STATE OF MAINE

SINGLE AUDIT REPORT
Uniform Guidance
Fiscal Year Ending June 30, 2023

Office of the State Auditor
Matthew Dunlap, CIA
State Auditor

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2023

Table of Contents

Table of Contents – Continued

Table of Contents – Continued

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Matthew Dunlap, CIA
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B. Melissa Perkins, CPA
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, 2023. 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 2023, $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
- Schedule of Findings and Questioned Costs
- Financial Statement Findings

- Federal Findings Indexes and Federal Award Identification Numbers
- Federal Findings and Questioned Costs
- Corrective Action Plan
- Summary Schedule of Prior Audit Findings

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

Please contact me if you have questions or comments about the 2023 Single Audit of the State of Maine.

Respectfully submitted,

Matthew Dunlap, CIA
State Auditor

March 28, 2024

STATE OF MAINE
EXECUTIVE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2023

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2023

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 2023 includes 21 major Federal programs that represent 91 percent of the $5.7 billion in Federal expenditures for the 2023 fiscal year. This Single Audit Report consists of various audit reports, the related financial statements, and 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 eight 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 21 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 are required to be reported under *Government Auditing Standards*.

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

Compliance with program requirements

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

- Adoption Assistance – Title IV-E
- Child and Adult Care Food Program (CACFP)
- Child Nutrition Cluster
- Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- Education Stabilization Fund (ESF)
- Emergency Rental Assistance Program
- Foster Care – Title IV-E
- Immunization Cooperative Agreements
- Medicaid Cluster
- Pandemic EBT Food Benefits (P-EBT)
- SNAP Cluster
- Special Education Cluster (IDEA)
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
- Temporary Assistance for Needy Families (TANF)

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

Internal control over compliance

OSA identified 75 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.

Thirty-three 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 42 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 $3.3 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, 2023

INDEX TO FINANCIAL INFORMATION

General Purpose Financial Statements of the State of Maine

For the Fiscal Year Ended June 30, 2023

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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, 2023, 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, 2023, 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 58 percent of revenue of the aggregate remaining fund information (Maine Public Employees Retirement System and Maine Governmental Facilities Authority); and 3 percent of the assets, and less than 1 percent of the net position and revenue of the governmental activities (Maine Governmental Facilities Authority) as of June 30, 2023. 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 reports 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.

Emphasis of Matter

As described in Note 3 to the financial statements, the State of Maine adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Implementation of GASB Statement No. 96 had no impact on the State of Maine's net position. Our opinion is not modified with respect to this matter.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

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 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-120 to B-155, 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 13, 2023, 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 13, 2023

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, 2023. 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

Maine's 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.

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, 2023. Please read in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

Government-wide:

- The net position of Governmental Activities increased by $601.0 million, while net position of Business-Type Activities increased by $73.2 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by $3.261 billion at the close of fiscal year 2023. Of this amount $1.603 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 $3.894 billion, an increase of $126.4 million (3.4 percent) from the previous year.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported a combined ending fund balance of $3.023 billion, an increase of $314.0 million from the previous year. The General Fund's total fund balance was $1.358 billion, an increase of $383.0 million from the previous year. The General Fund fund balance increase was primarily due to the decrease in transfers to other funds of $345.6 million, as compared to the prior year. The Other Special Revenue Fund total fund balance was $1.349 billion, a decrease of $154.8 million from the prior year. This was due primarily to a decrease in Transfers from Other Funds. The transfers were primarily impacted by Public Law 2023, Chapter 412, which authorized transfers from the General Fund to the Other Special Revenue fund. The funds were set aside in a reserve account until the law became effective on October 25, 2023. This item is further explained in Note 20 - Subsequent Events.
- The proprietary funds reported net position at year-end of $1.057 billion, a decrease of $97.8 million from the previous year. The decrease is the net result of an increase in two Enterprise Funds, the Employment Security Fund of $48.4 million and Ferry Service Fund of $16.7 million and a decrease of $159.2 million in the Retiree Health Insurance Fund, an Internal Service Fund. The $159.2 million decrease is primarily due to the funding of the Irrevocable OPEB Trusts. This item is further explained in Note 21 - Special Items.

Long-term Debt:

- The State's liability for general obligation bonds increased by $55.8 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued $167.1 in new general obligation bonds and made principal payments of $111.3 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 information regarding the State's pension plans and other post-employment benefit trust funds and condition and maintenance data regarding certain portions of the State's infrastructure.

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net position increased by $674.1 million to $3.261 billion over the course of fiscal year ended June 30, 2023, as detailed in Tables A-1 and A-2. The increase in net position is due to an increase in other revenue, primarily unrestricted investment earnings, and a decrease in expenses for governmental support and education.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	2022*	2023	2022	2023	2022*
Current and other noncurrent assets						
Current and other assets	$ 5,180,035	$ 4,562,799	$ 800,760	$ 730,714	$ 5,980,795	$ 5,293,513
Long-term assets	962,725	1,755,178	4,295	8,934	967,020	1,764,112
Current and other noncurrent assets	6,142,760	6,317,977	805,055	739,648	6,947,815	7,057,625
Total capital and right to use assets, net	5,080,341	4,768,024	64,696	47,150	5,145,037	4,815,174
Total Assets	11,223,101	11,086,001	869,751	786,798	12,092,852	11,872,799
Deferred Outflows of Resources	1,550,175	1,677,865	7,300	6,588	1,557,475	1,684,453
Current liabilities	2,587,995	2,885,428	60,875	51,158	2,648,870	2,936,586
Non-current liabilities	6,281,881	5,489,161	27,567	20,541	6,309,448	5,509,702
Total Liabilities	8,869,876	8,374,589	88,442	71,699	8,958,318	8,446,288
Deferred Inflows of Resources	1,426,849	2,513,699	3,833	10,085	1,430,682	2,523,784
Net Position (Deficit)						
Net Investment in Capital Assets	3,916,854	3,724,890	64,696	47,150	3,981,550	3,772,040
Restricted	166,741	163,469	715,946	667,500	882,687	830,969
Unrestricted (deficit)	(1,607,044)	(2,012,781)	4,134	(3,048)	(1,602,910)	(2,015,829)
Total Net Position	$ 2,476,551	$ 1,875,578	$ 784,776	$ 711,602	$ 3,261,327	$ 2,587,180

* As restated

The State's fiscal year 2023 revenues totaled $13.539 billion. (See Table A-2) Taxes and Operating grants and contributions accounted for most of the State's revenue by contributing 44.7 percent and 42.1 percent, respectively. The remainder came from charges for services and other miscellaneous sources.

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is a $2.2 trillion dollar economic stimulus bill signed into law on March 27, 2020 in response to the economic fallout of the COVID-19 pandemic. Through federal legislation, the State of Maine received $1.25 billion dollars of Coronavirus 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 total cost of all programs and services totaled $12.697 billion for the year 2023. (See Table A-2) These expenses are predominantly (66.3 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 9.6 percent of total costs. Total net position increased by $674.1 million, primarily due to a decrease in governmental support expenses of $398.0 million and education expenses of $251.6 million.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	**2022***	**2023**	**2022**	**2023**	**2022***
Revenues:						
Program Revenues:						
Charges for Services	$ 609,580	$ 643,485	$ 836,640	$ 820,945	$ 1,446,220	$ 1,464,430
Operating grants and contributions	5,689,721	5,721,551	11,507	9,132	5,701,228	5,730,683
General Revenues:						
Taxes	6,046,529	6,197,751	-	-	6,046,529	6,197,751
Other	345,008	189,130	-	-	345,008	189,130
Total Revenues	12,690,838	12,751,917	848,147	830,077	13,538,985	13,581,994
Expenses:						
Governmental Activities:						
Governmental Support	1,220,177	1,618,142	-	-	1,220,177	1,618,142
Education	2,439,809	2,691,379	-	-	2,439,809	2,691,379
Health & Human Services	5,974,642	5,680,639	-	-	5,974,642	5,680,639
Justice & Protection	691,174	565,778	-	-	691,174	565,778
Transportation Safety	767,090	732,881	-	-	767,090	732,881
Economic Development & Workforce Training	468,971	738,928	-	-	468,971	738,928
Other	431,446	338,679	-	-	431,446	338,679
Interest Expense	47,790	37,835	-	-	47,790	37,835
Business-type Activities:						
Employment Security	-	-	97,758	11,217	97,758	11,217
Lottery	-	-	342,736	319,494	342,736	319,494
Alcoholic Beverages	-	-	190,456	183,874	190,456	183,874
Other	-	-	24,789	22,466	24,789	22,466
Total Expenses	12,041,099	12,404,261	655,739	537,051	12,696,838	12,941,312
Excess (Deficiency) before Special Items and Transfers	649,739	347,656	192,408	293,026	842,147	640,682
Special Items	(168,000)	-	-	-	(168,000)	-
Transfers	119,234	122,906	(119,234)	(122,906)	-	-
Increase (Decrease) in Net Position	600,973	470,562	73,174	170,120	674,147	640,682
Net Position, beginning of year	1,875,578	1,405,016	711,602	541,482	2,587,180	1,946,498
Ending Net Position	$ 2,476,551	$ 1,875,578	$ 784,776	$ 711,602	$ 3,261,327	$ 2,587,180

* As Restated

Governmental Activities

Revenues for the State's Governmental Activities totaled $12.691 billion while total expenses equaled $12.041 billion. The increase in net position for Governmental Activities was $601.0 million in 2023, which was primarily the result of a decrease in expenses of $363.2 million. The decrease in expenses were primarily due to governmental support and education. Governmental Activities transferred $168.0 million to an Irrevocable OPEB Trusts. This item is further explained in Note 21 - Special Items. In addition, the State's Business-Type Activities transfers of $119.2 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 $609.6 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $5.690 billion. $6.392 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 2023

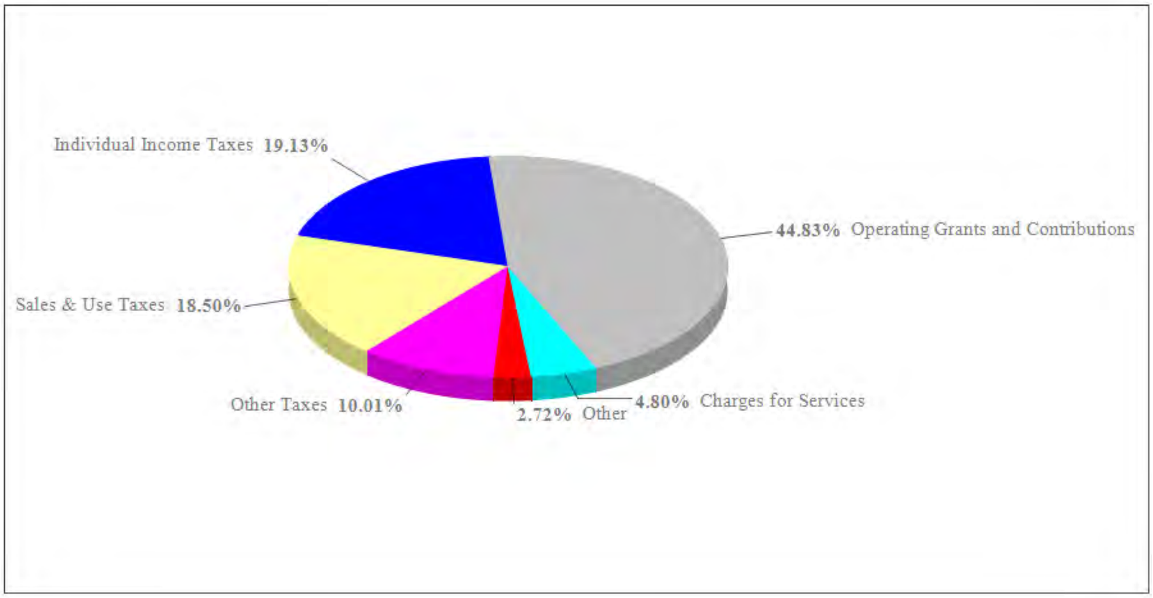
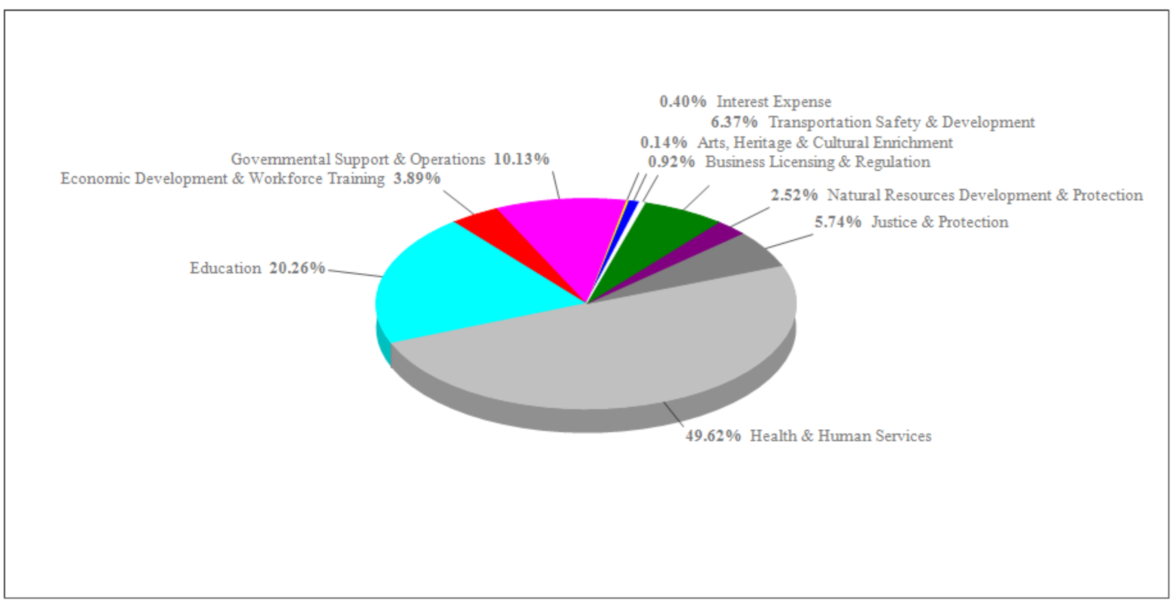


TABLE A-4: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2023



Business-Type Activities

Revenues for the State's Business-Type Activities totaled $848.1 million while expenses totaled $655.7 million. The increase in net position for Business-Type Activities was $73.2 million in 2023, due to an increase in revenues over expenses of $46.9 million in Employment Security and an increase of $9.5 million of transfers related to capital acquisition for Ferry Services.

Table A-5 presents the revenue of State Business-Type Activities: Employment Security, Alcoholic Beverages, Lottery, Ferry Services, 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)	
	2023	2022	2023	2022
Employment Security	$ 97,758	$ 11,217	$ 58,365	$ 160,823
Alcoholic Beverages	190,456	183,874	65,643	62,026
Lottery	342,736	319,494	74,059	72,368
Ferry Services	14,761	13,713	(7,436)	(7,166)
Consolidated Emergency Communications	6,396	5,705	341	1,335
Other	3,632	3,048	1,436	3,640
Total	$ 655,739	$ 537,051	$ 192,408	$ 293,026

The cost of all Business-Type Activities this year was $655.7 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was $192.4 million. Employment Security net revenue increased by $58.4, while Alcoholic Beverages and Lottery contributed $65.6 and $74.1 million of net revenue, respectively. The $119.2 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)

	2023	2022*	Change
General	$ 1,358,435	$ 975,433	$ 383,002
Highway	17,821	4,185	13,636
Federal	21,859	52,326	(30,467)
Other Special Revenue	1,349,419	1,504,225	(154,806)
Other Governmental Funds	275,075	172,420	102,655
Total	$ 3,022,609	$ 2,708,589	$ 314,020

* As restated

As of the end of the fiscal year, the State’s governmental funds reported combined ending fund balances of $3.023 billion, an increase of $314.0 million in comparison with the prior year. Of this total, $51.8 million (1.7 percent) is classified as non-spendable, either due to its form or legal constraints, and $997.3 million (33.0 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 2023, there was $1.0 billion 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 $383.0 million. Revenues and other financing sources of the General Fund increased by approximately $160.5 million (2.8 percent), as compared to fiscal year end 2022. The General Fund transfers to other funds decreased by approximately $345.6 million (24.2 percent), as compared to fiscal year end 2022, primarily related to Public Law 2023 Chapter 412. This item is further explained in Note 20 - Subsequent Events. Expenses of the General Fund increased by approximately $297.8 million (7.1 percent), as compared to fiscal year end 2022, primarily related to education and health & human services.

Other Special Revenue fund balance decreased $154.8 million, due to a decrease in net Transfers, compared to the prior year, of $372.7 million, primarily related to Public Law 2023 Chapter 412 - see Note 20 - Subsequent Events, for further discussion.

Budgetary Highlights

For the 2023 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $4.654 billion, an increase of about $68 million from the original legally adopted budget of approximately $4.586 billion. Actual expenditures on a budgetary basis amounted to approximately $332.3 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2023, including the budgeted starting balance for fiscal year 2023, there were funds remaining of $70.4 million to distribute in fiscal year 2023. Actual revenues exceeded final budget forecasts by $148.8 million. Interest earnings of $19.6 million along with legislatively and statutorily approved transfers resulted in the Budget Stabilization Fund reaching it's statutory cap of $968.3 million as of June 30, 2023. The remaining $3.9 million of surplus was transferred to the Highway and Bridge Capital Program for fiscal year 2023. 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 2023, the State had roughly $5.145 billion in a broad range of capital and right to use assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2023, the State acquired or constructed more than $456.9 million of capital, right to use and subscription based information technology 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 19 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Land	$ 691,494	$ 662,161	$ 2,426	$ 2,389	$ 693,920	$ 664,550
Construction in Progress	322,807	269,286	25,661	14,582	348,468	283,868
Infrastructure	3,105,351	3,039,388	-	-	3,105,351	3,039,388
Buildings*	821,621	794,708	5,261	4,655	826,882	799,363
Equipment	385,843	353,249	38,713	36,945	424,556	390,194
Improvements Other Than Buildings	114,619	114,619	49,514	42,757	164,133	157,376
Software	155,356	121,686	-	-	155,356	121,686
Total Capital Assets	5,597,091	5,355,097	121,575	101,328	5,718,666	5,456,425
Less: Accumulated Depreciation	877,158	818,357	56,879	54,178	934,037	872,535
Capital Assets, net	4,719,933	4,536,740	64,696	47,150	4,784,629	4,583,890
Right to Use Assets*	262,754	240,810	-	-	262,754	240,810
Less: Accumulated Amortization	19,979	9,526	-	-	19,979	9,526
Right to Use Assets, net	242,775	231,284	-	-	242,775	231,284
Subscription Based Assets	142,014	-	-	-	142,014	-
Less: Accumulated Amortization	24,381	-	-	-	24,381	-
Subscription Based Assets, net	117,633	-	-	-	117,633	-
Capital, Right to Use and Subscription Based Assets, net	$ 5,080,341	$ 4,768,024	$ 64,696	$ 47,150	$ 5,145,037	$ 4,815,174

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 17,850 lane miles within the State. Bridges have a deck area of 12.5 million square feet among 3,023 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2023, the actual average condition was 74.3. 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, 2023. Preservation costs for fiscal year 2023 totaled $205.7 million compared to estimated preservation costs of $205.0 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by PL 2021, Chapter 408, $29.5 million in General Fund bonds were spent during fiscal year 2023. Of the amount authorized by PL 2019, Chapter 673, $2.9 million in General Fund bonds were spent during fiscal year 2023.

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 $1.875 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	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
General Obligation						
Bonds	$ 559,370	$ 505,820	$ -	$ -	$ 559,370	$ 505,820
Unmatured Premiums	79,270	76,968	-	-	79,270	76,968
Other Long-Term Obligations	1,232,681	1,132,197	3,627	959	1,236,308	1,133,156
Total	$ 1,871,321	$ 1,714,985	$ 3,627	$ 959	$ 1,874,948	$ 1,715,944

During the year, the State reduced outstanding long-term obligations by $111.3 million for general obligation bonds and $308.9 million for other long-term debt. Also during fiscal year 2023, the State incurred $579.2 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2023 by Moody's Investors Service as Aa2 with a positive outlook and by Standard & Poor's as AA with a stable outlook.

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

The Maine Consensus Economic Forecasting Commission (CEFC) convened on October 23, 2023, to review and revise its forecast through 2027. This meeting builds on the Commission's forecast update of April 1, 2023, incorporating the most recent data available for all relevant baseline data.

The CEFC noted ongoing heightened uncertainty in economic conditions in the near-term, especially regarding geo-political upheaval, but does not anticipate a recession in its forecast. The Commission expects that higher demand for labor will continue to draw enough workers into Maine in the coming years to offset retirements from the Baby Boom generation. However, the Commission recognizes that access to housing may hamper growth in the coming years. High inflation and interest rates have continued into 2023, and the CEFC noted that the Federal Reserve is expected to continue pursuing policies that will constrain inflation, but inflation risks are likely to take several years to fully ease. Inflation and interest rates, demographic changes, access to housing, and a tight labor market were among the key risks to continued economic growth that the CEFC considered as it revised its forecasts.

The Commission left its nonfarm employment forecast unchanged for all years, with the expectation that higher demand for labor will continue to draw enough workers into Maine in the coming years to offset retirements from the Baby Boom generation.

Total personal income growth in 2022 was 3.9%, revised up from the BEA's preliminary estimate of 2.6%. The Commission revised its forecast for total personal income growth in 2023 up from 5.2% to 5.9% but downward for calendar years 2024 through 2027. The Commission revised those years down to 4.5%, 4.3%, 4.4%, and 4.4% from 4.9%, 4.5%, 4.6%, and 4.7%, respectively.

Wage and salary income, the largest component of personal income, increased by 8.5% in 2022, just under the preliminary estimate of 8.6%. The Commission revised its forecast for 2023 up to 7.5% from 6.0% based on data from the Maine Department of Labor and Maine Revenue Services for the first half of 2023. The rest of the forecast remained unchanged.

The Commission revised its forecast for inflation using the Consumer Price Index (CPI) down in all years, going from 5.8% to 4.1% in 2023, 4.0% to 3.2% in 2024, 3.5% to 2.7% in 2025, 3.5 to 2.7% in 2026, and 2.7% from 3.0% in 2027. These revisions were made based on the year-to-date CPI data and to better align with the Moody's Analytics and S&P forecasts for these years.

Corporate profits increased 8.4% in 2022, up from the preliminary estimate of 6.6%. The Commission revised its forecast for 2024-2027 to better align with the S&P and Moody's Analytics forecasts for these years. These revisions include going from 5.0% to -1.0% in 2024, 5.0% to 0.5% in 2025, 5.0% to 3.0% in 2026, and 5.0% to 3.0% in 2027. The forecast for 2023 was unchanged.

Maine had a fairly strong year of population growth in 2022, gaining just over 8,000 in population. This was driven by net domestic migration, in which Maine's rate ranked 10th in the nation. It is particularly notable that all counties in Maine are experiencing population growth as a result of migration. In fact, some of Maine's most rural counties are experiencing the highest rates of net migration and population growth overall.

Total personal income decreased by 2.7% at a seasonally adjusted, annualized rate in the second quarter of 2023, following a 10.4% increase in the first quarter. The decrease in personal income was driven by a decline in transfer receipts, following the $450 energy relief payments that were issued in the prior quarter. Wage and salary income, the largest component of personal income, has grown 2.4% and 5.2% in the first two quarters of 2023, respectively. Meanwhile, real GDP for Maine has increased for three consecutive quarters, growing to almost $65.5 billion in the first quarter of 2023. Inflation has decelerated from the high in June of 2022, but is still above the Federal Reserve's 2% target. The CPI all-items index grew by 3.7% in September, unchanged from the 3.7% year-over-year increase in August.

The University of Michigan Consumer Sentiment Index was down 2.0% in September from the prior month and up 16.2% year over year. However, a preliminary release for October shows a 7.5% decline month-over-month. In this preliminary release, consumers reported a decline in both expectations of their personal finances and in one-year business conditions. Meanwhile, in September the National Federation of Independent Business (NFIB) Small Business Optimism Index was down 0.5% year-over-year. September was the 21st consecutive month below the 49-year average.

Single-family existing-home sales have cooled, with the number of sales falling by 18.8% year-over-year in August, although prices continued to increase (9.4%). Maine's House Price Index rose 7.6% in the second quarter of 2023 over the previous year. Maine's year-over-year growth was highest in the nation.

The key assumptions made by the CEFC are:

- There is an unequal distribution of supply and demand in the labor market. Demand for labor is high, supply is low, and unemployment rates are near historic lows in Maine and nationwide. Workers are experiencing higher wage growth, particularly for lower wage jobs. Some demographic trends, including a growing share of the population reaching retirement age will continue to constrain labor supply. However, the Commission is optimistic that Maine will continue to see higher in-migration of working-age people in the coming years that will be more than sufficient to offset retirements in the forecast period despite constraints in the housing market.

- Rising interest rates, low supply of available properties, and ongoing in-migration are continuing to impact the housing market. Home sales are down, while sale prices have continued to increase. Affordability is of particular concern as interest rates have increased, causing more potential buyers to be priced out of the market. Higher home prices have contributed to higher rental prices.

- Large, federally funded infrastructure programs, including the Bipartisan Infrastructure Law (BIL) and Maine Jobs and Recovery Plan (MJRP), will lead to significant investments in Maine, with potential impacts on local job markets. In addition to funds from the MJRP, it is estimated that there will be at least $2.5 billion from the BIL invested in Maine's infrastructure over the next few years, with much of the implementation beginning in 2024.

- High inflation and interest rates have continued into 2023, though there have been improvements in some sectors. The Federal Reserve is expected to continue pursuing policies that will constrain inflation, but inflation risks are likely to take several years to fully ease. In addition, increasing interest rates in an environment of continuing federal budget deficits raises the risk of capital markets pushing interest rates higher still thus increasing the risks of recession in the coming year.

- Overall, employment in the health care and social assistance sector has recovered and is slightly above pre-pandemic levels. However, staffing remains a concern in some subsectors – specifically in hospitals and nursing and residential care facilities.

- 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. More workers are returning to the office or transitioning to hybrid work arrangements.

- 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.

- Geo-political tensions remain elevated and continue to pose a negative risk to 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 2023. Based on the November CEFC forecast, the RFC will consider its revenue projections through the fiscal year ending June 30, 2024 for the General Fund, Highway Fund, Fund for a Healthy Maine and Medicaid/MaineCare Dedicated Revenue Taxes.

At June 30, 2023, the State of Maine reported an ending fund balance of $1.358 billion in the General Fund on a GAAP basis, an increase of more than $383.0 million since the end of fiscal year 2022. The General Fund "unassigned" fund balance on a GAAP basis at June 30, 2023 was $1.0 billion.

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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BASIC FINANCIAL STATEMENTS


DIRIGO
MAINE

TABLE OF CONTENTS

PAGE

STATE OF MAINE
STATEMENT OF NET POSITION

June 30, 2023
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 3,033,921	$ 15,957	$ 3,049,878	$ 90,198
Cash and Cash Equivalents	216	809	1,025	218,750
Cash with Fiscal Agent	247,314	2,640	249,954	-
Investments	152,844	-	152,844	860,209
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	96,519	-	96,519	-
Restricted Deposits and Investments	1,471	692,640	694,111	579,979
Inventories	19,237	5,452	24,689	2,569
Receivables, Net of Allowances for Uncollectibles:				
Taxes Receivable	612,748	-	612,748	-
Settlements Receivable	28,970	-	28,970	-
Loans, Leases & Notes Receivable	1,946	-	1,946	141,910
Other Receivables	321,372	70,466	391,838	93,950
Internal Balances	(12,796)	12,796	-	-
Due from Other Governments	602,449	-	602,449	202,151
Due from Primary Government	-	-	-	21,904
Loans Receivable from Primary Government	-	-	-	38,292
Due from Component Units	37,993	-	37,993	-
Prepaid Items	35,598	-	35,598	-
Other Current Assets	233	-	233	98,755
Total Current Assets	5,180,035	800,760	5,980,795	2,348,667
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	816,230	4,295	820,525	24,267
Investments	-	-	-	608,958
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	25,967	-	25,967	-
Restricted Deposits and Investments	-	-	-	394,513
Pension Assets	13,561	-	13,561	-
Receivables, Net of Current Portion:				
Taxes Receivable	48,130	-	48,130	-
Settlements Receivable	48,356	-	48,356	-
Loans, Leases & Notes Receivable	4,923	-	4,923	2,246,658
Other Receivables	410	-	410	6,714
Due from Other Governments	5,148	-	5,148	1,481,901
Loans Receivable from Primary Government	-	-	-	223,717
Due from Primary Government	-	-	-	948
Post-Employment Benefit Assets	-	-	-	36,365
Other Noncurrent Assets	-	-	-	11,433
Capital Assets:				
Land, Infrastructure, & Other Non-Depreciable Assets	4,119,652	28,087	4,147,739	1,059,298
Buildings, Equipment & Other Depreciable Assets	600,281	36,609	636,890	1,103,909
Right to Use Assets - Leases, Net	242,775	-	242,775	58,687
Right to Use Assets - Subscriptions, Net	117,633	-	117,633	31,479
Total Noncurrent Assets	6,043,066	68,991	6,112,057	7,288,847
Total Assets	11,223,101	869,751	12,092,852	9,637,514
Deferred Outflows of Resources	$ 1,550,175	$ 7,300	$ 1,557,475	$ 67,833

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	$ 968,403	$ 22,011	$ 990,414	$ 96,376
Accrued Payroll	60,757	945	61,702	4,846
Tax Refunds Payable	362,404	-	362,404	-
Due to Component Units	21,904	-	21,904	-
Due to Primary Government	-	-	-	37,993
Current Portion of Long-Term Obligations:				
Compensated Absences	10,824	139	10,963	3,576
Due to Other Governments	855,907	-	855,907	468
Amounts Held under State & Federal Loan Programs	-	-	-	53,413
Claims Payable	19,758	-	19,758	-
Bonds & Notes Payable	119,033	-	119,033	247,970
Revenue Bonds Payable	23,856	-	23,856	32,013
Lease Liabilities	7,797	-	7,797	2,936
Subscription Liabilities	19,408	-	19,408	4,676
Certificates of Participation & Other Financing Arrangements	18,214	428	18,642	-
Loans Payable to Component Unit	38,292	-	38,292	-
Accrued Interest Payable	10,565	3	10,568	32,529
Unearned Revenue	6,355	34	6,389	126,816
Other Post-Employment Benefits	902	-	902	-
Other Current Liabilities	43,616	37,315	80,931	75,868
Total Current Liabilities	2,587,995	60,875	2,648,870	719,480
Long-Term Liabilities:				
Compensated Absences	60,610	917	61,527	-
Due to Component Units	948	-	948	-
Due to Other Governments	-	-	-	4,822
Amounts Held under State & Federal Loan Program	-	-	-	57,192
Claims Payable	55,246	-	55,246	-
Bonds & Notes Payable	519,607	-	519,607	3,945,447
Revenue Bonds Payable	356,667	-	356,667	634,983
Lease Liabilities	241,242	-	241,242	56,240
Subscription Liabilities	91,151	-	91,151	22,049
Certificates of Participation & Other Financing Arrangements	65,924	2,143	68,067	-
Loans Payable to Component Unit	223,717	-	223,717	-
Unearned Revenue	12,926	-	12,926	12,835
Net Pension Liability	2,259,945	11,784	2,271,729	53,060
Other Post-Employment Benefits	2,353,080	11,123	2,364,203	40,603
Pollution Remediation & Landfill Obligations	40,818	-	40,818	-
Other Noncurrent Liabilities	-	1,600	1,600	61,537
Total Long-Term Liabilities	6,281,881	27,567	6,309,448	4,888,768
Total Liabilities	8,869,876	88,442	8,958,318	5,608,248
Deferred Inflows of Resources	1,426,849	3,833	1,430,682	202,998
Net Position				
Net Investment in Capital Assets	3,916,854	64,696	3,981,550	1,389,824
Restricted:				
Governmental Support & Operations	5,166	-	5,166	-
Justice & Protection	8,395	-	8,395	-
Employment Security	-	715,946	715,946	-
Other Purposes	-	-	-	1,746,578
Funds Held for Permanent Investments:				
Expendable	107,258	-	107,258	-
Nonexpendable	45,922	-	45,922	327,193
Unrestricted (deficit) Net Position	(1,607,044)	4,134	(1,602,910)	430,506
Total Net Position	$ 2,476,551	$ 784,776	$ 3,261,327	$ 3,894,101

Note: Restricted fund balance for Governmental Support & Operations and Justice & Protection includes only Pension Assets.

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governmental Support & Operations	$ 1,220,177	$ 94,296	$ 19,986	$ -
Arts, Heritage & Cultural Enrichment	17,327	1,101	7,949	-
Business Licensing & Regulation	110,792	78,535	46,923	-
Economic Development & Workforce Training	468,971	9,144	228,896	-
Education	2,439,809	34,310	494,180	-
Health & Human Services	5,974,642	23,387	4,212,487	-
Justice & Protection	691,174	91,354	217,159	-
Natural Resources Development & Protection	303,327	109,615	112,847	-
Transportation Safety & Development	767,090	167,838	349,294	-
Interest Expense	47,790	-	-	-
Total Governmental Activities	12,041,099	609,580	5,689,721	-
Business-Type Activities:				
Employment Security	97,758	144,616	11,507	-
Alcoholic Beverages	190,456	256,099	-	-
Lottery	342,736	416,795	-	-
Ferry Services	14,761	7,325	-	-
Consolidated Emergency Communications	6,396	6,737	-	-
Other	3,632	5,068	-	-
Total Business-Type Activities	655,739	836,640	11,507	-
Total Primary Government	12,696,838	1,446,220	5,701,228	-
Component Units:				
Finance Authority of Maine	104,497	20,240	83,449	-
Maine Community College System	172,425	3,615	72,357	502
Maine Health & Higher Education Facilities Authority	27,911	25,684	1,093	-
Maine Municipal Bond Bank	69,300	45,363	7,460	62,494
Maine State Housing Authority	543,954	74,645	477,542	-
Maine Turnpike Authority	110,400	160,229	-	-
University of Maine System	863,064	299,321	171,771	26,355
All Other Non-Major Component Units	188,311	45,260	126,320	14,601
Total Component Units	$ 2,079,862	$ 674,357	$ 939,992	$ 103,952

	Net (Expenses) Revenues and Changes in Net Position			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
	$ (1,105,895)	$ -	$ (1,105,895)	$ -
	(8,277)	-	(8,277)	-
	14,666	-	14,666	-
	(230,931)	-	(230,931)	-
	(1,911,319)	-	(1,911,319)	-
	(1,738,768)	-	(1,738,768)	-
	(382,661)	-	(382,661)	-
	(80,865)	-	(80,865)	-
	(249,958)	-	(249,958)	-
	(47,790)	-	(47,790)	-
	(5,741,798)	-	(5,741,798)	-
	-	58,365	58,365	-
	-	65,643	65,643	-
	-	74,059	74,059	-
	-	(7,436)	(7,436)	-
	-	341	341	-
	-	1,436	1,436	-
	-	192,408	192,408	-
	(5,741,798)	192,408	(5,549,390)	-
	-	-	-	(808)
	-	-	-	(95,951)
	-	-	-	(1,134)
	-	-	-	46,017
	-	-	-	8,233
	-	-	-	49,829
	-	-	-	(365,617)
	-	-	-	(2,130)
	$ -	$ -	$ -	$ (361,561)
General Revenues:				
Taxes:				
Corporate Taxes	458,438	-	458,438	-
Individual Income Taxes	2,428,123	-	2,428,123	-
Fuel Taxes	248,130	-	248,130	-
Property Taxes	87,011	-	87,011	-
Sales & Use Taxes	2,348,331	-	2,348,331	-
Other Taxes	476,496	-	476,496	-
Unrestricted Investment Earnings	97,730	-	97,730	36,326
Non-Program Specific Grants, Contributions & Appropriations	-	-	-	436,423
Miscellaneous Income	193,862	-	193,862	18,257
Gain (Loss) on Sale of Assets	-	-	-	(3,006)
Tobacco Settlement	53,416	-	53,416	-
Special Items	(168,000)	-	(168,000)	-
Transfers - Internal Activities	119,234	(119,234)	-	-
Total General Revenues and Transfers	6,342,771	(119,234)	6,223,537	488,000
Change in Net Position	600,973	73,174	674,147	126,439
Net Position - Beginning (as restated)	1,875,578	711,602	2,587,180	3,767,662
Net Position - Ending	$ 2,476,551	$ 784,776	$ 3,261,327	$ 3,894,101


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, 2023
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 1,664,444	$ 31,137	$ 721,768	$ 1,125,348	$ 336	$ 3,543,033
Cash & Short-Term Investments	98	76	-	40	-	214
Cash with Fiscal Agent	12,376	-	-	220,018	-	232,394
Investments	-	-	-	-	152,844	152,844
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	122,486	122,486
Inventories	4,492	2	8,525	-	-	13,019
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	621,125	23,495	-	16,258	-	660,878
Settlements Receivable	-	-	-	77,326	-	77,326
Loans Receivable	1	-	-	1,360	-	1,361
Other Receivable	94,929	5,275	162,137	48,302	-	310,643
Due from Other Funds	41,853	11,735	4,994	31,636	-	90,218
Due from Other Governments	-	-	601,521	-	-	601,521
Due from Component Units	-	-	-	37,993	-	37,993
Other Assets	1,685	18	692	190	-	2,585
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 2,441,114	$ 71,738	$ 1,499,637	$ 1,558,471	$ 275,666	$ 5,846,626
Liabilities						
Accounts Payable	$ 235,255	$ 34,948	$ 567,081	$ 63,566	$ 236	$ 901,086
Accrued Payroll	29,447	9,005	6,463	11,179	-	56,094
Tax Refunds Payable	362,404	-	-	-	-	362,404
Due to Other Governments	-	-	853,424	-	-	853,424
Due to Other Funds	103,682	5,316	23,354	29,946	12	162,310
Due to Component Units	3,821	125	15,269	2,586	340	22,141
Unearned Revenue	-	3,027	1,850	14,331	3	19,211
Other Accrued Liabilities	38,245	4	3,086	5,359	-	46,694
Total Liabilities	772,854	52,425	1,470,527	126,967	591	2,423,364
Deferred Inflows of Resources	309,825	1,492	7,251	82,085	-	400,653
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	45,922	45,922
Inventories & Prepaid Items	5,850	-	-	-	-	5,850
Restricted	15,402	17,821	21,859	713,095	229,153	997,330
Committed	-	-	-	473,209	-	473,209
Assigned	337,089	-	-	163,115	-	500,204
Unassigned	1,000,094	-	-	-	-	1,000,094
Total Fund Balances	1,358,435	17,821	21,859	1,349,419	275,075	3,022,609
Total Liabilities, Deferred Inflows and Fund Balances	$ 2,441,114	$ 71,738	$ 1,499,637	$ 1,558,471	$ 275,666	$ 5,846,626

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, 2023
(Expressed in Thousands)

Total fund balances for governmental funds		$ 3,022,609
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.	5,328,574	
Accumulated Depreciation & Amortization	(645,755)	
		4,682,819
Refunded Bond Deferred Outflows		903
Pollution Remediation Receivable		424
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Position. This net effect of these balances on the statement:		
Bonds Payable	(1,019,163)	
Interest Payable Related to Long-term Financing	(7,412)	
Certificates of Participation and Other Financing Arrangements	(56,307)	
Leases	(11,343)	
Subscriptions	(75,283)	
Loans Payable to Component Unit	(262,009)	
Compensated Absences	(65,872)	
Pension Liabilities and Deferrals	(1,798,339)	
Other Post-Employment Benefit Liabilities and Deferrals	(2,514,235)	
Pollution Remediation and Landfill Obligations	(40,818)	
		(5,850,781)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		344,716
Other Revenue		3,579
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.		272,282
Net position of governmental activities		$ 2,476,551

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, 2023
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 5,473,723	$ 222,624	$ -	$ 376,107	$ -	$ 6,072,454
Assessments	92,345	115,816	-	196,099	-	404,260
Federal Grants & Reimbursements	53	-	5,626,430	18,977	-	5,645,460
Charges for Services	47,802	4,928	-	153,849	-	206,579
Investment Income (Loss)	56,315	706	317	15,301	14,566	87,205
Miscellaneous Revenues	74,473	186	559	157,943	-	233,161
Total Revenues	5,744,711	344,260	5,627,306	918,276	14,566	12,649,119
Expenditures						
Current:						
Governmental Support & Operations	286,512	2,566	20,354	919,969	66	1,229,467
Economic Development & Workforce Training	58,205	-	195,552	174,297	1,992	430,046
Education	2,001,566	-	497,420	66,034	11,868	2,576,888
Health & Human Services	1,422,937	-	4,209,160	464,736	-	6,096,833
Business Licensing & Regulation	500	-	46,476	69,605	-	116,581
Natural Resources Development & Protection	105,278	23	111,993	130,275	8,098	355,667
Justice & Protection	398,834	33,555	236,684	95,815	71	764,959
Arts, Heritage & Cultural Enrichment	9,509	-	7,810	1,032	-	18,351
Transportation Safety & Development	-	330,197	303,249	194,522	5,000	832,968
Debt service:						
Principal Payments	120,732	-	16,745	38,170	-	175,647
Interest Expense	43,348	-	8,471	5,858	-	57,677
Capital Outlay	74,656	2,881	2,882	2,392	47,244	130,055
Total Expenditures	4,522,077	369,222	5,656,796	2,162,705	74,339	12,785,139
Revenue over (under) Expenditures	1,222,634	(24,962)	(29,490)	(1,244,429)	(59,773)	(136,020)
Other Financing Sources (Uses)						
Transfer from Other Funds	171,921	47,055	23,073	1,158,776	-	1,400,825
Transfer to Other Funds	(1,087,704)	(12,143)	(26,932)	(126,101)	(4,702)	(1,257,582)
Certificates of Participation & Other	1,495	805	-	4,556	-	6,856
Loan Proceeds from Component Units	-	-	-	50,000	-	50,000
Bonds Issued	-	-	-	-	151,390	151,390
Premiums on Bond Issuance	-	-	-	-	15,740	15,740
Subscriptions	74,656	2,881	2,882	2,392	-	82,811
Net Other Finance Sources (Uses)	(839,632)	38,598	(977)	1,089,623	162,428	450,040
Net Change in Fund Balances	383,002	13,636	(30,467)	(154,806)	102,655	314,020
Fund Balance at Beginning of Year (as restated)	975,433	4,185	52,326	1,504,225	172,420	2,708,589
Fund Balances at End of Year	$ 1,358,435	$ 17,821	$ 21,859	$ 1,349,419	$ 275,075	$ 3,022,609

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, 2023
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 314,020
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	229,011	
Depreciation Expense	(60,828)	
		168,183
Refunded Bond Deferred Outflows		(334)
Pollution Remediation Receivable		140
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	(151,390)	
Premium on Bonds Issued	(15,740)	
Proceeds from Other Financing Arrangements	(2,300)	
Loan Proceeds from Component Unit	(50,000)	
Repayment of Bond Principal	120,195	
Repayment of Other Financing Debt	5,178	
Repayment of Pledged Revenue Principal	58,440	
Repayment of Lease Principal	657	
Repayment of Subscription Principal	42,092	
Accrued Interest	(2,937)	
Amortization of Bond Premiums	13,438	
		17,633
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	(200)	
Pension Liabilities and Deferrals	75,198	
Other Post-employment Benefit Liabilities and Deferrals	213,864	
Pollution Remediation and Landfill Obligations	6,544	
		295,406
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		(23,131)
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.		(170,944)
Changes in net position of governmental activities		$ 600,973

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, 2023
(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	$ -	$ 15,957	$ 15,957	$ 242,010
Cash & Short-Term Investments	55	754	809	2
Cash with Fiscal Agent	-	2,640	2,640	14,920
Restricted Assets:				
Restricted Deposits & Investments	692,629	11	692,640	1,471
Inventories	-	5,452	5,452	6,218
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	33,323	37,143	70,466	11,296
Due from Other Funds	3,680	13,174	16,854	35,865
Other Assets	-	-	-	12,996
Total Current Assets	729,687	75,131	804,818	324,778
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	4,295	4,295	65,108
Receivables, Net of Current Portion	-	-	-	4,923
Capital Assets, Net of Accumulated Depreciation	-	64,696	64,696	150,253
Right to Use Assets - Leases, Net	-	-	-	231,717
Right to Use Assets - Subscriptions, Net	-	-	-	35,802
Total Noncurrent Assets	-	68,991	68,991	487,803
Total Assets	729,687	144,122	873,809	812,581
Deferred Outflows of Resources	$ -	$ 7,300	$ 7,300	$ 37,456
Liabilities				
Current Liabilities:				
Accounts Payable	$ 8,422	$ 13,589	$ 22,011	$ 19,822
Accrued Payroll	-	945	945	4,663
Due to Other Funds	3,835	382	4,217	23,887
Due to Component Units	-	-	-	711
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	428	428	5,430
Lease Liabilities	-	-	-	7,129
Subscription Liabilities	-	-	-	11,020
Claims Payable	-	-	-	19,758
Compensated Absences	-	139	139	739
Unearned Revenue	-	34	34	70
Accrued Interest Payable	-	-	-	75
Other Accrued Liabilities	1,484	35,834	37,318	-
Total Current Liabilities	13,741	51,351	65,092	93,304
Long-Term Liabilities:				
Working Capital Advances Payable	-	1,600	1,600	111
Certificates of Participation & Other Financing Arrangements	-	2,143	2,143	22,401
Lease Liabilities	-	-	-	230,567
Subscription Liabilities	-	-	-	24,256
Claims Payable	-	-	-	55,246
Compensated Absences	-	917	917	4,823
Net Pension Liability	-	11,784	11,784	62,063
Net Other Post-Employment Benefit Liability	-	11,123	11,123	59,093
Total Long-Term Liabilities	-	27,567	27,567	458,560
Total Liabilities	13,741	78,918	92,659	551,864
Deferred Inflows of Resources	$ -	$ 3,833	$ 3,833	$ 25,732
Net Position				
Net Investment in Capital Assets:	-	64,696	64,696	139,050
Restricted for:				
Unemployment Compensation	715,946	-	715,946	-
Other Purposes	-	-	-	36
Unrestricted	-	3,975	3,975	133,355
Total Net Position	$ 715,946	$ 68,671	784,617	$ 272,441
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			159	
Net Position of Business-Type Activities			$ 784,776	

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, 2023
(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	$ -	$ 688,684	$ 688,684	$ 427,476
Assessments	143,625	3,073	146,698	-
Miscellaneous Revenues	991	77	1,068	107
Total Operating Revenues	144,616	691,834	836,450	427,583
Operating Expenses				
General Operations	-	554,855	554,855	392,943
Depreciation and Amortization	-	3,143	3,143	39,228
Claims/Fees Expense	97,758	-	97,758	6,948
Total Operating Expenses	97,758	557,998	655,756	439,119
Operating Income (Loss)	46,858	133,836	180,694	(11,536)
Nonoperating Revenues (Expenses)				
Investment Revenue (Expenses) - net	11,507	-	11,507	10,525
Interest Expense	-	(83)	(83)	(5,270)
Other Nonoperating Revenue (Expenses) - net	-	197	197	307
Total Nonoperating Revenues (Expenses)	11,507	114	11,621	5,562
Income (Loss) Before Capital Contributions, Transfers and Special Items	58,365	133,950	192,315	(5,974)
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	18,876	18,876	91
Transfer from Other Funds	3,084	11,682	14,766	3,032
Transfer to Other Funds	(13,003)	(139,873)	(152,876)	-
Special Items	-	-	-	(168,000)
Total Capital Contributions, Transfers and Special Items	(9,919)	(109,315)	(119,234)	(164,877)
Change in Net Position	48,446	24,635	73,081	(170,851)
Net Position - Beginning	667,500	44,036		443,292
Net Position - End of Year	$ 715,946	$ 68,671		$ 272,441
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			93	
Changes in Business-Type Net Position			$ 73,174	

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, 2023
(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	$ 160,026	$ 683,907	$ 843,933	$ 138,081
Other Operating Cash Receipts (Payments):				
Cash Received from Interfund Services	4,082	7,037	11,119	297,871
Payments of Benefits	(95,481)	-	(95,481)	-
Payments to Prize Winners	-	(290,797)	(290,797)	-
Payments to Suppliers	-	(239,314)	(239,314)	(288,452)
Payments to Employees	-	(17,558)	(17,558)	(82,958)
Payments for Interfund Goods and Services	-	(15,866)	(15,866)	(63,315)
Net Cash Provided (Used) by Operating Activities	68,627	127,409	196,036	1,227
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	3,084	11,682	14,766	3,032
Transfers to Other Funds	(13,003)	(139,873)	(152,876)	-
Special Item	-	-	-	(168,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(9,919)	(128,191)	(138,110)	(164,968)
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(1,813)	(1,813)	(88,805)
Proceeds from Financing Arrangements	-	3,000	3,000	94,942
Principal and Interest Paid on Financing Arrangements	-	(512)	(512)	(34,880)
Proceeds from Sale of Capital Assets	-	47	47	737
Net Cash Provided (Used) by Capital and Related Financing Activities	-	722	722	(28,006)
Cash Flows from Investing Activities				
Interest Revenue	11,507	302	11,809	10,525
Net Cash Provided (Used) by Investing Activities	11,507	302	11,809	10,525
Net Increase (Decrease) in Cash/Cash Equivalents	70,215	242	70,457	(181,222)
Cash/Cash Equivalents - Beginning of Year	622,469	23,415	645,884	506,385
Cash/Cash Equivalents - End of Year	$ 692,684	$ 23,657	$ 716,341	$ 325,163
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$ 46,858	$ 133,836	$ 180,694	$ (11,536)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	3,143	3,143	39,228
Decrease (Increase) in Assets:				
Accounts Receivable	16,006	(1,697)	14,309	477
Interfund Balances	3,486	(12,420)	(8,934)	(1,549)
Due from Other Governments	-	-	-	(1,051)
Inventories	-	(384)	(384)	(460)
Other Assets	-	-	-	477
Deferred Outflows	-	(712)	(712)	(3,064)
Increase (Decrease) in Liabilities:				
Accounts Payable	1,667	(2,913)	(1,246)	(5,515)
Accrued Payroll Expense	-	177	177	194
Due to Other Governments	-	-	-	(1,916)
Compensated Absences	-	97	97	(22)
Deferred Inflows	-	(6,252)	(6,252)	(33,258)
Net Pension Liability	-	3,683	3,683	18,224
Other Accruals	610	9,735	10,345	(5,686)
Net OPEB Liability	-	1,116	1,116	5,032
Total Adjustments	21,769	(6,427)	15,342	11,111
Net Cash Provided (Used) by Operating Activities	$ 68,627	$ 127,409	$ 196,036	$ (425)
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	9,716
Subscription Based Assets	-	-	-	35,802
Contributed Capital Assets	-	18,876	18,876	91
Disposal of Assets	-	-	-	(430)

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, 2023
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Custodial Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 500	$ 113,593
Cash & Short-Term Investments	200,777	8,477	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	42,113	-	-
Interest and Dividends	5,090	-	-
Due from Brokers for Securities Sold	233	-	-
Settlements Receivable	-	-	20,468
Other Receivable	-	3,457	-
Investments at Fair Value:			
Equity Securities	2,741,457	-	-
Common/Collective Trusts	16,845,290	-	-
Investments - Other	-	21,195	-
Securities Lending Collateral	6,861	-	-
Due from Other Funds	-	47,495	-
Investments Held on Behalf of Others	-	-	70,673
Capital Assets, Net of Accumulated Depreciation	12,351	-	-
Other Assets	-	3,188	1,639
Total Assets	19,854,172	84,312	206,400
Liabilities			
Accounts Payable	3,235	814	99,368
Due to Other Funds	-	18	-
Obligations Under Securities Lending	6,861	-	-
Other Accrued Liabilities	27,345	-	1,256
Total Liabilities	37,441	832	100,624
Deferred Inflows of Resources	-	-	20,468
Net Position			
Restricted for Pension	19,093,305	-	-
Restricted for Other Post-Employment Benefits	723,426	-	-
Restricted for Individuals, Organizations and Other Governments	-	83,480	85,308
Total Net Position	$ 19,816,731	$ 83,480	$ 85,308

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, 2023
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Custodial Funds
Additions:			
Contributions:			
Members	$ 248,851	$ -	$ -
State & Local Agency Employers	617,470	-	-
Non-Employer Contributing Entity	235,320	-	8,131
Litigation Receipts	-	-	100,454
Other	-	-	4,345
Investment Income (Loss):			
Net Increase (Decrease) in the Fair Value of Investments	1,126,327	1,843	17
Interest & Dividends	193,977	610	1,299
Securities Lending Income & Borrower Rebates Refunded	600	-	-
Less Investment Expense:			
Investment Activity Expense	145,760	-	-
Securities Lending Expense	86	-	-
Net Investment Income (Loss)	1,175,058	2,453	1,316
Miscellaneous Revenues	-	20,084	-
Transfer from Other Pension Plans	393	-	-
Total Additions	2,277,092	22,537	114,246
Deductions:			
Benefits Paid to Participants, Beneficiaries or Clients	1,319,843	11,830	114,206
Refunds & Withdrawals	32,916	-	3,214
Restitution Payments	-	-	1,057
Administrative Expenses	16,515	479	-
Claims Processing Expense	1,546	-	-
Miscellaneous Disbursements	-	-	625
Transfer to Other Funds	-	8,165	-
Transfer to Other Pension Plans	1,123	-	-
Total Deductions	1,371,943	20,474	119,102
Net Increase (Decrease)	905,149	2,063	(4,856)
Net Position:			
Restricted			
Beginning of Year (as restated)	18,911,582	81,417	90,164
End of Year	$ 19,816,731	$ 83,480	$ 85,308

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


DIRIGO
MAINE

COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

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

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

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

STATE OF MAINE
STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2023
(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	$ 15,656	$ 22,471	$ -	$ 28,161
Cash & Short-Term Investments	2,148	28,514	7,136	246
Investments	70,713	70,947	15,737	10,246
Restricted Assets:				
Restricted Deposits & Investments	-	-	19,070	362,273
Inventories	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans, Leases & Notes Receivable	36,757	-	30,239	-
Other Receivable	3,872	15,216	157	1,595
Due from Other Governments	7,823	547	-	152,571
Due from Primary Government	-	1,374	-	-
Loans Receivable from Primary Government	-	-	-	38,292
Other Assets	1,062	4,610	1,653	62,605
Total Current Assets	138,031	143,679	73,992	655,989
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	4,212	6,046	-	7,576
Restricted Assets:				
Restricted Assets	31,331	1,234	59,530	144,498
Investments	-	15,742	22,283	-
Receivables, Net of Current Portion:				
Loans, Leases & Notes Receivable	67,854	-	561,011	-
Other Receivables	-	2,291	-	-
Due from Other Governments	-	-	-	1,481,901
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	223,717
Post-Employment Benefit Asset	-	15,196	-	-
Capital and Right to Use Assets, Net	900	198,504	-	1,101
Other Non-Current Assets	-	-	-	-
Total Noncurrent Assets	104,297	239,013	642,824	1,858,793
Total Assets	242,328	382,692	716,816	2,514,782
Deferred Outflows of Resources	$ 1,038	$ 22,904	$ -	$ 13,261
Liabilities				
Current Liabilities:				
Accounts Payable	$ 6,242	$ 5,739	$ 44	$ 460
Accrued Payroll	-	-	-	-
Compensated Absences	-	3,436	-	-
Due to Other Governments	-	-	-	139
Due to Primary Government	-	-	-	36,915
Amounts Held Under State & Federal Loan Programs	-	-	-	53,413
Line of Credit	1,733	-	-	-
Bonds & Notes Payable	6,065	935	30,995	142,799
Obligations for Right to Use Assets	-	1,230	-	-
Accrued Interest Payable	310	-	13,648	12,380
Unearned Revenue	1,130	12,445	14	6,169
Other Accrued Liabilities	23,041	10,196	-	(3)
Total Current Liabilities	38,521	33,981	44,701	252,272
Long-Term Liabilities:				
Due to Other Governments	3,946	-	-	636
Amounts Held Under State & Federal Loan Programs	57,192	-	-	-
Bonds & Notes Payable	83,898	13,454	624,870	1,353,342
Obligations for Right to Use Assets	-	11,425	-	-
Net Pension Liability	-	39,038	-	497
Net Other Post-Employment Benefit Liability	-	3,109	-	928
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities:	145,036	67,026	624,870	1,355,403
Total Liabilities	183,557	101,007	669,571	1,607,675
Deferred Inflows of Resources	-	30,344	-	663
Net Position				
Net Investment in Capital Assets	900	172,683	-	1,101
Restricted	29,982	55,200	-	866,973
Unrestricted	28,927	46,362	47,245	51,631
Total Net Position	$ 59,809	$ 274,245	$ 47,245	$ 919,705

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
$ -	$ -	$ 18,985	$ 4,925	$ 90,198
89,148	50,694	11,419	29,445	218,750
406,976	21,508	247,420	16,662	860,209
-	113,689	-	84,947	579,979
-	1,506	-	1,063	2,569
34,652	2,230	340	37,692	141,910
10,440	7,262	49,266	6,142	93,950
17,446	-	18,617	5,147	202,151
10,586	-	9,944	-	21,904
-	-	-	-	38,292
18,560	2,086	7,286	893	98,755
587,808	198,975	363,277	186,916	2,348,667
-	-	5,108	1,325	24,267
-	71,302	26,443	60,175	394,513
109,035	-	447,928	13,970	608,958
1,536,437	35,504	22,839	23,013	2,246,658
-	912	3,481	30	6,714
-	-	-	-	1,481,901
-	-	237	711	948
-	-	-	-	223,717
-	-	21,169	-	36,365
17,176	936,034	934,985	164,673	2,253,373
145	166	7,302	3,820	11,433
1,662,793	1,043,918	1,469,492	267,717	7,288,847
2,250,601	1,242,893	1,832,769	454,633	9,637,514
$ 3,283	$ 8,068	$ 17,193	$ 2,086	$ 67,833
$ 24,477	$ 15,585	$ 32,481	$ 11,348	$ 96,376
-	4,846	-	-	4,846
-	-	-	140	3,576
329	-	-	-	468
-	-	-	1,078	37,993
-	-	-	-	53,413
-	-	-	-	1,733
55,716	20,140	19,931	1,669	278,250
-	-	5,997	385	7,612
6,191	-	-	-	32,529
43,812	14,235	35,932	13,079	126,816
-	12,533	28,952	1,149	75,868
130,525	67,339	123,293	28,848	719,480
-	-	-	240	4,822
-	-	-	-	57,192
1,687,201	584,462	216,808	16,395	4,580,430
-	-	65,564	1,300	78,289
1,780	8,485	-	3,260	53,060
-	36,007	-	559	40,603
128	1,153	73,091	-	74,372
1,689,109	630,107	355,463	21,754	4,888,768
1,819,634	697,446	478,756	50,602	5,608,248
19,377	61,336	53,617	37,661	202,998
2,746	422,724	634,742	154,928	1,389,824
374,971	75,046	524,365	155,282	2,081,819
37,156	(5,591)	158,482	58,246	422,458
$ 414,873	$ 492,179	$ 1,317,589	$ 368,456	$ 3,894,101

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Finance Authority Of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	$ 104,497	$ 172,425	$ 27,911	$ 69,300
Program Revenues				
Charges for Services	20,240	3,615	25,684	45,363
Program Investment Income	742	1,573	1,093	2,521
Operating Grants & Contributions	82,707	70,784	-	4,939
Capital Grants & Contributions	-	502	-	62,494
Net Revenue (Expense)	(808)	(95,951)	(1,134)	46,017
General Revenues				
Unrestricted Investment Earnings	4,974	5,286	275	115
Non-program Specific Grants, Contributions & Appropriations	-	98,094	-	-
Miscellaneous Revenues	-	6,321	116	2,153
Gain (Loss) on Assets Held for Sale	-	-	-	-
Total General Revenues	4,974	109,701	391	2,268
Change in Net Position	4,166	13,750	(743)	48,285
Net Position, Beginning of Year (as restated)	55,643	260,495	47,988	871,420
Net Position, End of Year	$ 59,809	$ 274,245	$ 47,245	$ 919,705

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
$ 543,954	$ 110,400	$ 863,064	$ 188,311	$ 2,079,862
74,645	160,229	299,321	45,260	674,357
(6,199)	-	(41,549)	244	(41,575)
483,741	-	213,320	126,076	981,567
-	-	26,355	14,601	103,952
8,233	49,829	(365,617)	(2,130)	(361,561)
281	4,237	13,475	7,683	36,326
-	-	320,683	17,646	436,423
-	6,930	-	2,737	18,257
-	(839)	(2,167)	-	(3,006)
281	10,328	331,991	28,066	488,000
8,514	60,157	(33,626)	25,936	126,439
406,359	432,022	1,351,215	342,520	3,767,662
$ 414,873	$ 492,179	$ 1,317,589	$ 368,456	$ 3,894,101


DIRIGO
MAINE

NOTES TO THE FINANCIAL STATEMENTS

TABLE OF CONTENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

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

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

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

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

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

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

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

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

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

The Finance Authority of Maine provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents. The Authority also provides financial and other services for the NextGen College Investing Plan, 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 $882.7 million of restricted net position, of which $715.9 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, Teachers, and for MPERS' retiree healthcare benefits. The investment trusts, managed by the MPERS, hold the long-term investments. The trustees of the State Healthcare Other Employee Benefits Trust Fund are the State Controller and State Treasurer. The Teacher Healthcare Other Employee Benefits Trust Fund trustee is Harpswell Capital Advisors, LLC and its successors.

