet or exceed the first-tier threshold.
	FY 2022 Finding:	2022-048
2021-030	Finding Title:	Internal control over suspension and debarment procedures needs improvement
	State Department:	Economic and Community Development
	ALN:	21.023
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was taken during FY 2022
2021-031	Finding Title:	Internal control over Title I, Part A award allocations needs improvement
	State Department:	Education
	ALN:	84.010
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department agrees with this finding. The ESEA Federal Programs Department has policies and procedures in place to complete a comprehensive supervisory review checklist, which verifies the accuracy of Title I funding, prior to school district allocations. This finding was the result of turnover in management and the need for Department employees to work remotely due to the COVID-19 pandemic. Based on these causes, the ESEA team is reviewing and updating the policies and procedures, where necessary, regarding the supervisory review of all Title allocations, including Title I, prior to finalizing allocations of grant funding to school

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		districts.
	FY 2022 Finding:	No finding was issued for FY 22; however, this was not audited as a major program
2021-032	Finding Title:	Internal control over special reporting needs improvement
	State Department:	Education
	ALN:	84.425D, 84.010
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department agrees with this finding. Beginning in February 2022, the Department implemented a procedure for reviewing FFATA reports for accuracy prior to submission. Where this finding relates to FFATA reports prior to February 2022, and the Department has taken steps to address the previous finding, management feels that no further corrective action is necessary.
	FY 2022 Finding:	2022-056
2021-033	Finding Title:	Internal control over cash management needs improvement
	State Department:	Administrative and Financial Services
	ALN:	84.425C
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was taken during FY 2022
2021-034	Finding Title:	Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement
	State Department:	Education
	ALN:	84.425D
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	DOE Response: The Department agrees with this finding. The Department will be mindful to detect typographical errors through an increased level of scrutiny when conducting the review. OSC Response: The Office of the State Controller partially agrees with this finding. Federal funds reporting is decentralized and agencies use different methods for tying amounts to specific federal programs in Advantage. The Management Representation letters received from the agencies acknowledge that the agencies are responsible for the fair presentation of the expenditures in conformity with and in compliance with the rules and regulations of 2 CFR §200. OSC is responsible to compile the data and submit the SEFA. OSC will update or clarify guidance as necessary and will consult with service center and agency financial personnel to help ensure their compilation/review systems are designed to provide accurate information for the SEFA.
	FY 2022 Finding:	2022-053

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2021-038	Finding Title:	Internal control over reporting needs improvement
	State Department:	Health and Human Services
	ALN:	93.323
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department agrees with this finding. The Division of Disease Surveillance, within the Maine Center of Disease Control and Prevention put into place a comprehensive process to ensure quarterly and annual performance reports and special reports are properly completed, reviewed, filed, and retained during the fall of 2022. In September 2022, the Division hired a Grants Manager who developed a report tracking system using Microsoft Project. The individuals completing the reports, now complete them in Microsoft Project and from there the Grant Manager reviews for completeness and uploads into the federal site. The Grants Manager sends an email to the Principal Investigator when reports are complete and have been submitted to the federal CDC.
	FY 2022 Finding:	2022-063
2021-039	Finding Title:	Internal control over subrecipient awards needs improvement
	State Department:	Health and Human Services
	ALN:	93.323
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was taken during FY 2022
2021-041	Finding Title:	Internal control over special reporting needs improvement
	State Department:	Health and Human Services
	ALN:	93.558, 93.323, 93.268, 10.557
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department agrees with this finding. The Department implemented the corrective action plan from FY21, and it is currently in place. In summary, the Department revised the standard operating procedure and improved the technology to ensure data accuracy and added a layer of review to ensure accuracy of the FFATA reporting. This was finalized in November of 2022.
	FY 2022 Finding:	2022-072
2021-045	Finding Title:	Internal control over cash benefits paid to TANF clients needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2021
	Questioned Costs:	The Office of the State Auditor (OSA) tested a sample of payments issued to TANF clients as direct cash benefits. OSA identified known questioned costs totaling $224. Likely questioned costs totaling $112,657 were

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		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 issued to TANF clients as direct cash benefits in fiscal year 2021.
	FY22 Status:	Management disagrees with this finding and does not believe that corrective action is required.
	Explanation:	The Department disagrees with this finding. The Office of the State Auditor correctly identified an error; however, the Department has controls in place and identified the error timely. The case was referred for overpayment during the fiscal year.
	FY 2022 Finding:	No finding was issued for FY 2022 and this program was audited as a major program.
2021-049	Finding Title:	Internal control over subrecipient audit procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department agrees with this finding. We will revise our standard operating procedures (SOP) to include the search for out of state subrecipients on the Federal Audit Clearinghouse.
	FY 2022 Finding:	2022-076
2021-061	Finding Title:	Internal control over Schedule of Expenditures of Federal Awards reporting needs improvement
	State Department:	Administrative and Financial Services Defense, Veterans and Emergency Management
	ALN:	97.036
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	MEMA Response: The Department agrees with this finding. MEMA will implement controls to ensure the accuracy of Assistance Listing Numbers before SEFA data is submitted to OSC. OSC Response: The Office of the State Controller partially agrees with this finding. Federal funds reporting is decentralized and agencies use different methods for tying amounts to specific federal programs in Advantage. The Management Representation letters received from the agencies acknowledge that the agencies are responsible for the fair presentation of the expenditures in conformity with and in compliance with the rules and regulations of 2 CFR §200. OSC is responsible to compile the data and submit the SEFA. OSC will update or clarify guidance as necessary and will consult with service center and agency financial personnel to help ensure their compilation/review systems are designed to provide accurate information for the SEFA.
	FY 2022 Finding:	2022-092

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2021-062	Finding Title:	Internal control over special reporting needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	97.036
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY22 Status:	Corrective action was not completed in FY 2022
	Explanation:	The Department agrees with this finding. MEMA will ensure FY23 subawards are entered into the FFATA reporting system.
	FY 2022 Finding:	2022-091

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