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 $129.8 million of Workers' Compensation, $63.2 million of Bureau of Insurance, and $46.0 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.

Right to use subscription IT assets are recognized at the subscription commencement date and represent the State of Maine's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful live of the underlying asset using the straight-line method. The amortization period varies from 2 to 14 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 17 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, 2023 is $318.4 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, 2023 but paid after the fiscal year end are also reported in the funds. Approximately 56 percent of the governmental fund compensated absences are liquidated by the general fund. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

Net Pension Liability
For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (MPERS) and additions/deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts 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 17 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 of Maine'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.

Subscription liabilities represent the State of Maine's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted 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 $1.000 billion unassigned General Fund fund balance. The BSF had a balance of $968.3 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. When the fund is at its cap, interest earnings are transferred to the Irrevocable Trust Funds for Other Post-employment Benefits. 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. When the fund is at its cap, that amount is transferred to the Highway and Bridge Capital Program, Other Special Revenue Funds Account. In accordance with the statute, the State Controller transferred $52.4 million to the Budget Stabilization Fund, which resulted in it reaching its cap. The remaining $3.9 million of surplus was transferred to the Highway and Bridge Capital Program for fiscal year 2023.

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 2023 actual General Fund revenue, the statutory cap at the close of fiscal year 2023 was $968.3 million. At the close of fiscal year 2023, the balance of the Maine Budget Stabilization Fund was $968.3 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	$ 895,997
Increase in fund balance	72,312
Balance, end of year	$ 968,309

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, 2023, the Legislature increased appropriations to the General Fund by $281.9 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, 2023 are detailed on the following pages.

Governmental Fund Balances

(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
General Fund:				
Education	$ -	$ -	$ -	$ 52,742
Governmental Support & Operations	-	12,376	-	169,686
Treasury	-	-	-	10,917
Health & Human Services	-	-	-	62,411
Public Safety	-	-	-	1,164
Justice & Protection	-	-	-	30,695
Defense, Veterans & Emergency Management	-	-	-	2,913
Inland Fisheries & Wildlife	-	3,026	-	-
Agriculture & Conservation	-	-	-	1,550
All Other	5,850	-	-	5,011
Total	$ 5,850	$ 15,402	$ -	$ 337,089
Highway Fund:				
Transportation, Highway & Bridge Construction	$ -	$ 17,821	$ -	$ -
Total	$ -	$ 17,821	$ -	$ -
Federal Fund:				
Economic Development & Workforce Training	$ -	$ 4,199	$ -	$ -
Governmental Support & Operations	-	7,365	-	-
Substance Abuse & Mental Health	-	1,910	-	-
Office of Child & Family Services	-	1,927	-	-
Justice & Protection	-	1,044	-	-
Public Safety	-	4,311	-	-
Transportation - Highway & Bridge Construction	-	1,103	-	-
Total	$ -	$ 21,859	$ -	$ -
Other Special Revenue Fund:				
Business Licensing & Regulation	$ -	$ 3,825	$ -	$ -
Workers Compensation Board	-	16,657	6,586	-
Professional & Financial Regulation	-	9,991	2,131	1,237
Public Utilities Commission	-	2,947	11,711	1,060
PFR Bureau of Consumer Credit Protection	-	-	7,179	-
PFR Bureau of Financial Institutions	-	-	15,252	-
PFR Bureau of Insurance	-	41,876	-	-
PFR Licensing & Enforcement Division	-	-	16,627	-
PFR Office of Securities	-	6,288	-	-
Education	-	26,724	7,078	3,758
Higher Education	-	-	-	1,504
Education Stabilization Fund	-	-	15,000	-
Economic Development & Workforce Training	-	2,355	3,150	1,969
Tourism Marketing Promotion Fund	-	-	17,870	-
Governmental Support & Operations	-	76,554	16,630	18,957
Treasury	-	-	3,930	-
Bonds for Highway & Bridge Construction	-	148,354	-	-
State Facilities Capital Improvements	-	-	45,217	-
COVID Pandemic Relief	-	-	1,248	-
Unorganized Territory Education	-	12,829	-	-

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
Municipal Excise Tax Reimbursement Fund	-	-	7,674	-
Cannabis Use Funds	-	-	13,970	-
Clean Elections Act Funds	-	-	5,666	-
Transcap Trust Fund	-	6,122	-	-
Fund for Healthy Maine	-	-	65,462	-
Office of Family Independence	-	9,556	-	-
Substance Abuse & Mental Health	-	-	14,906	2,814
Centers for Disease Control & Prevention	-	1,709	5,610	1,292
MaineCare	-	30,499	-	79,570
Defense, Veterans & Emergency Management	-	2,678	5,932	-
Justice & Protection	-	41,716	-	28,451
Public Safety	-	8,969	-	4,386
Indigent Legal Services	-	-	12,356	-
Armory Maintenance	-	-	5,210	-
State Fire Marshall	-	6,824	-	-
Maine Recovery Fund	-	14,488	-	-
Natural Resources Development & Protection	-	469	-	-
Agriculture & Conservation	-	4,914	11,510	4,591
Environmental Protection	-	-	4,720	-
Inland Fisheries & Wildlife	-	19,268	-	-
Marine Resources	-	8,445	5,772	2,053
PFAS Mitigation	-	-	69,231	-
Hazardous Waste Fund	-	4,619	-	-
Uncontrolled Sites Fund	-	23,328	-	-
Ground and Surface Waters Cleanup Fund	-	7,605	-	-
Environmental Protection Fund	-	-	14,025	-
Land for Maine's Future Fund	-	-	36,217	-
Public Reserved Lands Management Fund	-	-	-	7,705
Transportation Safety & Development	-	6,412	-	1,211
Transportation - Highway & Bridge Construction	-	164,273	-	-
Motor Vehicles	-	-	1,783	-
Multimodal Transportation	-	-	21,634	-
All Other	-	2,801	1,922	2,557
Total	$ -	$ 713,095	$ 473,209	$ 163,115

Other Governmental Funds:	NSIF	Restricted	Permanent
Capital Projects - Higher Education	-	6,854	-
Capital Projects - Transportation	-	70,670	-
Capital Projects - Multimodal Transportation	-	15,322	-
Capital Projects - Environmental Protection	-	24,267	-
Capital Projects - Treasury	-	4,227	-
Capital Projects - Other	-	555	-
Permanent Funds - Baxter Park	-	-	10,484
Permanent Funds - All Others	-	-	35,438
Special Revenue Funds - Baxter Park	-	106,903	-
Special Revenue Funds - All Other	-	355	-
Total	$ -	$ 229,153	$ 45,922

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

ACCOUNTING CHANGES

The following GASB Statements became effective for fiscal year ended June 30, 2023 and had no impact on the State of Maine's net position:

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into PPPs and APAs and by enhancing the understandability, reliability, relevance, and consistency of information about PPPs and APAs.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* It has become common for governments to enter into subscription-based contracts to use vendor-provided information technology (IT). Subscription based information technology arrangements (SBITAs) provide governments with access to vendors' IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. Prior to the issuance of this Statement, there was no accounting or financial reporting guidance specifically for SBITAs.

The objective of this Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs.

GASB Statement No. 99, *Omnibus* 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees.

Certain paragraphs are effective for the year ended June 30, 2023. Those paragraphs establish or amend accounting and financial reporting requirements for specific issues related to leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP) (formerly, food stamps), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology.

Other Restatements

The State of Maine identified an error in the June 30, 2022 Abandoned Property GASB 21 liability calculation. The restatement increased the net position of the General Fund by $15,062 and decreased the balance the General Fund owed to the Abandoned Property Fund by $15,062. The Abandoned Property Fund, a Private-Purpose Fiduciary Fund, recorded a corresponding decrease in its net position and receivable from the General Fund.

The State of Maine reduced its Other Special Revenue Fund assigned fund balance by $2,024 to reflect current year revenue, recorded in the prior year, overstating prior year revenues.

Restatements - Component Units

The University of Maine reduced its beginning net position by $334 thousand as a result of implementing GASB Statement No. 96. The Maine Community College also reduced its beginning net position by $12 thousand as a result of implementing GASB Statement No. 96. The Maine Turnpike Authority adjusted its beginning net position as a result of two items. A $436 thousand decrease was attributable to duplicated toll revenue reporting offset by an increase of $93 thousand in concessionaire rent.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

PROPRIETARY FUNDS

Five internal service funds showed deficits for the fiscal year ended June 30, 2023. The Workers' Compensation Fund reported a deficit of $13.7 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of $5.9 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $10.4 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 $27.6 million and $35.2 million, respectively. These deficits are primarily the result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, which required the recognition of the entire net pension and postemployment benefits other than pension liability.

Three enterprise funds showed deficits for the fiscal year ended June 30, 2023. Maine Military Authority reported a deficit of $27 thousand. 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 $4.6 million due to the accrual of Other Postemployment Benefits and Pension Liabilities which will be funded by future service charges. The Maine Retirement Savings Program Fund reported a deficit of $195 thousand. The program was started with working capital which will be repaid with future service charges when the program is active.

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, 2023 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	$ 3,850,151	$ 20,252	$ 500	$ 113,593	$ 3,984,496
Cash and Cash Equivalents	216	809	8,477	27	9,529
Cash with Fiscal Agent	247,314	2,640	-	-	249,954
Investments	152,844	-	21,195	-	174,039
Restricted Equity in Treasurer's Cash Pool	122,486	-	-	-	122,486
Restricted Deposits and Investments	1,471	692,640	-	-	694,111
Investments Held on Behalf of Others	-	-	-	70,673	70,673
Total Primary Government	$ 4,374,482	$ 716,341	$ 30,172	$ 184,293	$ 5,305,288

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, 2023:

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	$ 260,571	$ 722	$ -	$ -	$ -	$ -	$ 261,293
US Treasury Notes	1,372,923	563,400	-	-	-	-	1,936,323
Commercial Paper	136,080	-	-	-	-	-	136,080
Certificates of Deposit	254,114	287,055	-	-	-	-	541,169
Cash and Cash Equivalents	749	-	-	-	-	1,119,771	1,120,520
Unemployment Fund	-	-	-	-	-	692,640	692,640
Private-Purpose Trusts, Custodial Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	7,446	146	607	588	777	-	9,564
US Treasury Notes	41,335	22,154	3,497	-	1,455	2,523	70,964
Corporate Notes and Bonds	627	2,628	-	6,630	68	52,956	62,909
Other Fixed Income Securities	280	-	-	-	30	46,059	46,369
Commercial Paper	3,888	-	-	-	-	-	3,888
Certificates of Deposit	8,520	8,226	-	-	-	10,044	26,790
Money Market	-	92	-	-	-	4,986	5,078
Cash and Cash Equivalents	8,477	-	-	-	-	59,900	68,377
Equities	-	-	-	-	-	66,339	66,339
Other	-	-	-	-	-	7,031	7,031
	$ 2,095,010	$ 884,423	$ 4,104	$ 7,218	$ 2,330	$ 2,062,249	$ 5,055,334
Other Assets							
Cash with Fiscal Agent							249,954
Total Primary Government							$ 5,305,288

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, 2023 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	$ 136,080	$ -	$ -	$ -	$ -	$ -	$ -	$ 136,080
Private-Purpose Trusts, Custodial Funds, and Non-Major Special Revenue and Permanent Funds								
Corporate Notes and Bonds	-	895	197	55	-	1,125	60,637	62,909
Commercial Paper	3,888	-	-	-	-	-	-	3,888
Money Market	-	-	-	-	-	-	5,078	5,078
Other Fixed Income Securities	-	-	-	-	-	-	7,031	7,031
Total Primary Government	$ 139,968	$ 895	$ 197	$ 55	$ -	$ 1,125	$ 72,746	$ 214,986

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, 2023, 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 $575 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, 2023 was $106.9 million and was comprised of the following (expressed in thousands):

	Percival Baxter Trust
U.S. Instrumentalities	$ 2,119
U.S. Treasury Notes	3,100
Corporate Notes and Bonds	2,363
Other Fixed Income Securities	18,952
Equities	67,087
Cash and Equivalents	1,038
Other	12,247
Total	$ 106,906

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2023 these disbursements, on average, exceeded $246 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, 2023:

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	$ 139,968	$ -	$ 139,968	$ -
Corporate Notes and Bonds	55,320	52,956	2,364	-
U.S. Instrumentalities	270,675	-	270,503	172
U.S. Treasury Notes	1,994,751	1,994,751	-	-
Other Fixed Income Securities	45,330	32,985	30	12,315
Equities	66,339	66,339	-	-
Total	$ 2,572,383	$ 2,147,031	$ 412,865	$ 12,487

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, 2023 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, 2023 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, 2023 was $117.8 million and $115.2 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 2.71 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 $114.5 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 $10.7 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	$ 765,983	$ -	$ 174,082	$ 1	$ (224,011)	$ 716,055
Highway	23,964	-	5,282	-	(476)	28,770
Federal *	-	-	266,734	-	(104,597)	162,137
Other Special Revenue **	16,435	77,326	113,429	1,458	(65,402)	143,246
Total Governmental Funds	806,382	77,326	559,527	1,459	(394,486)	1,050,208
Allowance for Uncollectibles	(145,504)	-	(248,884)	(98)		
Net Receivables	$ 660,878	$ 77,326	$ 310,643	$ 1,361		$ 1,050,208
Proprietary Funds:						
Employment Security *	$ -	$ -	$ 103,349	$ -	$ (70,026)	$ 33,323
Nonmajor Enterprise	-	-	37,147	-	(4)	37,143
Internal Service	-	-	11,296	-	-	11,296
Total Proprietary Funds	-	-	151,792	-	(70,030)	81,762
Allowance for Uncollectibles	-	-	(70,030)	-		
Net Receivables	$ -	$ -	$ 81,762	$ -		$ 81,762

* 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 was 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	$ 3,872	$ 109,272	$ (4,661)	$ 108,483
Maine Community College System	19,184	-	(1,677)	17,507
Maine Health and Educational Facilities Authority	157	591,250	-	591,407
Maine Municipal Bond Bank	1,595	-	-	1,595
Maine State Housing Authority	10,440	1,579,204	(8,115)	1,581,529
Maine Turnpike Authority	8,174	37,734	-	45,908
University of Maine System	73,035	24,053	(21,162)	75,926
Net Receivables	$ 116,457	$ 2,341,513	$ (35,615)	$ 2,422,355

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, 2023 were:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 3,484	$ 21,797	$ -
Highway	139	126	11,430	24	-
Federal	2	-	322	835	-
Other Special Revenue	29,390	314	768	948	12
Other Governmental	-	-	-	-	-
Employment Security	-	-	3,680	-	-
Non-Major Enterprise	12,439	618	-	117	-
Internal Service	14,217	4,258	3,670	6,225	-
Fiduciary	47,495	-	-	-	-
Total	$ 103,682	$ 5,316	$ 23,354	$ 29,946	$ 12

	Due to Other Funds				
Due from Other Funds	**Employment Security**	**Non-Major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General	$ -	$ 24	$ 16,548	$ -	$ 41,853
Highway	-	-	16	-	11,735
Federal	3,835	-	-	-	4,994
Other Special Revenue	-	14	190	-	31,636
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	3,680
Non-Major Enterprise	-	-	-	-	13,174
Internal Service	-	344	7,133	18	35,865
Fiduciary	-	-	-	-	47,495
Total	$ 3,835	$ 382	$ 23,887	$ 18	$ 190,432

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 2023, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The General Fund transferred $97.6 million, $43.0 million, $55.0 million, $50.0 million and $398.0 million to the Other Special Revenue Fund, respectively, for: the Homestead Property Tax Exemption Reimbursement Fund, Emergency Housing Relief Fund, Agriculture, Conservation and Forestry Office of the Commissioner Program Fund (to address PFAS contamination), Maine State Housing Authority - Housing Authority State Fund (to supplement federal LIHEAP funding) and Winter Energy Relief Payment

Program Fund. The Liquor Operation Revenue Fund transferred $74.8 million to the unappropriated surplus of the General Fund.

Interfund transfers for the year ended June 30, 2023 consisted of the following:

Interfund Transfers
(Expressed in Thousands)

	Transferred From				
Transferred To	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 26	$ 91,766	$ -
Highway	1,698	-	21,092	24,265	-
Federal	-	-	-	10,070	-
Other Special Revenue	1,076,603	6,832	2,730	-	4,702
Employment Security	-	-	3,084	-	-
Non-Major Enterprise	6,371	5,311	-	-	-
Internal Service	3,032	-	-	-	-
Total	$ 1,087,704	$ 12,143	$ 26,932	$ 126,101	$ 4,702

	Transferred From				
Transferred To	**Employment Security**	**Non-Major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General	$ -	$ 72,085	$ -	$ 8,044	$ 171,921
Highway	-	-	-	-	47,055
Federal	13,003	-	-	-	23,073
Other Special Revenue	-	67,788	-	121	1,158,776
Employment Security	-	-	-	-	3,084
Non-Major Enterprise	-	-	-	-	11,682
Internal Service	-	-	-	-	3,032
Total	$ 13,003	$ 139,873	$ -	$ 8,165	$ 1,418,623

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, 2023:

Primary Government - Capital Assets

(Expressed in Thousands)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 662,161	$ 29,334	$ 1	$ 691,494
Construction in progress	269,286	86,169	32,648	322,807
Infrastructure	3,039,388	65,963	-	3,105,351
Total capital assets not being depreciated	3,970,835	181,466	32,649	4,119,652
Capital assets being depreciated				
Buildings	794,708	26,913	-	821,621
Equipment	353,249	41,281	8,687	385,843
Improvements other than buildings	114,619	-	-	114,619
Software	121,686	33,670	-	155,356
Total capital assets being depreciated	1,384,262	101,864	8,687	1,477,439
Less accumulated depreciation for				
Buildings	368,422	18,602	17	387,007
Equipment	265,100	27,157	6,392	285,865
Improvements other than buildings	73,401	3,629	-	77,030
Software	111,434	15,822	-	127,256
Total accumulated depreciation	818,357	65,210	6,409	877,158
Total capital assets being depreciated, net	565,905	36,654	2,278	600,281
Governmental Activities Capital Assets, net	4,536,740	218,120	34,927	4,719,933
Right to use assets being amortized				
Buildings	240,810	28,943	6,999	262,754
Less accumulated amortization				
Buildings	9,526	10,463	10	19,979
Net right to use lease assets	231,284	18,480	6,989	242,775
Subscription Assets being amortized	-	142,014	-	142,014
Less accumulated amortization	-	24,381	-	24,381
Net Subscription assets	-	117,633	-	117,633
Governmental Activities Capital, Right to Use and Subscription Assets, net	$ 4,768,024	$ 354,233	$ 41,916	$ 5,080,341
Business-Type Activities:				
Capital assets not being depreciated				
Land	$ 2,389	$ 37	$ -	$ 2,426
Construction in progress	14,582	25,661	14,582	25,661
Total capital assets not being depreciated	16,971	25,698	14,582	28,087
Capital assets being depreciated				
Buildings	4,655	624	18	5,261
Equipment	36,945	2,210	442	38,713
Improvements other than buildings	42,757	6,757	-	49,514
Total capital assets being depreciated	84,357	9,591	460	93,488
Less accumulated depreciation for				
Buildings	3,441	152	-	3,593
Equipment	13,495	1,191	442	14,244
Improvements other than buildings	37,242	1,800	-	39,042
Total accumulated depreciation	54,178	3,143	442	56,879
Total capital assets being depreciated, net	30,179	6,448	18	36,609
Business-Type Activities Capital Assets, net	$ 47,150	$ 32,146	$ 14,600	$ 64,696

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	$ 50
Business Licensing and Regulation	1,013
Economic Development and Workforce Training	2,655
Education	2,519
Governmental Support and Operations	21,745
Health and Human Services	31,317
Justice and Protection	18,636
Natural Resources Development and Protection	9,109
Transportation Safety and Development	13,010
Total Depreciation Expense - Governmental Activities	$ 100,054

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 three OPEB Trusts. The Retiree Health Insurance Trust Fund and the Teachers Health Insurance Trust Fund accumulate assets to provide funding for the State's unfunded obligations for retiree health benefits for both groups. 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, 2023, there were 85 employers participating in these plans. The 1,693 participants individually direct the $60.8 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, 2023 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 three 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, 2022. 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, 2023 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, 2022:

Employees of single employer covered by benefit terms

	Judicial	Legislative
Inactive employees or beneficiaries currently receiving benefits	90	223
Terminated participants:		
Vested	2	119
Inactive employees due refunds	1	95
Active employees	60	174
Total participants	153	611

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 3.88 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, 2023 and June 30, 2022 are as follows:

	June 30, 2023	June 30, 2022
SETP - State Employees		
Employees [2]	7.65% - 8.65%	7.65% - 8.65%
Employer [1]	22.09% - 47.23%	21.95% - 46.97%
SETP - Teachers		
Employees [2]	7.65%	7.65%
Employer [1]	3.84%	3.84%
Non-employer entity [1]	14.29%	14.29%
Judicial Plan		
Employees [2]	7.65%	7.65%
Employer [1]	6.95%	6.99%
Legislative Plan		
Employees [2]	7.65%	7.65%
Employer [1]	0.00%	0.00%
Consolidated Participating Local Entities		
Employees [2]	3.35% - 9.70%	3.85% - 9.70%
Employer [1]	5.60% - 14.70%	5.50% - 15.20%

[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, 2023, 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	$ 167,099
Teacher Members (non-employer contribution)	194,218
Judicial Pension Plan	594
Legislative Pension Plan	8
Total Contributions Recognized as Pension Expense	$ 361,919

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, 2022, 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, 2022	$ 75,788	$ 89,894	$ (14,106)	$ 10,679	$ 16,660	$ (5,981)
Changes for the Year:						
Service Cost	1,734	-	1,734	376	-	376
Interest	4,876	-	4,876	699	-	699
Changes in Benefit Terms	274	-	274	44	-	44
Differences Between Expected and Actual Experience	(151)	-	(151)	(200)	-	(200)
Benefit Payments, Including Refunds	(5,095)	(5,095)	-	(619)	(619)	-
Employer Contributions	-	868	(868)	-	44	(44)
Member Contributions	-	651	(651)	-	162	(162)
Transfers	-	30	(30)	-	-	-
Net Investment Income	-	(454)	454	-	(90)	90
Administrative Expense	-	(73)	73	-	(12)	12
Net Changes	1,638	(4,073)	5,711	300	(515)	815
Balances at June 30, 2023	$ 77,426	$ 85,821	$ (8,395)	$ 10,979	$ 16,145	$ (5,166)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			110.8 %			147.1 %
Covered Payroll			$ 8,502			$ 2,802
Net Pension Liability as a Percentage of Covered Payroll			(98.7)%			(184.3)%

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, 2022, 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, 2023 and June 30, 2022 is as follows:

(Expressed in Thousands)

Pension Plan	Proportionate Share June 30, 2022	Proportionate Share June 30, 2023	Net Pension Asset June 30, 2023	Net Pension Liability June 30, 2023
SETP - State Employees [1]	95.299042 %	95.160789 %	$ -	$ 883,273
SETP - Teachers [2]	94.381819 %	93.504374 %	-	1,388,457
Total Primary Government			$ -	$ 2,271,730

[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, 2022	June 30, 2023	Change Increase (Decrease)
Governmental Funds	91.56 %	91.64 %	0.08 %
Internal Service Funds	7.12 %	7.03 %	(0.09)%
Enterprise Funds	1.32 %	1.33 %	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	$ 100,638	$ 171,070	$ 271,708
Interest	363,195	689,647	1,052,842
Changes in Benefit Terms	37,851	67,066	104,917
Differences Between Expected and Actual Experience	17,650	90,273	107,923
Benefit Payments, Including Refunds of Member Contributions	(343,298)	(604,648)	(947,946)
Change in Proportionate Share	-	-	-
Net Change in Total Pension Liability	176,036	413,408	589,444
Beginning Total Pension Liability	5,655,912	10,736,441	16,392,353
Ending Total Pension Liability	5,831,948	11,149,849	16,981,797
Plan Fiduciary Net Position			
Employer Contributions	213,243	135,446	348,689
Non-employer Contributions	-	194,655	194,655
Member Contributions	55,194	109,155	164,349
Transfers	(347)	(1)	(348)
Net Investment Income	(27,044)	(52,347)	(79,391)
Benefit Payments, Including Refunds of Member Contributions	(343,298)	(604,648)	(947,946)
Administrative Expense	(4,020)	(7,938)	(11,958)
Net Change in Plan Fiduciary Net Position	(106,272)	(225,678)	(331,950)
Beginning Plan Fiduciary Net Position	5,010,031	9,890,615	14,900,646
Ending Plan Fiduciary Net Position	4,903,759	9,664,937	14,568,696
Ending Net Pension Liability	$ 928,189	$ 1,484,912	$ 2,413,101
Proportion			
June 30, 2023	95.160789 %	93.504374 %	100 %
June 30, 2022	95.299042 %	94.381819 %	100 %
Change - Increase (Decrease)	(0.138253)%	(0.877445)%	0 %

Actuarial Assumptions
Actuarial assumptions used in the June 30, 2022 and 2021 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 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. 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 7 years from July 1, 2021. 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 2019 was 6.75 percent. Contributions in 2019 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, 2022 investment rate of return used in the valuation was 6.5 percent, consistent with the 6.5 percent used for June 30, 2021. The SETP used a consistent 3.26 percent annual salaries, including inflation for both years. 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, 2023, the State recognized pension expense of $403,626 which includes $238,709 of teacher pensions recorded in grant expense.

PENSION COSTS
(Expressed in Thousands)

SETP - State of Maine Primary Government Pension Expense	$ 165,629
SETP - Teachers Non-Employer Pension Expense (grant expense)	238,709
Legislative Pension Expense	(587)
Judicial Pension Expense	(125)
Total	$ 403,626

At June 30, 2023, the State reported $291,517 of deferred outflows of resources and $145,287 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of $178,650 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, 2024. 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	$ 13,345	$ -	$ 69,168	$ -	$ 82,513	$ -
Changes of assumptions	98,616	-	269,606	-	368,222	-
Net difference between projected and actual earnings on pension plan investments	-	140,892	-	273,461	-	414,353
Changes in proportion and differences between State contributions and proportionate share of contributions	906	1,064	3,272	16,209	4,178	17,273
State and component unit contributions subsequent to the measurement date	178,032	-	199,571	-	377,603	-
Total	$ 290,899	$ 141,956	$ 541,617	$ 289,670	$ 832,516	$ 431,626
For the Year Ended						
2024	47,086		172,483		219,569	
2025	(54,614)		(96,749)		(151,363)	
2026	(88,206)		(152,337)		(240,543)	
2027	66,644		128,979		195,623	
2028	-		-		-	

	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	$ -	$ -	$ -	$ 100
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	496	-	2,735
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-	-	-
State and component unit contributions subsequent to the measurement date	17	-	601	-
Total	$ 17	$ 496	$ 601	$ 2,835
For the Year Ended				
2024	(210)		(1,190)	
2025	(210)		(1,195)	
2026	(308)		(1,686)	
2027	232		1,236	
2028	-		-	

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 2022 and 2021 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	$ 1,553,071	$ 883,273	$ 350,267
Teacher Members	2,718,930	1,388,457	280,701
Judicial Pension Plan	(1,553)	(8,395)	(14,364)
Legislative Pension Plan	$ (4,387)	$ (5,166)	$ (6,437)

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 2022, this was one year for the Legislative Plan, and three for the Judicial Plan and three years for the State Employee and four years for the Teacher Plan. For 2021, Judicial had been two years for amortization purposes.

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, 2022 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 post retirement 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 post retirement 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 State contribution to retired teacher and first responder health premiums is 55 percent of the retiree-only premium. For teachers, 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.

For first responders, the rate is defined 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 allows an enrollee to participate in the group health insurance plan in which the enrollee's spouse participates. 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 participated in the person's employer's health insurance plan or other fully insured health insurance plan while actively working as a county or municipal law enforcement officer or a municipal firefighter. 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, 2023 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. 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. Annually 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.

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 55 percent level for the current portion of the health plan costs. The First Responders Plan is currently funded on a pay-as-you-go basis with the State directly paying insurers. The Teachers Plan had been funded on a pay-as-you-go basis until June 30, 2023.

An Irrevocable Trust Fund for Other Post-Employment Benefits for the Teachers Plan was funded with an initial $103 million deposit on June 30, 2023. The Trustee of the Teachers Plan is Harpswell Capital Advisors, LLC. 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. Annually 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 2019, Chapter 280 established 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 investment 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 91 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, 2022	$ 1,789,794	$ 32,680
Changes for the Year:		
Service Cost	66,336	1,639
Interest	39,764	729
Contributions - Employee	-	(837)
Contributions - Non-Employer Contributing Entity	(30,586)	(397)
Administrative Expenses	-	98
Differences Between Expected and Actual Experience	(2,390)	(287)
Changes in Assumptions - Discount Rate	(382,876)	(3,676)
Net Changes	(309,752)	(2,731)
Balances at June 30, 2023	$ 1,480,042	$ 29,949
Covered Payroll	$ 1,473,733	$ 55,806
Total OPEB Liability as a Percentage of Covered Payroll	100.4 %	53.7 %
State's Proportionate Share of the Collective Total OPEB Liability	75 %	24 %

The State's proportionate share for fiscal years ended June 30, 2023 and June 30, 2022 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	$ 17,706	$ 1,286	$ 1,408	$ 2,694
Interest	67,317	7,364	7,516	14,880
Differences Between Expected and Actual Experience	15,541	(807)	1,212	405
Change in Proportion	-	(174)	-	(174)
Benefit Payments, Including Refunds of Member Contributions - Explicit	(47,026)	(3,761)	(2,872)	(6,633)
Benefit Payments, Including Refunds of Member Contributions - Implicit	(33,132)	-	-	-
Net Change in Total OPEB Liability	20,406	3,908	7,264	11,172
Beginning Total OPEB Liability	1,057,381	109,951	108,393	218,344
Ending Total OPEB Liability	1,077,787	113,859	115,657	229,516
Plan Fiduciary Net Position				
Employer Contributions - Explicit	49,026	5,713	-	5,713
Employer Contributions - Implicit	33,132	-	-	-
Non-employer Contributions	-	-	4,593	4,593
Net Investment Income	(53,659)	(7,213)	(12,830)	(20,043)
Changes in Proportion	-	(78)	-	(78)
Benefit Payments, Including Refunds of Member Contributions	(80,158)	(3,761)	(2,872)	(6,633)
Administrative Expense	(3)	(289)	(519)	(808)
Net Change in Plan Fiduciary Net Position	(51,662)	(5,628)	(11,628)	(17,256)
Beginning Plan Fiduciary Net Position	382,842	49,514	88,751	138,265
Ending Plan Fiduciary Net Position	331,180	43,886	77,123	121,009
Ending Net OPEB Liability	$ 746,607	$ 69,973	$ 38,534	$ 108,507
Proportion				
June 30, 2023	100.000000 %	95.360195 %	100.000000 %	96.957867 %
June 30, 2022	100.000000 %	95.511816 %	100.000000 %	96.578465 %
Change - Increase (Decrease)	0.000000 %	(0.151621)%	0.000000 %	(0.379402)%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	30.727778 %	38.544164 %	66.682518 %	52.723557 %

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. The total OPEB liability was rolled-forward from the valuation date to the June 30, 2022 measurement date using generally accepted actuarial principles. 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, 2022 and June 30, 2021 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, 2022 and June 30, 2021 include: using a discount rate assumption of 6.50 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, 2021 and 7.63 percent at 2022. The ultimate medical trend rate of 4.19 percent reached at 2075 remained constant. 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 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, 2022. 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, 2022 and June 30, 2021 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, 2022 and June 30, 2021 include: using a discount rate of 6.50 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, 2022, there were 15 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, 2022 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. 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. The total OPEB liability was rolled-forward from the valuation date to the June 30, 2022 measurement date using generally accepted actuarial principles. 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 had funded the plan on a pay-as-you-go basis on the measurement date. The valuation assumed the State would continue this policy. One third of active participants who have currently waived coverage elect coverage at retirement. Actuarial assumptions used in the June 30, 2022 and June 30, 2021 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, 2022 and June 30, 2021 include: using a 2.75 percent inflation rate and 3.00 percent annual salary increases. Since the State's portion of the Teachers' post retirement medical plans are not being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the index rate as of the measurement date of a 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 3.54 percent as of the measurement date and 2.16 percent at June 30, 2021. The initial medical trend rate had been 7.63 percent at June 30, 2022 and was 6.00 percent at June 30, 2021. The ultimate medical trend rate of 4.19 percent reached at 2075 remained constant. 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. The total OPEB liability was rolled-forward from the valuation date to the June 30, 2022 measurement date using generally accepted actuarial principles. 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' post retirement medical plans are not being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the index rate as of the measurement date of a 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 3.54 percent as of the measurement date and 2.16 percent at June 30, 2021. Actuarial assumptions used in the June 30, 2022 and June 30, 2021 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, 2022 and June 30, 2021 include using a 2.75 percent inflation rate and 3.00 percent annual salary increase. The initial medical trend rate had been 7.63 percent at June 30, 2022 and was 6.00 percent at June 30, 2021. The ultimate medical trend rate of 4.19 percent reached at 2075 remained constant. 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, 2023, the State recognized OPEB expense of $77,909. Costs related to non-State employees are charged to the General Fund.

OPEB COSTS
(Expressed in Thousands)

SETP - State of Maine Healthcare OPEB Expense	$	28,146
SETP - Teachers Non-Employer Healthcare OPEB Expense (grant expense)		38,786
First Responders Healthcare OPEB Expense		(79)
Group Life Insurance OPEB Expense - State Employees		6,962
Group Life Insurance OPEB Expense - Teachers (grant expense)		4,094
Total	$	77,909

Of State employee costs charged to governmental funds, 52 percent is charged to the General Fund, 19 percent to Other Special Revenue Funds, 16 percent to the Highway Fund and 13 percent to Federal funds. Contributions made after the measurement date of the net OPEB liability but before the end of June 30, 2023 will be recognized as a reduction of the net OPEB liability. At June 30, 2023, 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	$ 14,068	$ 52,240	$ 35,831	$ 343,766	$ -	$ 2,545
Changes of assumptions	117	46,999	289,638	438,437	2,478	4,497
Net difference between projected and actual earnings on OPEB plan investments	64,790	42,064	-	-	-	-
State and component unit contributions subsequent to the measurement date	148,265	-	141,523	-	902	-
Total	$ 227,240	$ 141,303	$ 466,992	$ 782,203	$ 3,380	$ 7,042
For the Year Ended						
2024	(32,493)		(67,314)		(1,708)	
2025	(24,116)		(56,806)		(925)	
2026	(24,088)		(44,596)		(411)	
2027	17,488		(53,931)		(301)	
2028	881		(74,022)		(636)	
Thereafter	-		(160,065)		(583)	

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	$ 700	$ 692	$ 1,368	$ 78
Changes of assumptions	3,044	-	736	2,848
Net difference between projected and actual earnings on OPEB plan investments	3,326	-	5,596	-
Changes in proportion and differences between State contributions and proportionate share of contributions	304	150	-	-
State and component unit contributions subsequent to the measurement date	6,024	-	4,727	-
Total	$ 13,398	$ 842	$ 12,427	$ 2,926
For the Year Ended				
2024	1,426		702	
2025	1,405		1,216	
2026	875		221	
2027	2,525		3,453	
2028	429		(1,303)	
Thereafter	(128)		485	

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 %	3.00 %
Real Assets:		
Real Estate	5.00 %	5.20 %

For the year ended June 30, 2023, the annual money-weighted average rate of return on investments, net of investment expense was 11.0 percent for both plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the collective total OPEB liability for the actuarial valuations varied by plan and is disclosed below. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at the actuarially determined, contractually required rates. Based on the assumption, the OPEB plan's fiduciary net position 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 3.54 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	$ 865,331	$ 746,607	$ 646,611
State Employee Group Life	$ 86,224	$ 69,973	$ 56,702
Teacher Group Life	$ 57,462	$ 38,534	$ 23,335
Total OPEB Liabilities			
Teacher Healthcare Plan	$1,745,502	$1,480,042	$1,266,773
First Responders Healthcare Plan	$ 32,561	$ 29,949	$ 27,595

Healthcare Cost Trend Rate
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB State Employee Healthcare Plan	$ 620,223	$ 746,607	$ 899,836
Total OPEB Teacher Healthcare Plan	$ 1,219,364	$ 1,480,042	$ 1,822,720
Total OPEB First Responder Healthcare Plan	$ 26,908	$ 29,949	$ 33,512

For all plans, the current trend rate is 7.63 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). Three OPEB Plans met the requirements for funded OPEB trusts or their equivalents: the State Employee Healthcare Plan, the Teachers Healthcare Plan and the Group Life Insurance Plan for State Employees and Teachers.

Information not already contained in this note disclosure at June 30, 2023 follows. The Trustees of the State Retiree Healthcare Plan (SRHP) are the State Controller and State Treasurer. The Trustee of the Teacher Retiree Healthcare Plan is Harpswell Capital Advisors, LLC.

Components of the Net OPEB Liability for the plans at June 30, 2023 were as follows:

(Expressed in Thousands)

	State Employee Healthcare Plan	Teachers Healthcare Plan	State and Teachers Group Life Insurance Benefit Plan
Total OPEB liability	$ 1,100,482	$ 1,006,594	$ 245,450
Plan fiduciary net position	432,679	103,000	139,836
State of Maine's net OPEB liability	$ 667,803	$ 903,594	$ 105,614
Plan fiduciary net position as a percentage of the total OPEB liability	39.32 %	10.23 %	56.97 %

Actuarial assumptions for the funded OPEB plans used in the June 30, 2023 valuations were based on results from an actuarial experience study for the period of June 30, 2015 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 2023 healthcare valuation, the initial medical trend rate of 7.63 percent decreased to 7.53 percent.

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

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

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 11.0 percent for both plans funded prior to June 29, 2023. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The Teachers Healthcare Plan, funded June 30, 2023, did not earn a return on investments.

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 the plans is 6.50 percent.

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 787,519	$ 667,803	$ 566,992
Teachers Healthcare Plan	1,049,194	903,594	784,475
State Employee and Teacher Group Life Insurance Benefit Plan	$ 142,318	$ 105,614	$ 75,874

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 7.53 percent grading down to 4.19 percent.

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 530,974	$ 667,803	$ 834,266
Teachers Healthcare Plan	$ 750,435	$ 903,594	$ 1,097,786

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 2023 were:

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

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
General Obligation Debt:					
General Fund	$ 505,820	$ 151,390	$ 97,840	$ 559,370	$ 105,075
Unamortized Premiums:					
General Fund	76,968	15,740	13,438	79,270	13,959
Total	$ 582,788	$ 167,130	$ 111,278	$ 638,640	$ 119,034

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2023 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2024	$ 105,075	$ 26,457	$ 131,532
2025	93,780	21,998	115,778
2026	83,515	17,712	101,227
2027	73,745	13,722	87,467
2028	63,945	10,068	74,013
2029-2033	139,310	14,978	154,288
Total	$ 559,370	$ 104,935	$ 664,305
Unamortized Premiums	79,270		
Total Principal	$ 638,640		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2023 are as follows:

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

			Fiscal Year Maturities		
	Amounts Issued	**Outstanding June 30, 2023**	**First Year**	**Last Year**	**Interest Rates**
General Fund:					
Series 2014	$ 112,945	$ 11,290	2015	2024	0.20% - 5.00%
Series 2015	102,555	20,510	2016	2025	0.85% - 5.00%
Series 2016	97,705	29,310	2017	2026	1.00% - 5.00%
Series 2017	98,060	39,220	2018	2027	2.00% - 5.00%
Series 2019A	111,255	55,625	2019	2028	3.125% - 5.00%
Series 2019B	140,875	84,515	2020	2029	2.50% - 5.00%
Series 2020	114,905	89,365	2021	2030	1.25% - 5.00%
Series 2021	96,875	86,110	2022	2031	1.00% - 5.00%
Series 2022	85,470	77,505	2023	2032	3.75% - 5.00%
Series 2023	65,920	65,920	2024	2033	4.75% - 5.25%
		559,370			
Plus Unamortized Bond Premium		79,270			
Total General Fund		$ 638,640			

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, 2023, there were no general obligation bonds authorized and unissued.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included $380.5 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, 2023, MGFA did not issue any new revenue bonds.

At June 30, 2023, 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 2023. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2023 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, 2023, are summarized as follows:

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

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Governmental Activities:					
MGFA Revenue Bonds	$ 403,212	$ -	$ 22,689	$ 380,523	23,856
COP's and Other Financing	72,147	22,300	10,334	84,113	18,214
Compensated Absences	71,255	10,968	10,789	71,434	10,824
Claims Payable	80,624	166,097	171,717	75,004	19,758
Leases	234,510	30,352	15,823	249,039	7,797
Subscriptions*	-	129,122	18,563	110,559	19,408
Loans Payable to Component Unit	270,449	50,000	58,440	262,009	38,292
Total Governmental Activities	$ 1,132,197	$ 408,839	$ 308,355	$ 1,232,681	138,149
Business-Type Activities:					
COP's and Other Financing	$ -	$ 3,000	$ 429	$ 2,571	428
Compensated Absences	959	223	126	1,056	139
Total Business-Type Activities	$ 959	$ 3,223	$ 555	$ 3,627	567

* FY2023 was the first year of implementation of GASB 96 Subscription Based Information Technology Arrangements.

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2023 until maturity, are summarized as follows:

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

	Governmental Activities				Business-Type Activities	
	Governmental Funds		Internal Service Funds		Enterprise Funds	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
2024	$ 12,785	$ 2,251	$ 29,285	$ 15,527	$ 429	$ 80
2025	13,010	875	28,557	14,526	429	66
2026	10,699	813	27,054	13,485	429	52
2027	9,885	583	25,365	12,457	429	38
2028	6,853	389	25,278	11,445	429	24
2029 - 2033	10,576	525	112,523	43,145	429	10
2034 - 2038	-	-	109,320	20,607	-	-
2039 - 2043	-	-	43,470	2,151	-	-
Total	$ 63,808	$ 5,436	$ 400,852	$ 133,343	$ 2,574	$ -

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.

Changes in GARVEE and TransCap revenue bonds during fiscal year 2023 were:

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

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Loans Payable to Components Unit:					
Federal Funds	$ 173,743	$ 50,000	$ 20,365	$ 203,378	$ 23,053
Special Revenue Fund	96,705	-	38,074	58,631	15,239
Total	$ 270,448	$ 50,000	$ 58,439	$ 262,009	$ 38,292

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.

GARVEE and TransCap Revenue bonds issued and outstanding at June 30, 2023 are as follows:

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

	Amounts Issued	Outstanding June 30, 2023	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
Federal Funds:					
Series 2014A	$ 44,810	$ 18,165	2015	2026	2.00% - 5.00%
Series 2016A	44,105	25,235	2017	2028	2.63% - 5.00%
Series 2018A	44,310	44,310	2023	2030	4.00% - 5.00%
Series 2020A	60,925	53,130	2021	2032	5.00%
Series 2022A	47,175	47,175	2023	2035	5.00%
Total Federal Funds		$ 188,015			
Special Revenue Fund:					
Series 2009A	105,000	2,005	2010	2023	2.50% - 5.00%
Series 2015A	54,680	29,180	2019	2024	4.00% - 5.00%
Series 2021A	35,070	34,810	2022	2026	5.00%
Total Special Revenue Funds		$ 65,995			

Total principal and interest requirements over the life of the 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; for 2022A GARVEE bonds total principal and interest requirements are $63.4 million, with annual requirements up to $5.2 million. Total federal highway transportation funds received in federal fiscal year 2023 were $316.9 million. Current year payments to MMBB for GARVEE bonds were $24.7 million (7.8 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 $41.5 million in fiscal year 2023.

The 2013 Liquor Operation Revenue bond were paid off during fiscal year 2023. Current year payments to MMBB for the Liquor Operation bonds were $26.2 million. Total revenue received from revenue sources used as pledged revenue were $66.7 million in fiscal year 2023.

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, 2023 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% - 5.000%	$ 89,963	2024 - 2044
Maine Community College System	3.000% - 5.000%	14,389	2024 - 2036
Maine Health and Higher Educational Facilities Authority	0.359% - 5.500%	655,865	2024 - 2052
Maine Municipal Bond Bank	0.350% - 6.120%	1,496,141	2024 - 2052
Maine State Housing Authority	0.000% - 5.400%	1,742,917	2024 - 2053
Maine Turnpike Authority	2.000% - 5.000%	604,602	2024 - 2050
University of Maine System	0.310% - 5.500%	236,739	2024 - 2062

In periods of declining interest rates, Maine Health and Higher Educational Facilities Authority (MHHEFA) has refunded certain bond obligations. The proceeds of any advance refunding bonds are primarily used to purchase U.S. Treasury obligations, the principal and interest on which will be sufficient to pay the principal and interest, when due, of the defeased bonds.

At June 30, 2023, MHHEFA had approximately $40.8 million of defeased bonds remaining outstanding with respect to all advance-refunding issues within the Reserve Fund Resolution.

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

At June 30, 2023, MMBB had no outstanding in-substance defeased bonds.

For the year ended December 31, 2022, the Maine State Housing Authority (MHSA) redeemed prior to maturity $207.4 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 $557 thousand were attributed to recognition of the related bond premium.

The Maine Turnpike Authority has a calendar year end. In April 2022, the Maine Turnpike Authority issued $102.3 million of Series 2022 Refunding Revenue Bonds. Bond proceeds were used to advance refund the principal amounts of the Series 2012A and Series 2012B maturing in the years 2023 through 2042, in the outstanding principal amount of $124.9 million.

On July 20, 2022, the University of Maine System (UMS) issued $120.3 million of 2022 Series A Revenue Bonds to pay off $43.0 million of bond anticipation notes and to provide $83.4 million for new projects.

On May 24, 2023, UMS issued $37.5 million of 2023 Series A Revenue Bonds to currently refund $38.2 million of 2013 Series A Revenue Bonds and to provide $2.9 million for projects. The refunding reduced its total debt service payments over the following twelve years by $3.0 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $2.2 million. The principal amount of debt refunded through in-substance defeasance was $38.2 million. No amount was outstanding at June 30, 2023. Refunding bond proceeds of $38.6 million were placed in an escrow account to pay the interest due on the refunded bonds and to retire the bonds on their respective call dates, which was June 23, 2023.

The refunding of the 2013 Series A bonds resulted in a deferred amount on refunding of ($0.9) million which represents the difference between the reacquisition price and the carrying value of the refunded bonds. Amortization of this deferred amount on refunding will be charged to operations as additional interest expense through the year 2034. At June 30, 2023, the ($0.9) million unamortized portion of the deferred amount on refunding was included in deferred outflows.

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
2024	$ 5,480	$ 123,870	$ 935	$ 55,716	$ 20,140	$ 17,746	$ 30,995
2025	5,650	132,790	980	61,455	20,535	15,791	32,300
2026	5,785	141,750	960	70,648	21,710	16,373	30,490
2027	5,820	133,665	1,050	72,920	25,700	14,421	30,830
2028	6,870	104,901	1,070	68,693	26,950	14,951	31,630
2029 - 2033	24,635	407,495	6,130	304,223	130,385	50,985	159,255
2034 - 2038	17,800	226,765	1,607	336,691	101,830	15,181	133,715
2039 - 2043	10,565	85,870	-	267,190	86,415	12,464	105,460
2044 - 2048	3,330	16,155	-	276,620	78,585	10,930	55,405
2049 - 2053	-	2,365	-	220,540	23,430	14,165	45,785
2054 - 2058	-	-	-	4,395	-	18,520	-
2059 - 2063	-	-	-	-	-	18,825	-
Net Unamortized Premium (or Deferred Amount)	4,028	120,515	1,657	3,826	68,922	16,387	-
Total Principal Payments	$ 89,963	$ 1,496,141	$ 14,389	$ 1,742,917	$ 604,602	$ 236,739	$ 655,865

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, 2023, is $262.8million. Accumulated amortization is $20.0 million. Lease assets net of accumulated amortization is $242.8million.

Right to Use Leased Assets
(Expressed in Thousands)

	General Fund	Other Special Revenue Funds	Internal Service Funds	Total Governmental Activities
Buildings	$ 12,064	$ 574	$ 250,116	$ 262,754
Less: Accumulated Amortization	1,342	238	18,399	19,979
Total Right to Use Assets, net	$ 10,722	$ 336	$ 231,717	$ 242,775

A summary of lease commitments to maturity is as follows:

Future Lease Payments
(Expressed in Thousands)

Fiscal Years Ending June 30	**Principal**	**Interest**
2024	$ 7,797	$ 4,241
2025	7,976	4,124
2026	8,249	4,002
2027	8,301	3,877
2028	8,404	3,750
2029-2033	40,080	16,764
2034-2038	35,841	13,509
2039-2043	28,869	10,698
2044-2048	29,184	8,069
2049-2053	25,490	5,519
2054-2058	17,821	3,640
2059-2063	16,328	2,062
2064-2068	12,387	724
2069-2073	2,312	31
Total	$ 249,039	$ 81,010

Lease liabilities are valued using discount rates between 0.95% and 3.72% 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, 2023, leases receivable from CDS is $5.5 million. Fiscal year 2023 lease revenue was $497 thousand, interest revenue was $72 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 2043. As of June 30, 2023, right of use lease assets acquired through outstanding leases consisting of building and office space totaled $62.9 million less $6.5 million in accumulated amortization, or $56.4 million net.

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, 2023, MRRA reported a lease receivable, including accrued interest, of $37.3 million. At June 30, 2023, MRRA also had a $35.9 million deferred inflow of resources balance associated with the leases that will be recognized as revenue over the lease terms that extend until 2068.

NOTE 13 - SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES

In the government-wide and proprietary fund statements, assets and liabilities resulting from right to use subscription based information technology arrangements are recorded when the system is placed into service. Any implementation costs incurred prior to the system being placed into service are recorded as prepaid assets. The principal portion of subscription payments reduces the liability; the interest portion is expensed.

Most subscriptions 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 subscription agreements include renewal options. The effect of such options is reflected in the minimum subscription payments only if it is considered reasonably assured that an option will be exercised.

The historical cost of assets acquired under subscription based technology arrangements on the government-wide financial statements at June 30, 2023, is $142.0 million. Accumulated amortization is $24.4 million. Subscription assets net of accumulated amortization is $117.6 million.

	General Fund	Highway Fund	Federal Funds	Other Special Revenue Funds	Internal Service Funds	Total Governmental Activities
Right to Use Subscription Assets						
Subscriptions	$ 75,648	$ 2,881	$ 9,361	$ 7,005	$ 47,119	$ 142,014
Less: Accumulated Amortization	7,119	449	4,222	1,274	11,317	24,381
Total Right to Use Assets, net	$ 68,529	$ 2,432	$ 5,139	$ 5,731	$ 35,802	$ 117,633

A summary of subscription based information technology arrangements to maturity is as follows:

Future Minimum SBITA Payments
(Expressed in Thousands)

Fiscal Years Ending June 30	Principal	Interest
2024	$ 19,409	$ 2,933
2025	16,199	2,435
2026	13,190	2,023
2027	13,216	1,629
2028	5,478	1,431
2029-2033	26,277	4,597
2034-2038	16,790	608
Total	$ 110,559	$ 15,656

Subscription based information technology arrangement liabilities are valued using discount rates between 2.78% and 3.32% based on the SBITA contract term including optional renewal periods using State Specific Municipal Market Data.

COMPONENT UNITS

The University of Maine System (UMS) has subscription based IT arrangements (SBITA). At June 30, 2023, SBITA assets, net of amortization totaled $15.7 million. The associated liabilities totaled $14.7 million. The remaining balance is reported as a deferred inflow.

The Maine Community College has SBITA right-to-use assets net of amortization that totaled $15.6 million at June 30, 2023. The associated liabilities totaled $11.9 million. The remaining balance is reported as a deferred inflow.

NOTE 14 - 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). In some cases, individual claim settlements have exceeded policy limits in 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, 2023 and 2022 the present value of claims payable for the State's self-insurance plan was estimated at $11.3 million and $10.9 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	2023	2022
Liability at Beginning of Year	$ 10,898	$ 11,901
Current Year Claims and Changes in Estimates	2,914	1,073
Claims/Fees Expense	2,483	2,076
Liability at End of Year	$ 11,329	$ 10,898

As of June 30, 2023, fund assets of $29.3 million exceeded fund liabilities of $13.2 million by $16.1 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 $599 thousand for the fiscal year ended June 30, 2023.

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, 2023 and 2022:

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

	2023	2022
Liability at Beginning of Year	$ 55,480	$ 51,161
Current Year Claims and Changes in Estimates	4,465	12,285
Claims Payments	8,201	7,966
Liability at End of Year	$ 51,744	$ 55,480

Based on the actuarial calculation as of June 30, 2023, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $70.9 million. The discounted amount is $51.7 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 35,400 covered individuals. This total includes approximately 25,900 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 $11.9 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2023 follows:

(Expressed in Thousands)

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 10,685	$ 3,561
Claims and Changes in Estimate	121,612	37,106
Claims Payments	123,349	37,684
Liability at End of Year	$ 8,948	$ 2,983

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 $47.0 million and teacher healthcare costs of $30.6 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $33.1 million of active employee healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 15 - 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 table below was obtained from the Tri-State Lotto Commission financial report for fiscal year 2023, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008.

Tri-State Lotto Commission
(Expressed in Thousands)

Current Assets	$	16,746
Noncurrent Assets		12,857
Total Assets	$	29,603
Current Liabilities	$	16,003
Long-term Liabilities		9,650
Total Liabilities	$	25,653
Designated Prize Reserves	$	4,346
Reserve for Unrealized Gains (Losses)		(396)
Total Net Position		3,950
Total Liabilities and Net Position	$	29,603
Total Revenue	$	92,000
Total Expenses		67,919
Gain (Loss) on Sale of Investment		(37)
Allocation to Member States		24,044
Change in Unrealized Gain (Loss) on Investments Held for Resale		(473)
Change in Net Position	$	(473)

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 allocated 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 2023. 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	$	313,709
Investments in US Government Securities		444,772
US Government Securities Held for Prize Annuities		39,309
Due from Party Lotteries		54,972
Other Assets		4,425
Total Assets	$	857,187
Amount Held for Future Prizes	$	773,236
Grand Prize Annuities Payable		40,010
Other Liabilities		9,288
		822,534
Net Position, Unrestricted		34,653
Total Liabilities and Net Position	$	857,187
Total Revenue	$	30,929
Total Expenses		6,353
Excess (Deficit) of Revenues over Expenses		24,576
Net Position, beginning		10,077
Net Position, ending	$	34,653

NOTE 16 - 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.

The Maine Technology Institute (MTI), a component unit of the State of Maine, received $32.7 million in funding from the State of Maine, Department of Economic and Community Development. The Director of MTI is an employee of the State of Maine and two board members are Commissioners of the State of Maine. 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, $305.1 million; Maine Community College System, $116.6 million; Maine Municipal Bond Bank (MMBB), $41.6 million; Finance Authority of Maine, $70.2 million; and Maine State Housing Authority, $207.2 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $26.7 million at June 30, 2023, 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 2023, the State expended $937.0 thousand 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 $26.0 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 2023, the amount billed totaled $8.2 million.

NOTE 17 - 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:				
Refunding of Debt	$ 903	$ -	$ 903	$ 19,361
Pension Related	829,114	4,020	833,134	24,306
OPEB Related	720,158	3,280	723,438	24,166
Total Deferred Outflows of Resources	$ 1,550,175	$ 7,300	$ 1,557,475	$ 67,833
Deferred Inflows of Resources:				
Grant Income	$ -	$ -	$ -	$ 218
Benefit Recovery	4,768	-	4,768	-
Loan Origination Fees	-	-	-	382
Accumulated Increase in Fair Value of Hedging Derivatives	-	-	-	18,560
Pension Related	433,064	1,893	434,957	14,764
OPEB Related	932,376	1,940	934,316	91,259
Lease Related	5,472	-	5,472	77,815
Settlements *	51,169	-	51,169	-
Total Deferred Inflows of Resources	$ 1,426,849	$ 3,833	$ 1,430,682	$ 202,998

* 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	$ 309,825	$ 1,492	$ 2,483	$ 4,759	$ -	$ 318,559
Settlements **	-	-	-	77,326	-	77,326
Benefit Recovery	-	-	4,768	-	-	4,768
Total Deferred Inflows of Resources	$ 309,825	$ 1,492	$ 7,251	$ 82,085	$ -	$ 400,653

** Please refer back to Note 6 and Note 19 for information on the Opioid settlement and the Tobacco settlement, respectively

NOTE 18 - 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, 2023, the State provided tax abatements through the following programs:

Program Name	Pine Tree Development Zone Program	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.
Abatement Type	Personal income, corporate income, insurance premiums, bank franchise and sales taxes.	4.5% of qualified gross wages multiplied by the applicable reimbursement rate.	Personal income, corporate income, insurance premiums, and bank franchise taxes.
Statutory Authority	36 M.R.S. §§2529 and 5219-W	36 M.R.S. §6754	36 M.R.S. §§2533 and 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. No business may be certified under the program after December 31, 2024. Businesses certified prior to 2025 may continue to receive PTDZ credit for the full benefit period of ten years. No PTDZ benefits may be paid after 2034.	Businesses apply for certification and agree to hire at least five net new employees within two years. The program will sunset at the end of 2024. No businesses may be certified under the program after December 31, 2024. Businesses certified prior to 2025 may continue to receive annual ETIF benefits for the full benefit period of ten years. No ETIF benefits may be paid after 2034.	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 4.5% of qualified gross wages, multiplied by the applicable reimbursement rate from 30 - 80 percent, 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 6/30/2023	$4,091,340	$9,911,810	$3,394,030

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

Source: Maine Revenue Services

NOTE 19 - 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.

D*eferral 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. On July 11, 2023, Governor Mills signed into law a budget that repeals the health provider components of the service provider tax. DHHS conferred with CMS and updated it on this legislative action. On December 6, 2023, CMS notified DHHS that is was disallowing $28.0 million for the period from July 2020 through March 2022, which resolves this dispute. The Legislature appropriated funding to the MaineCare Stabilization Fund so it has sufficient balances to make payments for this amount.

Dr. Doe v. Maine Board of Dental Practice, et al. Dr. Doe has filed a lawsuit against the Maine Board of Dental Practice and eleven 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

Todd Hood v. DOC, et al: Todd Hood alleges that excessive confinement in isolation and in mechanical restraints, sexual contact, assault, denial of treatment and educational services, physical and psychological injuries, emotional anguish, and distress occurred while he was detained at Long Creek Youth Development Center (formerly called Maine Youth Center), between 1998 and 2005. 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 case listed below is the only one we are aware of in which taxpayers are seeking refunds that could exceed $1 million.

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 Board ruled in favor of NextEra, and Maine Revenue Services appealed to Superior Court. 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.

The Counsel for Employee Relations represents the State in cases with unions and/or employees. The cases listed below are the only ones we are aware of in which the future loss could have a potential to exceed $1 million.

Maine State Law Enforcement Supervisors (Fraternal Order of Police) and State of Maine; Grievance #s 2022-099-F, 2022-124-F, 2022-123-F, 2022-125-F, 2022-128-F, 2022-112-F, 2022-110-F (standby pay). This is a case made up of several grievances filed by seven groups of law enforcement supervisors represented by MSLES (including Warden Service Sergeants and Lieutenants, Forestry Service District and Regional Rangers, Marine Patrol Sergeants and Lieutenants and State Police Lieutenants) asserting that the State violated the collective bargaining agreement between the parties when it refused to pay the aforementioned employees standby pay once their subordinates became eligible for standby pay. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Maine Service Employees Association, SEIU, Local 1989 and State of Maine Reclassification appeal of Eligibility Specialists (Case No. 67-2017). On 2/3/2017, 38 Eligibility Specialists appealed their classification, claiming that they are performing duties not represented in their current classification and requesting reclassification to a higher paying classification. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Maine Service Employees Association, SEIU, Local 1989 and State of Maine Reclassification appeal of IF&W Resource Biologists (Case No. 361-2018). On 12/21/2018, 31 IF&W Resource Biologists appealed their classification, claiming that they are performing duties not represented in their current classification and requesting reclassification to a higher paying classification. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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 $114.3 million, $2.9 million, $1,048.6 million, $77.5 million and $6.1 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, 2023 is $20.6 million. Superfund sites account for approximately $7.0 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 $607 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, 2023, 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 $4.3 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 $13.3 million (net of unrealized recoveries of $298 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover $409 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. On June 30, 2023 the remaining unspent bond funds were $2.2 million. In addition to the closure of the facility, the State anticipates additional post-closure maintenance and monitoring costs of approximately $18.5 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 leachate 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, 2023 is $20.5 million.

Title 38 M.R.S.A., §1310-F establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose a potential hazard and that meet other qualifying criteria. The law provides for reimbursement of 75% of a municipality's closure expenses. If initial closure of a landfill fails to protect public health and the environment, DEP is obligated to reimburse up to 90% of a municipality's subsequent remediation expenses. However, these obligations are subject to the availability of funds approved for that purpose. In 2012, DEP, through bonds, had paid all of the outstanding match requirements for closure, but had $2,568,654 in outstanding match obligation for remediation. Additionally, several municipalities needed to close their failing landfills early, but could not afford to do so without the state match for closure, which had expired. To address this, in 2013 the legislature enacted a $2/ton 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 December 31, 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 FY23 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 FY23, DEP's total outstanding reimbursement obligation to municipalities was $1.1 million. At the end of FY23, the outstanding match obligation was $5.4 million. 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 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 2023 fiscal year, $4.8 million of general obligation bond funds and $3.2 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2023, amounts encumbered for pollution abatement projects totaled $1.4 million, and general obligation bonds authorized for these projects, but not yet encumbered, totaled $12.2 million. As of June 30, 2022, DEP estimates the total cost (federal, State, and local) of future projects to be $3.1 billion according to the 2022 Clean Watershed Needs Survey.

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
2022	105	413
2021	127	440
2020	156	494
2019	137	530
2018	91	540

The annual average cost per spill over the past five years is $8,850. 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 55.16 percent of the annual payments. As of June 30, 2023, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $1.085 billion.

At June 30, 2023, the Department of Transportation had contractual commitments of approximately $605.5 million for construction of various highway projects. The State's share of that amount is expected to be approximately $112.0 million. Of these amounts, $8.6 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 2023, Maine received an annual tobacco settlement payment of $52.2 million.

CONTINGENT GAINS

The State of Maine is participating in the National Opioid Settlement, which negotiated conclusions to investigations and litigations by the Attorney General and certain Maine counties, cities, and towns, of the marketing and sales practices of opioid pain medications by entities in the pharmaceutical supply chain. This year the State of Maine agreed to join five additional opioid settlements with similar terms and payment schedules as the original settlements in 2022. The 2022 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, and this year's new settlements will add to the funding and will pay out over a somewhat shorter time, all for the same permissible opioid abatement activities. All the settlements also impose certain injunctive terms agreed to by the Defendants. The expected range of the settlements is $68 million to $72 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 $24.6 million as of June 30, 2023. All overpayments that are outstanding for more than one year, $19.8 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 $56.2 million as of June 30, 2023. All overpayments that are outstanding for more than one year, $53.7 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, 2023, the Fund included $3.2 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2023 of approximately $299.0 million represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

A liability representing the probable amount of escheat property that will be reclaimed and paid to claimants and other third parties is reported in the Fund. To the extent that the assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At June 30, 2023, the amount reported in the Fund for claimant liability is $51.1 million. The General Fund shows a $47.5 million payable to the Escheat Fund.

CONSTITUTIONAL OBLIGATIONS

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

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident

Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed $90 million, $1 million, and $4 million, respectively. At June 30, 2023, loans outstanding pursuant to these authorizations are $90.0 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, 2023.

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, 2023, 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, 2023.

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	$ 655,865	$ 58,000	NIL	22 MRSA § 2075
Finance Authority of Maine	57,412	-	730,500	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	85,935	1,187	225,000	20-A MRSA §11424
Maine Municipal Bond Bank	1,186,991	124,653	NIL	30-A MRSA §6006
Maine State Housing Authority	1,674,325	123,129	2,150,000	30-A MRSA §4906
Total	$ 3,660,528	$ 306,969		

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

COMPONENT UNITS

CONSTRUCTION CONTRACTS

At June 30, 2023, UMS and MCCS had outstanding commitments on uncompleted construction contracts. They totaled $46.7 million and $1.7 million, respectively. A non-major discretely reported component unit, Maine Maritime Academy, had commitments on construction projects at June 30, 2023 totaling $94.1 million.

At December 31, 2022, the Maine Turnpike Authority had $88.2 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, 2022 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $307.8 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2022, single-family loans being processed by lenders totaled $45.4 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, 2023, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately $147.5 million. At June 30, 2023, FAME was insuring loans with an aggregate outstanding principle balance approximating $950 thousand which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately $445 thousand at June 30, 2023. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2023, these commitments under the Loan Insurance Program were approximately $11.1 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, 2023, approximately $20.6 million of loans were insured under this program. Such loans are unsecured.

NOTE 20 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On July 11, 2023, after the close of fiscal year 2023, the Governor signed into law Chapter 412 Public Law 2023. As it was not designated as an emergency, this law became effective on October 25, 2023. Included in that legislation were $225.3 million of transfers from the fiscal year 2023 unappropriated surplus of the General Fund to the Other Special Revenue Fund. At the close of fiscal year 2023, these funds were set aside in a reserve account to effectuate the transfers upon the effective date of the legislation, October 25, 2023.

In addition, Chapter 412 Public Law 2023 also included an increase in the State's contribution to the cost of retired teacher's health insurance premiums from 55 percent to 60 percent. The impact to the current biennium is $3.3 million per year.

On October 27, 2023, the State issued $5.7 million of certificates of participation (COP's) for the purpose of financing the modernization and improvement of the Department of the Secretary of State's customer service system, technology infrastructure and data centers, as well as the software and hardware components. The COP's carry interest rates of 4.11 percent and maturities from 2024 to 2030.

On November 21, 2023, the State issued $3.8 million of certificates of participation (COP's) for the purpose of financing an estimated 78 motor vehicle purchases for the Department of Public Safety. The COP's carry interest rates of 4.63 percent and maturities from 2024 to 2027.

On December 1, 2023, consent judgements were received from the court for Allergan and Teva, two of the five additional opioid settlements the State of Maine joined, confirming the awards of approximately $11.4 million and $20.7 million, respectively. See Note 19 - Commitments and Contingencies, subsection Contingent Gains for further discussion.

COMPONENT UNITS

Maine State Housing Authority (MSHA), has a December 31 fiscal year end. On February 22, 2023, MSHA issued at par $115.0 million of bonds in the General Mortgage Purchase Bond Resolution. The bonds have interest rates between 2.70 percent and 4.7 percent and mature from 2034 to 2054. On May 18, 2023, MSHA issued $57.4 million of bonds in the General Mortgage Purchase Bond Resolution. The bonds have interest rates between 2.80 percent and 4.80 percent and mature from 2025 to 2053. On August 1, 2023, MSHA issued $45.0 million in the General Mortgage Purchase Bond Resolutions. The bonds have interest rates between 3.20 percent and 4.7 percent and mature from 2026 to 2053. On October 5, 2023, MSHA issued $90.0 million of bonds in the General Mortgage Purchase Bond Resolution. The bonds have interest rates between 3.50 percent and 4.90 percent and mature from 2025 to 2053. Subsequent to December 31, 2022, MSHA retired $52.1 million in Mortgage Purchase Fund bonds and $3.0 million in Maine Energy, Housing and Economic Recovery Fund bonds.

On July 25, 2023, Maine Health and Higher Education Facilities Authority (MHHEFA) issued $68.4 million of Series 2023 A Reserve Fund Resolution Bonds with an average interest rate of 4.62 percent, a portion of which was used to in-substance defease $5.1 million of certain maturities within the 2013A bond series. A portion of the net proceeds of approximately $72.7 million, including other sources of funds and after payment of underwriting fees, insurance 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 MHHEFA.

On November 2, 2023, the Maine Municipal Bond Bank issued Series 2023B general resolution tax-exempt bonds in the amount of $87.8 million, with interest rates ranging from 4.375 percent to 5.00 percent. On November 1, 2023 general resolution tax-exempt bonds matured in the amount of $87.8 million.

On December 5, 2023, Maine Health and Higher Education Facilities Authority (MHHEFA) issued $122.4 million of Series 2023 B Reserve Fund Resolution Bonds with interest rates ranging from 4.75 percent to 5.25 percent and maturities from 2024 to 2053.

NOTE 21 - SPECIAL ITEMS

On June 30, 2023, the State transferred $168 million to the Maine Public Employees Retirement System. The Irrevocable OPEB Trust for Teacher Healthcare received $103 million of the funding. The remaining $65 million was transferred into the State Retiree Healthcare Irrevocable OPEB trust. The purpose of accumulating assets in these investment trust funds is to provide funding of the State's unfunded liability obligations for retiree health benefits. Funds appropriated for the irrevocable trust funds may not be diverted or deappropriated by any subsequent action.


DIRIGO
MAINE

REQUIRED SUPPLEMENTARY INFORMATION

TABLE OF CONTENTS


DIRIGO
MAINE

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2023
(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	$ 4,796,357	$ 5,313,997	$ 5,428,236	$ 114,239	$ 230,396	$ 228,843	$ 222,428	$ (6,415)
Assessments and Other	89,419	89,981	92,840	2,859	97,252	102,157	112,903	10,746
Federal Grants	1,129	1,444	53	(1,391)	-	-	-	-
Service Charges	52,077	44,691	47,529	2,838	6,370	6,345	4,922	(1,423)
Income from Investments	8,166	29,283	53,437	24,154	221	453	706	253
Miscellaneous Revenue	63,490	66,204	72,278	6,074	4,934	6,778	192	(6,586)
Total Revenues	5,010,638	5,545,600	5,694,373	148,773	339,173	344,576	341,151	(3,425)
Expenditures								
Governmental Support & Operations	327,266	371,367	336,731	34,636	48,299	52,925	44,233	8,692
Economic Development & Workforce Training	59,856	62,963	57,945	5,018	-	-	-	-
Education	2,030,949	2,066,337	2,001,843	64,494	-	-	-	-
Health and Human Services	1,637,188	1,577,156	1,404,030	173,126	-	-	-	-
Business Licensing & Regulation	-	500	500	-	-	-	-	-
Natural Resources Development & Protection	107,195	114,693	103,731	10,962	32	32	27	5
Justice and Protection	413,532	448,297	407,322	40,975	33,003	33,399	31,459	1,940
Arts, Heritage & Cultural Enrichment	10,365	12,541	9,430	3,111	-	-	-	-
Transportation Safety & Development	-	-	-	-	257,266	282,894	258,891	24,003
Total Expenditures	4,586,351	4,653,854	4,321,532	332,322	338,600	369,250	334,610	34,640
Revenues Over (Under) Expenditures	424,287	891,746	1,372,841	481,095	573	(24,674)	6,541	31,215
Other Financing Sources (Uses)								
Operating Transfers Net	(270,098)	(345,223)	(914,867)	(569,644)	-	-	1,582	1,582
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	(270,098)	(345,223)	(914,867)	(569,644)	-	-	1,582	1,582
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ 154,189	$ 546,523	$ 457,974	$ (88,549)	$ 573	$ (24,674)	$ 8,123	$ 32,797
Fund balances, beginning of year			1,476,130				40,938	
Fund balances, end of year			$ 1,934,104				$ 49,061	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ -	$ 403,469	$ 396,133	$ 375,971	$ (20,162)
67	67	-	(67)	209,845	223,556	196,220	(27,336)
4,955,248	5,833,764	4,771,099	(1,062,665)	19,666	19,681	19,030	(651)
5,168	5,366	30	(5,336)	255,082	256,621	280,454	23,833
-	-	18,198	18,198	1,232	1,727	5,285	3,558
268	268	8,813	8,545	247,779	268,041	176,705	(91,336)
4,960,751	5,839,465	4,798,140	(1,041,325)	1,137,073	1,165,759	1,053,665	(112,094)
65,417	78,471	19,300	59,171	863,748	1,342,578	1,079,017	263,561
285,623	514,656	197,198	317,458	110,820	198,107	173,895	24,212
313,073	1,062,013	454,444	607,569	66,803	81,946	65,861	16,085
3,640,189	4,062,478	3,534,023	528,455	617,891	742,706	601,170	141,536
54,623	137,244	45,544	91,700	80,584	88,318	69,031	19,287
142,937	255,340	214,630	40,710	240,957	282,912	127,237	155,675
82,286	361,085	210,874	150,211	79,780	103,154	61,036	42,118
9,006	14,795	7,624	7,171	2,267	2,422	1,081	1,341
371,147	501,395	343,100	158,295	198,800	508,959	213,497	295,462
4,964,301	6,987,477	5,026,737	1,960,740	2,261,650	3,351,102	2,391,825	959,277
(3,550)	(1,148,012)	(228,597)	919,415	(1,124,577)	(2,185,343)	(1,338,160)	847,183
5,432	4,134	17,234	13,100	1,024,714	1,589,218	1,052,869	(536,349)
-	-	-	-	47,100	52,100	27,390	(24,710)
5,432	4,134	17,234	13,100	1,071,814	1,641,318	1,080,259	(561,059)
$ 1,882	$ (1,143,878)	$ (211,363)	$ 932,515	$ (52,763)	$ (544,025)	$ (257,901)	$ 286,124
		937,786				1,364,019	
		$ 726,423				$ 1,106,118	


DIRIGO
MAINE

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 1,934,104	$ 49,061	$ 726,423	$ 1,106,118
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	340,677	1,470	-	15,398
Settlement Receivables	-	-	-	77,326
Other Receivables	45,253	5,195	160,871	35,071
Inventories	4,477	-	8,525	-
Due from Component Units	-	-	-	38,008
Due from Other Governments	-	-	600,053	1,360
Due from Other Funds	65,948	15,962	4,670	282,698
Other Assets	1,192	9	636	355
Unearned Revenues	-	(3,027)	(1,850)	(4,435)
Deferred Inflows - Taxes and Assessment Revenues	(309,825)	(1,492)	(7,251)	(82,085)
Total Revenue Accruals/Adjustments	147,722	18,117	765,654	363,696
Expenditure Accruals/Adjustments:				
Accounts Payable	(230,511)	(34,911)	(566,985)	(60,771)
Due to Component Units	(3,821)	(125)	(15,146)	(2,601)
Accrued Liabilities	(27,536)	(9,005)	(9,541)	(11,577)
Taxes Payable	(362,404)	-	-	-
Intergovernmental Payables	-	-	(853,424)	-
Due to Other Funds	(99,119)	(5,316)	(25,122)	(45,446)
Total Expenditure Accruals/Adjustments	(723,391)	(49,357)	(1,470,218)	(120,395)
Fund Balances - GAAP Basis	$ 1,358,435	$ 17,821	$ 21,859	$ 1,349,419

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, 2023, the legislature increased appropriations to the General Fund by $281.9 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, 2023 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 Nine Fiscal Years
(Expressed in Thousands)

	2023	2022	2021
Total Pension Liability			
Service Cost	$ 1,734	$ 1,547	$ 1,609
Interest	4,876	4,823	4,645
Changes in Benefit Terms	274	-	-
Differences Between Expected and Actual Experience	(151)	1,066	943
Changes of Assumptions	-	836	-
Benefit Payments, Including Refunds of Member Contributions	(5,095)	(4,681)	(4,317)
Net Change in Total Pension Liability	1,638	3,591	2,880
Beginning Total Pension Liability	75,788	72,197	69,317
Ending Total Pension Liability	77,426	75,788	72,197
Plan Fiduciary Net Position			
Employer Contributions	868	739	716
Member Contributions	651	636	617
Net Investment Income	(454)	19,280	2,165
Transfers	30	473	765
Benefit Payments, Including Refunds of Member Contributions	(5,095)	(4,681)	(4,317)
Administrative Expense	(73)	(68)	(69)
Net Change in Plan Fiduciary Net Position	(4,073)	16,379	(123)
Beginning Plan Fiduciary Net Position	89,894	73,515	73,638
Ending Plan Fiduciary Net Position	85,821	89,894	73,515
Ending Net Pension Liability (Asset)	$ (8,395)	$ (14,106)	$ (1,318)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	110.8 %	118.6 %	101.8 %
Covered Payroll	$ 8,502	$ 8,312	$ 8,054
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(98.7)%	(169.7)%	(16.4)%

2020	2019	2018	2017	2016	2015
$ 1,597	$ 1,487	$ 1,466	$ 1,397	$ 1,606	$ 1,518
4,582	4,442	4,358	4,155	3,863	3,736
-	-	-	2,017	28	17
(1,087)	469	(893)	(1,746)	2,238	(292)
-	698	-	2,490	-	426
(4,068)	(3,805)	(3,652)	(3,502)	(3,384)	(3,219)
1,024	3,291	1,279	4,811	4,351	2,186
68,293	65,002	63,723	58,912	54,561	52,375
69,317	68,293	65,002	63,723	58,912	54,561
1,213	1,179	1,144	1,078	979	932
620	604	585	550	550	528
4,709	6,607	7,800	130	1,055	8,416
(3)	-	-	6,343	-	-
(4,068)	(3,805)	(3,652)	(3,502)	(3,384)	(3,219)
(68)	(62)	(57)	(48)	(49)	(42)
2,403	4,523	5,820	4,551	(849)	6,615
71,235	66,712	60,892	56,341	57,190	50,575
73,638	71,235	66,712	60,892	56,341	57,190
$ (4,321)	$ (2,942)	$ (1,710)	$ 2,831	$ 2,571	$ (2,629)
106.2 %	104.3 %	102.6 %	95.6 %	95.6 %	104.8 %
$ 8,117	$ 7,894	$ 7,640	$ 7,188	$ 7,186	$ 6,742
(53.2)%	(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 Nine Fiscal Years
(Expressed in Thousands)

	2023	2022	2021
Total Pension Liability			
Service Cost	$ 376	$ 287	$ 335
Interest	699	658	611
Changes in Benefit Terms	44	-	-
Differences Between Expected and Actual Experience	(200)	181	414
Changes of Assumptions	-	374	-
Benefit Payments, Including Refunds of Member Contributions	(619)	(550)	(698)
Net Change in Total Pension Liability	300	950	662
Beginning Total Pension Liability	10,679	9,729	9,067
Ending Total Pension Liability	10,979	10,679	9,729
Plan Fiduciary Net Position			
Employer Contributions	44	-	-
Member Contributions	162	215	157
Net Investment Income	(90)	3,560	391
Benefit Payments, Including Refunds of Member Contributions	(619)	(550)	(698)
Transfers	-	(3)	366
Administrative Expense	(12)	(12)	(14)
Net Change in Plan Fiduciary Net Position	(515)	3,210	202
Beginning Plan Fiduciary Net Position	16,660	13,450	13,248
Ending Plan Fiduciary Net Position	16,145	16,660	13,450
Ending Net Pension Liability (Asset)	$ (5,166)	$ (5,981)	$ (3,721)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	147.1 %	156.0 %	138.2 %
Covered Payroll	$ 2,802	$ 2,802	$ 2,814
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(184.3)%	(213.5)%	(132.2)%

2020	2019	2018	2017	2016	2015
$ 297	$ 282	$ 265	$ 412	$ 451	$ 450
578	565	530	549	545	503
-	-	-	-	4	4
239	(91)	158	(246)	(508)	(93)
-	100	-	(147)	-	86
(607)	(460)	(469)	(446)	(439)	(318)
507	396	484	122	53	632
8,560	8,164	7,680	7,558	7,505	6,873
9,067	8,560	8,164	7,680	7,558	7,505
-	-	-	-	4	4
221	154	202	138	193	140
845	1,176	1,366	48	206	1,622
(607)	-	-	-	-	-
45	(460)	(469)	(446)	(439)	(318)
(12)	(11)	(9)	(8)	(9)	(8)
492	859	1,090	(268)	(45)	1,440
12,756	11,897	10,807	11,075	11,120	9,680
13,248	12,756	11,897	10,807	11,075	11,120
$ (4,181)	$ (4,196)	$ (3,733)	$ (3,127)	$ (3,517)	$ (3,615)
146.1 %	149.0 %	145.7 %	140.7 %	146.5 %	148.2 %
$ 2,660	$ 2,711	$ 2,651	$ 2,590	$ 2,528	$ 2,535
(157.2)%	(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 Ten Fiscal Years
(Expressed in Thousands)

	2023	2022	2021
Judicial Pension Plan			
Actuarially Determined Contribution	$ 602	$ 594	$ 739
Contributions in Relation to the Actuarially Determined Employer Contribution	(602)	(594)	(739)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 8,658	$ 8,502	$ 8,312
Contributions as a percentage of covered payroll	6.95 %	6.99 %	8.89 %
Legislative Pension Plan			
Actuarially Determined Contribution	$ -	$ -	$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 2,962	$ 2,801	$ 2,802
Contributions as a Percentage of Covered Payroll	0.00 %	0.00 %	0.00 %

(continued)

2020	2019	2018	2017	2016	2015	2014
$ 716	$ 1,213	$ 1,179	$ 1,144	$ 1,078	$ 951	$ 932
(716)	(1,213)	(1,179)	(1,144)	(1,078)	(951)	(932)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 8,054	$ 8,117	$ 7,894	$ 7,640	$ 7,188	$ 7,186	$ 6,742
8.89 %	14.94 %	14.94 %	14.97 %	15.00 %	13.23 %	13.82 %
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	(4)
$ -	$ -	$ -	$ -	$ -	$ -	$ (4)
$ 2,814	$ 2,660	$ 2,711	$ 2,651	$ 2,590	$ 2,528	$ 2,535
0.00 %	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, 2023 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, 2023 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 Nine Fiscal Years
(Expressed in Thousands)

	2023	2022	2021
State Employees - Primary Government			
Proportion of the Collective Net Pension Liability	95.160789 %	95.299042 %	95.090771 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 883,273	$ 615,520	$ 1,129,955
Covered Payroll	$ 733,368	$ 726,579	$ 688,817
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	120.44 %	84.71 %	164.04 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	84.10 %	88.60 %	77.30 %
Maine Community College System - DCU			
Proportion of the Collective Net Pension Liability	4.205865 %	4.085948 %	4.295313 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 39,038	$ 26,390	$ 51,041
Covered Payroll	$ 32,896	$ 32,619	$ 32,713
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.67 %	32,713.00 %	156.03 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	84.10 %	88.60 %	77.30 %
Non-Major and Formerly Reported Component Units			
Proportion of the Collective Net Pension Liability	0.633346 %	0.615050 %	0.613916 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 5,878	$ 3,972	$ 7,295
Covered Payroll	$ 5,029	$ 4,768	$ 4,571
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	116.88 %	83.31 %	159.59 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	84.10 %	88.60 %	77.30 %
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	$ 928,189	$ 645,881	$ 1,188,292
Covered Payroll	$ 771,293	$ 763,966	$ 726,101
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	120.34 %	84.54 %	163.65 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	84.10 %	88.60 %	77.30 %

Notes to Schedule:

As of June 30, 2023, 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, 2023 can be found in the June 30, 2020 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.

2020	2019	2018	2017	2016	2015
94.775523 %	94.652308 %	94.829879 %	94.498857 %	92.825250 %	92.853946 %
$ 991,147	$ 993,438	$ 1,080,168	$ 1,269,080	$ 950,597	$ 837,743
$ 627,615	$ 608,615	$ 601,904	$ 588,415	$ 520,115	$ 525,765
157.92 %	163.23 %	179.46 %	215.68 %	182.77 %	159.34 %
79.41 %	78.70 %	76.10 %	71.00 %	76.80 %	79.21 %
4.610452 %	4.695230 %	4.605776 %	4.969634 %	6.640831 %	6.618303 %
$ 48,215	$ 49,280	$ 52,462	$ 66,740	$ 68,007	$ 59,710
$ 31,535	$ 31,106	$ 30,867	$ 32,627	$ 32,008	$ 31,679
152.89 %	158.43 %	169.96 %	204.55 %	212.47 %	188.48 %
79.41 %	78.70 %	76.10 %	71.00 %	76.80 %	79.21 %
0.614025 %	0.652461 %	0.564345 %	0.531509 %	0.533919 %	0.527751 %
$ 6,421	$ 6,848	$ 6,428	$ 7,138	$ 5,468	$ 4,760
$ 4,115	$ 4,240	$ 3,700	$ 3,424	$ 3,927	$ 3,776
156.04 %	161.51 %	173.73 %	208.47 %	139.24 %	126.06 %
79.41 %	78.70 %	76.10 %	71.00 %	76.80 %	79.21 %
100.000000 %	100.000000 %	100.000000 %	100.000000 %	100.000000 %	100.000000 %
$ 1,045,784	$ 1,049,566	$ 1,139,058	$ 1,342,959	$ 1,024,072	$ 902,213
$ 663,265	$ 643,961	$ 636,471	$ 624,466	$ 556,050	$ 561,220
157.67 %	162.99 %	178.96 %	215.06 %	184.17 %	160.76 %
79.41 %	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 Ten Fiscal Years
(Expressed in Thousands)

	2023	2022	2021	2020
State Employees - Primary Government				
Actuarially Determined Contribution	$ 177,882	$ 167,081	$ 164,103	$ 155,628
Contributions in Relation to the Actuarially Determined Employer Contribution	(177,882)	(167,081)	(164,103)	(155,628)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 775,283	$ 733,367	$ 726,579	$ 688,817
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.94 %	22.78 %	22.59 %	22.59 %
Maine Community College System - DCU				
Actuarially Determined Contribution	$ 8,468	$ 7,385	$ 7,036	$ 7,030
Contributions in Relation to the Actuarially Determined Employer Contribution	(8,468)	(7,385)	(7,036)	(7,030)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 39,033	$ 32,896	$ 32,619	$ 32,713
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	21.69 %	22.45 %	21.57 %	21.49 %
Combined Non-major and Formerly Reported Component Units				
Actuarially Determined Contribution	$ 1,204	$ 926	$ 1,059	$ 1,005
Contributions in Relation to the Actuarially Determined Employer Contribution	(1,204)	(926)	(1,059)	(1,005)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 5,415	$ 5,030	$ 4,768	$ 4,571
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.23 %	18.41 %	22.21 %	21.99 %
Total SETP - State of Maine Employees				
Actuarially Determined Contribution	$ 187,554	$ 175,392	$ 172,198	$ 163,663
Contributions in Relation to the Actuarially Determined Employer Contribution	(187,554)	(175,392)	(172,198)	(163,663)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 819,731	$ 771,293	$ 763,966	$ 726,101
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.88 %	22.74 %	22.54 %	22.54 %

(continued)

2019	2018	2017	2016	2015	2014
$ 152,439	$ 148,115	$ 141,295	$ 136,139	$ 107,807	$ 117,380
(152,439)	(148,115)	(141,295)	(136,139)	(107,807)	(117,380)
$ -	$ -	$ -	$ -	$ -	$ -
$ 627,615	$ 608,615	$ 601,904	$ 588,415	$ 521,846	$ 525,765
24.29 %	24.34 %	23.47 %	23.14 %	20.66 %	22.33 %
$ 7,416	$ 7,347	$ 6,863	$ 7,159	$ 8,135	$ 3,133
(7,416)	(7,347)	(6,863)	(7,159)	(8,135)	(3,133)
$ -	$ -	$ -	$ -	$ -	$ -
$ 31,535	$ 31,106	$ 30,867	$ 32,627	$ 30,257	$ 31,679
23.52 %	23.62 %	22.23 %	21.94 %	26.89 %	9.89 %
$ 987	$ 1,021	$ 840	$ 766	$ 635	$ 522
(987)	(1,021)	(840)	(766)	(635)	(522)
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,115	$ 4,240	$ 3,700	$ 3,424	$ 3,947	$ 3,776
23.99 %	24.08 %	22.70 %	22.37 %	16.09 %	13.82 %
$ 160,842	$ 156,483	$ 148,998	$ 144,064	$ 116,577	$ 121,035
(160,842)	(156,483)	(148,998)	(144,064)	(116,577)	(121,035)
$ -	$ -	$ -	$ -	$ -	$ -
$ 663,265	$ 643,961	$ 636,471	$ 624,466	$ 556,050	$ 561,220
24.25 %	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, 2023 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, 2023 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 Nine Fiscal Years
(Expressed in Thousands)

	2023	2022	2021
Non-employer Contributing Entity's Proportion of:			
Percentage of the Collective Net Pension Liability	93.504374 %	94.381819 %	95.704826 %
Amount of the Collective Net Pension Liability	$ 1,484,911	$ 845,826	$ 1,632,252
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	86.70 %	92.10 %	83.10 %

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.

2020	2019	2018	2017	2016	2015
95.540502 %	95.298384 %	95.016790 %	95.002519 %	95.036038 %	95.069591 %
$ 1,465,876	$ 1,349,443	$ 1,452,536	$ 1,766,662	$ 1,350,118	$ 1,027,065
84.50 %	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 Ten Fiscal Years
(Expressed in Thousands)

	2023	2022	2021
Teachers - Non-Employer Contributions			
Actuarially Determined Contribution	$ 200,007	$ 194,229	$ 179,330
Contributions in Relation to the Actuarially Determined Non-Employer Contribution	(200,007)	(194,229)	(179,330)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Employer Contributions			
Actuarially Determined Contribution	$ 70,616	$ 68,677	$ 67,031
Contributions in Relation to the Actuarially Determined Employer Contribution	(70,616)	(68,677)	(67,031)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Total SETP - Teachers			
Actuarially Determined Contribution	$ 270,623	$ 262,906	$ 246,361
Contributions in Relation to the Actuarially Determined Employer Contribution	(270,623)	(262,906)	(246,361)
Contribution Deficiency (Excess)	$ -	$ -	$ -

(continued)

2020	2019	2018	2017	2016	2015	2014
$ 174,530	$ 132,981	$ 129,422	$ 116,080	$ 112,478	$ 147,048	$ 146,362
(174,530)	(132,981)	(129,422)	(116,080)	(112,478)	(147,048)	(146,362)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 61,582	$ 56,761	$ 54,472	$ 47,659	$ 45,349	$ 38,404	$ 36,931
(61,582)	(56,761)	(54,472)	(47,659)	(45,349)	(38,404)	(36,931)
$ -	$ -	$ -	$ -	$ -	$ -	$ -
$ 236,112	$ 189,742	$ 183,894	$ 163,739	$ 157,827	$ 185,452	$ 183,293
(236,112)	(189,742)	(183,894)	(163,739)	(157,827)	(185,452)	(183,293)
$ -	$ -	$ -	$ -	$ -	$ -	$ -

Notes to Schedule:

Valuation date	June 30, 2019 June 30, 2023 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, 2023 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 LIABILITIES HEALTHCARE PLANS - STATE EMPLOYEES AND TEACHERS

Last Seven Fiscal Years
(Expressed in Thousands)

	2023	2022	2021	2020	2019	2018	2017
State Employee Healthcare Plan							
Total OPEB Liability							
Beginning Total Liability	$ 1,077,787	$ 1,236,901	$ 1,180,487	$ 1,226,111	$ 1,199,512	$ 1,161,320	$ 1,143,542
Service Cost	18,237	17,706	18,311	17,777	17,425	16,917	12,246
Interest	68,578	79,021	78,426	81,020	79,128	76,921	75,650
Changes in Benefit Terms	-	554	-	-	-	-	-
Differences Between Expected and Actual Experience	19,145	(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	(43,982)	(47,026)	(48,155)	(71,199)	(70,524)	(58,347)	(54,118)
Benefit Payments, Including Refunds of Member Contributions - Implicit	(39,283)	(33,132)	(26,940)	(17,419)	(20,305)	(20,265)	(16,000)
Net Change in Total OPEB Liability	22,695	(159,114)	56,414	(45,624)	26,599	38,192	17,778
Ending Total OPEB Liability	1,100,482	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	331,180	382,842	291,559	277,703	256,860	233,596	203,088
Employer Contributions - Explicit	43,982	49,026	50,155	71,199	72,524	60,347	58,118
Employer Contributions - Implicit	39,283	33,132	26,940	17,419	20,305	20,265	16,000
Discretionary/Prefunded	65,000	-	-	-	-	-	-
Net Investment Income	36,502	(53,659)	89,286	13,859	18,846	21,270	26,513
Benefit Payments, Including Refunds of Member Contributions	(83,265)	(80,158)	(75,095)	(88,618)	(90,829)	(78,612)	(70,118)
Administrative Expense	(3)	(3)	(3)	(3)	(3)	(6)	(5)
Net Change in Plan Fiduciary Net Position	101,499	(51,662)	91,283	13,856	20,843	23,264	30,508
Ending Plan Fiduciary Net Position	432,679	331,180	382,842	291,559	277,703	256,860	233,596
Ending Net OPEB Liability	$ 667,803	$ 746,607	$ 854,059	$ 888,928	$ 948,408	$ 942,652	$ 927,724
Proportion							
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	39.3 %	30.7 %	31.0 %	24.7 %	22.6 %	21.4 %	20.1 %
Covered Payroll	$ 785,462	$ 737,707	$ 736,411	$ 687,595	$ 626,384	$ 612,195	$ 574,663
Net OPEB Liability as a Percentage of Covered Payroll	$ 85.0	$ 101.2	$ 116.0	$ 129.3	$ 151.4	$ 154.0	$ 161.4
Teacher Healthcare Plan							
Total OPEB Liability							
Service Cost	$ 45,372						
Interest	53,324						
Differences Between Expected and Actual Experience	2,824						
Changes of Assumptions Discount Rate	(536,445)						
Benefit Payments, Including Refunds of Member Contributions	(38,523)						
Net Change in Total OPEB Liability	(473,448)						
Ending Total OPEB Liability	1,006,594						
Plan Fiduciary Net Position							
Non-Employer Contributions	38,523						
Discretionary/Prefunded	103,000						
Benefit Payments, Including Refunds of Member Contributions	(38,523)						
Net Change in Plan Fiduciary Net Position	103,000						
Ending Plan Fiduciary Net Position	103,000						
Ending Net OPEB Liability	$ 903,594						
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	10.2 %						
Covered Payroll	$ 1,492,683						
Net OPEB Liability as a Percentage of Covered Payroll	$ 60.5						

This information relates to the OPEB Plans at June 30, 2023 administered through trusts. This is not the employer's or non-employer contributing entity'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 Seven Fiscal Years
(Expressed in Thousands)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Beginning Total Liability	$ 235,060	$ 223,516	$ 213,309	$ 204,432	$ 196,263	$ 183,723	$ 175,647
Service Cost	2,856	2,757	2,683	2,191	2,132	2,122	2,065
Interest	15,219	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	(7,685)	(6,818)	(6,614)	(8,178)	(7,118)	(7,270)	(6,004)
Net Change in Total OPEB Liability	10,390	11,544	10,207	8,877	8,169	12,540	8,076
Ending Total OPEB Liability	245,450	235,060	223,516	213,309	204,432	196,263	183,723
Plan Fiduciary Net Position							
Beginning Plan Fiduciary Net Position	123,155	140,600	105,617	100,617	94,287	86,883	77,416
Employer and Non-Employer Contributions	11,053	10,585	9,867	9,311	7,756	7,639	6,921
Net Investment Income	14,264	(20,387)	32,552	4,886	6,418	7,805	9,886
Benefit Payments, Including Refunds of Member Contributions	(7,685)	(6,818)	(6,614)	(8,178)	(7,118)	(7,270)	(6,004)
Administrative Expense	(951)	(825)	(822)	(1,019)	(726)	(770)	(1,336)
Net Change in Plan Fiduciary Net Position	16,681	(17,445)	34,983	5,000	6,330	7,404	9,467
Ending Plan Fiduciary Net Position	139,836	123,155	140,600	105,617	100,617	94,287	86,883
Ending Net OPEB Liability	$ 105,614	$ 111,905	$ 82,916	$ 107,692	$ 103,815	$ 101,976	$ 96,840
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	57.0 %	52.4 %	62.9 %	49.5 %	49.2 %	48.0 %	47.3 %
Covered Payroll	$ 1,644,477	$ 1,600,465	$ 1,525,193	$ 1,484,373	$ 1,380,619	$ 1,343,669	$ 1,277,009
Net OPEB Liability as a Percentage of Covered Payroll	6.4 %	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 Seven Fiscal Years
(Expressed in Thousands)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Beginning Total Liability	$ 1,789,794	$ 1,905,991	$ 1,441,260	$ 1,235,862	$ 1,248,326	$ 1,323,731	$ 1,323,731
Service Cost	66,336	68,197	44,132	33,787	35,795	42,214	-
Interest	39,764	43,314	51,449	48,502	45,495	38,521	-
Changes in Benefit Terms	-	325,417	-	-	-	-	-
Contribution - Non-Employer Contributing Entity	(30,586)	(28,719)	(31,133)	(33,032)	(26,855)	(28,848)	-
Differences Between Expected and Actual Experience	(2,390)	(457,831)	846	59,296	(5,178)	-	-
Changes of Assumptions Discount Rate	(382,876)	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	(309,752)	(116,197)	464,731	205,398	(12,464)	(75,405)	-
Ending Total OPEB Liability	$ 1,480,042	$ 1,789,794	$ 1,905,991	$ 1,441,260	$ 1,235,862	$ 1,248,326	$ 1,323,731
Covered-Employee Payroll	$ 1,473,733	$ 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-Employee Payroll	100.4 %	126.5 %	149.3 %	114.3 %	106.9 %	107.5 %	117.6 %
State's Proportionate Share of the Collective Total OPEB	75 %	78 %	80 %	75 %	74 %	83 %	83 %

The measurement date used is the date one year prior to the current fiscal year, or June 30, 2022. The plan did not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. This plan was funded on a pay-as-you go basis prior to June 30, 2023. The State's proportionate share for fiscal years June 30, 2017 through June 30, 2022 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 Seven Fiscal Years
(Expressed in Thousands)

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Beginning Total Liability	$ 32,680	$ 31,926	$ 27,506	$ 19,232	$ 18,980	$ 26,052	$ -
Service Cost	1,639	1,553	1,142	751	776	1,836	-
Interest	729	731	989	763	698	786	-
Changes in Benefit Terms	-	165	-	8,247	-	-	-
Contribution - Employee	(837)	(693)	(696)	(592)	(617)	(618)	-
Contribution - Non-Employer Contributing Entity	(397)	(218)	(242)	(48)	(5)	(78)	-
Administrative Expenses	98	72	132	92	98	99	-
Differences Between Expected and Actual Experience	(287)	(1,641)	(210)	(863)	(191)	(2,909)	-
Changes of Assumptions Discount Rate	(3,676)	138	3,305	939	(507)	(1,325)	-
Changes of Assumptions - Others	-	647	-	(1,015)	-	(4,863)	-
Net Change in Total OPEB Liability	(2,731)	754	4,420	8,274	252	(7,072)	-
Ending Total OPEB Liability	$ 29,949	$ 32,680	$ 31,926	$ 27,506	$ 19,232	$ 18,980	$ 26,052
Covered-Employee Payroll	$ 55,806	$ 46,207	$ 46,395	$ 66,360	$ 64,427	$ 62,551	$ 55,651
Total OPEB Liability as Percentage of Covered-Employee Payroll	53.7 %	70.7 %	68.8 %	41.4 %	29.9 %	30.3 %	46.8 %
State's Proportionate Share of the Collective Total OPEB	24 %	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, 2022 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 OPEB PLANS

Last Seven Fiscal Years
(Expressed in Thousands)

	2023	2022	2021	2020	2019	2018	2017
State Employee Healthcare							
Actuarially Determined Contribution	$ 74,913	$ 52,922	$ 58,819	$ 56,241	$ 71,363	$ 71,179	$ 69,000
Contributions in Relation to the Actuarially Determined Employer Contribution	(148,265)	(82,158)	(77,095)	(88,618)	(92,829)	(80,612)	(74,000)
Contribution Deficiency (Excess)	$ (73,352)	$ (29,236)	$ (18,276)	$ (32,377)	$ (21,466)	$ (9,433)	$ (5,000)
Covered Payroll	$ 785,462	$ 737,707	$ 736,411	$ 687,595	$ 626,384	$ 612,195	$ 582,934
Contributions as a Percentage of Covered Payroll	18.88 %	11.14 %	10.47 %	12.89 %	14.82 %	13.17 %	12.67 %
State Employee and Teacher Group Life Insurance Benefit Plan							
Actuarially Determined Contribution	$ 11,593	$ 11,242	$ 10,965	$ 10,671	$ 9,040	$ 8,806	$ 8,240
Contributions in Relation to the Actuarially Determined Employer Contribution	(11,053)	(10,585)	(9,867)	(9,310)	(7,756)	(7,638)	(6,921)
Contribution Deficiency (Excess)	$ 540	$ 657	$ 1,098	$ 1,361	$ 1,284	$ 1,168	$ 1,319
Covered Payroll	$ 1,644,477	$ 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	0.67 %	0.66 %	0.65 %	0.63 %	0.56 %	0.57 %	0.54 %
Teacher Healthcare							
Actuarially Determined Contribution	$ 106,617	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	(141,523)	-	-	-	-	-	-
Contribution Deficiency (Excess)	$ (34,906)	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 1,492,683	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a Percentage of Covered Payroll	9.48 %	- %	- %	- %	- %	- %	- %

Notes to Schedule:

Actuarial assumptions for State Health Insurance and Group Life Insurance 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 2022 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, 2023. 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. For June 30, 2023, the initial medical trend rate was 7.53 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 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, 2023. The ADC for 2023 and 2022 was based on the June 30, 2018 valuation rolled forward and adjusted for changes in assumptions. The participation rate for future retirees is 100 percent of those currently enrolled.

Teacher Health Insurance

The valuation date and establishment of a funded Irrevocable OPEB Trust was June 30, 2023. Prior to that date the State funded the plan on a pay-as-you-go basis. Costs are developed using the individual 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. One third of active participants who have currently waived coverage elect coverage at retirement. Actuarial assumptions used in the June 30, 2023 actuarial valuation 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, 2023 include: using a level percent of payroll, amortizing the unfunded liability as of June 30, 2022 over 15 years (fully recognized by June 30, 2037), a long-term expected rate of return of 6.5%, and a 5-year smoothed market asset valuation method. The initial medical trend rate had been 7.63 percent at June 30, 2022. For June 30, 2023, the initial medical trend rate was 7.53 percent. The ultimate medical trend rate of 4.19 percent will be reached at 2075. All other assumptions and methods can be found in the June 30, 2021 State of Maine Teacher Retiree Healthcare Plan valuation report dated September 2022.

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 OPEB PLANS

Last Seven Fiscal Years

	2023	2022	2021	2020	2019	2018	2017
State Employee Healthcare Plan & State Employee and Teacher Group Life Insurance Benefit Plan							
Annual money-weighted rate of return, net of investment expense	11.00 %	14.10 %	30.60 %	6.00 %	6.60 %	9.00 %	12.88 %
	-	-	-	-	-	-	-
Teacher Healthcare Plan							
Annual money-weighted rate of return, net of investment expense	- %						

Notes to Schedule:

The Teacher Healthcare Plan was funded on June 30, 2023. There was no investment return in 2023.

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 17,850 lane miles of roads and 3,023 bridges having a total deck area of 12.5 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
2023	74.3	74.0
2022	76.2	74.0
2021	74.0	74.7

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)

	2023	2022	2021	2020	2019
Highways	$ 197.0	$ 153.2	$ 157.4	$ 148.3	$ 119.6
Bridges	8.7	22.8	34.9	32.0	13.2
Total	$ 205.7	$ 176.0	$ 192.3	$ 180.3	$ 132.8

Estimated Preservation Costs
(Expressed in millions)

	2023	2022	2021	2020	2019
Highways	$ 175.0	$ 150.0	$ 150.0	$ 130.0	$ 112.0
Bridges	30.0	35.0	35.0	15.0	13.5
Total	$ 205.0	$ 185.0	$ 185.0	$ 145.0	$ 125.5

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by PL 2021, Chapter 408, $29.5 million in General Fund bonds were spent during FY2023. Of the amount authorized by PL 2019, Chapter 673, $2.9 million in General Fund bonds were spent during FY2023.


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STATE OF MAINE
INDEPENDENT AUDITOR'S REPORTS
ON INTERNAL CONTROL AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2023

STATE OF MAINE
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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, 2023, 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 13, 2023. 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 2023-001, 2023-002, and 2023-019 through 2023-024 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 2023-003 through 2023-018 and 2023-025 thorough 2023-029 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 or other matters 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 2023-001, 2023-019, and 2023-023.

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 13, 2023

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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

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, 2023. The State of Maine's major Federal programs are identified in the Summary of Auditor's Results section (E-3 to E-5) of the accompanying Schedule of Findings and Questioned Costs.

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, 2023. 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.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for 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, 2023:

- 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 21.023 Emergency Rental Assistance Program
- ALN 84.027, 84.173 Special Education Cluster (IDEA)
- ALN 84.425 Education Stabilization Fund (ESF)
- ALN 93.268 Immunization Cooperative Agreements
- ALN 93.558 Temporary Assistance for Needy Families (TANF)
- ALN 93.658 Foster Care – Title IV-E
- ALN 93.659 Adoption Assistance – Title IV-E
- 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 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, 2023.

Basis for 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 qualified and unmodified opinions 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 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 Allowable costs/cost principles Eligibility	2023-030
10.551 10.561	SNAP Cluster	Allowable costs/cost principles Eligibility Special tests and provisions	2023-031
10.551 10.561	SNAP Cluster	Allowable costs/cost principles Eligibility	2023-032
10.551 10.561	SNAP Cluster	Allowable costs/cost principles Eligibility Special tests and provisions	2023-033
10.553 10.555 10.556 10.559 10.582	Child Nutrition Cluster	Reporting	2023-037
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Subrecipient monitoring	2023-044
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Cash management Subrecipient monitoring	2023-077
10.558	Child and Adult Care Food Program (CACFP)	Allowable costs/cost principles Eligibility	2023-046
21.023	Emergency Rental Assistance Program	Subrecipient monitoring	2023-055
21.023	Emergency Rental Assistance Program	Reporting	2023-056
84.027 84.173	Special Education Cluster (IDEA)	Allowable costs/cost principles Period of performance	2023-062
84.425	Education Stabilization Fund (ESF)	Activities allowed or unallowed Allowable costs/cost principles	2023-064
93.268	Immunization Cooperative Agreements	Subrecipient monitoring	2023-069
93.268	Immunization Cooperative Agreements	Cash management Subrecipient monitoring	2023-077
93.558	Temporary Assistance for Needy Families (TANF)	Activities allowed or unallowed Allowable costs/cost principles	2023-075
93.558	Temporary Assistance for Needy Families (TANF)	Eligibility Special tests and provisions	2023-076
93.558	Temporary Assistance for Needy Families (TANF)	Cash management Subrecipient monitoring	2023-077
93.558	Temporary Assistance for Needy Families (TANF)	Subrecipient monitoring	2023-078
93.658	Foster Care – Title IV-E	Allowable costs/cost principles Eligibility	2023-086

Assistance Listing No.	Assistance Listing Title	Compliance Area	Finding Number
93.659	Adoption Assistance – Title IV-E	Allowable costs/cost principles Eligibility	2023-088
93.775 93.777 93.778	Medicaid Cluster	Allowable costs/cost principles Eligibility	2023-032
		Special tests and provisions	2023-091
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Reporting	2023-096

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 2023-034, 2023-058, and 2023-083. 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 following finding numbers to be material weaknesses in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs:

2023-022	2023-023	2023-024	2023-030	2023-031	2023-032	2023-033
2023-037	2023-038	2023-039	2023-040	2023-044	2023-046	2023-048
2023-055	2023-056	2023-057	2023-062	2023-064	2023-065	2023-069
2023-070	2023-075	2023-076	2023-077	2023-078	2023-079	2023-082
2023-086	2023-088	2023-089	2023-091	2023-096		

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 following finding numbers to be significant deficiencies in internal control over compliance as described in the accompanying Schedule of Findings and Questioned Costs:

2023-026	2023-027	2023-028	2023-029	2023-034	2023-035	2023-036
2023-041	2023-042	2023-043	2023-045	2023-047	2023-049	2023-050
2023-051	2023-052	2023-053	2023-054	2023-058	2023-059	2023-060
2023-061	2023-063	2023-066	2023-067	2023-068	2023-071	2023-072
2023-073	2023-074	2023-080	2023-081	2023-083	2023-084	2023-085
2023-087	2023-090	2023-092	2023-093	2023-094	2023-095	2023-097

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 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.

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 28, 2024

STATE OF MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

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	-	413,426	413,426	
	10.163	Market Protection and Promotion	-	263,943	263,943	
Specialty Crop Block Grant Program - Farm Bill						
	10.170	Specialty Crop Block Grant Program - Farm Bill	387,973	-	387,973	
	10.170	COVID-19 - Specialty Crop Block Grant Program - Farm Bill	232,507	-	232,507	
Specialty Crop Block Grant Program - Farm Bill Total			620,480	-	620,480	
	10.181	COVID-19 - Agricultural Worker Pandemic Relief and Protection Program	845,100	5,089	850,189	
	10.182	COVID-19 - Food Bank Network	570,557	3,483	574,039	
	[1] 10.215	Sustainable Agriculture Research and Education	-	4,493	4,493	
	10.351	Rural Business Development Grant	-	338,465	338,465	
	10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	-	599,000	599,000	
	10.525	Farm and Ranch Stress Assistance Network Competitive Grants Program	233,960	1,041	235,001	
	10.535	SNAP Fraud Framework Implementation Grant	-	172,468	172,468	
	10.541	Child Nutrition-Technology Innovation Grant	-	236,347	236,347	
	10.542	COVID-19 - Pandemic EBT Food Benefits	-	37,886,222	37,886,222	*
	10.545	Farmers' Market Supplemental Nutrition Assistance Program Support Grants	-	5,604	5,604	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children						
	10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	5,825,806	16,328,281	22,154,086	*
	10.557	COVID-19 - WIC Special Supplemental Nutrition Program for Women, Infants, and Children	201,953	20,125	222,078	*
WIC Special Supplemental Nutrition Program for Women, Infants, and Children Total			6,027,759	16,348,406	22,376,165	
	10.558	Child and Adult Care Food Program	9,741,891	76,480	9,818,370	*
	10.560	State Administrative Expenses for Child Nutrition	3,673	1,113,919	1,117,592	
	10.572	WIC Farmers' Market Nutrition Program (FMNP)	11,860	93,833	105,694	
	10.576	Senior Farmers Market Nutrition Program	795,602	85,033	880,635	
	10.579	Child Nutrition Discretionary Grants Limited Availability	152,804	-	152,804	
	10.580	Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	-	159	159	
	10.645	COVID-19 - Farm to School State Formula Grant	-	1,971	1,971	
Pandemic EBT Administrative Costs						
	10.649	Pandemic EBT Administrative Costs	366,747	-	366,747	
	10.649	COVID-19 - Pandemic EBT Administrative Costs	-	375,516	375,516	
Pandemic EBT Administrative Costs Total			366,747	375,516	742,263	
	10.652	Forestry Research	-	401,420	401,420	
	10.664	Cooperative Forestry Assistance	129,230	1,381,470	1,510,700	
	10.676	Forest Legacy Program	-	10,532,472	10,532,472	
	10.680	Forest Health Protection	-	50,865	50,865	
	10.698	State & Private Forestry Cooperative Fire Assistance	155,692	-	155,692	
	10.904	Watershed Protection and Flood Prevention	-	211,996	211,996	
	10.912	Environmental Quality Incentives Program	-	19,818	19,818	
SNAP Cluster						
	10.551	Supplemental Nutrition Assistance Program	-	484,775,096	484,775,096	*
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program						
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	4,057,906	11,866,951	15,924,857	*
	10.561	COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	-	1,532,201	1,532,201	*
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Total			4,057,906	13,399,152	17,457,058	
SNAP Cluster Total			4,057,906	498,174,249	502,232,155	
Food Distribution Cluster						
	10.565	Commodity Supplemental Food Program	1,796,750	37,852	1,834,602	
Emergency Food Assistance Program (Administrative Costs)						
	10.568	Emergency Food Assistance Program (Administrative Costs)	209,828	122,118	331,946	
	10.568	COVID-19 - Emergency Food Assistance Program (Administrative Costs)	445,464	-	445,464	
Emergency Food Assistance Program (Administrative Costs) Total			655,292	122,118	777,410	
	10.569	Emergency Food Assistance Program (Food Commodities)	8,566,052	-	8,566,052	
Food Distribution Cluster Total			11,018,094	159,971	11,178,065	
Child Nutrition Cluster						
	10.553	School Breakfast Program	15,785,257	-	15,785,257	*
	10.555	National School Lunch Program	57,084,106	51,746	57,135,851	*
	10.556	Special Milk Program for Children	1,417	-	1,417	*
	10.559	Summer Food Service Program for Children	2,840,405	501,092	3,341,497	*
	10.582	Fresh Fruit and Vegetable Program	2,765,831	115,881	2,881,712	*
Child Nutrition Cluster Total			78,477,015	668,719	79,145,734	
Department of Agriculture Total			113,208,369	569,625,876	682,834,245	

Federal Agency	ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total
Department of Commerce					
	11.407	Interjurisdictional Fisheries Act of 1986	-	152,090	152,090
	[2] 11.417	Sea Grant Support	38,178	67,329	105,506
	11.419	Coastal Zone Management Administration Awards	510,171	2,235,497	2,745,669
	11.454	COVID-19 - Unallied Management Projects	-	945,638	945,638
	[3] 11.472	Unallied Science Program	273,419	1,470,456	1,743,876
	[4] 11.473	Office for Coastal Management	142,767	25,878	168,644
	[5] 11.474	Atlantic Coastal Fisheries Cooperative Management Act	-	1,224,963	1,224,963
Economic Development Cluster					
Economic Adjustment Assistance					
	11.307	Economic Adjustment Assistance	-	781,008	781,008
	11.307	COVID-19 - Economic Adjustment Assistance	-	2,400,996	2,400,996
Economic Adjustment Assistance Total			-	3,182,004	3,182,004
Economic Development Cluster Total			-	3,182,004	3,182,004
Department of Commerce Total			964,535	9,303,854	10,268,389
Department of Defense					
	12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	-	274,724	274,724
	12.400	Military Construction, National Guard	-	8,911,072	8,911,072
	12.401	National Guard Military Operations and Maintenance (O&M) Projects	-	26,242,614	26,242,614
Department of Defense Total			-	35,428,410	35,428,410
Department of Housing And Urban Development					
	14.171	Manufactured Home Dispute Resolution	-	25,154	25,154
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii					
	14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	10,143,131	471,447	10,614,578
	14.228	COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	1,320,803	-	1,320,803
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Total			11,463,934	471,447	11,935,381
	14.267	Continuum of Care Program	9,919,445	-	9,919,445
	14.401	Fair Housing Assistance Program State and Local	-	130,016	130,016
Department of Housing And Urban Development Total			21,383,379	626,617	22,009,996
Department of the Interior					
	15.073	Earth Mapping Resources Initiative	-	123,537	123,537
	15.608	Fish and Wildlife Management Assistance	15,757	44,950	60,707
	15.614	Coastal Wetlands Planning, Protection and Restoration	465,670	455	466,125
	15.615	Cooperative Endangered Species Conservation Fund	4,163,275	290,123	4,453,398
	15.616	Clean Vessel Act	317,720	108,840	426,559
	15.622	Sportfishing and Boating Safety Act	-	834,917	834,917
	15.634	State Wildlife Grants	44,178	565,740	609,919
	15.657	Endangered Species Recovery Implementation	-	143,781	143,781
	[6] 15.663	NFWF-USFWS Conservation Partnership	60,621	957	61,578
	15.676	Youth Engagement, Education, and Employment	-	45,570	45,570
	15.684	White-nose Syndrome National Response Implementation	-	4,467	4,467
	15.808	U.S. Geological Survey Research and Data Collection	235	27,644	27,878
	15.810	National Cooperative Geologic Mapping	-	162,007	162,007
	15.814	National Geological and Geophysical Data Preservation	-	15,877	15,877
	15.904	Historic Preservation Fund Grants-In-Aid	135,975	649,187	785,163
	15.916	Outdoor Recreation Acquisition, Development and Planning	389,733	457,893	847,626
	15.931	Youth and Veteran Organizations Conservation Activities	-	95,995	95,995
	[7] 15.935	National Trails System Projects	-	64,225	64,225
	[8] 15.945	Cooperative Research and Training Programs – Resources of the National Park System	-	1,839	1,839
	15.980	National Ground-Water Monitoring Network	-	15,345	15,345
	15.981	Water Use and Data Research	500	6,163	6,663
Fish and Wildlife Cluster					
	15.605	Sport Fish Restoration	27,330	3,768,161	3,795,491
	15.611	Wildlife Restoration and Basic Hunter Education	4,808	9,152,488	9,157,296
Fish and Wildlife Cluster Total			32,138	12,920,649	12,952,787
Department of the Interior Total			5,625,801	16,580,159	22,205,960
Department of Justice					
	16.017	Sexual Assault Services Formula Program	348,749	1,964	350,713
Coronavirus Emergency Supplemental Funding Program					
	16.034	Coronavirus Emergency Supplemental Funding Program	-	14,100	14,100
	16.034	COVID-19 - Coronavirus Emergency Supplemental Funding Program	383,695	145,901	529,596
Coronavirus Emergency Supplemental Funding Program Total			383,695	160,001	543,696
	16.540	Juvenile Justice and Delinquency Prevention	107,814	299,234	407,048
	16.543	Missing Children's Assistance	-	330,623	330,623
	16.554	National Criminal History Improvement Program (NCHIP)	-	382,626	382,626
	16.575	Crime Victim Assistance	8,440,077	485,700	8,925,776

Federal Agency	ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total
	16.576	Crime Victim Compensation	-	176,034	176,034
	16.582	Crime Victim Assistance/Discretionary Grants	-	249,105	249,105
	16.585	Treatment Court Discretionary Grant Program	-	128,353	128,353
	16.588	Violence Against Women Formula Grants	924,206	638,053	1,562,259
	16.593	Residential Substance Abuse Treatment for State Prisoners	-	41,245	41,245
	16.606	State Criminal Alien Assistance Program	-	4,971	4,971
	16.609	Project Safe Neighborhoods	29,775	70,840	100,616
	16.710	Public Safety Partnership and Community Policing Grants	-	209,446	209,446
	16.738	Edward Byrne Memorial Justice Assistance Grant Program	245,606	736,530	982,136
	16.741	DNA Backlog Reduction Program	-	461,022	461,022
	16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	-	288,545	288,545
	16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	246,064	25,322	271,386
	16.754	Harold Rogers Prescription Drug Monitoring Program	-	168,037	168,037
	16.812	Second Chance Act Reentry Initiative	50,059	218,418	268,477
	16.816	John R. Justice Prosecutors and Defenders Incentive Act	-	32,986	32,986
	16.838	Comprehensive Opioid, Stimulant, and other Substances Use Program	36,613	51,162	87,775
	16.839	STOP School Violence	109,818	264,477	374,295
Department of Justice Total			10,922,478	5,424,693	16,347,171
Department of Labor					
	17.002	Labor Force Statistics	-	1,036,695	1,036,695
	17.005	Compensation and Working Conditions	-	139,077	139,077
Unemployment Insurance					
	17.225	Unemployment Insurance	-	112,403,799	112,403,799 *
	17.225	COVID-19 - Unemployment Insurance	-	3,814,905	3,814,905 *
Unemployment Insurance Total			-	116,218,704	116,218,704
	17.235	Senior Community Service Employment Program	-	159,729	159,729
	17.245	Trade Adjustment Assistance	-	433,937	433,937
	17.261	WIOA Pilots, Demonstrations, and Research Projects	-	226,077	226,077
	17.270	Reentry Employment Opportunities	-	32,431	32,431
	17.271	Work Opportunity Tax Credit Program (WOTC)	-	102,320	102,320
	17.273	Temporary Labor Certification for Foreign Workers	-	306,325	306,325
WIOA National Dislocated Worker Grants / WIA National Emergency Grants					
	17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	2,749,332	204,920	2,954,252
	17.277	COVID-19 - WIOA National Dislocated Worker Grants / WIA National Emergency Grants	-	62,015	62,015
WIOA National Dislocated Worker Grants / WIA National Emergency Grants Total			2,749,332	266,935	3,016,267
	17.285	Apprenticeship USA Grants	-	974,856	974,856
	17.503	Occupational Safety and Health State Program	-	433,450	433,450
	17.504	Consultation Agreements	-	672,632	672,632
	17.600	Mine Health and Safety Grants	-	134,729	134,729
WIOA Cluster					
	17.258	WIOA Adult Program	2,021,788	351,963	2,373,751
	17.259	WIOA Youth Activities	2,555,330	557,680	3,113,010
	17.278	WIOA Dislocated Worker Formula Grants	1,186,422	1,130,170	2,316,592
WIOA Cluster Total			5,763,540	2,039,813	7,803,353
Employment Service Cluster					
	17.207	Employment Service/Wagner-Peyser Funded Activities	-	4,044,542	4,044,542
	17.801	Jobs for Veterans State Grants	-	667,118	667,118
Employment Service Cluster Total			-	4,711,661	4,711,661
Department of Labor Total			8,512,872	127,889,371	136,402,243
Department of Transportation					
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs					
	20.106	Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	-	2,408,595	2,408,595
	20.106	COVID-19 - Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	-	23,000	23,000
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs Total			-	2,431,595	2,431,595
	20.205	Highway Planning and Construction	-	309,940,356	309,940,356 *
	20.219	Recreational Trails Program	549,634	662,795	1,212,428
	20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	-	86,106	86,106
Formula Grants for Rural Areas and Tribal Transit Program					
	20.509	Formula Grants for Rural Areas and Tribal Transit Program	708,532	5,360,426	6,068,958 *
	20.509	COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	12,576,514	3,299,208	15,875,722 *
Formula Grants for Rural Areas and Tribal Transit Program Total			13,285,046	8,659,634	21,944,680
	20.530	Public Transportation Innovation	85,770	-	85,770
	20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	-	56,170	56,170
	20.700	Pipeline Safety Program State Base Grant	-	408,346	408,346
	20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	343,897	-	343,897
	20.721	PHMSA Pipeline Safety Program One Call Grant	-	46,770	46,770
	20.933	National Infrastructure Investments	-	3,867	3,867

Federal Agency	ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total	
	20.934	Nationally Significant Freight and Highway Projects	-	1,457,953	1,457,953	
Transit Services Programs Cluster						
	20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	566,902	38,038	604,939	
Transit Services Programs Cluster Total			566,902	38,038	604,939	
Highway Safety Cluster						
	20.600	State and Community Highway Safety	360,373	1,485,058	1,845,431	
	20.616	National Priority Safety Programs	521,097	2,706,724	3,227,821	
Highway Safety Cluster Total			881,470	4,191,782	5,073,252	
Federal Transit Cluster						
	20.500	Federal Transit Capital Investment Grants	-	1,416,124	1,416,124	
Federal Transit Formula Grants						
	20.507	Federal Transit Formula Grants	439,730	-	439,730	
	20.507	COVID-19 - Federal Transit Formula Grants	859,872	-	859,872	
Federal Transit Formula Grants Total			1,299,603	-	1,299,603	
	20.526	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	1,816,094	679,448	2,495,542	
Federal Transit Cluster Total			3,115,697	2,095,572	5,211,269	
Federal Motor Carrier Safety Assistance Cluster						
	20.218	Motor Carrier Safety Assistance	2,608	1,899,049	1,901,657	
	20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	-	104,338	104,338	
Federal Motor Carrier Safety Assistance Cluster Total			2,608	2,003,387	2,005,995	
Department of Transportation Total			18,831,023	332,082,371	350,913,393	
Department of the Treasury						
	21.019	COVID-19 - Coronavirus Relief Fund	64,412	9,953,483	10,017,895	
	21.023	COVID-19 - Emergency Rental Assistance Program	39,509,478	-	39,509,478	*
	21.026	COVID-19 - Homeowner Assistance Fund	8,017,223	4,295,968	12,313,191	
	21.027	COVID-19 - Coronavirus State And Local Fiscal Recovery Funds	109,913,832	97,851,010	207,764,843	*
Department of the Treasury Total			157,504,945	112,100,461	269,605,406	
Equal Employment Opportunity Commission						
	30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964	-	256,523	256,523	
Equal Employment Opportunity Commission Total			-	256,523	256,523	
General Services Administration						
	39.003	Donation of Federal Surplus Personal Property	-	370,029	370,029	
General Services Administration Total			-	370,029	370,029	
National Aeronautics & Space Administration						
	43.001	Science	-	4,876	4,876	
National Aeronautics & Space Administration Total			-	4,876	4,876	
Institute Of Museum And Library Services						
Grants to States						
	45.310	Grants to States	22,600	1,422,473	1,445,073	
	45.310	COVID-19 - Grants to States	4,500	23,698	28,198	
Grants to States Total			27,100	1,446,171	1,473,271	
Institute Of Museum And Library Services Total			27,100	1,446,171	1,473,271	
National Endowment For The Arts						
	45.025	Promotion of the Arts Partnership Agreements	349,235	394,922	744,157	
National Endowment For The Arts Total			349,235	394,922	744,157	
National Endowment For The Humanities						
	45.149	Promotion of the Humanities Division of Preservation and Access	-	97,871	97,871	
National Endowment For The Humanities Total			-	97,871	97,871	
National Science Foundation						
	[9] 47.050	Geosciences	-	230	230	
National Science Foundation Total			-	230	230	

Federal Agency	ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total
Department of Veterans Affairs					
	64.055	Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	-	43,327	43,327
	64.U01	Plot Allowance	-	278,191	278,191
	64.U02	State Approving Agency	-	187,086	187,086
Department of Veterans Affairs Total			-	508,605	508,605
Environmental Protection Agency					
	66.032	State Indoor Radon Grants	-	58,903	58,903
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act					
	66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	-	204,690	204,690
	66.034	COVID-19 - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	-	253,948	253,948
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act Total			-	458,638	458,638
	66.040	Diesel Emissions Reduction Act (DERA) State Grants	153,900	55,014	208,914
	66.204	Multipurpose Grants to States and Tribes	-	23,153	23,153
	66.432	State Public Water System Supervision	-	1,129,992	1,129,992
	66.444	Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	-	399,029	399,029
	66.454	Water Quality Management Planning	49,444	68,280	117,724
	66.461	Regional Wetland Program Development Grants	-	97,113	97,113
	66.472	Beach Monitoring and Notification Program Implementation Grants	-	241,944	241,944
	66.605	Performance Partnership Grants	1,040,979	5,252,383	6,293,363
	66.608	Environmental Information Exchange Network Grant Program and Related Assistance	-	60,993	60,993
	66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	-	120,513	120,513
	66.804	Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	-	315,374	315,374
	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	-	486,628	486,628
	66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	-	158,373	158,373
	66.817	State and Tribal Response Program Grants	-	1,145,886	1,145,886
	66.818	Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	358,637	14,688	373,325
Drinking Water State Revolving Fund Cluster					
	66.468	Drinking Water State Revolving Fund	-	1,533,870	1,533,870
Drinking Water State Revolving Fund Cluster Total			-	1,533,870	1,533,870
Environmental Protection Agency Total			1,602,961	11,620,774	13,223,734
Department of Energy					
	81.010	Office of Technology Transitions (OTT)-Technology Deployment, Demonstration and Commercialization	-	94,832	94,832
	81.041	State Energy Program	-	767,896	767,896
	81.138	State Heating Oil and Propane Program	-	10,000	10,000
Department of Energy Total			-	872,727	872,727
Department of Education					
	84.002	Adult Education - Basic Grants to States	1,550,059	745,774	2,295,833
	84.010	Title I Grants to Local Educational Agencies	54,483,733	819,742	55,303,475
	84.011	Migrant Education State Grant Program	605,956	184,068	790,024
	84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	-	177,953	177,953
	84.048	Career and Technical Education -- Basic Grants to States	5,964,719	617,831	6,582,550
	84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	-	15,498,542	15,498,542
	84.144	Migrant Education Coordination Program	28,902	-	28,902
	84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	276,734	276,734
	84.181	Special Education-Grants for Infants and Families	4,802,574	-	4,802,574
	84.184	School Safely National Activities	-	448,870	448,870
	84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	-	12,590	12,590
	84.196	Education for Homeless Children and Youth	163,497	90,236	253,732
	84.287	Twenty-First Century Community Learning Centers	5,987,926	323,211	6,311,137
	84.323	Special Education - State Personnel Development	-	560,980	560,980
	84.358	Rural Education	1,130,677	228,170	1,358,848
	84.365	English Language Acquisition State Grants	467,223	148,539	615,762
	84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	9,512,613	129,538	9,642,151
	84.369	Grants for State Assessments and Related Activities	-	3,812,596	3,812,596
	84.372	Statewide Longitudinal Data Systems	-	909,113	909,113
	84.377	School Improvement Grants	-	192,759	192,759
	84.424	Student Support and Academic Enrichment Program	5,509,808	90,813	5,600,620

Federal Agency	ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total	
COVID-19 - Education Stabilization Fund						
	84.425B	COVID-19 - Education Stabilization Fund - Rethink K-12 Education Models	237,034	3,422,049	3,659,083	*
	84.425C	COVID-19 - Education Stabilization Fund - Governor's Emergency Education Relief Fund	5,135,187	1,474,656	6,609,843	*
	84.425D	COVID-19 - Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	68,996,879	3,608,898	72,605,777	*
	84.425R	COVID-19 - Education Stabilization Fund - Emergency Assistance Non-Public Schools	4,701,816	1,311,875	6,013,691	*
	84.425U	COVID-19 - Education Stabilization Fund - ARP Elementary and Secondary School Emergency Relief Fund	88,109,306	386,966	88,496,272	*
	84.425W	COVID-19 - Education Stabilization Fund - ARP Homeless Children and Youth	767,560	10,532	778,091	*
COVID-19 - Education Stabilization Fund Total			167,947,783	10,214,976	178,162,758	
Special Education Cluster (IDEA)						
Special Education Grants to States						
	84.027	Special Education Grants to States	58,116,654	4,748,496	62,865,150	*
	84.027	COVID-19 - Special Education Grants to States	5,002,001	9,120	5,011,121	*
Special Education Grants to States Total			63,118,655	4,757,616	67,876,271	
Special Education Preschool Grants						
	84.173	Special Education Preschool Grants	3,127,822	47,908	3,175,731	*
	84.173	COVID-19 - Special Education Preschool Grants	514,243	-	514,243	*
Special Education Preschool Grants Total			3,642,065	47,908	3,689,973	
Special Education Cluster (IDEA) Total			66,760,720	4,805,524	71,566,245	
Department of Education Total			324,916,190	40,288,557	365,204,747	
U.S. Election Assistance Commission						
	90.404	2018 HAVA Election Security Grants	-	1,303,007	1,303,007	
U.S. Election Assistance Commission Total			-	1,303,007	1,303,007	
Northern Border Regional Commission						
	[10] 90.601	Northern Border Regional Development	39,308	359	39,667	
Northern Border Regional Commission Total			39,308	359	39,667	
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	15,164	2,276	17,440	
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals						
	93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	73,290	-	73,290	
	93.042	COVID-19 - Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	4,993	-	4,993	
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals Total			78,283	-	78,283	
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services						
	93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	160,614	-	160,614	
	93.043	COVID-10 - Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	71,242	-	71,242	
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services Total			231,856	-	231,856	
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects						
	93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	181,813	52,586	234,399	
	93.048	COVID-19 - Special Programs for the Aging Title IVand Title II Discretionary Projects	42,974	-	42,974	
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects Total			224,786	52,586	277,372	
National Family Caregiver Support, Title III, Part E						
	93.052	National Family Caregiver Support, Title III, Part E	995,117	-	995,117	
	93.052	COVID-19 - National Family Caregiver Support, Title III, Part E	195,097	-	195,097	
National Family Caregiver Support, Title III, Part E Total			1,190,214	-	1,190,214	
	93.069	Public Health Emergency Preparedness	-	4,511,635	4,511,635	
	93.070	Environmental Public Health and Emergency Response	75,836	1,528,188	1,604,024	
	93.071	Medicare Enrollment Assistance Program	194,543	41,885	236,428	
	93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	-	111,726	111,726	
	93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	-	31,155	31,155	
Guardianship Assistance						
	93.090	Guardianship Assistance	-	902,778	902,778	
	93.090	COVID-19 - Guardianship Assistance	-	86,430	86,430	
Guardianship Assistance Total			-	989,208	989,208	
	93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	182,723	2,830	185,553	
	93.103	Food and Drug Administration Research	-	369,907	369,907	
	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	285,825	1,530,039	1,815,864	
	93.110	Maternal and Child Health Federal Consolidated Programs	41,630	1,205,412	1,247,042	
	93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	-	196,119	196,119	
	93.127	Emergency Medical Services for Children	-	121,959	121,959	
	93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	-	198,131	198,131	

Federal Agency	ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total	
	93.136	Injury Prevention and Control Research and State and Community Based Programs	1,529,543	5,279,016	6,808,560	
	93.137	Community Programs to Improve Minority Health Grant Program	44,802	101,770	146,572	
	93.150	Projects for Assistance in Transition from Homelessness (PATH)	299,910	4,453	304,363	
	93.155	COVID-19 - Rural Health Research Centers	258,376	-	258,376	
	93.165	Grants to States for Loan Repayment	-	6,443	6,443	
	93.197	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	-	297,088	297,088	
		Traumatic Brain Injury State Demonstration Grant Program				
	93.234	Traumatic Brain Injury State Demonstration Grant Program	-	185,396	185,396	
	93.234	COVID-19 - Traumatic Brain Injury State Demonstration Grant Program	-	23,440	23,440	
		Traumatic Brain Injury State Demonstration Grant Program Total	-	208,836	208,836	
	93.241	State Rural Hospital Flexibility Program	-	499,866	499,866	
		Substance Abuse and Mental Health Services Projects of Regional and National Significance				
	93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	1,098,135	1,607,039	2,705,173	
	93.243	COVID-19 - Substance Abuse and Mental Health Services Projects of Regional and National Significance	166,967	-	166,967	
		Substance Abuse and Mental Health Services Projects of Regional and National Significance Total	1,265,102	1,607,039	2,872,141	
		Immunization Cooperative Agreements				
	93.268	Immunization Cooperative Agreements	-	15,393,837	15,393,837	*
	93.268	COVID-19 - Immunization Cooperative Agreements	2,749,870	6,359,818	9,109,687	*
		Immunization Cooperative Agreements Total	2,749,870	21,753,655	24,503,525	
	93.270	Viral Hepatitis Prevention and Control	-	111,121	111,121	
	93.301	Small Rural Hospital Improvement Grant Program	-	235,607	235,607	
	93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	-	179,420	179,420	
		Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)				
	93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	-	1,972,178	1,972,178	*
	93.323	COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	1,962,118	40,106,875	42,068,993	*
		Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Total	1,962,118	42,079,053	44,041,171	
		State Health Insurance Assistance Program				
	93.324	State Health Insurance Assistance Program	411,972	56,026	467,998	
	93.324	COVID-19 - State Health Insurance Assistance Program	-	30,835	30,835	
		State Health Insurance Assistance Program Total	411,972	86,861	498,833	
	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	-	240,731	240,731	
	93.336	Behavioral Risk Factor Surveillance System	-	387,758	387,758	
	93.354	COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	622,076	1,988,319	2,610,394	
	93.369	ACL Independent Living State Grants	392,752	23,618	416,369	
	93.387	National and State Tobacco Control Program	49,534	1,223,421	1,272,954	
	93.391	COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	3,727,843	3,026,372	6,754,214	
	93.413	The State Flexibility to Stabilize the Market Grant Program	-	276,326	276,326	
	93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	-	1,717,656	1,717,656	
	93.434	Every Student Succeeds Act/Preschool Development Grants	-	7,023	7,023	
	93.464	ACL Assistive Technology	184,637	197,251	381,888	
	93.472	Title IV-E Prevention Program	957,012	4,900,437	5,857,449	
	93.495	COVID-19 - Community Health Workers for Public Health Response and Resilient	210,351	166,351	376,702	
	93.497	COVID-19 - Family Violence Prevention and Services/ Sexual Assault/Rape Crisis Services and Supports	211,417	7,164	218,581	
	93.525	COVID-19 - State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	-	650,000	650,000	
		MaryLee Allen Promoting Safe and Stable Families Program				
	93.556	MaryLee Allen Promoting Safe and Stable Families Program	1,013,525	445,872	1,459,397	
	93.556	COVID-19 - MaryLee Allen Promoting Safe and Stable Families Program	-	282,865	282,865	
		MaryLee Allen Promoting Safe and Stable Families Program Total	1,013,525	728,737	1,742,262	
	93.558	Temporary Assistance for Needy Families	31,535,098	60,295,317	91,830,415	*
	93.563	Child Support Enforcement	-	20,212,367	20,212,367	
		Community Services Block Grant				
	93.569	Community Services Block Grant	4,071,466	485,090	4,556,556	
	93.569	COVID-19 - Community Services Block Grant	1,659,106	133,785	1,792,890	
		Community Services Block Grant Total	5,730,572	618,875	6,349,447	
		State Court Improvement Program				
	93.586	State Court Improvement Program	-	372,177	372,177	
	93.586	COVID-19 - State Court Improvement Program	-	62,938	62,938	
		State Court Improvement Program Total	-	435,115	435,115	
	93.597	Grants to States for Access and Visitation Programs	-	113,008	113,008	
	93.599	Chafee Education and Training Vouchers Program (ETV)	-	86,687	86,687	
	93.603	Adoption and Legal Guardianship Incentive Payments	15,650	198,954	214,604	
		Developmental Disabilities Basic Support and Advocacy Grants				
	93.630	Developmental Disabilities Basic Support and Advocacy Grants	590,737	-	590,737	
	93.630	COVID-19 - Developmental Disabilities Basic Support and Advocacy Grants	38,163	-	38,163	
		Developmental Disabilities Basic Support and Advocacy Grants Total	628,900	-	628,900	

Federal Agency	ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total
	93.639	COVID-19 - ACA-Transforming Clinical Practice Initiative: Support and Alignment Networks (SANs)	-	372,829	372,829
	93.643	Children's Justice Grants to States	36,934	89,412	126,345
	93.645	Stephanie Tubbs Jones Child Welfare Services Program	73,225	1,197,899	1,271,124
Foster Care Title IV-E					
	93.658	Foster Care Title IV-E	37,372	18,617,819	18,655,191 *
	93.658	COVID-19 - Foster CareTitle IV-E	-	358,731	358,731 *
Foster Care Title IV-E Total			37,372	18,976,550	19,013,922
Adoption Assistance					
	93.659	Adoption Assistance	-	28,956,502	28,956,502 *
	93.659	COVID-19 - Adoption Assistance	-	1,960,632	1,960,632 *
Adoption Assistance Total			-	30,917,134	30,917,134
	93.664	Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act	-	486,450	486,450
	93.665	COVID-19 - Emergency Grants to Address Mental and Substance Use Discorders During COVID-19	2,045,475	335,360	2,380,835
	93.667	Social Services Block Grant	6,106,349	8,132,780	14,239,129
Child Abuse and Neglect State Grants					
	93.669	Child Abuse and Neglect State Grants	112,749	777,690	890,439
	93.669	COVID-19 - Child Abuse and Neglect State Grants	-	76,945	76,945
Child Abuse and Neglect State Grants Total			112,749	854,635	967,384
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services					
	93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	908,018	11,514	919,533
	93.671	COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	574,093	2,249	576,342
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services Total			1,482,111	13,763	1,495,874
	93.674	John H. Chafee Foster Care Program for Successful Transition to Adulthood	168,053	387,522	555,576
	93.687	Maternal Opioid Misuse Model	-	1,011,878	1,011,878
Elder Abuse Prevention Interventions Program					
	93.747	Elder Abuse Prevention Interventions Program	-	4,394	4,394
	93.747	COVID-19 - Elder Abuse Prevention Interventions Program	568,730	321,690	890,420
Elder Abuse Prevention Interventions Program Total			568,730	326,084	894,814
Children's Health Insurance Program					
	93.767	Children's Health Insurance Program	-	35,568,131	35,568,131 *
	93.767	COVID-19 - Children's Health Insurance Program	-	1,969,377	1,969,377 *
Children's Health Insurance Program Total			-	37,537,508	37,537,508
	93.788	Opioid STR	5,780,560	1,536,419	7,316,979
	93.791	Money Follows the Person Rebalancing Demonstration	394,528	619,548	1,014,077
	93.796	State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	-	984,195	984,195
	93.800	Organized Approaches to Increase Colorectal Cancer Screening	-	424,784	424,784
Maternal, Infant and Early Childhood Home Visiting Grant					
	93.870	Maternal, Infant and Early Childhood Home Visiting Grant	5,478,071	484,110	5,962,181
	93.870	COVID-19 - Maternal, Infant and Early Childhood Home Visiting Grant Program	445,654	8,304	453,958
Maternal, Infant and Early Childhood Home Visiting Grant Total			5,923,724	492,414	6,416,138
National Bioterrorism Hospital Preparedness Program					
	93.889	National Bioterrorism Hospital Preparedness Program	-	1,379,686	1,379,686
	93.889	COVID-19 - National Bioterrorism Hospital Preparedness Program	-	32,523	32,523
National Bioterrorism Hospital Preparedness Program Total			-	1,412,209	1,412,209
	93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	-	2,020,331	2,020,331
	93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	-	100,721	100,721
	93.913	Grants to States for Operation of State Offices of Rural Health	-	225,251	225,251
	93.917	HIV Care Formula Grants	120,156	1,762,261	1,882,417
	[11] 93.928	Special Projects of National Significance	-	11,284	11,284
	93.940	HIV Prevention Activities Health Department Based	474,150	749,289	1,223,439
	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	-	147,645	147,645
Block Grants for Community Mental Health Services					
	93.958	Block Grants for Community Mental Health Services	1,973,709	419,922	2,393,631
	93.958	COVID-19 - Block Grants for Community Mental Health Services	1,877,937	454,742	2,332,679
Block Grants for Community Mental Health Services Total			3,851,645	874,664	4,726,309
Block Grants for Prevention and Treatment of Substance Abuse					
	93.959	Block Grants for Prevention and Treatment of Substance Abuse	3,912,412	1,205,640	5,118,052
	93.959	COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse	1,301,166	1,549,303	2,850,468
Block Grants for Prevention and Treatment of Substance Abuse Total			5,213,578	2,754,943	7,968,521
CDC's Collaboration with Academia to Strengthen Public Health					
	93.967	CDC's Collaboration with Academia to Strengthen Public Health	-	50,299	50,299
	93.967	COVID-19 - CDC's Collaboration with Academia to Strengthen Public Health	-	14,290	14,290
CDC's Collaboration with Academia to Strengthen Public Health Total			-	64,589	64,589
	93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants	128,304	117,197	245,501
	93.982	COVID-19 - Mental Health Disaster Assistance and Emergency Mental Health	24,580	-	24,580
	93.991	Preventive Health and Health Services Block Grant	31,329	1,341,848	1,373,177
	93.994	Maternal and Child Health Services Block Grant to the States	194,355	3,087,796	3,282,151

Federal Agency	ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total	
Medicaid Cluster						
	93.775	State Medicaid Fraud Control Units	-	1,424,535	1,424,535	*
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare						
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	3,362,702	3,362,702	*
	93.777	COVID-19 - State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	5,596	5,596	*
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare Total			-	3,368,298	3,368,298	
Medical Assistance Program						
	93.778	Medical Assistance Program	-	2,890,558,761	2,890,558,761	*
	93.778	COVID-19 - Medical Assistance Program	-	192,936,873	192,936,873	*
Medical Assistance Program Total			-	3,083,495,634	3,083,495,634	
Medicaid Cluster Total			-	3,088,288,467	3,088,288,467	
Head Start Cluster						
	93.600	Head Start	-	84,731	84,731	
Head Start Cluster Total			-	84,731	84,731	
CCDF Cluster						
Child Care and Development Block Grant						
	93.575	Child Care and Development Block Grant	405,626	19,240,159	19,645,784	*
	93.575	COVID-19 - Child Care and Development Block Grant	831,418	54,461,119	55,292,537	*
Child Care and Development Block Grant Total			1,237,044	73,701,278	74,938,322	
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	-	12,491,330	12,491,330	*
CCDF Cluster Total			1,237,044	86,192,608	87,429,652	
Aging Cluster						
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers						
	93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	2,798,601	724,898	3,523,499	
	93.044	COVID-19 - Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	938,061	3,331	941,391	
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers Total			3,736,662	728,229	4,464,891	
Special Programs for the Aging, Title III, Part C, Nutrition Services						
	93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	3,949,139	-	3,949,139	
	93.045	COVID-19 - Special Programs for the Aging Title III, Part C Nutrition Services	1,875,658	-	1,875,658	
Special Programs for the Aging, Title III, Part C, Nutrition Services Total			5,824,797	-	5,824,797	
	93.053	Nutrition Services Incentive Program	683,691	-	683,691	
Aging Cluster Total			10,245,150	728,229	10,973,379	
Department of Health And Human Services Total			100,572,017	3,475,505,998	3,576,078,015	
Corporation For National And Community Service						
AmeriCorps State Commissions Support Grant						
	94.003	AmeriCorps State Commissions Support Grant	-	269,033	269,033	
	94.003	COVID-19 - AmeriCorps State Commissions Support Grant	-	91,257	91,257	
AmeriCorps State Commissions Support Grant Total			-	360,290	360,290	
AmeriCorps State and National						
	94.006	AmeriCorps State and National	586,891	451,002	1,037,893	
	94.006	COVID-19 - AmeriCorps State and National	-	331,434	331,434	
AmeriCorps State and National Total			586,891	782,436	1,369,327	
	94.009	Training and Technical Assistance	-	135,870	135,870	
	94.013	AmeriCorps Volunteers In Service to America	-	41,477	41,477	
	94.021	AmeriCorps Volunteer Generation Fund	-	121,654	121,654	
Corporation For National And Community Service Total			586,891	1,441,727	2,028,618	
Social Security Administration						
Disability Insurance/SSI Cluster						
	96.001	Social Security Disability Insurance	-	9,295,972	9,295,972	
Disability Insurance/SSI Cluster Total			-	9,295,972	9,295,972	
Social Security Administration Total			-	9,295,972	9,295,972	
Department of Homeland Security						
	97.008	Non-Profit Security Program	376,289	832	377,121	
	97.012	Boating Safety Financial Assistance	-	1,645,495	1,645,495	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)						
	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	2,352,220	60,220	2,412,440	*
	97.036	COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	114,032,691	23,229,432	137,262,123	*
Disaster Grants - Public Assistance (Presidentially Declared Disasters) Total			116,384,911	23,289,652	139,674,563	
	97.039	Hazard Mitigation Grant	131,130	1,938	133,068	
	97.041	National Dam Safety Program	-	105,683	105,683	
Emergency Management Performance Grants						
	97.042	Emergency Management Performance Grants	2,592,007	2,462,149	5,054,156	
	97.042	COVID-19 - Emergency Management Performance Grants	975,241	51,980	1,027,221	
Emergency Management Performance Grants Total			3,567,248	2,514,129	6,081,377	

Federal Agency	ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total
	97.045	Cooperating Technical Partners	-	155,299	155,299
	97.047	BRIC: Building Resilient Infrastructure and Communities	204,048	25,491	229,539
	[12] 97.067	Homeland Security Grant Program	4,006,670	1,912,735	5,919,405
	97.137	State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	-	267,734	267,734
Department of Homeland Security Total			124,670,297	29,918,988	154,589,285
Total	**Federal Expenditures**		**889,717,402**	**4,782,389,148**	**5,672,106,550**

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

Funding provided to the State of Maine from external entities:

[1] University Of Vermont
[2] Atlantic Offshore Lobstermen'S Association
[3] Atlantic State Marine Fisheries Commission
[4] The Nature Conservancy
[5] Atlantic State Marine Fisheries Commission
[6] National Fish & Wildlife Foundation
[7] Appalachian Trail Commission
[8] University Of Rhode Island
[9] Hood College
[10] Northern Border Regional Commission
[11] Yale University
[12] Aroostook County
[12] Aroostook County Sheriff'S Office
[12] Franklin County
[12] Franklin County Sheriff'S Office
[12] Kennebec County
[12] Oxford County
[12] Somerset County
[12] Washington Country Sheriff'S Office
[12] Washington County

STATE OF MAINE
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

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, 2023, 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 $17.0 million in expenditures, distributions, or issuances for the year ended June 30, 2023. 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	$ 96,809,401
Federal Funds	15,594,399
Federal Funds (Coronavirus)	3,814,905
Maine's UI Program Total	$ 116,218,705

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 through February 28, 2023. However, the State of Maine is unable to identify the amount of emergency allotment expenditures. Therefore, emergency allotment expenditures are included in regular SNAP expenditures on the Schedule of Expenditures of Federal Awards.

5. Noncash Awards

The State of Maine is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements. Noncash awards received by the State are included in the Schedule of Expenditures of Federal Awards as follows:

ALN	Assistance Listing	Noncash Awards
10.542	Pandemic EBT Food Benefits	$37,886,222
10.551	SNAP (Supplemental Nutrition Assistance Program)	$484,775,096
10.555	National School Lunch Program	$8,434,108
10.559	Summer Food Service Program for Children	$93,229
10.565	Commodity Supplemental Food Program	$1,098,979
10.569	Emergency Food Assistance Program	$8,566,052
10.664	Cooperative Forestry Assistance	$294,798
12.401	National Guard Military Operations and Maintenance Projects	$61,210
39.003	Donation of Federal Surplus Property	$370,029
93.268	Immunization Cooperative Agreements	$13,380,494

6. Donated Personal Protective Equipment

In response to the COVID 19 pandemic, the federal government donated PPE with an estimated fair market value of $211,000 to the State of Maine. Per the 2023 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.

7. Prior Period Expenditures

Credits 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
17.225	Unemployment Insurance	$7,898,940
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases	$977,500

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

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
Children's Health Insurance Program (CHIP)
Coronavirus State and Local Fiscal Recovery Funds
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
Formula Grants for Rural Areas and Tribal Transit Program
Highway Planning and Construction (Federal-Aid Highway Program)
Unemployment Insurance (UI)

<u>Qualified</u>
Adoption Assistance – Title IV-E
Child and Adult Care Food Program (CACFP)
Child Nutrition Cluster
Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Education Stabilization Fund (ESF)
Emergency Rental Assistance Program
Foster Care – Title IV-E
Immunization Cooperative Agreements
Medicaid Cluster
Pandemic EBT Food Benefits (P-EBT)
SNAP Cluster
Special Education Cluster (IDEA)
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Temporary Assistance for Needy Families (TANF)

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
Special Education Cluster (IDEA)	
84.027	Special Education – Grants to States (IDEA, Part B)
84.173	Special Education – Preschool Grants (IDEA Preschool)
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)
17.225	Unemployment Insurance (UI)
20.205	Highway Planning and Construction (Federal-Aid Highway Program)
20.509	Formula Grants for Rural Areas and Tribal Transit Program
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)
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance – Title IV-E
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: $17,016,320

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)	$19,362	2023-046
	Pandemic EBT Food Benefits (P-EBT)	$4,271	2023-030
	SNAP Cluster	$7,491 $8,329 $18,090 $70,429	2023-031 2023-032 2023-033 2023-034
U.S. Department of Education	Education Stabilization Fund (ESF)	$161,468	2023-064
	Special Education Cluster (IDEA)	$2,446,391	2023-062
U.S. Department of Health and Human Services	CCDF Cluster	$3,101	2023-083
	Foster Care – Title IV-E	$8,006	2023-086
	Temporary Assistance for Needy Families (TANF)	$4,721	2023-075
U.S. Department of the Treasury	Coronavirus State and Local Fiscal Recovery Funds	$591,845	2023-058

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section II – Index to Financial Statement Findings

Continued on next page

State of Maine
Index to Financial Statement Findings
For the Year Ended June 30, 2023

Finding #	Brief Summary of Finding	Finding Type	Page
Continued from previous page			
2023-019	Internal control over financial reporting of interest and penalties related to Unemployment Insurance receivables needs improvement	MW	E-59
2023-020	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-62
2023-021	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-63
2023-022	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-64
2023-023	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-65
2023-024	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-66
2023-025	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-67
2023-026	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-68
2023-027	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-69
2023-028	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-70
2023-029	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-71

Legend of Abbreviations:
MW Material Weakness
SD Significant Deficiency

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section II – Financial Statement Findings

(2023-001)

Title: Internal control over Department of Corrections procurement card procedures needs improvement

Prior Year Findings:

FY22
2022-001

State Department: Corrections
Administrative and Financial Services
State Bureau: Corrections Service Center
Division of Procurement Services
Office of the State Controller

Type of Finding: Material weakness

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; State Administrative and Accounting Manual (SAAM) Chapter 20; Department of Administrative and Financial Services (DAFS) Division of Procurement Services (DPS) Procurement Card Policies & Procedures; Department of Corrections (DOC) Purchasing Policy 2.5

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

In accordance with SAAM Chapter 20, comprehensive internal controls should provide reasonable assurance that entity objectives are being met, including effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Effective internal controls prevent possible fraud, waste, and abuse from occurring.

DPS Procurement Policy states that procurement cards (P-Card) may not be used to purchase from another vendor items that are available through an established statewide master agreement or as a method of circumventing the competitive bidding process. Packing slips must be matched to the goods received. The policy also states that the cardholder and an approver must review P-Card receipts for accuracy and appropriateness including: excessive freight, shipping or handling charges, and transactions that appear to be higher than one would normally pay.

DOC Purchasing Policy states that simultaneous or frequent purchases made in an attempt to circumvent spending limits or the procurement rules are prohibited. This policy also states that justification for purchases should be documented and approved.

Condition: DOC uses State P-Cards to purchase goods and services. An Internal Exchange Transaction (IETM) for Central Service Billings Document is generated by the AdvantageME system based on an interface of P-Card transaction data with the financial institution administering the card. The Department is responsible for attaching supporting documentation and reviewing it for accuracy and appropriateness. The Department then sends the IETM documents to the Corrections Service Center (CSC) for additional review and processing.

During the fiscal year 2022 audit, the Office of the State Auditor (OSA) identified suspicious, repeated and ongoing P-Card purchases by a single cardholder that fell just below the single transaction limit as established by DAFS Procurement Policy. OSA further identified that these transactions involved vendors with different business names that were registered to the same individual owner.

This vendor activity resulted in 61 transactions totaling approximately $302,000 in fiscal year 2022. Upon further investigation, OSA noted that this vendor activity had persisted on a routine and consistent basis since fiscal year 2014. A typical transaction consisted of approximately $4,500 for goods and approximately $500 in freight shipping charges, which brings the total just under the single transaction amount. In fiscal year 2022, freight costs totaled approximately $29,000. The Department did not attach documentation to IETMs verifying that any goods were received.

The vendors involved in this activity sold the same products; however, the company websites were nearly identical and had the same product images, which appeared to be clipped from an unrelated website. The websites did not have functionality to purchase items. The companies are registered and appeared to be located in Florida; however, items being purchased from these out-of-state companies were readily available in Maine.

OSA also noted that the supporting documentation for these purchases did not consistently demonstrate proper segregation of duties between the person requesting, ordering, purchasing and receiving goods.

The Department did not consistently follow policies and procedures which require:

- review and approval of IETMs and supporting documentation for accuracy and appropriateness,
- signatures indicating review and approval by someone other than the cardholder,
- evaluating purchases for excessive freight charges,
- documentation supporting that the goods were received, and
- justification for the purchases on the Agency Purchase Order/Requisition form.

OSA's preliminary investigation of this activity during the fiscal year 2022 audit identified approximately $1.8 million in questionable purchasing activity between fiscal year 2018 and 2022 to multiple related vendors. None of the vendors underwent the required competitive bidding process or had a master agreement in place with the State of Maine. Estimated shipping costs based on patterns in the transactions total approximately $162,000 for the five-year period.

OSA provided the information to the Office of the State Controller (OSC) and the Maine Office of the Attorney General (AG) for further investigation and arrests were made in July 2023.

In fiscal year 2023, during the investigation period and prior to the arrests, purchases by the cardholder to the vendors identified above, totaled $329,000 for a total of $2.1 million in questionable purchasing activity between fiscal year 2018 and 2023 to the multiple related vendors. Estimated shipping costs based on patterns in the transactions totaled approximately $195,000 for the six-year period.

Context: In fiscal year 2023, the Department's P-Card purchases totaled approximately $2.3 million. The cardholder identified in the Condition was responsible for approximately $616,000 of these purchases. Furthermore, between fiscal year 2018 and 2022, the Department's P-Card purchases totaled approximately $7.8 million, and $2.7 million of those purchases were made by that cardholder.

Cause:

- Circumventing State purchasing policies
- Lack of supervisory oversight
- Improper segregation of duties
- Management override of controls
- Alleged fraud

Effect: Alleged fraud: In July 2023, the cardholder identified was arrested in Maine on theft and bribery charges and the individual owner of the multiple vendors identified was arrested in Florida on theft and bribery charges.

Recommendation: We recommend that the Department implement more stringent purchasing policies and increase oversight, implement independent review and approval of P-Card expenditures and related supporting documentation, and ensure that there is separation of duties in place.

We recommend that the Corrections Service Center increase oversight of the review and processing of P-Card expenditures. Oversight should include ensuring that personnel perform a comprehensive review of supporting documentation, a determination as to the reasonableness of costs, and a consideration of adherence to DPS P-Card policies and procedures.

We recommend that DPS complete a thorough review of cardholders and related expenditures. We also recommend that DPS increase oversight, review, and monitoring of P-Card transactions. Increased oversight will aid in identifying simultaneous or frequent purchases made in an attempt to circumvent the spending limits or the procurement rules and ensure master agreements or competitive bidding methods are used when warranted.

We recommend that OSC oversee corrective action over the identified control deficiencies relating to P-Card issuances, purchases and monitoring.

Corrective Action Plan: See F-6

Management's Response:
DAFS Response: The Department agrees with this finding. The Division of Procurement Services and the Corrections Service Center, in collaboration with the Office of the State Controller are: reviewing existing processes and updating policies; updating training offerings and providing

training for cardholders, managers and accounting staff; using analytics to establish p-card purchase limits based on historical use and actual need; ensuring appropriate segregation of duties and appropriate levels of review and approval throughout the p-card process; and implementing improved fraud detection capabilities.

DAFS Contacts:
David Morris, Acting Chief Procurement Officer, DPS, 207-624-7335
Mitchell Boynton, Director, Corrections Service Center, DAFS, 207-557-0791
John Baker, Acting Director of Internal Audit, OSC, 207-626-8441

MDOC Response: The Department agrees with this finding. MDOC will implement more stringent purchasing policies and increase oversight; implement independent reviews and approval of procurement card expenditures and related supporting documentation; and ensure that there is a separation of duties in place.

MDOC Contact: Anthony Cantillo, Deputy Commissioner, MDOC, 207-624-2770

(State Number: 23-0208-01)

(2023-002)

Title: Internal control over procurement card procedures needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Division of Procurement Services

Type of Finding: Material weakness

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; State Administrative and Accounting Manual (SAAM) Chapter 20; Department of Administrative and Financial Services (DAFS) Division of Procurement Services (DPS) Procurement Card Policies & Procedures

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

In accordance with SAAM Chapter 20, comprehensive internal controls should provide reasonable assurance that entity objectives are being met, including effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. Effective internal controls prevent possible fraud, waste, and abuse from occurring.

DPS Procurement Card (P-Card) Policies & Procedures outline that:

- except in rare and unusual circumstances, P-Card purchases may not exceed the maximum single transaction limit, or the maximum billing cycle spending limit established by DPS.
- any exceptions to policies must be requested in writing by DPS personnel, namely the P-Card Administrator and/or the buyer. Invoices exceeding $5,000 for membership dues and subscription fees can be considered for payment via P-Card by special request from the agency and approval by DPS.
- the billing cycle for the State's P-Card program is a two-week period. Procedures over the billing cycle begin with DPS's receipt of a bimonthly online statement which includes all P-Card expenditures for the period. DPS pays the full amount due the day after the cycle ends. The General Government Service Center (GGSC) bills the departments and service centers through the creation of an internal receivable in the State's accounting system. Departments and service centers are required to submit expense reports, receipts, and other supporting documentation to process internal payments against these outstanding receivables. The receivable must be paid within five business days of receipt.

Condition: The Office of the State Auditor (OSA) performed data analysis over the State's entire population of P-Card transactions made in fiscal year 2023. This analysis detected transactions across 20 unique State agencies that exceeded the maximum single transaction limit. OSA selected the highest transaction from each agency for further review and found that in 9 of the 20 transactions, DPS could not provide documentary evidence that indicates appropriate oversight for transactions exceeding the limit. Specifically, these transactions lacked the requisite written approvals that would serve as exceptions to DPS policy. Additionally, several transactions used P-Cards with historically heightened maximum single transaction limits; however, DPS could not provide approval documentation for these limit adjustments.

In all 20 transactions, DPS could not provide evidence to support that oversight of P-Card billing cycle procedures was maintained. While it is the GGSC's operational responsibility to ensure that accounting functions are performed, DPS could not provide evidence of monitoring or verification that P-Card interagency billings were paid in a timely manner (within five business days of receipt) and included appropriate support.

Context: In fiscal year 2023, the State's P-Card purchases totaled approximately $27.5 million. P-Card purchases over the single transaction limit accounted for approximately $1.4 million of the $27.5 million total.

Cause:

- Lack of supervisory oversight
- Lack of a centralized system for storing approval documents
- Lack of resources

Effect: Without adherence to established policies and procedures or effective internal controls, fraud, waste, or abuse may not be prevented or detected.

Recommendation: We recommend that DPS:

- increase oversight and monitoring of P-Card spending limits and transactions.
- implement additional oversight mechanisms for transactions exceeding the maximum single transaction limit; this includes the creation of a robust process for filing written approvals of policy exceptions.
- enhance oversight to ensure that departments and service centers are adhering to DPS P-Card policies and procedures.

Corrective Action Plan: See F-7

Management's Response: The Department partially agrees with this finding. The only way for per transaction or spending limits to be changed on a P-card is for a Procurement Services employee to update those limits with the P-card vendor. Therefore, all limit exceptions go through an approval process within Procurement Services prior to being changed. However, for the 9 transactions identified, we were unable to produce written, explicit documentation of the source of the approval. The current system to document information about approvals is based on email and telephone calls, records of which can be difficult to track. In some cases this was due to the "emergency" nature of the request; in some cases these were related to P-cards with "historically heightened" limits due to the unique purchasing needs of the employee's work, for example aircraft fueling or repair expenses for the state fleet, where previously approved limits were carried forward based on the position when there was employee turnover.

Procurement Services has no role related to the processing or enforcement of inter-agency billing or collections/payment of invoices. This is best practice based on internal controls and segregation of duties between providing the ability to make purchases, and actual payment of invoices.
The 5-day payment requirement was never intended to be enforced by Procurement Services, but was included in the policy to provide a holistic understanding of P-card processing.

Contact: David Morris, Acting Chief Procurement Officer, DPS, 207-624-7335

Auditor's Concluding Remarks: OSA understands DPS's position that the accounting functions in question are not within their direct responsibilities; however, while OSA does not expect DPS to perform specific accounting tasks, OSA does anticipate a certain level of oversight and awareness in their role as administrator of the State's P-Card program. The purpose of oversight is not to encroach upon the Service Center's duties, but to ensure that all functions of the program are being carried out effectively and in compliance with written policies and procedures.

While oversight is related to internal controls and segregation of duties in that it involves the monitoring of these processes, oversight includes performing a higher level review rather than the specific operational mechanisms that make up internal controls or segregation of duties.

The finding remains as stated.

(State Number: 23-0208-03)

(2023-003)

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

Prior Year Findings:

FY22	FY21	FY20
2022-006	2021-001	2020-002

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

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 inclusions in the Annual Comprehensive Financial Report.

Condition: The Department has a contract with a gaming vendor to administer Lottery instant ticket and draw games. The General Government Service Center (GGSC) relies on reports from the vendor in order to record revenues and receivables generated from ticket sales in the State's accounting system. Due to unreconciled and fluctuating amounts in the Lottery Fund's accounts receivable balance, GGSC engaged a consultant in fiscal year 2020 on behalf of the Bureau of Alcoholic Beverages and Lottery Operations. The consultant worked with the gaming vendor to obtain the requisite data necessary to perform a full reconciliation of the Lottery Fund accounts receivable balance, and established procedures for the monthly reconciliation process. This work was completed in March 2022.

The new reconciliation process was implemented during fiscal year 2022; however, GGSC delayed the recording of an adjustment to address an ongoing discrepancy between vendor reports and the Lottery Fund accounts receivable balance until fiscal year 2024. Therefore, a discrepancy of $3.9 million between the accounts receivable balance reported by the gaming vendor and the balance in the State's accounting records continued to exist on June 30, 2023. In addition, the Office of the State Auditor's (OSA) review of the reconciliation process found that only one individual within GGSC is responsible for the monthly reconciliation, and that there is no supervisory review or approval of the reconciliation to ensure the information is accurate or complete.

At the close of fiscal year 2023, OSC recorded two adjusting journal entries to accurately reflect the accounts receivable balance and activity in the State's financial statements. One journal entry was recorded to properly adjust Lottery Fund revenue and receivable year-end balances. The other journal entry was to record a $6.6 million adjustment that has been repeated for several years, originally made due to a discrepancy found in the fiscal year 2016 reconciliation of the accounts receivable balance. The adjustment recorded by GGSC in fiscal year 2024 to address an ongoing discrepancy between vendor reports and the Lottery Fund accounts receivable balance was evaluated by OSC prior to repeating the $6.6 million adjusting journal entry. Based on this evaluation, the repeat adjustment of $6.6 million for fiscal year 2023 financial statement purposes was considered reasonable.

OSA proposed a correcting journal entry to reconcile balances on the State's financial statements to vendor balances as of June 30, 2023. The proposed journal entry was not recorded.

Context: According to the State's financial statements, the accounts receivable balance for the Lottery Fund totaled $33.1 million as of June 30, 2023. This total does not include the effect of OSA's proposed audit adjustment which would increase the accounts receivable balance by $2.7 million.

Cause:
- Lack of resources
- Lack of supervisory oversight

Effect: Lottery Fund accounts receivable and related revenue is understated by $2.7 million in the State's financial statements.

Recommendation: We acknowledge that GGSC took the required steps to address the accumulated discrepancy in the accounts receivable balance in fiscal year 2024. We recommend that GGSC implement oversight of the accounts receivable reconciliation process to include supervisory review and approval of monthly reconciliations.

Corrective Action Plan: See F-7

Management's Response: The Department agrees with this finding. The GGSC has successfully implemented procedures to improve the reconciliation process of the accounts receivable balance and is continuing to implement the remaining procedures necessary.

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

(State Number: 23-0301-01)

(2023-004)

Title: Internal control over Alcoholic Beverages Fund financial reporting needs improvement

Prior Year Findings: None

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

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 contracted with a vendor for the administration of the Maine spirits business. The vendor is responsible for warehousing and distributing liquor products, and for the related billing and collections activity. The General Government Service Center (GGSC) relies on daily sales activity reports from the vendor in order to record revenue, receivables, expenses, and payables in the State's accounting system for the Alcoholic Beverages Fund.

On a monthly basis, GGSC reconciles activity detailed in vendor reports to the activity recorded in the State's accounting system; however, this monthly reconciliation process is not properly designed to detect discrepancies between balances reported by the vendor and balances in the State's accounting system. As a result, discrepancies existed as of June 30, 2023. The Office of the State Auditor (OSA) proposed an adjusting journal entry to correct balances on the State's financial statements. The proposed journal entry was not recorded by OSC.

Context: The Alcoholic Beverages Fund totals in the State's financial statements are as follows:

- $256.1 million in service revenue
- $3.9 million in receivables
- $8.9 million in accounts payable
- $190.4 million in operating expenses

These totals do not include the effects of OSA's proposed $3.7 million audit adjustment to correct Alcoholic Beverages Fund revenue, receivables, payables, and expenses.

Cause:

- Lack of resources
- Lack of adequate policies and procedures to ensure that information presented in the State's accounting system is complete and accurate, and agrees to supporting documentation

Effect: The Alcoholic Beverages Fund in the State's financial statements is misstated as follows:

- Service revenue is understated by $2.2 million.
- Receivables are understated by $2.2 million.
- Accounts payable is understated by $1.6 million.
- Operating expenses are understated by $2.1 million.

Recommendation: We recommend that GGSC enhance policies and procedures to ensure that all vendor activity is appropriately recorded within the State's accounting system and that balances reconcile to vendor reports.

Corrective Action Plan: See F-7

Management's Response: The Department agrees with this finding. The GGSC has identified that the cause of this finding was due to an isolated incident. The GGSC will review policies and procedures to determine if improvements can be made to ensure that all vendor activity is appropriately recorded within the State's accounting system and that balances reconcile to vendor reports.

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

(State Number: 23-0301-03)

(2023-005)

Title: Internal control over the calculation and recording of monthly accrued liabilities needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: 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 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). GAAP requires the dollar amount of expenses to be recorded when the liability is incurred.

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: For the Internal Service Funds (ISF), the Office of the State Controller (OSC) requires State agencies to record monthly accrual journal entries for operating revenues and expenses in the State's accounting system. The General Government Service Center (GGSC) is responsible for estimating the monthly accrued liability for the Office of Information Technology (OIT) ISF. GGSC utilizes historical data of invoices paid 12 months prior to estimate the monthly accounts payable accrual; however, the Office of the State Auditor (OSA) identified that GGSC erroneously included two large invoices that were paid in July 2021 when calculating the June 2022 accrued liability, which was subsequently reversed in fiscal year 2023. As a result, OIT ISF expenses were understated by approximately $10.2 million in fiscal year 2023. OSA proposed an adjustment to correct expenses; the adjustment was not recorded by OSC.

Context: OIT ISF operating expenses totaled $82.3 million in fiscal year 2023.

Cause:

- Lack of adequate policies and procedures to ensure that historical, as well as current information, is utilized to estimate monthly accrued liabilities. Monthly accruals should be adjusted accordingly when historical information alone is not accurate and complete.
- Lack of supervisory oversight

Effect: OIT ISF expenses are understated by approximately $10.2 million in the State's financial statements.

Recommendation: We recommend that GGSC enhance established policies and procedures by utilizing historical as well as current information to estimate accrued liabilities. This will ensure that accrued liabilities and related expenses are reasonably stated in the State's financial statements.

Corrective Action Plan: See F-8

Management's Response: The Department agrees with this finding. MaineIT does agree that the manner in which they process their accruals did result in the overstatement/understatement of expenditures across the two fiscal years. However, we stand by the manner in which we determine the accruals from month to month as the most accurate process that is feasible when analyzing all the factors that impact MaineIT and this journal. This finding has brought to light the impact one-off invoices can have on the process and MaineIT will implement a change to the process to check that the resulting journal is reasonable compared with accrual journals done historically. This will keep the same process but provides flexibility to do a deeper dive into journals that fall outside the expected range and make manual adjustments when necessary.

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

(State Number: 23-0320-01)

(2023-006)

Title: Internal control over Medicaid receivables needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Office of the State Controller
Health and Human Services 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 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 accordance 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 Office of the State Controller (OSC) works collaboratively with the Department of Health and Human Services Service Center (DHHS SC) to obtain information needed for reporting in the State's financial statements. For June 30, 2023, OSC recorded $8.3 million as a receivable from the Federal government based on information reflected in the State's accounting system and provided by the DHHS SC. Approximately $6.8 million of the recorded receivable relates to a Medicaid account that has been carried for over 10 years. Upon the Office of the State Auditor's (OSA) inquiry, DHHS SC confirmed that this $6.8 million should not be reported as a Federal receivable in the State's financial statements. OSA proposed an adjustment to remove $6.8 million from Federal receivables and the related revenue. The proposed adjustment was not recorded by OSC.

Context: Of the $8.3 million receivable for Medicaid recorded by OSC, approximately $6.8 million was erroneously included in the State's financial statements.

Cause:
- Lack of adequate procedures to properly identify amounts due from the Federal government
- Lack of supervisory oversight

Effect: Federal receivables and revenues are overstated by approximately $6.8 million in the State's financial statements.

Recommendation: We recommend that OSC enhance procedures to ensure amounts reported in the State's financial statements are accurate and complete. We also recommend that DHHS SC work collaboratively with OSC to remediate the $6.8 million in the Medicaid account.

Corrective Action Plan: See F-8

Management's Response: The Department agrees with this finding. The Department will review procedures to determine if improvements can be made to ensure amounts reported in the State's financial statements are accurate and complete. After further discussion with DHHS it has been agreed that the $6.8 million will not be recognized going forward.

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

(State Number: 23-0211-01)

(2023-007)

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

Prior Year Findings:

FY22
2022-008

State Department: Administrative and Financial Services
Secretary of State
State Bureau: Natural Resources Service Center
Motor Vehicles

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, including leasehold improvements, meeting the State's capitalization policy. Assets must be capitalized when accepted or substantially complete and placed into service.

Condition: The State's financial Service Centers and Departments maintain fixed asset records including buildings, structures, equipment, and land used in operations. During testing of capital asset expenditures, the Office of the State Auditor (OSA) identified the following two items that were expensed but should have been capitalized and depreciated over estimated useful lives:

- One improvement to a capital asset for the Department of Agriculture, Conservation and Forestry totaling $175,000
- One improvement to a capital asset for the Maine State Prison totaling $206,000. The Bureau of Motor Vehicles paid for the improvement to a building owned by the Maine State Prison.

Context: In fiscal year 2023, there was no capital improvement activity reported in the State's capital asset listing.

Cause: Lack of supervisory oversight

Effect: Assets totaling $381,000 were expensed rather than capitalized. As a result, expenditures are overstated and capital assets are understated.

Recommendation: We recommend that the State's financial Service Centers and Departments enhance oversight to ensure adherence with SAAM Chapter 30. This will ensure that the State's capital assets are capitalized and depreciated over estimated useful lives rather than expensed.

Corrective Action Plan: See F-8

Management's Response:
SOS Response: The Department agrees with this finding. The roofing project was budgeted as capital and coded as such using object code 7301 when the job was completed. The commodity code used on the contract (CT), 91066, was not setup as a Fixed Asset commodity so it would not have triggered a Fixed Asset (FA) shell to be created in Advantage.

SOS Contact: David Lachance, Director Finance & Administration, SOS, 207-624-9009

DAFS Response: The Department disagrees with this finding. The cost for the resurfacing of an existing parking lot is considered maintenance and repair, it does not increase the capacity to this existing asset and should be expensed. This cost does not increase the future benefit of this existing fixed asset beyond the previously assessed standard of performance. This repair is not considered extraordinary as it is a common repair on this type of asset.

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

Auditor's Concluding Remarks: The repaving of the parking lot for the leased property included removing the old pavement and laying fresh pavement. While it may not have increased the capacity to the existing asset, the improvement to the leased property extended the useful life of the parking lot. Additionally, the repaving is considered a leasehold improvement under SAAM 30.50.50, which states improvements greater than $5,000 are to be capitalized and depreciated over the lesser of the life of the improvement or the remaining life of the original asset.

The finding remains as stated.

(State Number: 23-0600-01)

(2023-008)

Title: Internal control over valuing estimates for the allowances for uncollectible Unemployment Insurance receivables needs improvement

Prior Year Findings:

FY22	FY21	FY20	FY19
2022-021	2021-009	2020-009	2019-004

State Department: Labor
Administrative and Financial Services
State Bureau: Unemployment Compensation
Security and Employment 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; 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.

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. The Security and Employment Service Center (SESC) is responsible for recording financial activity for the UI program in the State's accounting system based on information provided by MDOL from the ReEmployME system. Detailed reports of receivables balances are necessary for accurate financial reporting. MDOL cannot provide an accounts receivable report from ReEmployME containing records for each debtor as of June 30, 2023, unless the report is generated in real time at year end.

The related estimates 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 does not include supporting documentation outlining management's considerations of historical data, detailed collections activity, or current economic trends.

Context: UI receivables for the Employment Security Trust Fund (ESTF) totaled $103.3 million as of June 30, 2023, reduced by the estimated allowance for uncollectible accounts of $70 million. This results in management's presentation of $33.3 million in net ESTF UI receivables, not including interest and penalties.

UI interest and penalties receivable in the Other Special Revenue Fund totaled $68.9 million as of June 30, 2023, reduced by the estimated allowance for uncollectible accounts of $64.6 million. This results in management's net presentation of approximately $4.3 million in net UI receivables for interest and penalties.

Federal Fund UI receivables totaled $56.2 million as of June 30, 2023, reduced by the estimated allowance for uncollectible accounts of $53.7 million. This results in management's presentation of $2.5 million in net Federal UI receivables.

Cause:

- Management has identified long-term and ongoing information system limitations and reporting errors that have not been resolved, which inhibit the functionality and accuracy of receivables reporting.
- Lack of documented effective policies and procedures to:
  - generate and retain detailed UI receivables information for financial reporting purposes
  - support management's considerations in developing the estimated allowances for uncollectible accounts
- Lack of supervisory oversight

Effect: Potential misstatement of UI receivables balances, the allowances for uncollectible accounts which are also disclosed in Note 6 of the financial statements, and the resulting net receivables balances.

Recommendation: We recommend that MDOL and SESC 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-9

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: The Departments originally agreed to OSA's recommendation that detailed receivables reports should be routinely generated and retained in the fiscal year 2021 audit; however, the Departments have yet to implement corrective action to require such reports. Therefore, MDOL and OSC do not have detailed receivables data available to ensure reasonable, complete, and accurate financial reporting of receivables and related allowances.

The finding remains as stated.

(State Number: 23-0308-01)

(2023-009)

Title: Internal control over Department of Defense, Veterans and Emergency Management procurement related expenditures needs improvement

Prior Year Findings: None

State Department: Defense, Veterans and Emergency Management
Administrative and Financial Services
State Bureau: Maine Emergency Management Agency
Maine National Guard
Security and Employment Service Center

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1552; 5 MRSA 1553

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

5 MRSA 1552 defines a proper invoice as an invoice for property, products or services deemed to be satisfactory in quality and quantity, in conformance with the request of the state agency and on which the amount due has been correctly calculated.

5 MRSA 1553 outlines the duties of the State to pay proper invoices no later than 25 days after receipt.

Condition: The Department of Defense, Veterans and Emergency Management (DVEM) oversees the Maine Emergency Management Agency (MEMA) and the Maine National Guard. The Security and Employment Service Center (SESC) processes payments for DVEM.

The Office of the State Auditor (OSA) selected a sample of 32 procurement documents to ensure that related vendor payments were in compliance with terms and conditions outlined in the respective documents, and that those services, supplies, materials and equipment were procured according to State regulations and identified the following:

- In one contract, a duplicate payment of $3,308 was made for services. The invoice was altered and entered into the State's accounting system as a unique number as controls embedded in the State's accounting system do not allow for duplicate invoice numbers. MEMA and SESC control procedures did not identify, detect, or correct the duplicate payment.
- In one contract, the contract language specified:
    - subrecipients are required to conduct competitive bidding for any material purchase over $5,000 and for any service over $10,000.
    - all changes to the contract, including the scope and cost of the change, must be submitted and approved by MEMA prior to any modifications.

The subrecipient of the $25,000 contract requested a contract modification from MEMA to increase the award amount by $5,000; the request was made in response to a quote provided from a subcontractor. MEMA did not request documentation from the subrecipient to ensure the subcontractor's services were competitively bid or that the cost was the best value for the State prior to modifying the contract.

In addition, Maine National Guard received and paid an invoice for a billing period from a prior fiscal year. The service date on the invoice was from 2021, but there was no invoice date provided by the vendor. Maine National Guard did not document the date the invoice was received to support that the payment was within 25 days of invoice receipt to avoid late fees.

OSA selected a non-statistical random sample.

Context: Approximately $151.8 million in payments to vendors under contracts, master agreements, and purchase orders were made by DVEM in fiscal year 2023. OSA tested $27,918 in DVEM governmental fund expenditures through procurement documents.

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

Effect:
- Overpayment of expenditures
- Noncompliance with contract terms

Recommendation: We recommend that MEMA enhance oversight:
- when approving invoices to ensure payments are not duplicated.
- over application of policies and procedures in relation to contract modifications to ensure modifications adhere to contract language and the terms of the award.

We recommend that SESC enhance oversight to ensure adherence to established policies and procedures.

We recommend that Maine National Guard improve oversight to ensure proper documentation when invoices are received; this will ensure timely payment upon receipt of an invoice.

Corrective Action Plan: See F-9

Management's Response:
Maine National Guard Response: The DVEM Military Bureau agrees with this finding. Procedures are in place but were not followed in accepting and submitting an invoice for payment with errors. A review of these procedures has been conducted with personnel.

Maine National Guard Contact: Joseph Wilson, Public Service Manager, DVEM, 207-430-5696

MEMA Response: MEMA agrees with the portion of the finding related to the agency.

MEMA Contact: James Belanger, Public Service Manager, MEMA, 207-707-2912

SESC Response: The Security and Employment Service Center agrees that a duplicate MEMA invoice was paid twice. The Service Center does not process payments for the National Guard.

SESC Response: Marilyn Leimbach, Director, Security and Employment Service Center, DFPS, DAFS, 207-248-2556

(State Number: 23-0208-08)

(2023-010)

Title: Internal control over expenditures processed by the Secretary of State needs improvement

Prior Year Findings: None

State Department: Secretary of State
Administration and Financial Services
State Bureau: Motor Vehicles
Corporations, Elections and Commissions
Maine State Archives
Office of the State Controller

Type of Finding: Significant deficiency

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.

OSC's 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.

Condition: OSC is responsible for recording an annual accrual of expenditures in the State's financial statements at fiscal year end. As required by OSC's financial reporting policies, the Department of the Secretary of State (SOS) must enter service date information in the State's accounting system for expenditures. OSC relies on this information to determine the correct amount of the accrual, as the service date field represents the date that the services were rendered or goods were received and related liability was incurred. Costs that were incurred in fiscal year 2023 should be included in the State's financial statement totals for expenditures and accrued liabilities at year end. SOS is responsible for entering accurate service dates for each expenditure processed.

OSC's General Accounting division is responsible for ensuring accurate service dates during a final review and approval of expenditures over $5,000.

The Office of the State Auditor (OSA) selected 30 expenditures processed during the first two periods of fiscal year 2024 and determined that four expenditures totaling $3,080 were processed by SOS using incorrect service dates. Two of the four expenditures totaling $2,987 were incurred in fiscal year 2023 and should have been recorded as an accrued liability for inclusion in the State's financial statements.

OSA selected a nonstatistical random sample.

OSA expanded testing by reviewing 48 additional expenditures processed by SOS and found that 15 additional expenditures totaling approximately $443,000 had inaccurate or unsupported service dates. Approximately $34,000 of those expenditures were incurred in fiscal year 2023 and should have been recorded as an accrued liability at year end.

10 of the 15 expenditures with inaccurate or unsupported service dates were over $5,000 and approved by OSC.

Context: GAX and PRC expenditures processed by SOS in the first two periods of fiscal year 2024 totaled approximately $2.2 million.

Cause:
- Lack of supervisory oversight
- Lack of adequate policies and procedures to ensure service dates are accurately and consistently entered for financial reporting purposes

Effect: Expenditures and accounts payable are understated by approximately $37,000 in the State's financial statements.

Recommendation: We recommend that SOS increase oversight to ensure expenditures are processed using accurate service dates.

We recommend that OSC provide guidance and improve policies and procedures surrounding the proper use of service dates, and that OSC's General Accounting division increase oversight when approving payments over $5,000 to ensure information used for financial reporting is accurate and complete.

Corrective Action Plan: See F-10

Management's Response:
OSC Response: The Office of the State Controller agrees with this finding. Although, the accounting manual includes instructions for including service begin and end dates on payment documents entered in Advantage, and although the Closing Package guidance includes the requirement for including service dates including the reason for the requirement, we have identified that clarifications and improvements can be made to both guidance documents.

OSC Contact: Shirley Browne, Deputy State Controller, OSC, 207-626-8423

SOS Response: The Secretary of State agrees with this finding. Additional training will be provided to ensure staff use the proper service dates when processing invoices. This training will ensure the guidelines set forth by the Office of the State Controller are followed. Training for new staff will be provided as needed.

SOS Contact: David Lachance, Director Finance & Administration, SOS, 207-624-9009

(State Number: 23-0208-06)

(2023-011)

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

Prior Year Findings:

FY22
2022-002

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

Type of Finding: Significant deficiency

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.

OSC's 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: OSC is responsible for identifying expenditures that should be accrued in the State's financial statements as of fiscal year end. To determine the correct amount, OSC relies on service date field information in the State's accounting system. The service date field represents the date that services were rendered or goods were received. Costs that were incurred in fiscal year 2023 should be included in the State's financial statement totals for expenditures and accrued liabilities at year end.

OSC procedures include identifying all payments made in the first two periods of fiscal year 2024 that have service dates in fiscal year 2023. Those payments represent expenditures incurred in fiscal year 2023; therefore, the amounts are included in OSC's accrual.

Audit procedures identified the following:

- $60 million in payments processed in the third period of fiscal year 2024 had service dates in fiscal year 2023. These payments were not included in OSC's accrual; as a result, the expenditure and related liabilities were not recorded in the State's financial statements.
- Service dates were not always entered accurately in the State's accounting system; therefore, OSC's expenditure accrual may not be accurate and complete.
- There is no explicit State guidance that defines the use of the service date fields; as a result, service dates are not consistently applied by agencies.

Context: Governmental fund expenditures processed in the first two periods of fiscal year 2024 and reviewed by OSC at year end for financial reporting purposes totaled $2 billion. Governmental fund expenditures processed in the third period of fiscal year 2024 and not reviewed by OSC for financial reporting purposes totaled $907 million.

Cause:

- OSC's financial reporting policies and procedures have not been updated to consider the impact of expenditures incurred outside of the first and second periods of fiscal year 2024.
- Lack of adequate policies and procedures to ensure service dates are accurately and consistently entered by agencies and that the methodology is consistently applied

Effect: Expenditures are understated by approximately $7.5 million in the State's financial statements.

Recommendation: We recommend that OSC:

- revise current policies and procedures to include additional periods for identifying expenditures and related accruals;
- implement policies and procedures for State agencies to define and apply service dates correctly and consistently; and
- enhance oversight to ensure agencies are using service date fields correctly.

These steps will ensure that information used for financial reporting is accurate and complete.

Corrective Action Plan: See F-11

Management's Response: The Department partially agrees with this finding. The Department disagrees that all expenditures processed in the third period of fiscal year 2024 that had service dates in fiscal year 2023 should have been accrued. When reviewing the details of these expenditures, most of these should not be accrued.

The Department agrees that policies and procedures can be reviewed to determine if including additional periods will identify additional expenditures that should be included in the accrual. The Department also agrees that instructions can be clarified regarding how service dates are determined and entered on payment transactions during the relevant periods.

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

Auditor's Concluding Remarks: The Office of the State Auditor (OSA) identified approximately $60 million in expenditures processed in the third period of fiscal year 2024 with service dates in fiscal year 2023. In accordance with OSC guidance provided to agencies and OSC's methodology for determining accrued expenditures to include in the financial statements, the additional $60 million of expenditures identified by OSA should have been included in OSC's accrual.

Furthermore, if OSC cannot rely on their established policies and procedures, OSC should implement OSA's recommendations as noted above.

The finding remains as stated.

(State Number: 23-0208-02)

(2023-012)

Title: Internal control over year-end adjusting journal entry procedures needs improvement

Prior Year Findings: None

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

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 accordance with U.S. Generally Accepted Accounting Principles (GAAP).

The Office of the State Controller (OSC) has the responsibility to develop and maintain a system of internal controls and procedures to check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies for accounting and financial controls.

Condition: OSC is responsible for the preparation of the Annual Comprehensive Financial Report (ACFR) in accordance with GAAP. To ensure conformance with GAAP and the accrual basis of accounting, recording adjusting journal entries is required to properly reflect account balances at fiscal year end and to properly reflect revenue and expenditures in the correct fiscal year. OSC is responsible for posting all year-end adjusting entries.

During the Office of the State Auditor's (OSA) review of year-end adjusting journal entries and account balances, the following errors were identified:

- Two year-end journal entries erroneously reduced Federal expenditures by a total of $177.9 million.
- One entry from the prior year, which was reversed in the current year, was not properly recorded and erroneously reduced Federal expenditures by $43 million.
- $8.8 million in prior period expenditure adjustments was not properly recognized, resulting in an understatement of current year Federal revenue and expenditures. OSA proposed an adjustment to correct this understatement.

OSC corrected the three erroneous year-end journal entries noted above and recorded OSA's proposed adjustment to properly recognize $8.8 million in Federal revenue and expenditures.

Context: Federal expenditures related to these year-end entries, after OSC's corrections and OSA's audit adjustment, total $391.3 million. Before OSA reviewed OSC's year-end entries and proposed the audit adjustment, Federal expenditures were understated by $229.7 million.

Cause: Lack of adequate review of year-end adjusting journal entries to ensure the entries are recorded accurately.

Effect: Before OSC corrected the year-end adjusting entries, Federal expenditures were understated by $229.7 million.

Recommendation: We recommend that OSC enhance review procedures to ensure that significant errors and omissions in year-end entries are prevented, or detected and corrected, prior to release to OSA for audit purposes.

Corrective Action Plan: See F-11

Management's Response: The Department agrees with this finding. In an attempt to meet the deadline for journal entries to be finished there was an error in the process. The error would have been discovered when our analytical review was complete and before statements were issued. OSA communicated the issue prior to completion of the analytical review.

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

(State Number: 23-0203-02)

(2023-013)

Title: Internal control over financial reporting of subscription-based information technology arrangements needs improvement

Prior Year Findings: None

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

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 30; Governmental Accounting Standards Board (GASB) Statement 96

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 accordance with U.S. Generally Accepted Accounting Principles (GAAP).

Departments should capitalize software assets that meet the minimum dollar threshold of $1 million and will be used for more than one fiscal year.

GASB Statement 96 defines a subscription-based information technology arrangement (SBITA) as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has noncancellable right to use the underlying IT assets, including periods covered by an option to extend or to terminate. A government generally should recognize a right-to-use subscription (intangible) asset and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription asset should be measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable implementation costs. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Activities associated with a SBITA should be grouped into the following three stages, and their costs should be accounted for accordingly: preliminary project stage (expensed as incurred), initial implementation stage (generally capitalized as an addition to the subscription asset), and operation and additional implementation stage (expensed as incurred unless they meet specific capitalization criteria). In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor.

Condition: GASB Statement 96 requires governments to identify and recognize IT subscription assets and liabilities in the financial statements. These IT assets and liabilities result from arrangements between the government and vendors for right-to-use IT assets such as software and associated tangible capital assets. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of fiscal year 2023.

The Office of the State Controller (OSC) is responsible for implementation of GASB Statement 96 and reporting SBITA assets and liabilities in the State's financial statements. To implement GASB Statement 96, OSC researched arrangements between the State and IT vendors that could meet GASB Statement 96 capitalization criteria. OSC queried the State's accounting system, reviewed contracts and related invoices, requested additional information, and discussed with State agency personnel. OSC documented the procedures and retained the information gathered to support conclusions.

During the Office of the State Auditor's (OSA) review of contracts and related invoices for SBITAs recorded by OSC, as well as potential SBITAs that were not recorded by OSC, OSA identified that contracts and invoices lacked information necessary for determination of whether a SBITA exists, and to determine the value of SBITA assets and related liabilities. Therefore, OSC did not communicate timely with the Department of Administrative and Financial Services' (DAFS) Office of Information Technology (OIT) and other state agencies the specific detailed information that is needed to properly implement GASB Statement 96.

Context: As of June 30, 2023, OSC reported SBITA assets and liabilities of $142 million and $126 million, respectively, in the State's financial statements.

Cause: OSC did not notify State agencies timely to ensure the required information was available to properly report SBITAs in the State's financial statements. As a result, contracts that were implemented and related invoices that existed before the implementation of GASB Statement 96 did not contain the required information.

Effect: Due to ambiguity in the State's IT contracts and related invoices, SBITA assets and related liabilities reported in the State's financial statements may be misstated. In addition, IT related expenses may also be misstated.

Recommendation: We recommend that OSC collaborate with DAFS OIT and other state agencies to:

- further review IT arrangements reported as SBITAs to ensure appropriate reporting of SBITAs and to confirm associated asset and liability amounts.
- further review IT arrangements not reported as SBITAs to identify SBITAs that meet the State's capitalization threshold and report the associated asset and liability amounts accordingly.
- develop contract agreements and invoice requirements that include information needed for determination of whether a SBITA exists, the amount of the SBITA asset that should be capitalized, and the related liability.

Corrective Action Plan: See F-11

Management's Response: The Department partially agrees with this finding. GAAP relating to the policies and procedures of SBITAs is not contained within GASB 96. Governments rely on their own professional judgment and capital assets policies to determine whether a tangible capital asset is IT-related. At the point of transition, GASB 96, par 64 allowed wide latitude for transition. "Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented."

OSC did communicate with MaineIT and other State agencies with significant IT arrangements. It was neither necessary nor possible for OSC or MaineIT to amend existing contracts in anticipation of GASB 96, given the complexity of the systems and changes necessary in the procurement and contracting processes. OSC reviewed a significant number of contracts, before the date of implementation, to determine if they were SBITAs. Many had been in place for years, continuing based on renewal periods. As noted, OSC capitalized more than $140 million of SBITAs under this Standard.

OSC, MaineIT, Procurement Services and State agencies will work together to develop and document the contract requirements to be utilized in the development of new IT-related contracts to provide the information needed for GASB 96.

Contact: Thomas Randall, Financial Management Coordinator, OSC, 207-626-8437

Auditor's Concluding Remarks: As OSC stated in their response, "assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented"; however, since OSC did not provide guidance to State agencies timely to ensure the necessary information was available to properly report SBITAs in the State's financial statements, the "facts and circumstances" that existed at the beginning of the fiscal year for certain IT arrangements do not properly support OSC's implementation of GASB 96.

Furthermore, OSA acknowledges OSC's communication with MaineIT and other State agencies during fiscal year 2023; however, this late communication was ineffective since IT systems, contracts and related invoices are technical and complex and require a significant amount of input, resources, and time to properly identify, discuss, and confirm SBITA assets and related liabilities amounts.

OSC is responsible for implementation of GASB Statement 96 and reporting SBITA assets and liabilities in the State's financial statements. OSA continues to recommend that OSC collaborate with DAFS OIT and other State agencies to obtain the necessary information to accurately report SBITAs in the State's financial statements.

The finding remains as stated.

(State Number: 23-0121-01)

(2023-014)

Title: Internal control over financial reporting of MRS taxes receivable and the allowance for uncollectible taxes receivable needs improvement

Prior Year Findings: None

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

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 accordance 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 circumstances that give rise to the estimates is necessary.

Condition: Maine Revenue Services (MRS) uses two subsidiary systems to track and record taxes receivable for all tax types owed to the State. The two systems interface with the State's accounting system on a weekly and monthly basis. MRS performs reconciliations between the two systems, prepares an analysis of uncollectible accounts and posts weekly and monthly adjustments to accurately reflect the receivable balance and the reserve for uncollected accounts. At year end, MRS provides the Office of the State Controller (OSC) the year-end taxes receivable balance as well as the calculation for the amounts deemed uncollectible for reporting in the State's financial statements.

During the Office of the State Auditor's (OSA) review of year-end entries and account balances, OSA identified that individual income tax withholding taxes receivable and the related allowance for uncollectible individual income tax withholding receivable were erroneously excluded from the financial statements. MRS and OSC corrected the error and the year-end entry to accurately reflect the individual income tax withholding taxes receivable balance and the related allowance for uncollectible taxes receivable in the State's financial statements.

Context: Prior to OSA's proposed correction, individual income tax withholding taxes receivable and the allowance for uncollectible taxes receivable were erroneously excluded. OSA identified and OSC subsequently recorded individual income tax withholding taxes receivable and the related allowance for uncollectible taxes receivable of $6.7 million and $3.9 million, respectively, in the State's financial statements.

Cause:

- MRS did not provide the corrected individual income tax withholding taxes receivable and related allowance balance to OSC until OSA identified the issue.
- Lack of adequate financial reporting procedures to ensure that taxes receivable and the allowance for uncollectible taxes receivable are accurately reflected in the State's financial statements.

Effect: Prior to correcting the year-end entry, individual income tax withholding taxes receivable and the related allowance for uncollectible taxes receivable were understated by $6.7 million and $3.9 million, respectively, in the State's financial statements.

Recommendation: We recommend that MRS and OSC implement policies and procedures to ensure entries are adequately reviewed, including a review of the financial statement accounts subsequent to posting to the State's financial statements. We further recommend that MRS determine the cause of the system issue and implement corrective action.

Corrective Action Plan: See F-11

Management's Response:
MRS Response: Maine Revenue Services agrees with this finding. MRS will continue to ensure that entries are adequately reviewed prior to posting to the State's financial statements. MRS will determine the cause of the system issue and implement corrective action.

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

OSC Response: The Office of the State Controller disagrees with this finding. The Office of the State Controller does have financial reporting procedures in place to ensure the appropriate valuation of receivables and related allowances. OSC initially recognized the missing receivable and allowance for uncollectable taxes balances and contacted Maine Revenue Services. Due to the immaterial net effect on the States's financial statements, OSC made an informed management decision based on actual knowledge and experience with historical and current data to document that information was missing and to process the entry. OSC corrected the entry once the missing information was made available.

OSC Contact: April Newman, Financial Management Coordinator, OSC, 207-626-8436

Auditor's Concluding Remarks: OSA contacted MRS and OSC regarding the exclusion of the individual income tax withholding receivable and the related allowance for uncollectible taxes receivable from the financial statements. OSC informed OSA that they had previously identified the error; however, OSC chose not to investigate it further. OSC only corrected the financial statement error after OSA's inquiry and proposed audit adjustment.

OSA recognizes that OSC has financial reporting procedures in place; however, these procedures did not detect and correct misstatements in the financial statements. OSA continues to recommend that policies and procedures be enhanced to ensure adjusting journal entries are adequately reviewed to prevent errors in financial reporting.

The finding remains as stated.

(State Number: 23-0204-01)

(2023-015)

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

Prior Year Findings:

FY22	FY21	FY20
2022-011	2021-008	2020-007

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

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 accordance 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 for this amount 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 in order to evaluate OSC's estimate. The Judicial Branch was unable to provide the collection data because a report detailing collection activity has not been established and maintained within the information systems. As a result, 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 $30.6 million as of June 30, 2023. The financial statements present receivables net of the allowance for uncollectible amounts of $24.5 million, resulting in a presentation of approximately $6.1 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 the 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 will ensure that a single person is not solely responsible for the development of estimates.

Corrective Action Plan: See F-12

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: Thomas Randall, Financial Management Coordinator, OSC, 207-626-8437

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 for uncollectible fines and fees for fiscal year 2023, OSA requested current and historical collection data from the Judicial Branch. The Judicial Branch was unable to 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: 23-0203-01)

(2023-016)

Title: Internal control over Division of Procurement Services procurement related expenditures needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Division of Procurement Services

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1552; 5 MRSA 1825-B

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

5 MRSA 1552 defines a proper invoice as an invoice for property, products or services deemed to be satisfactory in quality and quantity, in conformance with the request of the state agency and on which the amount due has been correctly calculated.

5 MRSA 1825-B outlines the role of the Bureau of General Services (BGS) in purchasing and establishes rules governing the competitive bid process including the process to obtain waivers for noncompetitive bidding. Section (2)(c) indicates that sole source contracts must be approved through reasonable investigation by the Director of BGS.

Condition: The Division of Procurement Services (DPS), a division of BGS, is responsible for overseeing procurement of services, supplies, materials and equipment by State agencies and departments. In order to procure goods and services, departments and agencies must submit a Procurement Justification Form (PJF) in conjunction with purchase requests to DPS for review and approval. DPS reviews and approves PJFs as well as the purchase agreement drafted by the department. DPS works with departments and agencies to ensure that procurement documents include required language and align with State and Federal regulations. Through a centralized review of PJFs, contracts, Buyer Purchase Orders (BPO), and Delivery Orders (DO) made against Master Agreements (MA), DPS is directly responsible for oversight of procurement processes that correspond to vendor payments.

The Office of the State Auditor (OSA) selected a sample of 32 procurement documents to ensure that related vendor payments were in compliance with terms and conditions outlined in the respective documents, and that those services, supplies, materials and equipment were procured according to State regulations and identified the following:

- Three MAs require vendors to provide quarterly statewide sales or usage reports to DPS. DPS did not receive the required sales reports.
- One sole-source, non-competitive PJF did not include documented evidence of an approval through reasonable investigation by the Director of BGS, as required by statute.

- One MA did not include or reference an updated price list; therefore, departments could not verify that prices charged on invoices received from the vendor were in agreement with the MA. The MA was updated in 2022; however, the price list provided to departments by DPS was from the 2021 MA.
- One BPO was issued for services that were already covered under the scope of work of an existing contract. DPS did not verify that the services requested in the BPO were not already part of the prior contract.
- Two BPOs were approved without a price-per-unit calculation. The information on the invoice, PJF, and BPO did not detail the number of units purchased, only a final dollar amount. Without a price-per-unit breakdown, DPS cannot verify the charges were accurately calculated in accordance with 5 MRSA 1552.

OSA selected a non-statistical random sample.

Context: Payments through procurement documents for governmental funds totaled approximately $2 billion in fiscal year 2023. Approximately $1.4 billion of that total related to procurement of services, supplies, materials and equipment through DPS.

Cause:
- Lack of supervisory oversight
- Lack of adequate policies and procedures; DPS does not have policies and procedures that require review for existing agreements prior to the approval of new agreements.

Effect:
- The State does not have assurance that payments in exchange for goods or services are in accordance with MAs.
- Additional procurement documents for services already outlined in existing procurement documents could lead to duplicate payments.
- Charges for services on vendor invoices do not match the price list posted by DPS. Without an accurate up-to-date price list, departments do not have assurance that prices charged on invoices are accurate and or include negotiated discounts.
- Potential for inaccurate payments as the total amount of sales under MAs are not reported, current rates are not provided, and price-per-unit calculations are not verified
- Noncompliance with State requirements for procurement

Recommendation: We recommend that DPS increase oversight and enhance policies and procedures to ensure procurement documents include appropriate language and align with State regulations, and to ensure departments are adhering to the terms and conditions of procurement.

Corrective Action Plan: See F-12

Management's Response: The Department partially agrees with this finding. We agree with one of the five findings identified. Two BPOs were approved without the accompanying price-per-unit calculation. DPS will review relevant requirements with staff to ensure procedures are followed correctly in the future.
We disagree with four of the five findings identified.

-Quarterly sales reports: These reports have no impact on current purchases under the MA, as they are purely informational in nature, and are not used to audit sales against the MA. The reports are intended to provide aggregate expenditure data to identify total sales by municipality and other organizational units for use during the next solicitation. Additionally, for 2 of the MAs examined, no sales were drawn against the MAs, so reports would have had no content. However, DPS will update its MA and RFP documents to clarify the purpose of the reports and to specify that reports are not required when there have been no transactions under the MA.
-Sole-source non-competitive PJF: the selected vendor was approved as qualified by the relevant Federal oversight agency and had a letter of support from that Federal agency. As such, the vendor was legitimately eligible for a waiver of competitive bidding per Title 5 §1825-B. To provide an additional measure of assurance, DPS publicly posted the PJF for 7 days, with no questions or complaints received. DPS' decision to approve the PJF was appropriate.
-MA Pricelists: updated pricelists are provided via cooperative link and added to the DPS MA pricelist link. Agency personnel download the updated pricelist to use in the required application, therefore agencies are able to confirm that invoiced prices are in agreement with the MA.
-BPO issued for services already covered under an existing contract: BPO's are an approved method to bridge contracts and master agreements to meet agency project timelines and protect available project funding. The BPO was issued/encumbered in June 2023 to avoid loss of funds and to ensure that the contracted work could occur in the new fiscal year. Due to expiration of the contract in August 2023, the agency negotiated a new contract, that was signed and approved in August 2023. The BPO was necessary to appropriately encumber funds and was consistent with policy.

Contact: David Morris, Acting Chief Procurement Officer, DPS, 207-624-7335

Auditor's Concluding Remarks: In response to DPS's disagreement with four of the five exceptions identified by OSA:

- Quarterly sales reports: MAs require vendors to provide quarterly statewide sales or usage reports to DPS. DPS did not receive the required sales reports. Furthermore, OSA's test included payments made to vendors through contracts, MAs and BPOs. The MAs referenced in the finding did have delivery orders placed in the fiscal year that were paid under valid MAs. DPS's statement that two MAs had no orders drawn has no correlation to the delivery orders that were examined by OSA.
- Sole-source non-competitive PJF: OSA recognizes that the vendor was mentioned in the sole-source non-competitive PJF award application made by the State to the Federal agency; however, it was the vendor who wrote the letter of support for the State agency. Furthermore, although 5 MRSA 1825-B does provide conditions to waive competitive bidding, a letter of support is not one of those conditions. In addition, DPS did not provide OSA with a letter of support from the Federal agency and the PJF approved by DPS did not indicate a letter of support or include "Federal Agency Directed" as a justification for vendor selection.
- MA price lists: DPS updated their outdated price lists on their website on November 30, 2023, after inquiry from OSA. As a result, agencies did not have accurate price lists throughout fiscal year 2023.
- BPO issued for services already covered under an existing contract: OSA recognizes DPS's statement that "BPO's are an approved method to bridge contracts and master

agreements to meet agency project timelines and protect available project funding;" however, OSA was not provided any documentation to support that the intent of this BPO was to bridge contracts. In addition, OSA contacted the employee that approved the BPO and was not provided support to ascertain that the BPO was intended to bridge contracts. Furthermore, the BPO did not reference the prior contract and DPS did not document that the services provided through the BPO were already covered services under a new or existing contract.

The finding remains as stated.

(State Number: 23-0208-05)

(2023-017)

Title: Internal control over Division of Contract Management procurement related expenditures needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Division of Contract Management

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1552

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

5 MRSA 1552 defines a proper invoice as an invoice for property, products or services deemed to be satisfactory in quality and quantity, in conformance with the request of the state agency and on which the amount due has been correctly calculated.

Condition: The Department of Health and Human Services' (DHHS) Division of Contract Management (DCM) is responsible for procurement and contract management on behalf of DHHS. DCM receives invoices and financial reports for contracted services from vendors, verifies the accuracy of account coding and cost allocation, and obtains approval from program personnel prior to payment. The DHHS Service Center processes and approves payments in the State's accounting system.

The Office of the State Auditor (OSA) selected a sample of 32 procurement documents to ensure that related vendor payments were in compliance with terms and conditions outlined in the respective documents, and that those services, supplies, materials and equipment were procured according to State regulations, and identified the following:

- DCM contract language states that subsequent payment installments will not be made until both financial and program reports are received, reviewed, and accepted. The following exceptions to this requirement were identified:
    - In five DCM contracts, vendor payments were processed when financial or program reports were past due.
    - In two DCM contracts, vendor payments were processed based on inaccurate financial or program reports. As a result of an inaccurate financial report, DCM overpaid a contract by approximately $3,800.
- In two DCM contracts, vendor service date information was not adequate to ensure proper payment processing, as follows:
    - DCM paid invoices with overlapping service dates. In addition, the invoices did not include adequate detail to determine when the services were performed or billed; and

- DCM generated and paid a cost-settled invoice prior to the end of a quarterly service period. The invoice was generated two weeks before the end of the quarter and was paid to the vendor 35 days before receipt of the quarterly financial report and therefore, a timely reconciliation to actual expenses did not occur.

- In two DCM contracts, cost allocation methodologies applied to vendor invoices were not supported by the underlying contract terms or invoice details.

OSA selected a non-statistical random sample.

Context: DCM is responsible for processing, reviewing, and approving approximately 2,000 procurement documents annually. Approximately $549.3 million in governmental fund expenditures were paid to vendors through DHHS contracts in fiscal year 2023. The contracts included in the sample totaled approximately $1.6 million in vendor payments.

Cause:
- Lack of supervisory oversight
- Management override of controls

Effect:
- Expenditures and related liabilities are potentially overstated, as payment should have been withheld for underperformance, unsatisfactory reporting, or untimely submission of invoices.
- Noncompliance with State requirements for procurement

Recommendation: We recommend that DCM enhance oversight to ensure that:
- payments are made in accordance with contract terms and conditions;
- payments for services are supported by deliverables and adequate reports;
- review and potentially revise contract terms and conditions for cost-settled contracts; and
- DHHS is adhering to State regulations for procurement.

Corrective Action Plan: See F-13

Management's Response: The Department disagrees with this finding. It is difficult to respond fully or accurately to the finding without the full details of what was tested. Regarding the potential overpayment, there was a situation where a quarterly financial report (QFR) was submitted by the provider with an error, and it was processed resulting in a higher payment ($3800) than should have been processed. However, the Department's internal controls will correct this through its agreement closeout (ACR) process. This is the Department's check/balance on the financials for the entire contract for cost-settled contracts.

Regarding paying invoices with overlapping dates, it is possible that dates for invoices may be overlapping. A common reason is that the provider did not invoice for everything in the first month, so they catch up in the following month. The Department is not double paying for services. Also, invoices do not necessarily contain all of the detail required to approve an invoice. Much of that is in reports that the program administrator/manager receives and reviews prior to approving invoices.

Regarding the concern with a cost-settled payment being made prior to the end of a quarterly service period, this was for a contract that was encumbered very late. The payment was large, for the first six months of the contract. The Department made the decision to catch up for the first six months and not require the quarterly financial report after the first three months. The Department would, however, require a financial report due after the second quarter and would then settle based upon that quarterly report.

Finally, regarding the concerns about the cost allocation methodology, the Department uses multiple methods for the allocations which may result in non-standard splits between funding lines.

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

Auditor's Concluding Remarks: DCM is responsible for procurement and contract management. As previously communicated to the Department, OSA's test attributes and parameters were designed to ensure that contracts and related payments adhere to State procurement standards, and that the payment is in line with the terms and conditions of the contract.

The Department acknowledges overpayment of a contract by approximately $3,800 and asserts "the Department's internal controls will correct this through its agreement closeout (ACR) process." Internal controls should be designed to prevent, detect, and correct errors timely. The ACR closeout process is not an adequate control mechanism as it does not prevent errors from occurring; it may not detect errors that have occurred; and for errors that are detected, correction does not occur timely.

The Department cannot ensure that invoices with overlapping dates are not duplicate payments if detail is not included on the underlying invoices. Furthermore, the Department states that "invoices do not necessarily contain all of the detail required to approve an invoice;" however, contract language requires submission of sufficient information for proper cost allocation on invoices.

Regarding cost-settled payments made prior to the end of a quarterly service period, the Department's decision to process payment without the quarterly report does not align with contract language, or the procedures described in the second paragraph of their response where they assert that program administrators review reports prior to approving invoices.

Finally, while non-standard splits between funding lines may be permissible, the lack of documentation for the rationale in conjunction with the lack of detail on the invoices submitted by the vendor could lead to Federal funds being allocated for activities or costs not allowed by the grant/award. DCM must document the decision to alter funding splits to ensure costs and activities are allowable by the funding source.

The finding remains as stated.

(State Number: 23-0208-04)

(2023-018) 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:

FY22	FY21	FY20	FY19	FY18
Redacted	Redacted	Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-14

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

(State Number: 23-0909-02)

(2023-019)

Title: Internal control over financial reporting of interest and penalties related to Unemployment Insurance receivables needs improvement

Prior Year Findings: None

State Department: Labor
Administrative and Financial Services
State Bureau: Unemployment Compensation
Security and Employment Service Center
Office of the State Controller

Type of Finding: Material weakness

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 accordance with U.S. Generally Accepted Accounting Principles (GAAP).

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 and related interest and penalties assessed on these balances. On a quarterly basis and at year end, the Security and Employment Service Center (SESC) prepares a journal entry based on information provided by MDOL from the ReEmployME system to accurately reflect receivable balances and the related allowance for uncollectible accounts in the State's accounting system. As of June 30, 2023, SESC recorded a receivable for UI interest and penalties totaling $227.6 million, reduced by the estimated allowance for uncollectible accounts of $227.6 million. As part of OSC's year-end financial reporting process, OSC subsequently reduced the allowance for uncollectible accounts to $223.3 million, based on analysis of the receivable balance.

During the Office of the State Auditor's (OSA) review of year-end entries and resulting account balances, OSA identified that the UI interest and penalties receivable and the related allowance for uncollectible accounts increased by $167.9 million from the prior year balance of $59.7 million. Through OSA's communication with MDOL and SESC, an error in the ReEmployME system reports used to prepare quarterly accounts receivable entries was identified. SESC and OSC relied on the information provided by MDOL and did not identify this financial reporting error.

The error in ReEmployME system reports resulted in inaccurate information reported in the State's financial statements as of June 30, 2023. MDOL and SESC subsequently corrected the error and provided updated reports to OSA and to OSC for financial reporting purposes. Using this information, UI interest and penalties receivable and the related allowance for uncollectible accounts were both reduced by $158.7 million.

Context: Prior to identification of the financial reporting error, as of June 30, 2023, a receivable for UI interest and penalties totaling $227.6 million, reduced by the estimated allowance for uncollectible accounts of $223.3 million, was recorded in the State's financial statements. Subsequent correction of this financial reporting error resulted in a UI interest and penalties receivable and estimated allowance for uncollectible accounts totaling $68.9 million and $64.6 million, respectively.

Cause:
- Information system errors resulted in inaccurate information provided by MDOL to SESC and OSC for financial reporting purposes. MDOL did not provide corrected information to SESC and OSC until OSA identified the errors.
- Lack of adequate procedures over financial reporting to ensure that information presented in the State's financial statements is accurate
- Lack of supervisory oversight

Effect: Prior to identification and correction of the financial reporting error, UI interest and penalties receivable and the related allowance for uncollectible accounts were both overstated by $158.7 million in Note 6 of the financial statements.

Recommendation: We recommend that MDOL and SESC implement additional policies and procedures to ensure all journal entries are adequately reviewed, including a detailed review of supporting reports and documentation, fluctuations in activity, and resulting account balances prior to providing information to OSC for financial reporting purposes.

In addition, we recommend that OSC enhance financial reporting procedures pertaining to review of significant fluctuations in account balances to provide assurance that errors in the financial statements are prevented, or detected and corrected, prior to release for audit by OSA.

Corrective Action Plan: See F-14

Management's Response:
DOL Response: The Department agrees with this finding. During the COVID-19 pandemic, the assessment of penalties and interest on overdue contributions to the unemployment trust fund was

temporarily suspended to prevent undue hardship on employers during the pandemic's unprecedented impact on the economy and the number of individuals filing for benefits. Once reinstated, a change to the programming resulted in a flawed summation of the unpaid penalties and interest. Therefore, amounts reported for accounts receivable were overstated. The issue was discovered in the fall of 2023 and the report was corrected. We have provided the Office of the State Auditor with the corrected balances as of June 30, 2023.

DOL Contact: Laura Boyett, Director, Bureau of Unemployment Compensation, DOL, 207-621-5156

OSC Response: The Department agrees with this finding. OSC will continue to perform analytic reviews and will follow up on variances outside of the determined thresholds. Additionally, OSC will review and reassess procedures and determine if additional procedures are needed.

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

(State Number: 23-0308-02)

(2023-020) 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:

FY22
Redacted

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: 23-0902-03)

(2023-021) 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:

FY22
Redacted

Type of Finding: Material weakness

Corrective Action Plan: See F-15

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

(State Number: 23-0902-04)

(2023-022) 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:

FY22
Redacted

Type of Finding: Material weakness

Corrective Action Plan: See F-15

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

(State Number: 23-0905-01)

(2023-023) 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:

FY22	FY21	FY20	FY19
Redacted	Redacted	Redacted	Redacted

Type of Finding: Material weakness

Corrective Action Plan: See F-15

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

(State Number: 23-0907-01)

(2023-024) 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:

FY22	FY21	FY20	FY19
Redacted	Redacted	Redacted	Redacted

Type of Finding: Material weakness

Corrective Action Plan: See F-15

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

(State Number: 23-0908-01)

(2023-025) 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:

FY22
Redacted

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: 23-0902-01)

(2023-026) 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: 23-0902-02)

(2023-027) 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:

FY22	FY21	FY20	FY19	FY18	FY17
Redacted	Redacted	Redacted	Redacted	Redacted	Redacted

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: 23-0900-01)

(2023-028) 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:

FY22	FY21	FY20
Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-17

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

(State Number: 23-0900-02)

(2023-029) 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:

FY22	FY21	FY20
Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-17

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

(State Number: 23-0905-02)

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section III - Federal Finding Indexes and
Federal Award Identification Numbers

Seven findings (2023-022 through 2023-024 and 2023-026 through 2023-029) 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.

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Pandemic EBT Food Benefits (P-EBT) ALN 10.542			
2023-022	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-64
2023-029	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-71
2023-030	Internal control over P-EBT Food Benefits needs improvement	MW MNC QC ($4,271/ $4,862,998)	E-97
2023-034	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD QC	E-115
2023-036	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-119
2023-040	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-128

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
SNAP Cluster ALN 10.551, 10.561			
2023-022	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-64
2023-029	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-71
2023-031	Internal control over SNAP eligibility determinations and benefit calculations needs improvement	MW MNC QC ($7,491/UN)	E-104
2023-032	Internal control over Medicaid and SNAP deceased client cases needs improvement	MW MNC QC ($8,329/UN)	E-108
2023-033	Internal control over automated SNAP eligibility certification periods needs improvement	MW MNC QC ($18,090/UN)	E-112
SNAP Cluster continued on next page			

State of Maine
Index to Federal Findings
By Federal Program and Finding Type
For the Year Ended June 30, 2023

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
SNAP Cluster continued from previous page			
2023-034	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD QC ($70,429/ $70,429)	E-115
2023-035	Internal control over SNAP EBT card security needs improvement	SD	E-116
2023-036	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-119
Child Nutrition Cluster (CNC) ALN 10.553, 10.555, 10.556, 10.559, 10.582			
2023-037	Internal control over CNC special reporting needs improvement	MW MNC	E-120
2023-038	Internal control over CNC claim reimbursements needs improvement	MW	E-122
2023-039	________ over ________, ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-127
2023-040	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-128
2023-041	Internal control over the submission of CNC Schedule of Expenditures of Federal Awards information needs improvement	SD	E-129
2023-042	Internal control over CNC donated food inventory needs improvement	SD	E-131
2023-043	Internal control over CNC subrecipient monitoring procedures needs improvement	SD	E-134
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) ALN 10.557			
2023-044	Internal control over WIC subrecipient monitoring needs improvement	MW MNC	E-137
2023-045	Internal control over WIC cash balances needs improvement	SD	E-139
2023-077	Internal control over subrecipient cash management needs improvement	MW MNC	E-209

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Child and Adult Care Food Program (CACFP) ALN 10.558			
2023-039	________ over ________, ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-127
2023-040	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-128
2023-046	Internal control over CACFP eligibility determination and claim reimbursement procedures needs improvement	MW MNC QC ($19,362/ UN)	E-141
2023-047	Internal control over CACFP subrecipient monitoring procedures needs improvement	SD	E-145

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Unemployment Insurance (UI) ALN 17.225			
2023-023	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-65
2023-048	Internal control over UI claim payments needs improvement	MW	E-148
2023-049	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-151
2023-050	Internal control over monitoring of employee classification and compensation needs improvement	SD	E-152
2023-051	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-156
2023-052	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-157

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Highway Planning and Construction (Federal-Aid Highway Program) ALN 20.205			
2023-024	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-66
2023-050	Internal control over monitoring of employee classification and compensation needs improvement	SD	E-152

Highway Planning and Construction (Federal-Aid Highway Program) continued on next page

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Highway Planning and Construction (Federal-Aid Highway Program) continued from previous page			
2023-051	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-156
2023-052	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-157
2023-053	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-158
Formula Grants for Rural Areas and Tribal Transit Program ALN 20.509			
2023-024	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-66
2023-053	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-158
2023-054	Internal control over DOT subrecipient and contractor determinations needs improvement	SD	E-159
Emergency Rental Assistance Program (ERA) ALN 21.023			
2023-055	Internal control over ERA Program subrecipient monitoring needs improvement	MW MNC	E-161
2023-056	Internal control over ERA Program performance reporting needs improvement	MW MNC	E-163
Homeowner Assistance Fund Program * ALN 21.026			
2023-057	Internal control over the submission of HAF Program Schedule of Expenditures of Federal Awards reporting needs improvement	MW MNC	E-165
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) ALN 21.027			
2023-058	Internal control over CSLFRF expenditures needs improvement	SD QC ($591,845/ $591,845)	E-167
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) continued on next page			

* This program was not audited as a major program in fiscal year 2023.

State of Maine
Index to Federal Findings
By Federal Program and Finding Type
For the Year Ended June 30, 2023

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) continued from previous page			
2023-059	Internal control over CSLFRF subrecipient audit procedures needs improvement	SD	E-169
2023-060	Internal control over CSLFRF subrecipient risk evaluation procedures needs improvement	SD	E-171
2023-061	Internal control over CSLFRF reporting needs improvement	SD	E-173
Special Education Cluster (IDEA) ALN 84.027, 84.173			
2023-050	Internal control over monitoring of employee classification and compensation needs improvement	SD	E-152
2023-051	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-156
2023-052	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-157
2023-062	Internal control over Special Education period of performance needs improvement	MW MNC QC ($2,446,391/ UN)	E-175
2023-063	Internal control over Special Education subrecipient audit procedures needs improvement	SD	E-178
Education Stabilization Fund (ESF) ALN 84.425			
2023-064	Internal control over ESF expenditures needs improvement	MW MNC QC ($161,468/ $7,308,277)	E-180
2023-065	________ over the ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-184
2023-066	Internal control over ESF special reporting needs improvement	SD	E-185
2023-067	Internal control over ESF subrecipient monitoring procedures needs improvement	SD	E-187
2023-068	________ over the ______ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-189

State of Maine
Index to Federal Findings
By Federal Program and Finding Type
For the Year Ended June 30, 2023

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Immunization Cooperative Agreements (ICA) ALN 93.268			
2023-069	Internal control over ICA program subrecipient monitoring procedures needs improvement	MW MNC	E-190
2023-070	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-193
2023-071	Internal control over ICA program cash management needs improvement	SD	E-194
2023-072	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-196
2023-077	Internal control over subrecipient cash management needs improvement	MW MNC	E-209
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) ALN 93.323			
2023-073	Internal control over ELC program reporting needs improvement	SD	E-197
2023-074	Internal control over ELC program cash management needs improvement	SD	E-199
Title IV-E Prevention Program * ALN 93.472			
2023-087	Internal control over DHHS allocated costs needs improvement	SD	E-230
CCDF Cluster ALN 93.489, 93.575, 93.596			
2023-082	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-221
2023-083	Internal control over CCDF provider payments needs improvement	SD QC ($3,101/ $32,099)	E-222
2023-084	Internal control over CCDF provider application and payment approvals needs improvement	SD	E-224
2023-085	Internal control over CCDF provider health and safety requirements needs improvement	SD	E-226

* This program was not audited as a major program in fiscal year 2023.

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Temporary Assistance for Needy Families (TANF) ALN 93.558			
2023-022	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-64
2023-029	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-71
2023-034	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD QC	E-115
2023-036	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-119
2023-075	Internal control over payments made to and on behalf of TANF clients needs improvement	MW MNC QC ($4,721/ $279,992)	E-201
2023-076	Internal control over Income Eligibility and Verification System procedures needs improvement	MW MNC	E-205
2023-077	Internal control over subrecipient cash management needs improvement	MW MNC	E-209
2023-078	Internal control over TANF subrecipient risk evaluation procedures needs improvement	MW MNC	E-212
2023-079	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-215
2023-080	Internal control over TANF client child support sanction procedures needs improvement	SD	E-216
2023-081	Internal control over TANF performance reporting and work participation procedures needs improvement	SD	E-219

Foster Care - Title IV-E ALN 93.658			
2023-086	Internal control over the Foster Care – Title IV-E eligibility and benefit determination process needs improvement	MW MNC QC ($8,006/ $220,373)	E-228
2023-087	Internal control over DHHS allocated costs needs improvement	SD	E-230

Foster Care - Title IV-E continued on next page

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Foster Care - Title IV-E continued from previous page			
2023-089	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-235
<u>Adoption Assistance – Title IV-E</u> ALN 93.659			
2023-088	Internal control over the Adoption Assistance – Title IV-E eligibility and benefit determination process needs improvement	MW MNC	E-232
2023-089	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-235
2023-090	Internal control over Adoption Assistance – Title IV-E level of effort needs improvement	SD	E-236
<u>Children's Health Insurance Program (CHIP)</u> ALN 93.767			
2023-029	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-71
2023-034	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD QC	E-115
<u>Medicaid Cluster</u> ALN 93.775, 93.777, 93.778			
2023-026	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-68
2023-027	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-69
2023-028	________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-70
2023-029	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-71
2023-032	Internal control over Medicaid and SNAP deceased client cases needs improvement	MW MNC QC	E-108
Medicaid Cluster continued on next page			

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Medicaid Cluster continued from previous page			
2023-034	________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD QC	E-115
2023-091	Internal control over Medicaid Nursing Facility audits needs improvement	MW MNC	E-238
2023-092	Internal control over Medicare Part B premium payments needs improvement	SD	E-240
2023-093	Internal control over Medicaid cost of care deductions needs improvement	SD	E-242
2023-094	Internal control over Medicaid drug rebates needs improvement	SD	E-244
2023-095	Internal control over conflict of interest requirements needs improvement	SD	E-247
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG-PA) ALN 97.036			
2023-096	Internal control over DG – PA program special reporting needs improvement	MW MNC	E-249
2023-097	Internal control over DG – PA program cash management needs improvement	SD	E-251

Legend of Abbreviations:

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

State of Maine
Index to Federal Findings
By State Agency and Federal Compliance Area
For the Year Ended June 30, 2023

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	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													
2023-026	Medicaid Cluster		✓										E-68
2023-027	Medicaid Cluster		✓		✓								E-69
2023-028	Medicaid Cluster		✓										E-70
2023-045	WIC			✓									E-139
2023-050	Special Education Cluster (IDEA), Unemployment Insurance (UI), Highway Planning and Construction (Federal-Aid Highway Program)		✓										E-152
2023-051	Special Education Cluster (IDEA), Unemployment Insurance (UI), Highway Planning and Construction (Federal-Aid Highway Program)		✓										E-156
2023-052	Special Education Cluster (IDEA), Unemployment Insurance (UI), Highway Planning and Construction (Federal-Aid Highway Program)		✓										E-157
2023-053	Highway Planning and Construction (Federal-Aid Highway Program), Formula Grants for Rural Areas and Tribal Transit Program		✓										E-158

Department of Administrative and Financial Services continued on next page

State of Maine
Index to Federal Findings
By State Agency and Federal Compliance Area
For the Year Ended June 30, 2023

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	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													
2023-057	Homeowner Assistance Fund Program *									✓			E-165
2023-061	Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)									✓			E-173
2023-062	Special Education Cluster (IDEA)		✓				✓						E-175
2023-068	Education Stabilization Fund (ESF)		✓										E-189
2023-071	Immigration Cooperative Agreements (ICA)			✓									E-194
2023-074	Epidemiology and Laboratory Capacity for Infection Diseases (ELC)			✓									E-199
2023-087	Foster Care - Title IV-E, Title IV-E Prevention Program *		✓										E-230
2023-092	Medicaid Cluster		✓										E-240
2023-095	Medicaid Cluster							✓					E-247
2023-097	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA)			✓									E-251
Department of Defense, Veterans and Emergency Management													
2023-096	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA)									✓			E-249
2023-097	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA)			✓									E-251

* This program was not audited as a major program in fiscal year 2023

State of Maine
Index to Federal Findings
By State Agency and Federal Compliance Area
For the Year Ended June 30, 2023

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	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													
2023-055	Emergency Rental Assistance Program (ERA)										✓		E-161
2023-056	Emergency Rental Assistance Program (ERA)									✓			E-163
2023-058	Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)	✓	✓										E-167
2023-059	Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)										✓		E-169

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	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													
2023-037	Child Nutrition Cluster (CNC)									✓			E-120
2023-038	Child Nutrition Cluster (CNC)		✓										E-122
2023-039	Child Nutrition Cluster (CNC), Child and Adult Care Food Program (CACFP)		✓		✓					✓	✓	✓	E-127
2023-040	Child Nutrition Cluster (CNC), Pandemic EBT Food Benefits (P-EBT), Child and Adult Care Food Program (CACFP)		✓		✓								E-128
2023-041	Child Nutrition Cluster (CNC)									✓			E-129
2023-042	Child Nutrition Cluster (CNC)											✓	E-131
2023-043	Child Nutrition Cluster (CNC)										✓		E-134
2023-046	Child and Adult Care Food Program (CACFP)		✓		✓								E-141
2023-047	Child and Adult Care Food Program (CACFP)										✓		E-145

Department of Education continued on next page

State of Maine
Index to Federal Findings
By State Agency and Federal Compliance Area
For the Year Ended June 30, 2023

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	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													
2023-062	Special Education Cluster (IDEA)		✓				✓						E-175
2023-063	Special Education Cluster (IDEA)										✓		E-178
2023-064	Education Stabilization Fund (ESF)	✓	✓										E-180
2023-065	Education Stabilization Fund (ESF)		✓							✓			E-184
2023-066	Education Stabilization Fund (ESF)									✓			E-185
2023-067	Education Stabilization Fund (ESF)										✓		E-187
Department of Health and Human Services													
2023-022	SNAP Cluster, Pandemic EBT Food Benefits (P-EBT), TANF		✓							✓		✓	E-64
2023-029	Medicaid Cluster, CHIP, SNAP Cluster, P-EBT, TANF		✓		✓					✓		✓	E-71
2023-030	Pandemic EBT Food Benefits (P-EBT)	✓	✓		✓								E-97
2023-031	SNAP Cluster		✓		✓							✓	E-104
2023-032	Medicaid Cluster, SNAP Cluster		✓		✓								E-108
2023-033	SNAP Cluster		✓		✓							✓	E-112
2023-034	Medicaid Cluster, CHIP, SNAP Cluster, TANF, P-EBT		✓		✓					✓		✓	E-115
Department of Health and Human Services continued on next page													

State of Maine
Index to Federal Findings
By State Agency and Federal Compliance Area
For the Year Ended June 30, 2023

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	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													
2023-035	SNAP Cluster											✓	E-116
2023-036	SNAP Cluster, TANF, P-EBT		✓		✓							✓	E-119
2023-044	WIC										✓		E-137
2023-045	WIC			✓									E-139
2023-069	Immunization Cooperative Agreements (ICA)										✓		E-190
2023-070	Immunization Cooperative Agreements (ICA)		✓									✓	E-193
2023-072	Immunization Cooperative Agreements (ICA)											✓	E-196
2023-073	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)									✓			E-197
2023-074	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			✓									E-199
2023-075	TANF	✓	✓										E-201
2023-076	TANF				✓							✓	E-205
2023-077	TANF, WIC, Immunization Cooperative Agreements			✓							✓		E-209
2023-078	TANF										✓		E-212
2023-079	TANF									✓		✓	E-215
2023-080	TANF											✓	E-216
2023-081	TANF									✓		✓	E-219
Department of Health and Human Services continued on next page													

State of Maine
Index to Federal Findings
By State Agency and Federal Compliance Area
For the Year Ended June 30, 2023

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	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													
2023-082	CCDF Cluster		✓		✓								E-221
2023-083	CCDF Cluster		✓										E-222
2023-084	CCDF Cluster		✓									✓	E-224
2023-085	CCDF Cluster											✓	E-226
2023-086	Foster Care – Title IV-E		✓		✓								E-228
2023-087	Foster Care – IV-E, Title IV-E Prevention Program *		✓										E-230
2023-088	Adoption Assistance – Title IV-E		✓		✓								E-232
2023-089	Adoption Assistance – Title IV-E, Foster Care – Title IV-E		✓		✓								E-235
2023-090	Adoption Assistance – Title IV-E					✓				✓			E-236
2023-091	Medicaid Cluster											✓	E-238
2023-092	Medicaid Cluster		✓										E-240
2023-093	Medicaid Cluster		✓										E-242
2023-094	Medicaid Cluster		✓										E-244
Department of Labor													
2023-023	Unemployment Insurance (UI)		✓		✓								E-65
2023-048	Unemployment Insurance (UI)		✓		✓								E-148
2023-049	Unemployment Insurance (UI)		✓		✓								E-151
2023-060	Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)										✓		E-171

* This program was not audited as a major program in fiscal year 2023

State of Maine
Index to Federal Findings
By State Agency and Federal Compliance Area
For the Year Ended June 30, 2023

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	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 Transportation													
2023-024	Highway Planning and Construction (Federal-Aid Highway Program), Formula Grants for Rural Areas and Tribal Transit Program		✓										E-66
2023-053	Highway Planning and Construction (Federal-Aid Highway Program), Formula Grants for Rural Areas and Tribal Transit Program		✓										E-158
2023-054	Formula Grants for Rural Areas and Tribal Transit Program									✓	✓		E-159

Name of Federal Program or Cluster (Assistance Listing Number):

Pandemic EBT Food Benefits (P-EBT) – COVID-19 (10.542):

Award Number
P-EBT Benefits, Maine

SNAP Cluster – COVID-19 (10.551, 10.561):

Award Number			
SNAP Benefits, Maine	224ME401S2519	224ME401S2514	224ME401S2520
224ME401S8036	224ME442Q7503	234ME401S2519	234ME401S2514
234ME401S2520	234ME442Q7503		

Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559, 10.582):

Award Number				
224ME300L1603	224ME301N1199	224ME902N8903	234ME300L1603	234ME301N1099
234ME301N1199	234ME902N8903			

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) – COVID-19 (10.557):

Award Number				
194ME743W5003	204ME743W5003	214ME743W5003	224ME701W1003	224ME701W1006
224ME743W5003	234ME701W1003	234ME701W1006		

Child and Adult Care Food Program (CACFP) (10.558):

Award Number				
224ME301N1199	224ME320N1150	224ME325N2020	234ME301N1099	234ME301N1199
234ME320N1050	234ME320N1150	234ME325N2020		

Unemployment Insurance (UI) – COVID-19 (17.225):

Award Number				
Unemployment Insurance Trust Fund, Maine		UI347192055A23	UI370682155A23	UI372272255A23
UI379832260A23	UI385862275A23	UI393262355A23	UI372842255A23	UI359482160A23
UI348602055A23	UI357082155A23	UI392732355A23		

Highway Planning and Construction (Federal-Aid Highway Program) (20.205):

Award Number		
693JJ22230000Y001ME2242001	693JJ22230000Y240ME2173600	693JJ21930000Z001ME2368500
693JJ22230000Y001ME2551900		

Formula Grants for Rural Areas and Tribal Transit Program – COVID-19 (20.509):

Award Number				
ME-2016-008-03	ME-2017-011-01	ME-2018-024-00	ME-2019-002-03	ME-2019-019-01
ME-2020-005-01	ME-2020-024-00	ME-2020-027-02	ME-2021-005-00	ME-2022-001-00
ME-2022-006-00				

Emergency Rental Assistance Program – COVID-19 (21.023):

Award Number			
ERA0299	ERA0434	ERAE0515	ERAE0563

Homeowner Assistance Fund Program – COVID-19 (21.026) *this program was not audited as a major program in fiscal year 2023***:**

Award Number
HAF0103

Coronavirus State and Local Fiscal Recovery Funds – COVID-19 (21.027):

Award Number
SLFRP0144

Name of Federal Program or Cluster (Assistance Listing Number):

Special Education Cluster (IDEA) – COVID-19 (84.027, 84.173):

Award Number				
H027A200109	H027A210109	H027A220109	H173A200115	H173A210115
H173A220115	H027X210109	H173X210115		

Education Stabilization Fund (ESF) – COVID-19 (84.425):

Award Number	
84.425B - S425B200039	84.425C - S425C200004, S425C210004
84.425D - S425D200004, S425D210004	84.425R - S425R210044
84.425U - S425U210004	84.425W - S425W210020

Immunization Cooperative Agreements – COVID-19 (93.268):

Award Number
NH23IP922604

Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) – COVID-19 (93.323):

Award Number
NU50CK000523

Title IV-E Prevention Program (93.472) *this program was not audited as a major program in fiscal year 2023***:**

Award Number	
2201MEPSGP	2301MEPSGP

CCDF Cluster – COVID-19 (93.489, 93.575, 93.596):

Award Number				
2101MECCDF	2101MECCC5	2101MECDC6	2101MECSC6	2201MECCDD
2201MECCDF	2301MECCDD	2301MECCDF		

Temporary Assistance for Needy Families (TANF) (93.558):

Award Number		
2101METANF	2201METANF	2301METANF

Foster Care – Title IV-E – COVID-19 (93.658):

Award Number	
2201MEFOST	2301MEFOST

Adoption Assistance – Title IV-E – COVID-19 (93.659):

Award Number	
2201MEADPT	2301MEADPT

Children's Health Insurance Program (CHIP) – COVID-19 (93.767):

Award Number	
2105ME5021	2205ME5021

Medicaid Cluster – COVID-19 (93.775, 93.777, 93.778):

Award Number		
2105ME5MAP	2205ME5MAP	2305ME5MAP

Disaster Grants – Public Assistance (Presidentially Declared Disasters) – COVID-19 (97.036):

Award Number			
4354DRMEP00000001	4367DRMEP00000001	4522DRMEP00000001	4647DRMEP00000001
4696DRMEP00000001			

As a result of the COVID-19 pandemic, many new Federal programs were established, and funding was added to existing Federal programs. Funding arising from these sources is denoted by "COVID-19" following the program or cluster name.

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section III – Federal Findings and Questioned Costs

(2023-030)

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

Prior Year Findings:

FY22
2022-022

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: See E-93 to E-94

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

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $4,271
Likely Questioned Costs: $4,862,998; likely questioned costs were projected by dividing the known questioned costs in the sample by total Pandemic Electronic Benefit Transfer (P-EBT) benefits tested to establish an error rate, then applying that error rate to total P-EBT benefits issued in fiscal year 2023.

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

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

The State is required to maintain 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 P-EBT program, authorized by the Families First Coronavirus Response Act (FFCRA), in accordance with the State agency plans approved by the U.S. Department of Agriculture (USDA).

FFCRA allows the Department of Education (DOE) to release necessary student information to the Office for Family Independence (OFI) regarding participation in the National School Lunch Program and School Breakfast Program for purposes of administering the P-EBT program.

The State was required to submit plans to USDA as a precondition for participation in the P-EBT 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. Two separate plans were approved by USDA for P-EBT benefit issuances during fiscal year 2023: School Year 2021-2022 and Summer 2022.

Condition: 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 OFI, with support from DOE, 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 or hours due to COVID-19.

As outlined in the State's USDA-approved plans, OFI established an agreement with DOE to provide information required for issuance of P-EBT benefits to eligible children. DOE provided student data as a starting point for eligibility determinations under the P-EBT program. OFI utilized this information to apply additional eligibility criteria, add information for children under six, calculate appropriate P-EBT benefits, and build benefit issuance files for processing. The State plans and underlying agreement between OFI and DOE establish 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. The Office of the State Auditor (OSA) reviewed policies and procedures related to OFI's issuance of P-EBT benefits, and identified the following:

- OFI does not have policies and procedures in place to require performance of an independent review, reconciliation, or verification of data provided by DOE to ensure all eligibility criteria are met prior to issuance of P-EBT benefits. A reliance is placed on algorithms within DOE's data extracts to ensure compliance with eligibility requirements outlined in the State's approved plan.
- OFI does not have documented policies and procedures in place for the data cleaning process applied to files received from DOE. OFI conducts data cleaning on all data files provided by DOE before issuing P-EBT benefits. The cleaning process includes changes such as reformatting zip codes or invalid field lengths, and modifications for inconsistent dates, invalid characters, duplicated data, and invalid address data. Documentation of changes made as a result of the cleaning process is not retained by the Department.

- OFI does not have documented policies and procedures in place for system integration testing (SIT) and user acceptance testing (UAT) of P-EBT issuance files. The files built by OFI undergo SIT and UAT prior to transmission for benefit issuance, which includes running a test upload of benefit issuance files and comparing the data input to the resulting output and reviewing a sample of individual benefit issuances. Because documented policies and procedures do not exist, the format, documentation, and results of these testing processes are inconsistent.

OSA requested original data files containing client and benefit issuance information utilized by OFI during fiscal year 2023 for all P-EBT issuances that occurred to verify consistency with the State's USDA-approved plans and compliance with Federal requirements. OSA tested P-EBT benefits provided to 60 households during the fiscal year; however, some households had multiple students receiving benefits. This resulted in a test of 76 P-EBT benefit issuances which identified the following:

- For 22 students that received school year P-EBT benefits, OSA was unable to verify eligibility criteria relating to school status, resulting in overpayments totaling $1,534.
- For four students that received school year P-EBT benefits, OSA was unable to verify eligibility criteria for free or reduced-price school meals, resulting in overpayments totaling $1,564.
- For three students that received summer P-EBT benefits, OSA was unable to confirm the students' enrollment in school in June 2022, resulting in overpayments totaling $1,173.

OFI did not maintain adequate documentation in support of these P-EBT benefit payments totaling $4,271, as required by the agreement between OFI and DOE, and as outlined in the approved State plans.

OSA selected a non-statistical random sample.

In addition, it was noted through audit testing that OFI does not consistently utilize identification numbers for benefit issuance tracking. P-EBT benefits were issued to existing household EBT cards, under pandemic-related identification numbers, and under child identification numbers; however, the documentation maintained for P-EBT benefit issuances is only tracked by child identification number. This results in an inability to properly monitor benefit issuances to ensure that P-EBT benefits are not duplicated.

Context: In fiscal year 2023, the State provided approximately 104,000 P-EBT clients with $37.9 million in Federal benefits. OSA identified 29 unsupported P-EBT benefit issuances out of 76 benefit issuances tested, which represents an error rate of approximately 38 percent.

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 establish policies and procedures to ensure that:

- OFI reviews and reconciles data received from DOE to support eligibility determinations prior to P-EBT benefit issuance;
- the data cleaning, SIT, and UAT processes are documented and consistent; and
- all documentation in support of P-EBT eligibility determinations and allowability of resulting benefit issuances can be provided in accordance with Federal regulations.

In addition, we recommend that the Department review all benefit issuances noted in the Condition of this finding to ensure that unallowable costs are identified and reported to USDA.

Corrective Action Plan: See F-17

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

The Department agrees three students that received summer P-EBT benefits were overpaid $391 each.

The Department disagrees with the following Conditions:

For 22 students, MDOE was not able to identify the specific student whose continuous absence established those students' schools' eligibility date. The P-EBT state plan required at least one student to be absent or remote for at least five consecutive days to establish a school eligibility date and MDOE in fact applied this test and established a school eligibility start date at the time the eligibility files were generated. While the school eligibility start date was captured and preserved in the original files provided to OSA, no student was named. The name of the student was not relevant to other students' eligibility, and creating or preserving a record of the particular student whose absence conferred eligibility was not a requirement of Maine's P-EBT plan with FNS, the Department's MOU with MDOE, or federal P-EBT policy. Further attaching that kind of Personal Identifying Information (PII) to other students' records would not be appropriate. Additionally, since local educational agencies (LEAs) update the core database throughout the school year and beyond, the results could not be replicated in the course of this audit to retrospectively identify the particular students whose absences conferred eligibility. Neither the omission of the students' names in the original file nor DOE's inability to identify such students during the audit establishes that it was improper to issue P-EBT benefits in connection with those students. These students were found eligible based on the best data available to MDOE at the time.

Likewise, the Department acknowledges that for four students, MDOE was unable – when requested to do so by the OSA – to locate their economically disadvantaged status in the database updated by LEAs throughout the school year. That does not mean, however, that it was improper to issue P-EBT benefits in connection with those students. These students' economically disadvantaged status was verified by MDOE and captured in the files at the time of issuance.

The Department disagrees that tracking benefit issuance by child identification number is inadequate to monitor benefit issuances and ensure benefits are not duplicated. Child identification numbers are the most reliable way to track and deduplicate issuance. As pointed out in this finding, many households had more than one child. Additionally, some children may have moved from one household to another during the period in question.

The Department disagrees with the Context and Likely Questioned Costs:

For the reasons detailed above, only three – not 29 – of the students sampled were established to have been issued benefits in error. OSA's calculations should be adjusted accordingly.

The Department disagrees with the Causes:

OSA is incorrect to conclude that OFI should have reviewed, reconciled, and verified data provided by MDOE prior to issuance for at least two reasons. First, contrary to OSA's characterization of the partnership, the Department and MDOE were jointly responsible for administering the P-EBT program, with delegated duties defined in the state plan. That federally approved plan considered MDOE data to be accurate and actionable, and it did not contemplate OFI independently validating such data. Second, the Department is not permitted access to the local educational agency data that would have been necessary for the type of review and reconciliation proposed.

The Department disagrees with the Recommendations:

The three bulleted recommendations cannot be implemented. The P-EBT program ended December 31, 2023. It will not be possible to take corrective action in the implementation of a program that no longer exists.

The State is confident that all issuances in the audit period, including those raised by OSA, were issued correctly based on the best information available at the time by the Departments responsible for implementing the P-EBT program. As such and following FNS guidance that no benefits are to be recouped unless the household applied for them directly, OFI will not revisit prior P-EBT decisions as suggested in OSA's additional recommendation.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

Auditor's Concluding Remarks: The relationship between OFI and DOE in administering the P-EBT program is outlined in the USDA-approved State plans and the documented agreement in place between the Departments.

The agreement states that its purpose is to document the terms and conditions under which DOE will disclose to OFI the education records containing student data. It does not place burden on DOE for administration of the P-EBT program. OFI agreed to "establish procedures and systems to ensure that all confidential data processed, stored, and/or transmitted […] will be maintained in a secure manner" and agreed to "maintain this data as other data used for determining client eligibility and distribution of benefits."

OSA provides the following responses to OFI's disagreements with the exceptions noted in the Condition of the finding:

- For the 22 students where eligibility criteria relating to school status could not be verified, OSA recognizes that DOE data is continually updated throughout the year; however, as outlined in the agreement with DOE, OFI is responsible for maintaining data provided by

DOE as P-EBT program data used for determining client eligibility and distribution of benefits.

- For the four students where eligibility criteria for free or reduced-price school meals could not be verified, documentation in support of program eligibility and allowability was not maintained by OFI as agreed to by both Departments.

Furthermore, 2 CFR 200.403 requires Federal program costs to be adequately documented, including maintenance of records sufficient to determine that such funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award. OFI did not maintain sufficient documentation to support P-EBT program eligibility and allowability. Contrary to OFI's contention, it is not DOE's inability to regenerate and provide data that results in a 38 percent error rate and questioned costs. Rather, it is the negligence of OFI, as the administering agency, to maintain and provide original documentation in support of P-EBT eligibility and benefit issuances. OFI confirms in their response that they failed to maintain such documentation. Without documentation and evidence to substantiate that the P-EBT benefits issued in connection with those students are in line with P-EBT program eligibility requirements, OSA cannot determine that the benefits are allowable; therefore, OSA continues to question the allowability of these costs.

In response to OFI's disagreement surrounding tracking benefit issuance by child identification number, OFI is misconstruing the reported Condition. OSA agrees with OFI's statement that child identification numbers are the most reliable way to track and deduplicate benefit issuance; however, as stated in the Condition, OFI issued benefits under a variety of identification numbers. As a result, OFI does not have the ability to properly monitor benefit issuances to ensure that P-EBT benefits are not duplicated.

In response to OFI's disagreement that review, reconciliation, and verification of DOE data should be performed prior to benefit issuance, including OFI's assertion that access to data that would have been necessary for the type of review and reconciliation proposed is not permitted, the USDA-approved State plan for school year P-EBT benefits outlines that:

- DOE will provide OFI with every student's specific daily learning model and absence status that is eligible for free or reduced-price school meals. OFI will identify students that have excused absences for five consecutive days or more and issue the appropriate P-EBT benefit.
- DOE will provide OFI with a list of all students eligible for free or reduced-price school meals for use in a reconciliation process.
- Utilizing the data provided by DOE, OFI will verify that students were eligible for free or reduced-price school meals and the absence status the school reported for the child and resolve any discrepancies when processing reconciliation applications.

The State plan, FFCRA, and the Departments' agreement in place allows OFI to receive and access the data that would have been necessary for review, reconciliation, and verification of DOE data and resulting P-EBT eligibility. Existing policies and procedures do not adhere to the terms of the State plan as submitted to and approved by USDA.

While OFI is confident that all issuances in the audit period were issued correctly based on the best information available at the time, documentation in support of this assertion was not maintained. The State plan further outlines that OFI "commits to reporting all identified over issuances […] including the number of children affected, the dollar value and the nature of the error. Maine will have the ability to track any detected over issuance of P-EBT benefits. This data will be available in report form for analysis to determine if a claim will be established and pursued." FNS guidance that states no benefits are to be recouped unless the household applied for them directly does not preclude OFI from taking action to identify and report over issuances to Federal oversight.

The finding remains as stated.

(State Number: 23-1108-05)

(2023-031)

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

Prior Year Findings:

FY22
2022-025

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: See E-93 to E-94

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

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $7,491
Likely Questioned Costs: Undeterminable; incorrectly calculated Supplemental Nutrition Assistance Program (SNAP) benefits may result in overpayments or underpayments to clients. Since there are known overpayments and underpayments in our sample, a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 272.10; 7 CFR 273.1 and .10; Families First Coronavirus Response Act (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 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.

All State agencies must sufficiently automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing and transmitting information concerning SNAP.

Individuals or a group of individuals paying a reasonable amount for meals or meals and lodging must be considered boarders and are not eligible to participate in SNAP independently of the household providing the board.

State agencies must calculate a household's expenses based on the expenses the household expects to be billed for during the certification period (12 months).

The Families First Coronavirus Response Act (FFCRA) established emergency allotments for households participating in SNAP to provide temporary food needs at the applicable maximum allotment for the household size.

Condition: SNAP is administered by the Office for Family Independence (OFI) and 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 calculations.

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 and related benefit calculations.

The Office of the State Auditor (OSA) tested 60 household monthly benefit payments to verify the accuracy of SNAP operations utilizing ACES, and identified the following:

- Three underpayments of monthly SNAP benefits totaling $1,242 due to errors by Department personnel while processing manual ACES case file modifications to income information
- Four overpayments of monthly SNAP benefits, including:
    - one benefit overpayment totaling $918 due to income information not updated by the Department in the ACES case file in a timely manner
    - two benefit overpayments totaling $2,974; an income data exchange with ACES appropriately adjusted income information to the correct prior date in each case file; however, previously issued monthly benefit payments were not recalculated and recovered from households accordingly.
    - one benefit overpayment totaling $3,599; the client should have been classified as a "boarder" within the household, and therefore, ineligible to participate in SNAP independently of the household providing the board.
- One case was identified where household expenses from which benefit amounts were calculated had not been updated since 2018. The Department did not calculate the household's benefit allotment based on expected annual expenses, in line with the 12-month redetermination period required by SNAP program regulations. The client was paid an accurate total monthly benefit due to the emergency allotment from FFCRA, which provided the maximum benefit amount for this case.

OSA selected a non-statistical random sample.

The Department does not have adequate policies and procedures in place to ensure that ACES case file modifications, whether manual or system interfaced, that result in adjustments to previously issued monthly SNAP benefits are appropriately processed. This includes a recalculation of previously issued benefits when case file modifications are processed, establishment of corresponding overpayments or underpayments, and related follow-up actions with households.

Context: In fiscal year 2023, the State provided approximately 127,000 SNAP clients with $484.8 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
- Benefits may be incorrectly calculated, resulting in households being underpaid and/or overpaid.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement additional policies and procedures to ensure that:

- case information entered into ACES is accurate;
- automated eligibility determinations and benefit calculations are processed in accordance with Federal regulations; and
- recalculations of previously issued benefits and related follow-up actions occur when case file modifications are retroactive.

Corrective Action Plan: See F-19

Management's Response: The Department partially agrees with the exceptions noted; however, the Office for Family Independence has policies in place to ensure that information that is entered into ACES is accurate, that automated client eligibility determinations are processed in accordance with federal law and that recalculations of file modifications are retroactive, as applicable. The Department will continue to review its operating procedures to identify opportunities for improvement.

Regarding the one case identified where household expenses had not been updated since 2018: The Head of Household (HH) has been receiving the full standard (FSUA) which means the expense deduction has been changing. The client & Department have been updating the medical expense deduction with timely verifications from the client. On the signed Review, the client checked that the above listed expenses were correct and checked the HH had no other shelter expenses other than the ones listed above. These actions are in compliance with 7 CFR 273.10(d)(4).

The Department asserts that adequate safeguards are in place. The cost of implementing the recommendations would exceed the benefit realized in achieving 100 percent accuracy in determining eligibility.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

Auditor's Concluding Remarks: Regarding the one case noted in Management's Response, the ACES case file does note changes in household medical expenses and Full Standard Utility Allowance (FSUA) values, including confirmation that the expenses were accurate during the household's most recent annual recertification; however, the household's monthly rent expense has been documented as "anticipated" and has not changed since 2018. The expenses have never been verified. 7 CFR 273.10 requires anticipated expenses to be based on the most recent month's bills. At the time of audit testing, the expense information remained unchanged and unverified for approximately five years.

For the seven exceptions identified which were not addressed in Management's Response, existing policies and procedures resulted in inaccurate benefit payments. OSA recognizes that achieving 100 percent accuracy in determining eligibility and calculating benefit payments would likely not be feasible; however, a sample payment error rate of approximately 12 percent indicates that a review of operating procedures and implementation of improvements is necessary.

The finding remains as stated.

(State Number: 23-1108-02)

(2023-032)

Title: Internal control over Medicaid and SNAP deceased client cases needs improvement

Prior Year Findings:

FY22	FY21	FY20	FY19
2022-026 2022-086	2021-015 2021-056	2020-019 2020-056	2019-013

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services
Assistance Listing Title: SNAP Cluster (COVID-19)
Medicaid Cluster (COVID-19)
Assistance Listing Number: 10.551, 10.561; 93.775, 93.777, 93.778
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $8,329 (ALN 10.551)
Likely Questioned Costs: Undeterminable; the Office of the State Auditor (OSA) tested a sample of cases where Supplemental Nutrition Assistance Program (SNAP) benefits were issued after the client's date of death (DOD). Issuance of benefits to a deceased client does not necessarily result in unallowable program costs, as the issued benefits may not be expended; therefore, an error rate cannot be applied to the population and a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 272.8 and .14

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.

State agency action on information items about recipient households shall include review of information and comparison of it to case record information. State agencies must initiate and pursue actions on recipient households within 45 days of the receipt of the information items.

States shall establish a system to verify and ensure that benefits are not issued to individuals who are deceased. States shall use the Social Security Administration's (SSA) Death Master File, obtained through the State Verification and Exchange System.

Condition: The Office for Family Independence (OFI) manages the Automated Client Eligibility System (ACES) that is used to determine eligibility for Federal assistance programs, including Medicaid and SNAP. Information maintained in ACES is relied upon by OFI for determining monthly SNAP benefits issued to client Electronic Benefit Transaction (EBT) cards, and by the Office of MaineCare Services for processing Medicaid claims.

OFI relies on numerous data sources for identifying and providing client DOD information for input into ACES, including monthly data exchanges with the Maine Center for Disease Control & Prevention (MeCDC) Vital Records and weekly data reports from the SSA's Death Master File. Federal program regulations require OFI to act on client cases within 45 days of receipt of DOD information. This includes review and comparison of DOD information to ACES case file information, and suspension of program participation and related benefits as warranted. OFI policies for SNAP require deactivation of the client's EBT card as well as expungement of authorized benefits from the EBT card. If activity occurred on the client's EBT card subsequent to the DOD, the case must be reported as potential fraud and referred for investigation.

The Office of the State Auditor (OSA) obtained DOD information from MeCDC Vital Records and compared it to clients who received Medicaid and SNAP benefits during fiscal year 2023.

OSA identified 95 Medicaid claims with service dates after DOD in fiscal year 2023 and reviewed 30 clients with the largest paid claim amounts. Because certain Medicaid claims with service dates after DOD are considered allowable, claims paid on behalf of the deceased clients noted below are not reported as questioned costs:

- Two clients had a DOD recorded in ACES that did not agree to the DOD provided by MeCDC Vital Records.
- Two clients did not have a DOD recorded in ACES but were reported as deceased by MeCDC Vital Records.

Furthermore, four Medicaid clients with an incorrect DOD identified by OSA during the fiscal year 2022 audit were still not corrected in ACES.

OSA identified 671 cases where SNAP benefits were issued more than 52 days following the client's DOD; this benchmark was applied to denote the 45-day Federal program regulation related to weekly receipt of DOD information. OSA tested 60 of these SNAP cases and identified the following:

- 18 single member household clients had EBT card purchase activity after DOD. Of these 18 clients:
  - o 14 clients had transaction activity after DOD that occurred in fiscal year 2023, resulting in unallowable costs totaling $8,329, as follows:
    - For 13 of the 14 clients, unauthorized transaction activity totaling $7,297 occurred between the actual DOD and the Department's receipt and processing of the DOD information in ACES.

        - One of the 14 clients did not have a DOD recorded in their ACES case file at the time of audit testing but was reported as deceased by MeCDC Vital Records; this resulted in $1,032 of unauthorized transaction activity.
    - Four clients' DOD occurred in fiscal year 2023 and benefits continued to be authorized and issued; however, the unallowable purchase activity began subsequent to fiscal year 2023.
    - Four clients were not identified as potential fraud in the ACES case file. As a result, they were not referred for investigation as required by OFI policies.
- Five clients had a DOD recorded in ACES that did not agree to the DOD provided by MeCDC Vital Records. This resulted from the Department's practice of entering DODs as the last day of the month or an alternative date from public information sources in order to suspend benefits in cases where DOD information is not immediately available; however, the Department had MeCDC Vital Records information at the time of DOD input for all five clients and should have entered DODs based on those records.
- One client did not have a DOD recorded in their ACES case file but was reported as deceased by MeCDC Vital Records; benefits were authorized during fiscal year 2023, but no unauthorized transaction activity occurred.
- 10 clients' benefits were not expunged upon receipt of DOD information as required by OFI policies; benefits were only expunged by the system-automated process based on inactivity after 274 days. For 2 of the 10 clients, the EBT card was never deactivated; therefore, benefits remained open and available for use 274 days after DOD.
- One client's case remained open two months after OFI was notified of the client's DOD, resulting in two months of unauthorized SNAP benefit issuances.
- Two clients' ACES case file information partially matched DOD information from MeCDC Vital Records, including names and dates of birth; however, the client social security numbers did not match. The Department did not review the cases to determine appropriate follow-up action.

OSA selected a non-statistical random sample.

Context: In fiscal year 2023, the State provided approximately:
- 575,000 Medicaid clients with $2.5 billion in Federal benefits. Of the 575,000 Medicaid clients, 9,826 had a DOD in fiscal year 2023.
- 127,000 SNAP clients with $484.8 million in Federal benefits. Of the 127,000 SNAP clients, 2,021 had a DOD in fiscal year 2023.

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

Effect:
- Medicaid claims paid on behalf of deceased clients may go undetected.
- SNAP benefits issued to deceased clients may result in unauthorized EBT card purchase activity.
- Known questioned costs for SNAP
- Potential future questioned costs and disallowances

- Noncompliance with Federal regulations

Recommendation: We recommend that the Department enhance policies and procedures to ensure that DOD information is received, reviewed, and updated in ACES on a more frequent basis to prevent unallowable Medicaid claim payments, and unauthorized SNAP benefit issuances and EBT card purchase activity. In addition, we recommend that the Department review all client cases noted in the Condition of this finding to ensure that:

- ACES case file DOD information is accurate;
- SNAP benefits are expunged and EBT cards are deactivated in accordance with existing policies;
- cases are identified as potential fraud and referred for investigation as warranted; and
- unallowable costs are identified and reported to Federal oversight agencies, and required recoupment activities are pursued.

Corrective Action Plan: See F-19

Management's Response: The Department agrees with this finding and will review the current SOP governing DOD procedures and will implement enhancements to ensure DOD is updated and that related required actions are taken within allowable timeframes.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

(State Number: 23-1108-04)

(2023-033)

Title: Internal control over automated SNAP eligibility certification periods 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: See E-93 to E-94

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

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $18,090
Likely Questioned Costs: Undeterminable; incorrectly suspending Supplemental Nutrition Assistance Program (SNAP) benefits may result in overpayments or underpayments to households. Since there are known overpayments and underpayments in our sample, a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 272.10; 7 CFR 273.10 and .12

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.

All State agencies must sufficiently automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing and transmitting information concerning SNAP, which includes automatic cutoff of participation for households which have not been recertified at the end of their certification period.

SNAP households must be assigned eligibility certification periods of at least six months unless the household is classified as exempt based on program regulations. The State agency must have at least one contact with each SNAP household every 12 months.

Submission of periodic eligibility reports is required by non-exempt households. Non-exempt households that are certified for longer than six months must file a periodic report between four months and six months, as required by the State agency. In addition, the State agency must not require the submission of periodic reports by households certified for 12 months or less in which all adult members are elderly or have a disability and no earned income.

Condition: SNAP is administered by the Office for Family Independence (OFI) and 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 case file 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, including notification letters to clients when 6-month reports and 12-month redeterminations of eligibility are required. All SNAP households, except for elderly and disabled cases with no earned income, are required to submit 6-month reports. In addition, all SNAP households must undergo an annual redetermination of eligibility. Each household's recertification requirements are indicated by date fields in the ACES case file. If a required report or redetermination is not completed by the date indicated in the applicable field, the case's monthly SNAP benefit is automatically suspended by the system.

The Office of the State Auditor (OSA) tested a sample of 60 cases automatically suspended for failure to complete a required review in fiscal year 2023 to verify the accuracy of automated SNAP operations utilizing ACES. In 23 of the 60 cases tested, OSA identified that ACES incorrectly suspended benefits, as follows:

- 20 cases were suspended due to inaccurate information in the applicable ACES date field. The Department identified the issue within ACES and implemented a system reconfiguration to correct review dates; however, the reconfiguration did not account for SNAP 6-month report and annual redetermination requirements. Of the 20 suspensions:
    - seven cases continued to receive SNAP benefits after a failure to complete required 6-month reports. This resulted in the following benefit overpayments, none of which were identified by the Department:
        - Two cases were suspended three months after the 6-month reporting requirement, resulting in known overpayments of $959 and $2,410.
        - Two cases were suspended four months after the 6-month reporting requirement, resulting in known overpayments of $1,597 and $525.
        - Three cases were suspended five months after the 6-month reporting requirement, resulting in known overpayments of $2,941, $2,376, and $1,818.
    - six cases were underpaid SNAP benefits totaling $5,941 because of incorrect benefit suspensions, ranging from one to five months prior to the applicable 6-month reporting requirement.
    - five cases were underpaid SNAP benefits totaling $2,194 because of incorrect benefit suspensions, ranging from 2 to 11 months prior to the annual redetermination requirement.
    - two cases were never required to submit 6-month reports or annual redeterminations since commencement of SNAP benefits in May 2021 and August

2021. This resulted in overpayments for the entirety of fiscal year 2023 totaling $2,539 and $2,925, respectively.

- Three cases were suspended due to inaccurate information in the ACES case file indicating that required reviews were not completed. One case never received an automated ACES notification letter alerting them to complete the required 6-month report because of the system reconfiguration previously noted, and as a result, benefits were suspended. Two cases required annual redetermination information, which was submitted to the Department prior to the benefit suspension date, but benefits ended or lapsed due to untimely or incomplete review by the Department.

OSA selected a non-statistical random sample.

Context: In fiscal year 2023, the State provided approximately 127,000 SNAP clients with $484.8 million in Federal benefits. 469 clients were automatically suspended by ACES during fiscal year 2023 due to recertification or redetermination requirements.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight
- Automated SNAP eligibility system recertification and suspension criteria was not configured in accordance with Federal regulations.

Effect:

- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations
- Benefits may be incorrectly suspended, resulting in households being underpaid or overpaid.

Recommendation: We recommend that the Department enhance policies and procedures to ensure that automated SNAP eligibility certification periods and related ACES case file fields are properly configured to process benefits in accordance with Federal regulations. In addition, we recommend that the Department identify underpayments and/or overpayments resulting from recertification period errors and take action as warranted.

Corrective Action Plan: See F-19

Management's Response: The Department agrees with the exceptions as noted and has previously taken the necessary steps to eliminate these issues.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

(State Number: 23-1108-03)

(2023-034) 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:

FY22	FY21	FY20
Redacted	Redacted	Redacted

Type of Finding: Significant deficiency
Questioned costs

Corrective Action Plan: See F-19

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

(State Number: 23-0905-05)

(2023-035)

Title: Internal control over SNAP EBT card security needs improvement

Prior Year Findings:

FY22
2022-028

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: See E-93 to E-94

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 using the EPPIC system and mailed to the client's mailing address. EBT cards that are undeliverable are returned to the regional Department of Health and Human Services office for processing. Upon receipt of a returned EBT card, the Automated Client Eligibility System (ACES) is used to verify a client's personal information, determine what action to take based on case file information, and document the action through electronic case notes.

The Department has assigned responsibility for processing returned EBT cards to one employee. This process includes receipt of returned cards, maintenance of inventory control records including supporting documentation in ACES and EPPIC, and destruction or retransmission of the card.

Proper segregation of duties does not exist within the current process, as recordkeeping, custody of EBT cards, and authorization of processing activity should be assigned to different employees.

In addition, the State is required to maintain accurate and complete inventory records for returned EBT cards. Returned cards are either destroyed or retransmitted, and are tracked using spreadsheets and related documentation through client case notes in ACES and EBT card activity in the EPPIC system. 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 inventory tracking spreadsheets, and identified:

- one returned EBT card that should have been retransmitted to an updated address was erroneously processed for destruction;
- one returned EBT card with a case note documenting an unknown card location and an assumption that the card was erroneously destroyed, so a new card was retransmitted without confirmation of the destruction;
- one returned EBT card where processing activity was not documented in a case note until eight months after retransmission; and
- one returned EBT card which was recorded on the tracking spreadsheet as retransmitted to an updated address, but no documentation was maintained in the client case file to support that a new address was obtained.

OSA selected a non-statistical random sample.

A data analysis and cross-match of the inventory tracking spreadsheets identified:

- one returned EBT card was erroneously recorded on the destruction spreadsheet twice; and
- eight returned EBT cards were processed utilizing inaccurate client information; multiple client names were tied to the same client identification number on the spreadsheets.

Quarterly, management monitors the inventory tracking spreadsheets by selecting a sample of returned EBT cards for review; however, this oversight procedure does not detect and correct processing errors on a timely basis.

Furthermore, the State is required to maintain secure storage of, and limited access to, EBT cards. The current process does not require proper physical security over returned EBT cards as the returned cards are placed in an open mailbox during processing. While the mailbox is in a secure area of the facility, any employee working within the regional office has access to this mailbox.

Existing policies and procedures in place do not provide adequate security over returned EBT cards, including proper segregation of duties, maintenance of accurate and complete inventory control records, and appropriate physical security controls over EBT cards.

Context: In fiscal year 2023, the State provided approximately 127,000 SNAP clients with $484.8 million in Federal benefits. The Department processed 2,447 returned EBT cards; 1,013 were recorded as retransmitted and 1,434 were recorded as destroyed.

Cause:

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

Effect:

- Potential unauthorized use of EBT cards, which may lead to unallowable costs
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department enhance policies and procedures to require adequate security and oversight of returned EBT cards, including proper segregation of duties within the process, maintenance of accurate and complete inventory control records, and increased physical security controls.

Corrective Action Plan: See F-20

Management's Response: Although the Department agrees that errors were identified, these data entry errors were clerical in nature, and do not impact the security of our returned EBT cards. The Standard Operating Procedure for processing returned EBT cards does segregate duties sufficiently. First, all returned cards are received by District Operations in the Lewiston Regional Office, and they are distributed to a separate resource for processing. Second, a clerical resource in the Lewiston office reviews the case to determine the appropriate course of action, and then subsequently takes and logs that action (in spreadsheets and in ACES). Third, the EBT manager performs quality checks on the logs to ensure the proper handling of the cards/cases.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

Auditor's Concluding Remarks: While OSA recognizes that some of the exceptions noted in the Condition are clerical in nature, instances of unknown card locations, inaccurate processing activity, and untimely or incomplete documentation were also identified.

The current procedure does not segregate duties sufficiently. First, inventory control records are not initiated upon receipt by District Operations prior to placement in an unsecured mailbox for processing. Second, as identified in Management's Response as the clerical resource, the same employee maintains custody of returned EBT cards, determines and authorizes the course of action, has responsibility for inventory control records, and proceeds with physical destruction or retransmission of cards; therefore, there is no segregation between recordkeeping, custody, and authorization of processing activity. The subsequent performance of quality checks by the EBT manager only covers a sample of returned cards and occurs on a quarterly basis. This does not provide segregation of duties within the process.

The finding remains as stated.

(State Number: 23-1108-01)

(2023-036) 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:

FY22	FY21	FY20	FY19
Redacted	Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-20

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

(State Number: 23-0905-04)

(2023-037)

Title: Internal control over CNC special reporting needs improvement

Prior Year Findings:

FY22
2022-030

State Department: Education
State Bureau: Commissioner's Office
Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child Nutrition Cluster
Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582
Federal Award Identification Number: See E-93 to E-94

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 (FSRS).

Condition: When an amount exceeding the first-tier subaward threshold is awarded to a subrecipient, the Department must collect and enter data into FSRS. The Department did not report any of its first-tier subawards under the Child Nutrition Cluster (CNC) in FSRS for fiscal year 2023.

Context: In fiscal year 2023, the Department was required to report first-tier subawards totaling approximately $70 million under CNC. First-tier subawards account for 88 percent of the program's fiscal year 2023 expenditures.

Cause: Lack of policies and procedures

Effect:

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

Recommendation: The Department developed and implemented policies and procedures beginning July 1, 2023; therefore, we recommend that the Department monitor these newly established policies and procedures to ensure that they have been properly implemented. This will ensure subawards meeting or exceeding the first-tier threshold are reported accurately, timely, and in accordance with Federal regulations.

Corrective Action Plan: See F-20

Management's Response: The Department agrees with this finding. The existing procedure for monitoring FFATA reporting now includes Child Nutrition Awards as of 7/1/23.

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

(State Number: 23-1203-01)

(2023-038)

Title: Internal control over CNC claim reimbursements needs improvement

Prior Year Findings:

FY22
2022-031

State Department: Education
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child Nutrition Cluster
Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Allowable costs/cost principles

Type of Finding: Material weakness

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 210.7 and .8; 7 CFR 225.15; Richard B. Russell National School Lunch Act Sec. 19; U.S. Department of Agriculture Fresh Fruit and Vegetable Program Handbook; Policy Memo: COVID-19: Child Nutrition Response #114

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 adequately documented.

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.

In accordance with 7 CFR 225.15, second meals must be served only after all participating children at the site's congregate meal service have been served a meal.

Section 19 of the Richard B. Russell National School Lunch Act (NSLA) states that the per-student grant provided to a school under the Fresh Fruit and Vegetable Program (FFVP) shall not be less than $50, nor more than $75.

U.S. Department of Agriculture's (USDA) FFVP Handbook, referenced as guidance in Policy Memo SP 12-2022, states that all nonfood costs must be carefully reviewed and deemed reasonable.

Policy Memo: Child Nutrition Response 114 for the Summer Food Service Program (SFSP) states that sponsors may only claim reimbursement for meals served retroactive to the date that a complete and correct application was received at the State agency, including meals that were served prior to their written approval to operate SFSP. This waiver from 7 CFR 225.9 states that all reimbursements shall be in accordance with the terms of this agreement. Reimbursements shall not be paid for meals served at a site before the sponsor has received written notification that the site has been approved for participation in the program.

Condition: The Child Nutrition Cluster (CNC) includes the School Breakfast Program, National School Lunch Program (NSLP), Special Milk Program for Children, SFSP and FFVP. The objectives of the programs are to provide nutritious meals to eligible children in schools, residential childcare institutions, and summer food programs; to foster healthy eating habits by providing fresh fruits and vegetables to children attending elementary schools; and to encourage the consumption of nutritious agriculture commodities.

The Department of Education (DOE) is responsible for the administration of child nutrition programs for the State. DOE provides benefits to each SFA or sponsor on a reimbursement basis. SFAs and sponsors must submit claims for reimbursement based on actual meals served for the month and permissible fresh fruits and vegetables, utilizing the Child Nutrition Program (CNPWeb) system. The Department is required to review each SFA or sponsor's claim for reimbursement to ensure that monthly claims are limited to the number of meals served to eligible children and that the cost of the fresh fruits and vegetables are allowable. Once the claims are approved, claims are reimbursed based on the rates that are programmed in the CNPWeb system.

The Office of the State Auditor (OSA) tested claims for reimbursement (CFR) for CNC and found instances that did not align with program regulations for NSLP, FFVP, and SFSP, as follows:

<u>National School Lunch Program</u>
If there are revisions to claims after 60 days which increase the Federal reimbursement, Child Nutrition Services (CNS) is permitted to grant an exception once every 36 months.

OSA tested 60 paid CFRs in NSLP and found one SFA's CFR included two revisions that were more than 60 days after the last day of the claim month. The first revision submitted was not documented as an exception; as a result, the second revision submitted in excess of 60 days was erroneously processed.

Fresh Fruit and Vegetable Program

USDA guidance included in the FFVP Handbook states that most of a SFA's FFVP funds must be used for purchasing fresh fruits and vegetables, all nonfood costs must be carefully reviewed and deemed reasonable, and that labor costs must be minimal. FFVP allocations must be determined at the State agency and result in a per-pupil allocation between $50 and $75 for participating SFAs.

OSA tested 60 FFVP CFRs and found:

- claims from 11 SFAs totaling $51,927 had sites with significant nonfood costs.
  - Six SFA's CFRs included costs totaling $12,506; of this amount, fresh fruits and vegetables were less than 50 percent of the entire claim.
  - One SFA's CFR included labor costs of $1,599 for two sites where no fresh fruits or vegetables were claimed.
- CNS adjusted allocations to two SFAs, but after the adjustment, the SFAs exceeded the $75 maximum per-pupil allocation.

OSA tested 20 SFAs that participated in FFVP and found that three exceeded their original allocation:

- Two SFAs were provided additional funds as a result of a reallocation by CNS; however, the additional allocation resulted in per-pupil amounts that exceeded the maximum amount of $75.
- One SFA overspent by $893 due to a claim system processing error.

Summer Food Service Program

SFSP allows sponsors to claim a percentage of second meals served after first meals have been served. SFSP reimbursement for second meals is dependent upon a sponsor's total first meals claimed.

In July 2022, USDA issued Child Nutrition Response 114 to waive certain application requirements to accommodate for changes made once the program year had begun. The policy memo states that sponsors may only claim reimbursement for meals served retroactively to the date that a complete and correct application was received by the State agency.

Applications from sponsors include individual site sheets that specify mealtimes and operating days as part of the sponsor's application; revisions to the site sheet affect both the completeness and accuracy of the application.

OSA tested 44 SFSP CFRs and found:

- one site claimed only second meals; no first meals had been claimed.
- seven sponsors had approved site sheet revisions and retroactive adjustments; however, CNS did not document the date the revisions were initiated. The revisions included addition of meal types, new sites and days of operation. CNS did not document the reason for the revisions or the date of receipt.

OSA selected non-statistical random samples.

Context: CNC processed $69.9 million in CFRs in fiscal year 2023.

Cause:

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

Effect:

- Potential questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department enhance policies and procedures to ensure:

- CFRs revised after 60 days and granted a one-time exception are tracked;
- CFRs for all SFAs participating in the FFVP are reviewed to confirm that the amounts claimed for nonfood costs are reasonable and labor costs are minimal;
- SFAs that are provided additional FFVP funds are reviewed prior to reallocation to verify that SFAs will not be in excess of the allowed per-pupil limit; and
- revisions to SFSP applications, including site sheets, are properly documented.

Corrective Action Plan: See F-20

Management's Response: The Department agrees to the one-time exception and application documentation elements of this finding. We have created new procedures to ensure these areas are corrected.

The Department disagrees with the recommendation to increase oversight in the FFVP as it aligns with USDA and Department of Education policies and procedures. CFRs for all SFAs participating in FFVP are reviewed to confirm that the amounts claimed for non-food costs are reasonable and labor costs are minimal. The USDA Fresh Fruit and Vegetable Program (FFVP) is a program that is monitored at the same time as the other Child Nutrition Programs, including NSLP and SBP. The administrative review process is conducted on an approved timeline set by the USDA, who administers all of the Child Nutrition Programs. Reviewing one month's claim for reimbursement (referred to as the "Review Period") follows federal requirements and is the NSLP review teams procedure for each review. This includes verifying meal counts for breakfast, lunch, and snack (if applicable) as well as FFVP expenses, if applicable. FFVP claims are reviewed to ensure that only allowable costs are being claimed. This includes food, labor and other costs, which non-food cost is a part of. There is also an edit check in the CNP web reimbursement system so that schools do not exceed the 10% administrative labor amount per grant award. Child Nutrition staff does not verify the meal counts for every claim for reimbursement that is submitted to us on a monthly basis for over 200 SFA's; therefore, having to do this for FFVP is unreasonable and would create a hardship for staff overseeing this program. The monitoring and edit check systems we have in place for FFVP allow for sufficient oversight of the program, including non-food and labor costs, and align with USDA and Department of Education policies and procedures.
SFAs that are provided additional FFVP funds are reviewed prior to reallocation to verify that SFAs will not be in excess of the allowed per-pupil limit. Based on the NSLA Sec. 19, (f) Per-Student Grant- the per student grant provided to a school under this section shall be (2) not less than $50.00, nor more than $75.00; however under (i)Funding (7) Reallocation, (B) Within States- A State that receives a grant under this section may reallocate any amounts made available under

the grant that are not obligated or expended by a date determined by the Secretary. Our interpretation is that any amounts can be reallocated after the initial grant award is given. Allocating above the $75.00/student would allow us to maximize use of federal funds and is in line with the language of the NSLA Sec. 19. We have schools each year that spend more than they were awarded and some that underspend their funds. Imposing this restriction would negatively impact schools that are using their funds as they may have to decrease the number of serving days or stop the program altogether prior to the end of the school year, thus negatively impacting students who benefit from this program.

Contact: Adriane Ackroyd, Assistant Director Child Nutrition, DOE, 207-592-1722

Auditor's Concluding Remarks: The USDA FFVP handbook outlines requirements for program oversight. These oversight procedures require states to review FFVP CFRs submitted by participating schools to ensure that expenditures are appropriate prior to providing reimbursement. The review process should ensure that the "majority of funds are used to purchase fresh produce" and "labor costs and all other non-food costs are minimal." OSA's testing of FFVP claims for reimbursement identified SFAs that had significant nonfood costs. The SFAs selected for testing submitted and were reimbursed for 31 different sites with nonfood costs ranging from 22 to 100 percent of the CFR. The Department did not provide justification to document the nonfood costs, including the site that claimed 100 percent for nonfood.

Furthermore, the Department cites the annual monitoring review process as a mechanism to ensure CFRs for non-food costs are reasonable and labor costs are minimal; however, this process occurs after reimbursement is provided, not prior to reimbursement as required. In addition, OSA audit procedures over subrecipient monitoring reported finding 2023-043 *Internal control over CNC subrecipient monitoring procedures needs improvement* which identified an exception related to the documentation of FFVP program receipts.

Accordingly, OSA recommends that the Department increase oversight over the program to ensure that CFRs are reviewed prior to reimbursement to confirm that the amounts claimed for nonfood costs are reasonable and labor costs are minimal as required by USDA.

While NSLA Section 19(i)(7)(b) does outline that the State "may reallocate any amounts made available under the grant that are not obligated or expended by a date determined by the Secretary," it does not override NSLA Section 19(f)(2) that specifies that the "per-student grant provided to a school under this section shall be not less than $50, nor more than $75." The use of "under this section" in NSLA Section 19(f)(2) pertains to all of Section 19, including reallocations.

As a result, OSA continues to recommend that the Department enhance policies and procedures to ensure SFAs that are provided additional FFVP funds are reviewed prior to reallocation to verify that SFAs will not be in excess of the allowed per-pupil limit.

The finding remains as stated.

(State Number: 23-1203-04)

(2023-039) 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:

FY22
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: 23-0909-04)

(2023-040) 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:

FY22
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: 23-0909-07)

(2023-041)

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

Prior Year Findings:

FY22
2022-034

State Department: Education
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child Nutrition Cluster
Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.502 and .510; 7 CFR 250.58(e); U.S. Department of Agriculture Policy No. FD-104

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. Federal non-cash assistance, such as food commodities must be valued at fair market value at the time of receipt or the assessed value provided by the Federal agency. For a cluster of programs, the SEFA must list individual Federal programs within the cluster.

In meeting the commodity offer value of donated foods for the school food authority, the distributing agency must use the cost-per-pound donated food price posted annually by the U.S. Department of Agriculture (USDA), the most recently published cost-per-pound price in the USDA donated foods catalog, and/or a rolling average of the USDA prices.

Each distributing or recipient agency must choose a method of valuing USDA donated foods for audit purposes. In most cases, it is recommended that a distributing or recipient agency use one of the options listed in 7 CFR 250.58(e). Once a method of assigning value to USDA donated foods is selected, it must be used consistently in all its audit activities and the State must maintain a record of the means of valuing donated foods for such purposes.

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 excluded $2.4 million of fresh food distributed to subrecipients and additional commodity items received.
- incorrectly reported $1,417 of expenditures under ALN 10.555 National School Lunch Program that should have been reported under ALN 10.556 Special Milk Program.

Context: In fiscal year 2023, noncash assistance totaling $2.4 million was not reported to OSC by the Department for inclusion on the SEFA. Noncash assistance for the Child Nutrition Cluster totaled $8.5 million in fiscal year 2023.

Cause:

- Lack of adequate policies and procedures
- 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 policies and procedures that:

- outline the method of valuing USDA donated foods in accordance with Federal regulations.
- require a comprehensive review of SEFA schedules prior to submission to OSC.

In addition, we recommend enhanced oversight over policies and procedures to ensure they are consistently applied and the SEFA is accurate and complete.

Corrective Action Plan: See F-21

Management's Response: The Department agrees with this finding. The child nutrition department will create a procedure for reporting the SEFA numbers to DOE Finance.

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

(State Number: 23-1203-02)

(2023-042)

Title: Internal control over CNC donated food inventory needs improvement

Prior Year Findings:

FY22
2022-036

State Department: Education
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Child Nutrition Cluster
Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582
Federal Award Identification Number: See E-93 to E-94

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.

On an annual basis, the distributing agency must conduct a physical review of donated food inventories at all storage facilities used by the distributing agency and must reconcile physical and book inventories of donated foods.

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 Child Nutrition Cluster includes the School Breakfast Program, National School Lunch Program, Special Milk Program for Children, Summer Food Service Program for Children, and the Fresh Fruit and Vegetable Program. The objectives of the programs are to provide nutritious meals to eligible children in schools and summer food programs, to foster healthy eating habits by providing fresh fruits and vegetables to children attending elementary schools, and to encourage consumption of nutritious agriculture commodities.

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 Office of the State Auditor (OSA) tested 10 donated food items to ensure that the Department had properly tracked the items. OSA reviewed USDA food requests, inventory receipts, and distributions made to SFAs to verify that the documentation corresponded to information in the inventory system and physical inventory counts. OSA identified the following two instances where the records did not agree:

- For one food item, system inventory records identified 52 cases more than OSA calculated, and the physical inventory count indicated 41 cases less than the system inventory records.
- For the other food item, system inventory records identified nine cases less than OSA calculated, and the physical inventory count indicated 17 cases more than the system inventory records.

In addition, for nine of the food items tested, system inventory records did not align with the physical inventory count; variances ranged from 2 to 41 cases. The Department did not document justification for the inventory discrepancies.

OSA selected a non-statistical random sample.

OSA performed a physical inventory inspection of all items that remained in inventory on the inspection date and identified that discrepancies existed between the system inventory items and the physical items on hand for 37 of the 41 food items tested. The Department did not document justification for the inventory discrepancies.

Context: In fiscal year 2023, the Department distributed approximately $8.5 million of USDA donated foods to SFAs.

Cause: Lack of oversight to ensure that:

- the newly implemented inventory system is properly configured; and
- review, remediation and justification of inventory discrepancies is documented

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:

- review the configuration of the inventory system to remediate variances,
- regularly reconcile system inventory records to physical inventory counts, and
- document the justification of any inventory discrepancies.

Corrective Action Plan: See F-22

Management's Response: The Department agrees with this finding. The error was found to be a ticketing issue in CNPWeb, and a ticket was issued to remediate the problem. Staff will continue to provide paper back-up until the computer system is found to be reliable.

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

(State Number: 23-1203-05)

(2023-043)

Title: Internal control over CNC subrecipient monitoring 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 Nutrition Cluster
Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332; 7 CFR 210.18; 7 CFR 225.7; U.S. Department of Agriculture Policy Memo SP 46-2015

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 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.

The Department must conduct administrative reviews of School Food Authorities (SFAs) participating in the National School Lunch Program (NSLP) and the School Breakfast Program (SBP). These procedures must also be followed, as applicable, to conduct administrative reviews of the afterschool snacks, Special Milk Program (SMP) and the Fresh Fruit and Vegetable Program (FFVP).

The Department must review sponsors to ensure compliance with Summer Food Service Program (SFSP) regulations.

The Department is required to conduct a review of base year certification and benefit issuance documentation for any SFA requesting approval to participate in NSLP or SBP using U.S. Department of Agriculture (USDA) Special Provision 2, which is a provision established to reduce application burdens and simplify claim procedures. The review must occur at some point during the base year. If errors are identified as a result of the review, the Department must adjust all of the SFA's closed claims that occurred in the current school year.

Condition: The Child Nutrition Cluster (CNC) includes the NSLP, SBP, SMP for Children, SFSP and FFVP. The objectives of the programs are to provide nutritious meals to eligible children in schools and summer food programs; to foster healthy eating habits by providing fresh fruits and vegetables to children attending elementary schools; and to encourage consumption of nutritious agriculture commodities.

The Department of Education (DOE) is responsible for the administration of child nutrition programs for the State. DOE partners with local SFAs to provide benefits to school-aged children.

DOE has assigned subrecipient monitoring responsibilities, which include administrative reviews and other reviews as needed, to the Child Nutrition Services (CNS) division. Administrative reviews of all SFAs are required at least once every five years. CNS utilizes a spreadsheet to track and facilitate the reviews and a USDA questionnaire to document the completion of the review. CNS is required to retain documentation to support all elements of the administrative reviews and to demonstrate the SFA's compliance with the program.

The Office of the State Auditor (OSA) tested 15 NSLP and SFSP administrative reviews and found:

- the review tracking spreadsheet was not fully completed for two reviews;
- questionnaires were not fully completed for three reviews; and
- information on the USDA questionnaire was inaccurate for four reviews.

Therefore, documentation does not support that all required areas were reviewed in accordance with Federal regulations; however, the Final Review Report issued and corrective action taken suggests that a full onsite review was completed.

OSA selected a non-statistical random sample.

In addition, CNS must perform reviews for all SFAs that have applied to participate in USDA Special Provision 2. These base reviews provide the required information necessary to determine the level of claims the SFA may submit in the subsequent year. After completion of the base year review, a letter detailing the results, including any adjustments to previously submitted claims, is provided to the SFA. The SFA is required to adjust claims and enrollment data through the claim revision process and CNS is responsible for verifying that the appropriate revisions have been completed.

In fiscal year 2023, CNS identified 99 SFAs that required a base year review. OSA tested 15 base year reviews and identified nine SFAs that did not properly revise claims, and CNS did not verify that the appropriate revisions had been completed.

OSA selected a non-statistical random sample.

Context: In fiscal year 2023, CNC expenditures totaled approximately $79 million, of which approximately $69 million was provided to 247 SFAs.

Cause:

- Lack of policies and procedures
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Subrecipients may not be complying with Federal statues, regulations, or the terms and conditions of the subaward.
- Potential questioned costs and disallowances. Base year reviews provide authorization for the level of allowable claims the SFA can claim in subsequent periods. Without a base year review and necessary revisions, SFAs could be underclaiming or overclaiming costs.

Recommendation: We recommend that the Department implement policies and procedures and increase oversight to ensure that:

- reviews are completed as required and supporting documentation is retained;
- SFAs revise claims appropriately after a base year review; and
- CNS verifies that claim adjustments occur as necessary.

Corrective Action Plan: See F-22

Management's Response: The Department agrees with this finding. Policies and procedures will be implemented, and training will be provided to ensure that reviews are completed and documentation is retained, SFA claims are revised appropriately, and verifications of claim adjustments occur as necessary.

Contact: Adriane Ackroyd, Assistant Director Child Nutrition, DOE, 207-592-1722

(State Number: 23-1203-03)

(2023-044)

Title: Internal control over WIC subrecipient monitoring needs improvement

Prior Year Findings:

FY22	FY21	FY20	FY19
2022-039	2021-019	2020-022	2019-019

State Department: Health and Human Services
State Bureau: Manie 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: See E-93 to E-94

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) for each of the eight local agencies at least once every two years. MERs must include all components identified in

7 CFR 246.19. Performing ongoing monitoring activities ensures that the local agency is using funds for authorized purposes and in compliance with Federal regulations.

Since the Department had not completed the financial management system portion of the review for any of the local agencies in the previous year, the Office of the State Auditor (OSA) selected the eight local agencies for review and found that evaluation of the financial management systems portion of the MERs remained outstanding for all local agencies.

OSA then reviewed the other components of the MER separately and identified four local agencies that were due for completion in fiscal year 2023 and found:

- one MER originally due in November 2021 was performed in August 2022.
- one MER due in April 2023 was performed in May 2023.
- one MER due in May 2023 was not performed during the fiscal year.

Context: The Department provided approximately $6 million in WIC program funds to eight local agencies in fiscal year 2023.

Cause: Lack of resources

Effect:

- Noncompliance with Federal regulations
- Federal programs may not be effectively and efficiently administered.

Recommendation: We recommend that the Department review its staffing needs and allocate resources to ensure MERs are completed in a timely manner.

Corrective Action Plan: See F-22

Management's Response: The Department agrees with this finding. WIC completed three (3) MERs for FY23. One (1) MER was not completed within the fiscal year, however, has since been completed. WIC is now current with the MERs in this fiscal year. WIC continues to work with DHHS Internal Audit to assist in completing the MERs financial component. All Local Agencies were monitored for FY23.

Contact: Ginger Roberts-Scott, Senior Health Program Manager, DHHS, 207-287-5342

(State Number: 23-1113-02)

(2023-045)

Title: Internal control over WIC cash balances needs improvement

Prior Year Findings:

FY22	FY21	FY20	FY19
2022-040	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: See E-93 to E-94

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 terms and conditions of the 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, finding 2021-018 for the fiscal year 2021 audit, and finding 2022-040 for the fiscal year 2022 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 $1,059,186 discrepancy between the State's accounting system, WIC reporting, and Federal draws from the 2013 and 2018 WIC Food grants.

Context: The Department calculated a $1,055,088 residual cash balance from the 2013 WIC Food grant and a $4,098 residual cash balance from the 2018 WIC Food grant.

Cause: Lack of adequate recordkeeping and account reconciliation in prior years

Effect: The State may be required to return $1,059,186 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-23

Management's Response: The DHHS and DHHS Financial Service Center agree with this finding. The Department will work with the Federal Agency on steps needed to resolve the cash discrepancy.

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

(State Number: 23-1113-01)

(2023-046)

Title: Internal control over CACFP eligibility determination and claim reimbursement procedures needs improvement

Prior Year Findings:

FY22
2022-041 2022-043

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: See E-93 to E-94

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $19,362
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 exceptions would not provide a reasonable estimate of likely questioned costs.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 226; Child and Adult Care Food Program Memorandum #1-94

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.

Day care homes (DCHs) are defined as an organized nonresidential childcare program for children enrolled in a private home, licensed or approved as a family or group DCH and under the auspices of a Sponsoring Organization (SO).

Each State agency shall establish procedures for institutions to properly submit claims for reimbursement (CFRs). 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. The CFR must report information in accordance with the financial management system established by the State agency, and in sufficient detail to justify the reimbursement claimed. In submitting a CFR, each institution must certify that the claim is correct and that records are available to support that claim.

Prior to submitting its consolidated monthly claim to the State agency, each SO must conduct reasonable edit checks on the sponsored centers' meal claims. Each SO shall accept final administrative and financial responsibility for food service operations in all facilities under its jurisdiction. Reimbursement may not be claimed for meals served to children who are not enrolled, or for meals served at any one time to children in excess of the home's authorized capacity.

Child and Adult Care Food Program (CACFP) Memorandum #1-94 states that CACFP regulations define a DCH as a private residence, and that commercial properties including churches and schools are not private residences and are not eligible to participate in CACFP as a family DCH.

Condition: CACFP provides nutritious foods that contribute to the wellness, healthy growth, and development of eligible children and adults receiving care in day care centers, DCHs operating under SOs, and at-risk after school snack programs. Child Nutrition Services (CNS) within the Department of Education administers CACFP.

Eligibility Determinations

CNS utilizes Federal certifications or State licenses to determine eligibility for participation in the program. The Office of the State Auditor (OSA) tested eligibility determinations for 23 facilities and found:

- one SO provided expired Federal certifications to support eligibility applications for two childcare facilities (CCFs). The certifications expired in February of 2022; however, the application was approved in September 2022, and the provider was reimbursed for all claims in fiscal year 2023. OSA verified the facility was certified.
- two DCH providers had capacities reduced as a result of Department of Health and Human Services inspections; however, the reduced capacities were not documented on the revised applications. The DCH providers continued to claim at a higher capacity, resulting in questioned costs totaling $1,383.
- for 10 providers that were licensed as CCFs, CNS could not provide documentation to verify that providers were operating in a private residence and not a commercial or academic property. OSA verified that 8 of the 10 CCFs were private residences.

OSA selected a non-statistical random sample.

Claims for Reimbursement

Each adult and childcare institution including DCHs, at-risk facilities, and childcare centers must submit a monthly CFR to the State. Independent centers and at-risk centers submit claims directly to CNS. CFRs from DCHs are first submitted to SOs, who are responsible for reviewing and consolidating claims into one comprehensive CFR for submission to CNS. CNS reimburses the SOs and centers for meals served based on information documented in the CFR. CNS utilizes the Child Nutrition Program (CNPWeb) system to process monthly claims. Providers enter information such as operating days, meal types, enrollment, attendance, and licensure into the system. This information is processed through system edit checks to ensure CFRs are allowable. CNS relies on the system edits; however, the edits were not properly implemented and operating as intended during fiscal year 2023.

OSA tested meals claimed on 60 CFRs submitted by sponsors or SOs and found:

- 23 CFRs included meals claimed which exceeded allowable licensed capacity for the facility. CNS approved and paid the claims without requesting documentation to support the allowability of the meals claimed. Of the 23 CFRs:
    - 21 providers indicated shift feeding. Shift feeding allows providers to serve meals over licensed capacity if children are not all in care at the same time. The submitted claims did not include documentation to support that capacity was not exceeded at any one time.
    - three providers did not indicate shift feeding; however, the average daily meals and attendance exceeded capacity.
    - 15 CFRs included nine providers that were allowed to claim in excess of licensed capacity; CNS erroneously allowed the providers' children in determination of allowable capacity.

  Questioned costs related to undocumented shift feeding or meals claimed in excess of licensed capacity totaled $16,421 in fiscal year 2023.
- one CFR had meals claimed that exceeded the maximum number of meals per child in attendance, resulting in questioned costs of $8.
- two CFRs had meals claimed where attendance exceeded enrollment, resulting in questioned costs totaling $534.
- 11 CFRs included claims for evening snacks served; however, application records indicate the facility was closed, resulting in questioned costs totaling $1,016.

OSA selected consolidated CFRs submitted by one SO for all 12 months; a risk-based approach was used to select DCH claims from those consolidated CFRs. OSA selected a non-statistical random sample of all other CFRs.

Context: In fiscal year 2023, CACFP expenditures totaled $9.8 million, of which $9.7 million in CACFP funds was provided to 104 sponsors.

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
- CCFs currently eligible to operate as DCHs may not be eligible to continue participating as DCHs if it is determined that the properties are commercial properties.

Recommendation: We recommend that the Department enhance policies and procedures to require:

- a review of licensing status, property type and capacity for all providers during each fiscal year;
- documentation to support claims made in excess of licensed capacity or enrollment; and
- a secondary review of monthly CFRs for accuracy prior to approval.

We further recommend that the Department follow up with sponsors and SOs to identify unallowable costs and recoup costs if warranted.

Corrective Action Plan: See F-23

Management's Response: The Department partially agrees with this finding. The Department disagrees with the finding in relation to the property type, according to Federal Guidelines, submitted to OSA directly from the USDA, the State Agency is in compliance with Small Facility Approvals. Due to the state interpretation, we will develop a property form for new small facilities to confirm their residential status prior to approval for participation into the CACFP Program.

The Department will update procedures to support claims made in excess of licensed capacity or enrollment and will require a secondary review of CFRs.

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

Auditor's Concluding Remarks: CACFP Memorandum #1-94 provided by the U.S. Department of Agriculture specifically states that CACFP regulations define a DCH as a private residence, and that commercial properties, including churches and schools, are not private residences and are not eligible to participate in CACFP as a family DCH. CNS could not provide verification that providers were operating in a private residence and not a commercial or academic property.

The finding remains as stated.

(State Number: 23-1115-02)

(2023-047)

Title: Internal control over CACFP subrecipient monitoring procedures needs improvement

Prior Year Findings:

FY22
2022-042 2022-044

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: See E-93 to E-94

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332; 7 CFR 226.6

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:

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

7 CFR 226.6 outlines specific scheduling requirements for monitoring by the Department including:

- reviewing at least 33.3 percent of all institutions annually;
- reviewing Sponsoring Organizations (SOs) that operate 1 to 100 facilities at least once every three years; and
- reviewing SOs that operate more than 100 facilities, which conduct activities other than the Child and Adult Care Food Program (CACFP), that have been identified during a recent

review as having serious management problems, or that are at risk of having serious management problems, at least once every two years.

Condition: CACFP provides nutritious foods that contribute to the 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 approximately 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 procedures 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.

<u>Subrecipient risk evaluation</u>
The level of subrecipient monitoring procedures performed in fiscal year 2023 were based on CACFP regulations rather than a risk-based approach as required by Federal regulations. In response to this repeat finding, CNS developed a documented risk evaluation process which will be utilized to plan monitoring activities for fiscal year 2024.

<u>Subrecipient audit verification</u>
CNS identified 22 non-profit and for-profit subrecipients which expended over $750,000 in fiscal year 2023, therefore requiring verification of subrecipient audits. The Office of the State Auditor (OSA) identified one additional subrecipient that required a Single Audit that CNS did not identify. OSA was able to confirm that the subrecipient did have a Single Audit as required. Additionally, CNS did not obtain documentation from subrecipients to support extensions for audits that had not been completed.

<u>Subrecipient monitoring</u>
As noted above, in accordance with CACFP regulations, CNS utilizes a three-year administrative review cycle to monitor subrecipients. Reviews are required to be completed by the end of the cycle ending September 30 of each fiscal year and include both on-site and desk reviews. CNS schedules and conducts the reviews, holds exit meetings, provides the subrecipient with a report, and if applicable, requires the subrecipient to document corrective action plans, which CNS follows up on as needed. Once corrective action is completed, CNS issues a final review closeout letter.

OSA tested a sample of eight scheduled administrative reviews that were required for completion in fiscal year 2023 and identified two reviews that were started within the cycle but not yet completed. The on-site reviews were conducted April 4, 2023, and May 23, 2023, respectively, but the desk portion of the reviews had not been completed as of February 2024; therefore, the exit meeting and reports have not been issued.

OSA selected a non-statistical random sample.

Context: In fiscal year 2023, CACFP expenditures totaled $9.8 million, of which $9.7 million in CACFP funds was provided to 104 subrecipients.

Cause:

- Lack of adequate policies and procedures
- Lack of staff resources available to complete the administrative reviews timely

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

Recommendation: We recommend that the Department:

- utilize and evaluate the effectiveness of the newly established risk evaluation process;
- enhance policies and procedures to ensure that audit reports for all subrecipients receiving over $750,000 in Federal awards requiring audits are properly identified, tracked, received, and reviewed;
- enhance documentation to support reasons for late or missing audit reports; and
- implement a process to ensure that the backlog of reviews is completed and allocate resources to ensure all portions of the administrative reviews are fully completed.

Corrective Action Plan: See F-23

Management's Response: The Department agrees with this finding. The CACFP Team in Child Nutrition has made significant improvements since the prior year single audit. This finding is due to the timing of the single audit and the time it takes to implement corrective action, the Department responding to a Federal Audit, the withdrawal of a subrecipient, and the process to hire additional staff.

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

(State Number: 23-1115-01)

(2023-048) Confidential finding, see below for more information

Title: Internal control over UI claim payments needs improvement

Prior Year Findings:

FY22	FY21	FY20	FY19	FY18	FY17	FY16
2022-045	2021-021	2020-026	2019-027	2018-023	2017-006	2016-005

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: See E-93 to E-94

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness

Questioned Costs: None

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 Title III, Section 303; Unemployment Insurance Program Letter No. 5-13; 26 MRSA 1190 through 1199

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 Unemployment Insurance (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; Social Security Act Title III, Section 303; and Unemployment Insurance Program Letter 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.

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:

- performance of internal work search audits by MDOL personnel 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.

<u>Audit testing results</u>
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, one claimant did not report work search activities for the weeks claimed. Despite not meeting continuing eligibility requirements, the claimant was issued State UI benefits totaling $220.

OSA selected a non-statistical random sample.

<u>Data analytics</u>
Data analytic procedures surrounding continuing eligibility requirements for weekly claim submission and work search activity entered by claimants identified that:

- 18 claimants reported repetitive work search activities indicative of program abuse for consecutive benefit weeks and throughout the majority of their claims;
- one claimant reported new return to work dates in 19 consecutive weekly claim submissions, which generated new temporary unemployment waivers that allowed the claimant to file all 19 weekly claims without reporting work search activities;
- one claimant was granted a waiver with no end date, allowing the claimant to file 24 weekly claims without reporting work search activities; and
- five claimants filed a total of eight claims with no work search activities reported.

Context: The UI program provided $96.8 million in State UI benefits and $1.3 million in Federal UI benefits during fiscal year 2023.

Cause:

- Lack of adequate policies and procedures over initial and continuing claimant eligibility determinations
- Lack of adequate supervisory oversight of information system application controls

Effect:

- Claimants may be incorrectly determined eligible for UI benefits without meeting Federal program requirements, which may result in unallowable issuances of benefit payments that could remain undetected.
- Potential questioned costs and disallowances

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-24

Management's Response: In a general sense the state has added significant controls around benefit eligibility, especially in the vital statistics area and work search. We continue to monitor all eligibility controls and work collaboratively with the state and federal government to enhance controls and strengthen program integrity.

Specific to the findings: The agency agrees with the 18 claimants who provided repetitive work search efforts on their weekly claims. This subset of claimants used CareerCenter activities as their work search for numerous subsequent weeks. Per the Commission Rules, Chapter 10, subsection B (1) and (2), certain CareerCenter activities may count as a work search for the week claimed. However, due to recent OSA audits, additional controls were defined and implemented to avoid this exact scenario. The change was implemented with our 06/28/2023 build. As of that time in cases where a claimant reports a CareerCenter related activity on more than two weekly benefit claims, the claimant will be scheduled for a fact-finding to discuss their work search efforts. We anticipate seeing a significant improvement in this area for SFY 24.

We agree with the finding on the single claimant who was granted consecutive work search waivers by reporting they were scheduled to start new employment within the next two weeks on their weekly claim. Additional controls in this area will be formulated and a change request filed to address this finding.

We agree with the remaining six claimants' control findings which were due to a variety of staff training issues. Some of these are in process of being addressed through refresher training, some of which had already been detected prior to OSA's finding. One case will require additional review but was possibly due to a staff data entry error.

We are encouraged by the continued collaboration with OSA, which has resulted in meaningful change and added controls in this area. We appreciate the opportunity provided and look forward to continued improvement.

Contact: Laura Boyett, Director, Bureau of Unemployment Compensation, DOL, 207-621-5156

(State Number: 23-1302-01)

(2023-049) 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-24

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

(State Number: 23-0907-02)

(2023-050)

Title: Internal control over monitoring of employee classification and compensation needs improvement

Prior Year Findings:

FY22
2022-046

State Department: Administrative and Financial Services
State Bureau: Human Resources
Federal Agency: U.S. Department of Labor
U.S. Department of Transportation
U.S. Department of Education
Assistance Listing Title: Unemployment Insurance (UI) (COVID-19)
Highway Planning and Construction (Federal-Aid Highway Program)
Special Education Cluster (IDEA) (COVID-19)
Assistance Listing Number: 17.225; 20.205; 84.027, 84.173
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.430; 5 MRSA 7061

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.

5 MRSA 7061 states that the (Bureau of Human Resources (BHR)) director shall record the duties and responsibilities of all positions in State service and establish classes for these positions. The procedure shall provide for periodic updating of job descriptions at least every five years to accurately reflect current duties and responsibilities of each job classification.

Condition: BHR maintains the job classification specifications and related compensation plan of State employees. A specific salary specification and grade is assigned based on the duties and responsibilities referenced in the job classification specification; this represents reasonable compensation for the services rendered for all positions that inhabit a given job classification specification. The assigned salary grade provides a basis for the allowability of compensation costs charged to Federal awards by documenting the reasonableness of compensation for services rendered by State employees, and that the position appointments under the job classification specification were made and maintained in accordance with State statute.

While BHR relies on data collected from State agencies to implement procedures regarding the classification plan, BHR retains ultimate oversight responsibility. BHR is the only agency with the authority to modify the classification plan.

According to 5 MRSA 7061, BHR shall provide for periodic updating of job descriptions at least every five years to accurately reflect current duties and responsibilities of each job classification. On BHR's website, job classification specifications, along with the date the job class was last reviewed and updated, are published. The Office of the State Auditor (OSA) tested 24 job classification specifications and information reported on BHR's website for compliance with 5 MRSA 7061. For 12 of the 24 job classification specifications tested, OSA identified that the date the job class was last updated was beyond five years. Prior to March 2023, BHR only updated the date on a job classification if a change was made. Although BHR began recording review dates regardless of whether a change was made in April 2023, there is no tracking mechanism in place to effectively identify the dates of the last review and next scheduled review, thus hindering compliance with the statutory five-year cycle.

OSA selected a non-statistical random sample.

Context:

- During fiscal year 2023, $125 million of payroll expenditures were charged to Federal grants. This represents approximately 10 percent of fiscal year 2023 Statewide payroll expenditures, which totaled $1.2 billion.
- BHR was responsible for managing approximately 1,200 job classification specifications in fiscal year 2023.

Cause:

- Competing priorities
- Lack of resources
- Lack of adequate policies and procedures

Effect: State employee job classification and compensation may not accurately reflect the current duties and responsibilities of each position. Without documented evidence that review activities are occurring, BHR cannot ensure that the decisions involving the classification and compensation plan of all State employee positions are properly supported by documentation that accurately reflects the current duties and responsibilities of each position. As a result, this may lead to noncompliance with Federal and State regulations.

Recommendation: We recommend that the Department:

- allocate resources to ensure proper oversight and monitoring of agency-level activities related to the maintenance of the State classification and compensation plan in accordance with State statute;

- continue implementation of policies and procedures to ensure updates or reviews of the State classification and compensation plan are adequately documented; and
- implement a tracking mechanism to accurately monitor the dates of past reviews and schedule forthcoming reviews to aid in adherence to the statutory requirement.

Corrective Action Plan: See F-24

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

The Department disagrees with the statement "The assigned salary grade provides a basis for the allowability of compensation costs charged to Federal awards by documenting the reasonableness of compensation for services rendered by State employees...". The focus is on 5 MRSA 7061 Classification Plan which "records the duties and responsibilities of all positions" rather than on the statute for the Compensation Plan, 5 MRSA 7065, which relates to compensation in that it establishes "minimum and maximum salary rates and such intermediate rates as the director considers desirable." Consistent with 5 MRSA 7065, salary schedules were established and remain in place, changing through bargained and legislatively approved adjustments. To determine the basis for appropriate compensation, one must review these salary schedules along with any recruitment and retention adjustments (permitted by 5 MRSA 7065; paid in addition to and outside of the salary schedule), any agreements for market pay adjustments, laws which provide for additional pay components, and all negotiated pay items contained in the associated collective bargaining agreements. The Compensation Plan has been reviewed and adjusted during the period of this audit (July 2022 through June 2023), as evidenced by the on-line publication of new salary schedules effective July 3, 2022. In the 5-year period of July 2018 through June 2023 (the period the audit looked at class specs), the published salary schedules have been adjusted eight (8) times. The Department also disagrees with the recommendation's reference "classification and compensation plan" as a singular plan. These are two separate plans in statute, and the recommendations are directed toward the classification plan.

The Department agrees with the recommendations in that they provide for improved processes. It is worth noting the new language now in place by statute under the Classification Plan states: "Beginning in 2024, the procedure must provide for a comprehensive review of the classification plan every 10 years to make modifications and improvements as determined necessary."

Contact: Breena Bissell, Director, Bureau of Human Resources, DAFS, 207-624-7368

Auditor's Concluding Remarks: The classification plan (5 MRSA 7061) and the compensation plan (5 MRSA 7065) are inherently linked. A well-maintained classification plan that accurately reflects the current duties and responsibilities of each job classification is essential for determining the correct salary rates in the compensation plan. Without regular reviews of the duties and responsibilities of each job classification, the data used to establish salary rates may be outdated and inaccurate. This can lead to discrepancies between the work performed by employees and the compensation they receive.

The procedural nature and link between the classification plan and the compensation plan is further evidenced in the portion of the statute that BHR omitted in Management's Response. BHR references “minimum and maximum salary rates and such intermediate rates as the director considers desirable.” The full reference states, “The officer shall, *as soon as practicable after the adoption of the classification plan*, submit to the Legislature a proposed plan of compensation developed by the officer showing for each class or position in the classified service minimum and maximum salary rates and such intermediate rates as the officer considers desirable.” The italicized portion of the statute emphasizes the importance of the classification plan as the foundation for developing the compensation plan.

Therefore, it is critical that the classification plan is regularly reviewed and updated, and documentation of the process is maintained, to ensure the integrity of the compensation plan.

The finding remains as stated.

(State Number: 23-0111-01)

(2023-051) 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:

FY22	FY21
Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-25

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

(State Number: 23-0902-06)

(2023-052) 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-25

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

(State Number: 23-0900-06)

(2023-053) 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:

FY22	FY21	FY20	FY19
Redacted	Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-25

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

(State Number: 23-0908-02)

(2023-054)

Title: Internal control over DOT subrecipient and contractor determinations needs improvement

Prior Year Findings: None

State Department: Transportation
State Bureau: Finance and Administration
Planning
Federal Agency: U.S. Department of Transportation
Assistance Listing Title: Formula Grants for Rural Areas and Tribal Transit Program (COVID-19)
Assistance Listing Number: 20.509
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Reporting
Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.331; 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 make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor.

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) and include the total amount provided to subrecipients from each Federal program.

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 Office of the State Auditor reviewed SEFA amounts reported to OSC by the Department and identified $3,064,233 of Federal expenditures incorrectly reported as amounts provided to subrecipients that should have been reported as direct expenditures. The Department did not properly document the role of the parties receiving the funds as vendors and contractors or subrecipients. As a result, vendor and contractor payments were incorrectly included in the initial amount reported on the SEFA as amounts provided to subrecipients.

Context: The Department erroneously reported amounts provided to subrecipients totaling \$16.3 million and direct expenditures totaling \$5.6 million. The correct amounts provided to subrecipients totaled \$13.3 million and direct expenditures totaled \$8.7 million for fiscal year 2023.

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

Effect:
- Inaccurate classifications of subrecipients versus vendors could lead to monitoring the activities of vendors, thus utilizing resources that could be allocated to other program needs.
- Incomplete or inaccurate reporting of expenditures 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 enhance procedures to:
- document the subrecipient determination process to properly classify vendors and contractors versus subrecipients; and
- improve preparation, review, and submission of SEFA information to OSC.

Corrective Action Plan: See F-25

Management's Response: The Department agrees with this finding. The Department will update procedures to ensure the classification of subrecipients versus contractors is documented and to improve the SEFA information that is submitted.

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

(State Number: 23-1402-01)

(2023-055)

Title: Internal control over ERA Program subrecipient monitoring needs improvement

Prior Year Findings:

FY22
2022-049

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: See E-93 to E-94

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.

Condition: In fiscal year 2023, the Department passed through Emergency Rental Assistance (ERA) Program funds to one subrecipient responsible for administering the program. 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. During fiscal year 2023, the Department contracted with a vendor to perform all subrecipient monitoring for the ERA Program, but all monitoring activities occurred subsequent to the final disbursement of ERA Program funds in January 2023.

In addition, the Department 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: In fiscal year 2023, the Department expended $39.5 million in ERA Program funds; the entire amount was passed through to the subrecipient.

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 that is not discovered timely.

Recommendation: The Office of the State Auditor (OSA) acknowledges that the ERA Program has concluded; however, we recommend that the Department develop and implement policies and procedures to ensure that:
- all Federal award program subrecipients of the Department are subject to ongoing monitoring activities during the grant award term.
- detailed documentation in support of subrecipient reimbursement requests is received prior to payment approval.

In addition, we recommend that the Department monitor subrecipient corrective action related to the results of the retroactive monitoring activities performed by the vendor in order to properly close out the ERA Program.

Corrective Action Plan: See F-26

Management's Response: Although management agrees with this finding, the ERA program was one-time funding that the department was required to award to the subrecipient. The Department determined that because the subrecipient is a quasi-state agency that administers millions of federal dollars for rental assistance under the Section 8 and HOME programs, they did not require the level of oversight cited in the finding. The ERA 1 program is already closed-out with Treasury. If there is any additional funding under that program the department will implement our subrecipient monitoring policies and procedures.

Contact: Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817

Auditor's Concluding Remarks: OSA again acknowledges that the ERA Program has concluded; however, the deficiencies noted in the Condition and the related recommendations address Department policies and procedures for all Federal award program subrecipients. As stated in Management's Response, the subrecipient administers a significant amount of Federal funding. This reinforces the need to monitor corrective action related to the results of retroactive monitoring activities performed by the vendor and properly close out the ERA Program. Subrecipient monitoring activities for future subrecipient awards should be adjusted accordingly.

The finding remains as stated.

(State Number: 23-1695-02)

(2023-056)

Title: Internal control over ERA Program performance reporting needs improvement

Prior Year Findings:

FY22
2022-050

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: See E-93 to E-94

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 submit and certify quarterly compliance reports providing financial and performance data regarding grantee administration of their Emergency Rental Assistance (ERA) Program 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 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 subrecipient prepared five quarterly performance reports during fiscal year 2023, which were certified by the Department during the submission process. The Department provided the Office of the State Auditor with all five quarterly reports; however, the Department could not provide:

- documentation to support amounts reported on the State's fiscal year 2023 ERA Program performance reports, as it was not maintained by the Department.

- documentation of review of each performance report prepared by the subrecipient before certification by the Department.

As a result, the Department has no assurance that ERA Program information for each quarterly report prepared by the subrecipient and submitted to the Federal government on behalf of the State is accurate or properly supported.

Context: In fiscal year 2023, the Department expended $39.5 million in ERA Program funds; the entire amount was passed through to the 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 recognize that all ERA Program funds have been disbursed by the Department to the subrecipient; however, reporting requirements are ongoing. For this reason, we recommend that the Department promptly implement 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-26

Management's Response: The Department agrees with this finding. DECD will take corrective action as advised. Prior to each quarterly report submission deadline, staff will meet with the subrecipient on site and review the data collected for uploading into the report to ensure the content of the submission is accurate.

Contact: Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817

(State Number: 23-1695-01)

(2023-057)

Title: Internal control over the submission of HAF Program Schedule of Expenditures of Federal Awards reporting 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 the Treasury
Assistance Listing Title: Homeowner Assistance Fund Program (COVID-19)
Assistance Listing Number: 21.026
Federal Award Identification Number: See E-93 to E-94

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 include the total amount provided to subrecipients from each Federal program.

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. Federal program expenditures reported on the SEFA must be segregated between direct award expenditures and amounts provided to subrecipients. OSC is responsible for compiling this information on behalf of the State.

In fiscal year 2023, the Department of Professional and Financial Regulation received Federal funding and incurred related expenditures under ALN 21.026, the Homeowner Assistance Fund (HAF) Program. The Security and Employment Service Center (SESC), which is responsible for submitting the summary of HAF expenditures to OSC, did not segregate the amounts provided to subrecipients in the exhibits and related schedules provided to OSC.

OSC utilized this information to compile and prepare the SEFA. As a result, all HAF expenditures were inaccurately reported as direct expenditures on the State's fiscal year 2023 SEFA when provided to the Office of the State Auditor for audit purposes.

Context: In fiscal year 2023, HAF expenditures totaled $12.3 million. Of that amount, $4.3 million was direct expenditures and $8.0 million was paid to subrecipients.

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.

Recommendation: We recommend that SESC 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.

Corrective Action Plan: See F-26

Management's Response: The Department agrees with this finding. The expenditure data was not correctly classified as sub-recipient expenditures.

Contact: Marilyn Leimbach, Director, Security and Employment Service Center, DFPS, DAFS, 207-248-2556

(State Number: 23-1000-01)

(2023-058)

Title: Internal control over CSLFRF expenditures 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: Coronavirus State and Local Fiscal Recovery Funds (COVID-19)
Assistance Listing Number: 21.027
Federal Award Identification Number: See E-93 to E-94

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

Type of Finding: Significant deficiency
Questioned costs

Known Questioned Costs: $591,845
Likely Questioned Costs: $591,845

Criteria: 2 CFR 200.303; 2 CFR 200.302; 2 CFR 200.403; Coronavirus State and Local Fiscal Recovery Fund 2022 Final Rule

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.

Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) recipients may use funds "to respond to the public health emergency with respect to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality."

The CSLFRF 2022 Final Rule states (U.S.) Treasury is maintaining the interim final rule definition of "small business," which used the Small Business Administration's (SBA) definition of fewer than 500 employees, or per the standard for that industry, as defined by SBA.

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 2022, Chapter 168, L.D. 2010 authorized funding to establish an energy rebate program for certain electricity customers. The law required the Department of

Economic and Community Development (DECD) to make payments to utility companies for energy rebate credits to the accounts of eligible customers.

To support the allowability of energy rebates to small businesses, DECD prepared the “Energy Rate Relief for Small Organizations” business case. In the business case, DECD stated its intent to use CSLFRF funding to provide direct credits to qualifying Maine small businesses to help defray increased electricity costs. DECD noted the project would provide direct relief utilizing the framework established in LD 2010, Resolve, To Help Certain Businesses with Energy Costs. The Maine Jobs and Recovery Review Committee reviewed and approved the business case on behalf of the State under the assumption that energy rebates would be provided to small businesses.

DECD relied on utility companies to identify customers eligible for the energy rebate based on energy usage. Utility companies provided detailed lists of the customers which they deemed eligible to receive the rebate, and DECD reviewed and approved the invoices for payment.

The Office of the State Auditor (OSA) reviewed the invoices and related payments to utility companies and identified credits were issued to several commercial entities ineligible under the CSLFRF 2022 Final Rule definition of “small business.” The entities listed included large businesses, government entities, and school systems. In total, OSA identified 234 entities credited a total of $591,845 that were not approved as supported by the business case.

Context: Energy Rate Relief payments totaled $7.1 million of the $207.8 million in CSLFRF expenditures during fiscal year 2023.

Cause: Lack of supervisory oversight

Effect:

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

Recommendation: We recommend that the Department review expenditures charged to CSLFRF, including the above-noted expenditures, to ensure that costs are allowable and align with the approved business case and Federal regulations.

Corrective Action Plan: See F-26

Management’s Response: The Department agrees with this finding. Approved business cases are established under a single US Treasury expenditure category. Consistent with legislative direction, the scope of this business case was expanded during the original implementation to include additional allowable expenditure categories; however, the Department did not divide the original business case into multiple business cases to reflect the additional expenditure categories as required. The Department intends on dividing the approved business case into multiple business cases to align with the applicable US Treasury expenditure categories.

Contact: Denise Garland, Deputy Commissioner, DECD, 207-624-7496

(State Number: 23-1699-01)

(2023-059)

Title: Internal control over CSLFRF subrecipient audit procedures 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: Coronavirus State and Local Fiscal Recovery Funds (COVID-19)
Assistance Listing Number: 21.027
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332; 2 CFR 200.521

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 follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.

The Department must verify that every subrecipient is audited as required by 2 CFR 200, subpart F regarding audit requirements. Furthermore, the Department must issue a management decision for audit findings that relate to Federal awards provided to the subrecipient within six months of acceptance of the audit report by the Federal Audit Clearinghouse.

Condition: As part of the American Rescue Plan Act, the State was advanced $997 million in Federal Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) to support its response to and recovery from the COVID-19 public health emergency. The Department of Economic and Community Development (DECD) partnered with subrecipients to support the administration of CSLFRF.

The Office of the State Auditor (OSA) selected a sample of three DECD subrecipients subject to Single Audit requirements outlined in 2 CFR 200, subpart F and identified that DECD did not review the subrecipients’ Single Audits. Additionally, one of the subrecipient Single Audit Reports included a CSLFRF finding for not verifying whether beneficiaries were suspended or debarred; DECD did not issue a management decision as required by Federal regulations.

OSA selected a non-statistical random sample.

Context: For fiscal year 2023, CSLFRF expenditures totaled $207.8 million, of which approximately $55 million was provided to 12 DECD subrecipients.

Cause:

- Lack of adequate policies and procedures
- 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 enhance policies and procedures to ensure that audit reports for all subrecipients receiving over $750,000 in Federal awards requiring audits are properly reviewed, and management decisions are issued timely.

Corrective Action Plan: See F-27

Management's Response: The Department agrees with this finding. The selected sample of subrecipient single audits were not reviewed in keeping with federal guidance in 2 CFR 200 and management decision letters were not issued. Moving forward DECD will engage their consulting firm to conduct regular reviews of subrecipient single audits and work with DECD staff to issue timely and actionable management decisions.

Contact: Denise Garland, Deputy Commissioner, DECD, 207-624-7496

(State Number: 23-1699-02)

(2023-060)

Title: Internal control over CSLFRF subrecipient risk evaluation procedures needs improvement

Prior Year Findings: None

State Department: Labor
State Bureau: Commissioner's Office
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: See E-93 to E-94

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 described in 2 CFR 200.332.

Condition: As part of the American Rescue Plan Act, the State was advanced $997 million in Federal Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) to support its response to and recovery from the COVID-19 public health emergency. The Maine Department of Labor (MDOL) partnered with subrecipients to support the administration of CSLFRF. MDOL has a documented policy that requires subrecipient risk evaluations.

The Office of the State Auditor (OSA) tested a sample of 35 subrecipients paid by various State agencies under CSLFRF, including seven MDOL subrecipients, to ensure that proper subrecipient monitoring was performed as required by Federal regulations. MDOL subrecipient monitoring procedures included providing Federal award information in grant award agreements, communicating program guidelines, establishing reporting requirements, providing technical assistance, and communicating with the subrecipients to discuss program performance; however, MDOL could not provide evidence to demonstrate that monitoring procedures were established in response to an evaluation of the subrecipient's risk of noncompliance for the seven MDOL subrecipients tested.

OSA selected a nonstatistical random sample.

Context: During fiscal year 2023, the Department provided $2.4 million to 20 MDOL subrecipients, from a total of $110.5 million provided to all CSLFRF subrecipients.

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

Effect:
- Subrecipients that are deemed higher risk may not be monitored on a more frequent basis. Conversely, subrecipients that are deemed lower risk may not be monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.
- Subrecipient noncompliance could go undetected.

Recommendation: We recommend that the Department enforce 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-27

Management's Response: The Department agrees with this finding. MDOL received funds via the Maine Jobs and Recovery Plan to accomplish several goals across 20 unique initiatives. To best meet the goals of several initiatives, MDOL selected various partners to work with - via a competitive Request for Applications (RFA) process or other contractual arrangement. MDOL's competitive RFA process required evaluating individual applicants' previous experience in managing grants and delivering similar programs, which directly correlated with selection criteria and grantee scoring. After selection, grantees are required to submit quarterly performance reports and participate in grantee check-in calls at least twice per year. For grantees not on track to meet their performance goals, monthly calls were held with interim progress milestones set to track performance. While the above procedures were implemented for all subrecipients, going forward, the Department will document that monitoring procedures were established in response to an evaluation of the subrecipient's risk of noncompliance.

Contact: Samantha Dina, Associate Commissioner, MDOL, 207-816-1714

(State Number: 23-1699-04)

(2023-061)

Title: Internal control over CSLFRF reporting 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 the Treasury
Assistance Listing Title: Coronavirus State and Local Fiscal Recovery Funds (COVID-19)
Assistance Listing Number: 21.027
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332(b); 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 maintain accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with reporting requirements.

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) and include the total amount provided to subrecipients from each Federal program.

Condition: The Department of Administrative and Financial Services' Security and Employment Service Center (SESC) is responsible for accurately recording information needed to report on the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) Quarterly Project and Expenditure Reports. Information from these CSLFRF reports is used by the Office of the State Controller for SEFA preparation.

The Office of the State Auditor reviewed amounts reported on the SEFA and identified $24.1 million of Federal expenditures incorrectly reported as amounts provided to subrecipients that should have been reported as direct expenditures. SESC inaccurately identified vendors as subrecipients. As a result, vendor payments were incorrectly classified as subrecipient payments on the CSLFRF Quarterly Project and Expenditure Reports and were incorrectly included in the initial amount reported on the SEFA as amounts provided to subrecipients.

Context: Payments to the providers totaled $24.1 million of the $207.8 million in CSLFRF expenditures.

Cause:

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

Effect:

- Incomplete or inaccurate reporting of expenditures on the CSLFRF reports and SEFA, which are submitted to the Federal government, may result in incorrect information used for programmatic, policy or statistical purposes.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement policies and procedures to ensure contractors and subrecipients are appropriately classified and reported on the CSLFRF Quarterly Project and Expenditure Reports and SEFA.

Corrective Action Plan: See F-27

Management's Response: The Department agrees with this finding. The Security and Employment Service Center will continue to work with our partner agencies to help ensure the sub-recipient/vendor classification is appropriately determined when the initial contracts are written.

Contact: Marilyn Leimbach, Director, Security and Employment Service Center, DFPS, DAFS, 207-248-2556

(State Number: 23-1699-03)

(2023-062)

Title: Internal control over Special Education period of performance needs improvement

Prior Year Findings: None

State Department: Education
Administrative and Financial Services
State Bureau: Special Services & Inclusive Education
General Government Service Center
Federal Agency: U.S. Department of Education
Assistance Listing Title: Special Education Cluster (IDEA) (COVID-19)
Assistance Listing Number: 84.027, 84.173
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Allowable costs/cost principles
Period of performance

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $2,446,391
Likely Questioned Costs: Undeterminable; the exceptions noted in our sample represent nonroutine transactions; therefore, the projection of questioned costs utilizing the error rate related to known exceptions and amounts tested would not produce a reasonable estimate of likely questioned costs.

Criteria: 2 CFR 200.303; 2 CFR 200.344; 2 CFR 200.403; 34 CFR 76.703 and .709

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.

Unless the Federal awarding agency authorizes an extension, the Department must liquidate all financial obligations incurred under the Federal award no later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award.

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

The Department must obligate Federal award funds during the 27-month period of performance, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year.

Condition: The Department of Education's (DOE) Office of Special Services & Inclusive Education, in conjunction with the Department of Administrative and Financial Services' General

Government Service Center (GGSC), administers Federal funding received through the Special Education Cluster (SEC) program. The SEC program provides grants to states, and through them to Local Education Agencies (LEAs), to assist in providing special education and related services to eligible children.

DOE and GGSC review and approve requests for reimbursement from LEAs and invoices for other costs including payroll, administrative expenditures, and awards to subrecipients of State-level activities. This review includes a determination of whether the costs are obligated within the applicable Federal award's period of performance through a comparison of billing dates and billing periods to grant award terms.

Period of performance compliance requirements applicable to the SEC program in fiscal year 2023 relate to the Federal fiscal year 2021 grant award. The award's obligation period ended September 30, 2022, and the liquidation period ended 120 calendar days following, on January 28, 2023.

The Office of the State Auditor (OSA) tested 43 expenditure transactions that occurred during the Federal fiscal year 2021 grant award's liquidation period to ensure that the expenditures were obligated and liquidated in accordance with Federal regulations, and identified the following:

- Six transactions related to an obligation that occurred after the end of the period of performance. Upon further review, OSA determined that the full obligation included 20 transactions totaling $1.7 million.
- Three obligations totaling $742,668 were liquidated after expiration of the liquidation period.

The above-noted transactions did not meet the Federal fiscal year 2021 grant award's period of performance requirements and are not allowable under the terms of the award. As a result, OSA identified questioned costs totaling $2.4 million.

OSA selected a non-statistical random sample.

Context: In fiscal year 2023, the Department expended $71.6 million in SEC program funds. Of this total, $5.1 million of Federal fiscal year 2021 grant funds was expended during the award's liquidation period which occurred during fiscal year 2023. The identified questioned costs of $2.4 million represent approximately 47 percent of the award funds expended during the liquidation period.

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 enhance policies and procedures to ensure that obligation and liquidation of grant funds are made within period of performance requirements established in the terms and conditions of Federal grant awards.

Corrective Action Plan: See F-27

Management's Response: The Department agrees with this finding. The Department will review and implement stronger internal controls to ensure obligations and final payments are made within the period of performance requirements. Regarding the 20 transactions totaling $1.7 million, all expenditures reimbursed were within the period of performance, however there was a lengthy delay in determining the final payment mechanism. Due to this delay, the final obligation date in Advantage was outside of the grant's date of obligation.

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

(State Number: 23-1201-02)

(2023-063)

Title: Internal control over Special Education subrecipient audit procedures needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Commissioner's Office
Special Services & Inclusive Education
Federal Agency: U.S. Department of Education
Assistance Listing Title: Special Education Cluster (IDEA) (COVID-19)
Assistance Listing Number: 84.027, 84.173
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332; 2 CFR 200.521

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 follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.

The Department must issue a management decision for audit findings that relate to Federal awards provided to the subrecipient within six months of acceptance of the audit report by the Federal Audit Clearinghouse.

Condition: The Department of Education's (DOE) School Finance and Operations team within the Commissioner's Office, in conjunction with DOE's Office of Special Services & Inclusive Education, is responsible for tracking and reviewing subrecipient audits and issuing management decisions on Special Education Cluster (SEC) subrecipient audit findings. SEC program subrecipients consist of Local Education Agencies and organizations that are provided Federal funding for special education programs.

The Office of the State Auditor (OSA) reviewed 23 SEC subrecipients to ensure proper tracking and review of Single Audit Reports, audit findings, and DOE management decisions in response to findings related to SEC funding. For 2 of the 23 subrecipients, OSA requested documentation of management decisions pertaining to findings included in the Single Audit Reports. DOE could not provide management decision letters documenting consideration, review, and approval of the subrecipients' corrective action plans.

OSA selected a non-statistical random sample.

Context: In fiscal year 2023, the Department expended $71.6 million in SEC program funds, of which $66.8 million was provided to 258 subrecipients. Based on OSA's review, approximately 120 subrecipients were required to undergo a Single Audit in accordance with Federal regulations.

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

Effect:
- Noncompliance with Federal regulations
- Subrecipients not complying with Federal statutes, regulations, or the terms and conditions of SEC subawards may not be implementing appropriate corrective action in response to audit findings.

Recommendation: We recommend that the Department enhance policies and procedures to ensure that adequate documentation is maintained during the review of audit findings, and that management decisions related to audit findings and corrective action are issued timely to subrecipients.

Corrective Action Plan: See F-28

Management's Response: The Department agrees with this finding. The Department will review the current procedure regarding the notification of management decisions related to audit findings and corrective action, to strengthen the areas where prior notifications were missed.

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

(State Number: 23-1201-01)

(2023-064)

Title: Internal control over ESF expenditures needs improvement

Prior Year Findings:

FY22
2022-052

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: See E-93 to E-94

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

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $161,468
Likely Questioned Costs: $7,308,277; likely questioned costs 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 2023.

Criteria: 2 CFR 200.303; 2 CFR 200.403; Coronavirus Aid, Relief, and Economic Security Act, Public Law No. 116-136; Coronavirus Response and Relief Supplemental Appropriations Act, Public Law No. 116-260; American Rescue Plan 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 Coronavirus Aid, Relief, and Economic Security Act; Coronavirus Response and Relief Supplemental Appropriations Act; and American Rescue Plan (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 for ESF and identified the following:

- One ARP Elementary and Secondary School Emergency Relief (ESSER) subprogram reimbursement request included an invoice for a tractor purchase totaling approximately $91,000. The SAU's approved application stated that the purpose of the tractor purchase was to help with lawn mowing, snow removal, and outdoor maintenance so that the school could safely engage in more outdoor learning.
- One ARP ESSER subprogram reimbursement request included an invoice for a paving project totaling $47,500. The paving project was included in the SAU's approved application. The reimbursement request outlined that the "paving improvements in [the] bus area [were] to help facilitate with disinfecting and cleaning of buses."
- Supporting documentation for OFERP's review prior to approval of one ESSER II subprogram reimbursement request totaling $22,896 was not maintained. OSA was able to verify the allowability of the costs based on documentation provided by OFERP during audit testing.
- One ARP ESSER subprogram reimbursement request included oil and electricity utility bills totaling $14,710.
- One ESSER II subprogram reimbursement request included oil and electricity utility bills totaling $8,258.

All subrecipients had an approved application on file with OFERP. The applications and the invoices were approved for reimbursement by OFERP.

The purpose of ESF is to prevent, prepare for, and respond to COVID-19. The project descriptions and supporting documentation for the tractor purchase and paving project provided by the SAU and maintained by the Department do not demonstrate that these reimbursements are a reasonable use of funds consistent with the purpose of ESF. In addition, utility bills such as oil and electricity are routine costs that are supported by a SAU's annual operating budget, and these reimbursements are not consistent with the purpose of ESF.

OSA selected a non-statistical random sample.

Context: In fiscal year 2023, ESF expenditures totaled $178.2 million, of which $167.8 million was paid to subrecipient SAUs.

Cause:

- Lack of established policies and procedures to ensure that only necessary expenditures are charged to the Federal program
- Misinterpretation of Federal regulations

Effect:

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

Recommendation: We recommend that the Department review all expenditures reimbursed using ESF 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-28

Management's Response: The Maine Department of Education (MDOE) disagrees with the identified questioned costs. The FERP 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 FERP 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, FERP utilized ESF federal statutory language and the grantor's published guidance to determine allowability. Once funding applications were approved, SAUs requested reimbursement from the FERP for the approved costs outlined in the school administrative unit (SAU) application. The FERP 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.

Contact: Shelly Chasse-Johndro, Director of OFERP, DOE, 207-458-3180

Auditor's Concluding Remarks: Documentation provided by the Department for the reimbursements totaling $161,468 did not provide adequate evidence that the expenditures were reasonable, necessary, and in line with the allowability criteria of ESF, as outlined below:

- A $91,000 tractor purchase is not a reasonable or necessary use of funds in response to a need directly arising from the public health emergency. While outdoor learning space may have been expanded in response to COVID-19, lawn mowing, snow removal, and outdoor maintenance are routine costs of the SAU.
- A $47,500 paving project is not a reasonable or necessary use of funds in response to a need directly arising from the public health emergency. There is no direct correlation between paving improvements and disinfecting and cleaning of buses.
- $22,968 in oil and electricity bill reimbursements are not reasonable or necessary uses of funds in response to needs directly arising from the public health emergency. Utility bills are routine costs that are supported by a SAU's annual operating budget.

Federal guidance for the ESF program does not clearly state that the expenditures noted as questioned costs are allowable, reasonable, and necessary to prevent, prepare for, and respond to COVID-19. Furthermore, the Department did not provide grantor guidance to OSA as stated in Management's Response. To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented. Without documentation and evidence to substantiate that the expenditures are necessary and reasonable in response to needs directly arising from the public health emergency, OSA cannot determine that the reimbursements were consistent with the purpose of ESF; therefore, OSA continues to question the allowability of these costs.

The finding remains as stated.

(State Number: 23-1235-03)

(2023-065) 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:

FY22	FY21
Redacted	Redacted

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: 23-0909-06)

(2023-066)

Title: Internal control over ESF special reporting needs improvement

Prior Year Findings:

FY22	FY21
2022-056	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: 84.425C
Federal Award Identification Number: See E-93 to E-94

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 (FSRS).

Condition: When an amount exceeding the first-tier subaward threshold is awarded to a subrecipient, the Department must collect and enter data into FSRS.

The Department provided the Office of the State Auditor (OSA) with all monthly reports submitted in FSRS during fiscal year 2023. The Department could not provide support that Education Stabilization Fund (ESF) subawards submitted in FSRS represented a complete record of all subawards required to be reported, as procedures to reconcile subaward activity and FSRS reporting were not in place.

Additionally, in OSA's test of 36 ESF subawards that exceeded the first-tier subaward threshold, 13 subawards listed an incorrect project description, which is considered a key data element of FFATA reporting. The reported projects associated with the subaward funding did not accurately describe subrecipient activities using Federal funds as required by Federal regulations.

OSA selected a non-statistical random sample.

Context: During fiscal year 2023, the Department reported 177 first-tier subawards totaling approximately $17 million to ESF subrecipients. All 177 subawards exceeded the first-tier subaward threshold for reporting in FSRS.

Cause:

- The Department does not have a process in place to ensure that ESF subaward information submitted to FSRS is complete.
- Supervisory review did not detect or prevent the errors contained in ESF subaward project descriptions submitted to FSRS.

Effect: Inaccurate or incomplete information may be and was reported to the Federal government. This information may be used for programmatic, policy or statistical purposes.

Recommendation: We recommend that the Department enhance 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.

Corrective Action Plan: See F-29

Management's Response: The Department agrees with this finding. The Department has implemented a new procedure in FY24 to review project descriptions and reconcile subawards reported between USA Spending and Advantage.

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

(State Number: 23-1235-02)

(2023-067)

Title: Internal control over ESF subrecipient monitoring procedures needs improvement

Prior Year Findings:

FY22
2022-057

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: See E-93 to E-94

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 2023, 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 2023, ESF expenditures totaled $178.2 million, of which $167.8 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-29

Management's Response: The Department agrees with this finding. The Office of Federal Emergency Relief Programs has developed and will be implementing a procedure to maintain complete and accurate records of all equipment purchased with ESF by each SAU.

Contact: Shelly Chasse-Johndro, Director of OFERP, DOE, 207-458-3180

(State Number: 23-1235-04)

(2023-068) 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-29

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

(State Number: 23-0900-07)

(2023-069)

Title: Internal control over ICA program subrecipient monitoring procedures needs improvement

Prior Year Findings:

FY22
2022-058

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: See E-93 to E-94

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 eight subrecipients and found that:

- three subawards did not properly identify required Federal award information:
    - one subaward was missing the subrecipient's Data Universal Numbering System (DUNS) number.
    - three subawards reported the wrong Assistance Listing Number and title.
- two 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.
- 35 financial reports were required to be completed and submitted for fiscal year 2023 to ensure subawards are used for approved budgeted expenditures; however, 23 could not be provided.
- 17 performance reports were required to be completed and submitted for fiscal year 2023 to ensure subaward performance goals are achieved; however, eight could not be provided.

The Department could not provide any other documentation to support that subrecipient monitoring procedures to ensure that the subaward was used for authorized purposes occurred during fiscal year 2023.

OSA selected a non-statistical random sample.

Context: The Department provided $2.7 million to 37 Immunization Cooperative Agreements (ICA) program subrecipients in fiscal year 2023.

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 enhance 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.

Corrective Action Plan: See F-29

Management's Response: The Department agrees with this Finding. Presently, the Department engages in at least monthly meetings with subrecipients during which quarterly progress reports, quarterly financial reports, and workplans are reviewed and assessed for compliance. The Department documents its review of subrecipients' quarterly progress and financial reports in a quarterly review template. Additionally, the Department completes annual monitoring visits with subrecipients to monitor their compliance and documents findings during those visits in a sub monitoring visit template. The Department also meets on an as-needed basis with subrecipients to address emerging challenges and concerns and meet subrecipients' technical assistance needs to support their compliance.

Contact: Eden Silverthorne, Associate Director, Office of Population Health Equity, MeCDC, DHHS, 207-441-1090

(State Number: 23-1118-02)

(2023-070) 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:

FY22	FY21	FY20
Redacted	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: 23-0906-04)

(2023-071)

Title: Internal control over ICA program cash management needs improvement

Prior Year Findings:

FY22
2022-061

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: See E-93 to E-94

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.

Financial records must adequately identify the source and application of funds and provide accountability for all funds, property, and other assets related to the Federally funded activities.

The Department must minimize the time between the drawdown of Federal funds and the disbursement of these funds for Federal program purposes. The timing and amount of fund transfers must be as close as administratively feasible to the Department's actual cash outlay for program costs. Section 50.40.80 of the SAAM has defined administratively feasible as 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 to pay for ICA 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 additional time to process.

In the Office of the State Auditor's (OSA) testing of 40 Federal drawdowns, three drawdowns of Federal funds for the ICA program were beyond the administratively feasible requirement for disbursement, ranging from 10 to 12 days after the receipt of Federal funds.

OSA selected a judgmental and a non-statistical random sample.

In addition, DHHS SC personnel did not take the existing cash balance into consideration when requesting Federal funds for the ICA program for the first two months of fiscal year 2023, resulting in an excess cash balance.

Context: In fiscal year 2023, there were 177 Federal grant drawdowns totaling approximately $10 million for the ICA program. The three drawdowns beyond the administratively feasible requirement for disbursement totaled $215,595.

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 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 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-30

Management's Response: The Department and its Financial Service Center agree with this finding. Policies and procedures will be reviewed for CMIA, draw procedures and reconciliations. The DHHS Financial Service Center will work to obtain and/or increase estimated revenue within the ICA appropriations. With an approval of estimated revenue, expenses will process first, and federal cash will be drawn after, reducing the risk of CMIA noncompliance 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: 23-1118-01)

(2023-072) 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:

FY22	FY21	FY20	FY19
Redacted	Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-30

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

(State Number: 23-0906-01)

(2023-073)

Title: Internal control over ELC program reporting needs improvement

Prior Year Findings:

FY22	FY21
2022-063	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: See E-93 to E-94

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.302; 2 CFR 200.329

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.

The Department must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity.

Condition: The purpose of the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program is to protect public health and safety by enhancing the capacity of public health agencies to effectively detect, respond to, prevent, and control known and emerging infectious diseases. The Maine Center for Disease Control & Prevention (MeCDC) administers the ELC program and is responsible for the preparation, accuracy, and submission of financial and performance reports to the Federal awarding agency.

<u>Financial Reports</u>
The Office of the State Auditor (OSA) reviewed seven of the 33 financial reports due in fiscal year 2023 and found that adequate documentation to support that four of the reports had been reviewed prior to submission could not be provided.

OSA selected a non-statistical random sample.

<u>Performance Reports</u>
The Department was required to submit performance reports for three grants during fiscal year 2023. MeCDC provided the submitted reports; however, adequate supporting documentation could not be provided.

Context: During fiscal year 2023, 33 financial reports and performance reports for three grants were required to be filed for the ELC program.

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

Effect: Without documentation in support of ELC program reporting requirements, the timeliness and veracity of procedures to ensure compliance cannot be verified; therefore, incorrect or incomplete data may be reported to the Federal government

Recommendation: We recommend that MeCDC enhance policies and procedures to ensure that documentation to support the accuracy and completeness of performance and financial reports is retained to demonstrate compliance with Federal reporting requirements.

Corrective Action Plan: See F-31

Management's Response: The Department agrees with this finding. With each quarterly financial reporting due on the 20th of each subsequent month (November, February, May, and August), the Maine CDC will submit quarterly financial reports for internal review by the 10th of the pertinent month. The internal reviewer will have until the 18th to review and submit corrections, for reporting to be inputted into CAMP. A confirmatory email for the process will be issued to record the examination of financial reporting.

For performance reporting, quantitative data is pulled for each report, however data cleaning of the quantitative data is ongoing and a requirement from the Federal CDC. Data pulled for each report will only be accurate at the point in time when the data is pulled. Each year's data is not finalized until six plus months after the year ends. The Federal CDC does not require past reports to be reposted and updated as data cleaning occurs after the initial report is filed. For performance reporting of qualitative data, each team holds a quarterly meeting to review the milestones and provide updates. These meetings will now be recorded and will be available to audit upon request. For any qualitative milestone where progress is made on any given period, the Maine CDC will ensure there is a documented note associated with the percentage completeness selected to further document the recorded value.

Contact: Sara Robinson, Infectious Disease Program Manager, DHHS, 207-287-4610

(State Number: 23-1156-02)

(2023-074)

Title: Internal control over ELC program cash management needs improvement

Prior Year Findings:

FY22
2022-065

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: See E-93 to E-94

Compliance Area: Cash management

Type of Finding: Significant deficiency

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 (OSA) testing of 51 Federal drawdowns, four drawdowns of Federal funds for the ELC program were beyond the administratively feasible requirement for disbursement. Disbursements ranged from 8 to 11 days after the receipt of Federal funds.

OSA selected a non-statistical random sample.

Context: In fiscal year 2023, there were 211 Federal grant drawdowns for the ELC program totaling $39.4 million. The four drawdowns beyond the administratively feasible requirement for disbursement totaled $1.1 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-31

Management’s Response: The DHHS and the DHHS Financial Service Center agree with this finding. As of July 1st, 2023, a Treasury State Agreement was put in place and estimated revenue was established for all appropriations related to the ELC program. Federal cash requests are now following the Treasury State Agreement and funds are being drawn weekly based upon actual expenditures. The DHHS Financial Service Center will update procedures for CMIA, Federal cash requests and reconciliations related to the ELC program to include the guidance of the Treasury State Agreement and weekly draw process.

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

(State Number: 23-1156-01)

(2023-075)

Title: Internal control over payments made to and on behalf of TANF clients needs improvement

Prior Year Findings:

FY22	FY21	FY20	FY19	FY18
2022-067	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)
Assistance Listing Number: 93.558
Federal Award Identification Number: See E-93 to E-94

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

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $4,721
Likely Questioned Costs: $279,992; likely questioned costs were projected by dividing the identified known overpayment in our sample by total payments tested to establish an error rate, then applying that error rate to total payments to Temporary Assistance for Needy Families (TANF) clients for services and payments to providers on behalf of TANF clients in fiscal year 2023.

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 September 2022 underpaid a provider by $1 for Transitional Child Care (TCC). Upon further review, OSA found an additional $666 overpaid to the childcare provider during fiscal year 2023, thus OSA is questioning costs totaling $665. Both the underpayment and overpayment were identified by OSA during audit testing.
- one payment issued in November 2022 correctly paid a provider $154 for TCC. Upon further review, OSA found that the Department received income documentation for the client after the payment was made which would decrease future weekly TCC payments. The Department did not recalculate the TCC payment as required, and as a result, an additional $1,020 was overpaid to the childcare provider during fiscal year 2023, thus OSA is questioning costs totaling $1,020. The overpayment was identified by OSA during audit testing.
- one payment issued in November 2022 overpaid a provider by $7 for TCC. Upon further review, OSA found an additional $210 overpaid to the childcare provider during fiscal year 2023, thus OSA is questioning costs totaling $217. The overpayment was identified by OSA during testing.
- one payment issued in January 2023 overpaid a TANF client a total of $247 for clothing. An advance allowance of $300 was issued to the TANF client, and the TANF client submitted receipts substantiating purchases of $53. The Department sent a letter to the client requesting receipts for the unsubstantiated amount but did not establish an overpayment. OSA is questioning costs totaling $247. The overpayment was identified by OSA during testing.
- one payment issued in March 2023 correctly paid a provider $13 for TCC. Upon further review, OSA found that the Department received income documentation for the client after the payment was made which would decrease future weekly TCC payments. The Department did not recalculate the TCC payment as required and as a result, an additional $156 was overpaid to the childcare provider during fiscal year 2023, thus OSA is questioning costs totaling $156. The overpayment was identified by OSA during audit testing.
- one payment issued in April 2023 correctly paid a provider $138 for TCC. Upon further review, OSA found that the Department received income documentation for the client after the payment was made which would decrease future weekly TCC payments. The Department did not recalculate the TCC payment as required and as a result, an additional $88 was overpaid to the childcare provider during fiscal year 2023, thus OSA is questioning costs totaling $88. The overpayment was identified by OSA during audit testing.

In addition, Department controls identified the following overpayments. Because these payments were not in accordance with Federal regulations and the Department has not recouped the funds, OSA is questioning the costs:

- one payment issued in September 2022 overpaid a TANF client by $150 for clothing. An advance allowance of $150 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 March 2023, thus OSA is questioning costs totaling $150.
- one payment issued in September 2022 overpaid a provider by $104 for TCC. Upon further review, OSA found an additional $2,074 overpaid to the childcare provider during fiscal

year 2023, thus OSA is questioning costs totaling $2,178. The Department identified the overpayment in October 2022.

OSA selected a non-statistical random sample.

Context: In fiscal year 2023, payments to TANF clients for services other than direct cash benefits and payments to providers on behalf of TANF clients totaled $8.3 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 additional procedures to ensure that payments made to TANF clients and providers are accurate, allowable, and adequately documented;
- increase monitoring procedures over these payments; and
- establish recoupments of overpayments in instances where they have not yet been established.

Corrective Action Plan: See F-31

Management's Response: OFI disagrees with this finding.

OSA's interpretation of federal regulation regarding the recoupment of overpaid funds is incorrect, and benefit overpayments are identified and processed by OFI in compliance with federal regulation and policy. Overpayments are required to be recouped in the shortest timeframe possible, but the recoupment amount cannot exceed the standards as set by policy. Neither state policy nor federal regulation requires an overpayment to be recouped within the same state fiscal year it is identified, so it was not appropriate for OSA to include as questioned costs on that basis the two cases where recoupment did not occur in the same fiscal year that the overpayment was established.

Further, OFI disputes how OSA calculated the questioned costs. Three of the payments tested by OSA were found to be correct at the time of issuance. OSA then reviewed all payments during the state fiscal year for the three cases and stated that parent fees should have been adjusted based on documentation in DocuWare. Transitional Child Care does not require changes in income to be reported during the certification period unless the gross income exceeds 250% of the federal poverty level (MPAM, Ch. V, A, (6)), and adjustment of the parent fees were not required for these cases. They should not be included in the list of exceptions. While OSA cites MPAM, Ch. V, A (6), "TCC payments remain constant until a redetermination is completed, or until the recipient or child care provider reports a change that affects the amount of TCC benefits (emphasis added)" the reported change did not affect the amount of TCC benefits.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

Auditor's Concluding Remarks: The Office for Family Independence (OFI) has misconstrued the finding. OSA does not expect the Department to recoup funds within the year they are identified. OSA does expect that when the Department identifies overpayments, recoupments are established for those overpayments. While OSA agrees that the Department identified two of the eight overpayments as noted in the finding, OFI did not take action and appropriately establish a related recoupment to ensure that funds would be recovered. Had appropriate action been taken by OFI, OSA would not have questioned the costs.

Regarding the three cases "found to be correct at the time of issuance" in relation to the calculation of questioned costs:

- OSA understands TCC payments do not require changes in income to be reported during the certification period unless the gross income exceeds 250 percent of the Federal poverty level; however, this is the reporting responsibility of the client, not the State.
- Management's Response cites Ch. V, A, (6) of the Department's Maine Public Assistance Manual (MPAM) which states TCC payments remain constant until a redetermination is completed, or until the recipient or childcare provider reports a change that affects the amount of TCC benefits. For the three cases, the recipient self-reported a change in income. The Department did not recalculate the TCC payment, resulting in the childcare provider being overpaid during fiscal year 2023.

The finding remains as stated.

(State Number: 23-1111-03)

(2023-076)

Title: Internal control over Income Eligibility and Verification System procedures needs improvement

Prior Year Findings:

FY22	FY21	FY20	FY19
2022-068	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)
Assistance Listing Number: 93.558
Federal Award Identification Number: See E-93 to E-94

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 Temporary Assistance for Needy Families (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. The Office of the State Auditor (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 2023. 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 for fiscal year 2023, OSA is unable to verify that the program is in compliance with Federal requirements**.**

Context: 224 IEVS reports are required to be generated annually. The number of discrepancies on each report can vary from zero to approximately 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: In October 2023, the Department updated procedures and added a Federal program indicator field to the IEVS discrepancy reports which will enable the Department to isolate TANF-specific cases subject to IEVS. Therefore, we recommend that the Department monitor newly employed procedures to ensure that they are properly implemented and IEVS discrepancy reports can be provided for TANF-specific cases.

Corrective Action Plan: See F-32

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.

The finding does not articulate any deficiency in OFI policy or practice with respect to federal IEVS requirements. The Office of the State Auditor (OSA) takes exception with OFI's identified population from which to test a sample. It is our position that OSA could have identified a complete population to test from the information that OFI provided this year and last year. That information included:

• A report of all TANF cases "subject to the IEVS requirement" in the audit period and

• All the IEVS reports in our possession, which would allow OSA to cross-reference whether sampled TANF cases were identified in a discrepancy report and should have had IEVS-related activity reflected in ACES during the audit period.

We also provided access to ACES, which would allow OSA to review sampled TANF cases in detail to determine whether IEVS activity occurred appropriately on the case during the audit period.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481

Auditor's Concluding Remarks: 2 CFR 200.303 requires the Department to establish and maintain effective internal control over Federal awards. 45 CFR 205.56 requires the Department to comply with Federal IEVS exchange rules and regulations. The Department did not demonstrate effective internal control over the TANF program or provide documentation to support required components for participation in IEVS.

Federal guidance requires OSA to develop audit procedures to test a sample of TANF cases subject to IEVS. OFI could not provide a population of TANF cases subject to IEVS in order to draw a sample for testing purposes. In response to the materials provided to OSA by OFI:

- "A report of all TANF cases subject to the IEVS requirement in the audit period." This list includes all TANF eligible clients for fiscal year 2023 subject to IEVS; however, not all TANF eligible clients are reported on IEVS discrepancy reports. Therefore, this listing does not isolate the correct population and cannot be utilized for audit testing.
- "All the IEVS reports in our possession, which would allow OSA to cross-reference whether sampled TANF cases were identified in a discrepancy report and should have had IEVS-related activity reflected in ACES during the audit period." As stated in the Condition, 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. It is unreasonable for OFI to suggest that OSA crosswalk information to prepare a population for audit testing as this would impair auditor independence. Auditor independence is defined in and required by Government Auditing Standards issued by the Comptroller General of the United States. The reports provided do not identify the correct population and cannot be utilized for audit testing.
- "We also provided access to ACES, which would allow OSA to review sampled TANF cases in detail to determine whether IEVS activity occurred appropriately on the case during the audit period." This provides OSA with access to ACES for audit testing purposes; however, as noted above, OSA was not provided the information requested in order to complete required audit testing.

OFI is responsible for coordinating data exchanges with Federally-assisted benefit programs and requesting and using income and benefit information when making TANF eligibility determinations. Without a complete and accurate population of TANF cases subject to IEVS, OFI cannot substantiate that:

- IEVS data was utilized to appropriately update all TANF cases subject to IEVS in accordance with 45 CFR 205.56;
- eligibility determinations for the TANF program are accurate; and

- management is properly overseeing compliance with 45 CFR 205.56.

Therefore, OFI’s inability to identify and isolate TANF cases subject to IEVS corroborates a deficiency in internal control over compliance with Federal IEVS exchange rules and regulations.

Additionally, though the Department has disagreed with the finding, the Department began implementing corrective action in October 2023.

The finding remains as stated.

(State Number: 23-1111-01)

(2023-077)

Title: Internal control over subrecipient cash management needs improvement

Prior Year Findings:

FY22	FY21	FY20	FY19	FY18	FY17
2022-069	2021-042	2020-042	2019-035	2018-026	2017-009

State Department: Health and Human Services
State Bureau: Division of Audit
Division of Contract Management
Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services
Assistance Listing Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (COVID-19)
Immunization Cooperative Agreements (COVID-19)
Temporary Assistance for Needy Families (TANF)
Assistance Listing Number: 10.557; 93.268; 93.558
Federal Award Identification Number: See E-93 to E-94

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's Division of Contract Management (DCM) has three methods for providing payments to subrecipients: cost-settled, cost-settled by invoice, and fee-for-service subawards. Cash management requirements are not applicable for fee-for-service subawards.

For cost-settled subawards, DCM 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, and therefore is not in compliance with subrecipient cash management requirements.

For "cost-settled by invoice" (reimbursement) subawards, DCM procedures do not require subrecipients to include supporting documentation with monthly requests for reimbursement. As a result, DCM does not have assurance whether payments are for reimbursement or advances.

During fiscal year 2023, the Department's Division of Audit (DOA) performed testing over a sample of payments made to 37 subrecipients deemed high risk by the Department; payments were reviewed for compliance with cash management and allowability requirements. The Office of the State Auditor reviewed DOA's testing and identified:

- eight subrecipients where testing was not completed; therefore, compliance with cash management requirements was not determined.
- eight subrecipients where documentation to support cash management testing performed could not be provided. As a result, compliance with subrecipient cash management requirements could not be substantiated.
- 13 subrecipients were noted as noncompliant with cash management requirements by DOA; however, corrective action plans have not been established for any of the 13 subrecipients.

Therefore, as evidenced above, the Department is not in compliance with subrecipient cash management requirements.

Context: In fiscal year 2023, the Department provided:

- $31.7 million to subrecipients from TANF grant funds of $91.8 million. TANF's subawards are either cost-settled, cost-settled by invoice, or fee-for-service.
- $6 million to subrecipients from WIC grant funds of $22.4 million. All of WIC's subawards are cost-settled.
- $2.7 million to subrecipients from Immunization Cooperative Agreements grant funds of $24.5 million. Immunization Cooperative Agreement's subawards are either cost-settled or cost-settled by invoice.

Cause:

- Lack of adequate subrecipient monitoring procedures
- Misinterpretation of Federal regulations

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 enhance 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 plans are established for subrecipients where noncompliance has been identified.

Corrective Action Plan: See F-32

Management's Response: The Department disagrees with this finding. The Department believes that we are in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement is as close as administratively feasible. The Department's procedures related to cash management include: reconciling payments to expenditures quarterly and monitoring subrecipient's audits. The Department's subrecipients not only are required to have Single Audits but also are required to have audited financial statements and audited Schedule of Expenditures of Department Awards at a lower threshold than that of the Single Audit through the Department's rule, Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP). This rule also defines a major program at a much lower threshold than the Uniform Guidance, so far more programs get tested annually than just Single Audits alone.

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:

- 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 MAAP audits and Single Audits for findings is beneficial:
    - monitoring procedures must be performed during the award period; however, MAAP and Single Audits are completed towards the end or after the grant award period.
    - MAAP audit requirements do not require testing of all subawards. Therefore, the subrecipient's cash management may or may not be tested by the subrecipient's auditor.
    - 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.

Additionally, Management's Response does not address specific issues identified by OSA cited in the Condition above.

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 cash disbursement for program purposes is minimized.

The finding remains as stated.

(State Number: 23-1111-04)

(2023-078)

Title: Internal control over TANF subrecipient risk evaluation procedures needs improvement

Prior Year Findings:

FY22	FY21	FY20	FY19	FY18	FY17
2022-071	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
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF)
Assistance Listing Number: 93.558
Federal Award Identification Number: See E-93 to E-94

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's Division of Contract Management's (DCM) Competitive Procurement Unit seeks input from the Department of Health and Human Services' Service Center, the Department's Division of Audit, and DCM's Contracts Unit 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, which included seven subawards that were competitively bid and six subawards that were not competitively bid and found that for:

- three competitively bid subawards, DCM provided evidence to support that feedback was solicited from other Bureaus for any known issues or prior noncompliance; however, evidence could not be provided to support the level of subrecipient monitoring that was completed.
- four competitively bid subawards, DCM could not provide evidence to support that feedback was solicited from other Bureaus for any known issues or prior noncompliance. In addition, evidence could not be provided to support the level of subrecipient monitoring that was completed.
- six non-competitively bid subawards, evidence could not be provided to support the level of subrecipient monitoring that was completed.

OSA selected a non-statistical random sample.

Context: The Department provided $31.7 million from a total of $91.8 million to TANF subrecipients during fiscal year 2023.

Cause:

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

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-33

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), 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: 23-1111-05)

(2023-079) 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:

FY22	**FY21**	**FY20**	**FY19**	**FY18**
Redacted	Redacted	Redacted	Redacted	Redacted

Type of Finding: Material weakness

Corrective Action Plan: See F-33

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

(State Number: 23-0905-03)

(2023-080)

Title: Internal control over TANF client child support sanction procedures needs improvement

Prior Year Findings:

FY22	FY21	FY20
2022-070	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)
Assistance Listing Number: 93.558
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

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 Temporary Assistance for Needy Families (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 staff initiate a sanction memo in the Child Support Enforcement of Maine (CSEME) system indicating the date of noncooperation, and send email notifications 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, DSER provided a report of all sanction memos initiated in the CSEME system with dates of noncooperation during fiscal year 2023. Because OSA is also required to evaluate the report to ensure that the population provided is accurate and complete, a report from TANF personnel of DSER noncooperation sanctions applied during fiscal year 2023 was also requested and a cross-match was performed. OSA identified 128 sanctions on the TANF-provided report that were not included on the DSER-provided report. OSA selected a sample of 15 of these discrepancies for further review and identified the following exceptions:

- eight cases where a sanction memo initiated during fiscal year 2023 was provided to TANF; however, these eight cases were not included on the DSER-provided report.
- two cases where TANF received an email referral from DSER; however, these two cases were not included on the DSER provided report.
- two cases where OFI stated the child support noncooperation sanction was initiated by TANF personnel; however, ACES case notes for both cases state that email referrals from DSER requesting child support noncooperation sanctions were received. Both cases were not included on the DSER provided report.

As evidenced above, if OSA had relied on the DSER-provided report for testing purposes, an unknown number of sanction requests would have been omitted to ensure compliance with child support sanction requirements. Therefore, OSA cannot rely on the population provided by the Department for audit testing as the population is not accurate and complete. OSA is unable to test to ensure the Department is in compliance with child support sanction requirements.

OSA selected a non-statistical random sample.

Context: DSER provided a report of 455 sanction requests initiated in fiscal year 2023. The number of sanction requests that were made but omitted from the DSER report is unknown.

Cause:

- Lack of adequate policies and procedures
- 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 all child support sanction requests can be provided so that audit procedures can be performed in accordance with Federal regulations. We further recommend that the Department increase oversight to ensure compliance with Federal requirements.

Corrective Action Plan: See F-33

Management's Response: The Department disagrees with this finding. The audit objective identified in the Compliance Supplement is to "Determine whether, after notification by the state Title IV-D agency, the TANF agency has taken necessary action to reduce or deny TANF assistance." One of the two suggested audit procedures is to "Test a sample of cases referred by the Title IV-D agency to the TANF agency to ascertain if benefits were reduced or denied as required." The Department spent a lot of time and effort attempting to validate for OSA that it had a testable population, and the Department believes that the Office of State Auditor can perform this procedure either with the DSER-provided report of referrals or with that report in conjunction with the additional material the Department has pulled and analyzed for OSA. In the absence of that review nothing in the Department's records, data, or discussions with OSA could reasonably be interpreted to suggest a "significant deficiency" in its Internal Controls over this aspect of the TANF program. There has not been any evidence that referrals made from DSER to OFI are getting lost, ignored, or misapplied. All 38 cases that the Department analyzed for completeness purposes reflect a well-functioning and substantively accurate sanction referral and case-action process, and this record does not support the OSA's conclusion to the contrary.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

Auditor's Concluding Remarks: 2 CFR 200.303 requires the Department to establish and maintain effective internal control over Federal awards. 45 CFR 264.30 requires the Department to sanction individuals not cooperating with child support enforcement. The Department did not demonstrate effective internal control over the TANF program or provide documentation to support compliance with child support non-cooperation requirements.

As stated in the Condition, OSA is required to evaluate the report (population) to ensure that the population provided is accurate and complete. During this evaluation, it became evident that the population was not accurate or complete.

OFI is responsible for ensuring that individuals not cooperating with child support enforcement are properly sanctioned. Without a complete and accurate population of sanction referrals from DSER to TANF, OFI cannot attest that:

- all DSER sanction referrals are tracked to ensure that referrals are not "lost, ignored, or misapplied," or
- management is properly overseeing compliance with 45 CFR 264.30.

Therefore, OFI's inability to provide an accurate and complete population of referrals validates that there is not a "well-functioning and substantively accurate sanction referral and case-action process" in place.

The finding remains as stated.

(State Number: 23-1111-02)

(2023-081)

Title: Internal control over TANF performance reporting and work participation procedures needs improvement

Prior Year Findings:

FY22	FY21	FY20	FY19	FY18	FY17
2022-075	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)
Assistance Listing Number: 93.558
Federal Award Identification Number: See E-93 to E-94

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 Temporary Assistance for Needy Families (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* on a quarterly basis. These reports are required by the Federal government.

Condition: The Department reported incorrect work participation information on the ACF-199 reports. Of the 30 clients tested, inaccurate or unverifiable work participation data was reported for five clients, including inaccurate:

- countable months towards the Federal time limit of 60 months,
- work participation status,
- unsubsidized employment hours, and
- job search and readiness 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 2023, the number of families reported on the ACF-199 report ranged from approximately 10,000 to 12,000 per quarter.

Cause:

- Lack of adequate procedures to ensure work participation data is accurately reported on 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 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-34

Management's Response: The Department agrees with this finding. OFI staff will meet internally to review system protocols and discuss possible changes to increase reporting accuracy. Subsequently, OFI will meet with Fedcap technical staff to discuss possible system information exchange improvements. If feasible improvements are identified that will lead to a marked increase in reporting accuracy, OFI will work internally and with Fedcap staff to implement changes.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

(State Number: 23-1111-06)

(2023-082) 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:

FY22
Redacted

Type of Finding: Material weakness

Corrective Action Plan: See F-34

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

(State Number: 23-0906-03)

(2023-083)

Title: Internal control over CCDF provider payments 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: See E-93 to E-94

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency
Questioned costs

Known Questioned Costs: $3,101
Likely Questioned Costs: $32,099; likely questioned costs were projected by dividing the known questioned costs in our sample by total provider payments tested to establish an error rate, then applying that error rate to total provider payments in fiscal year 2023.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 45 CFR 98.68

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.

In the Child Care and Development Fund (CCDF) State Plan, Lead Agencies are required to describe effective internal controls that are in place to ensure program integrity and accountability while maintaining continuity of services.

Condition: The CCDF program provides funds to increase the availability, affordability, and quality of childcare services in the State. The Department provides biweekly payments to childcare providers for services rendered. Provider payment amounts are based on current childcare market rates and the approved childcare subsidy awarded on behalf of the child receiving care. Once the subsidy is awarded, the Department accepts electronic invoices from the provider through a portal. Invoices are reviewed and approved by the Department prior to payment processing.

The Office of the State Auditor (OSA) tested 60 provider payments to verify that the payments were accurate and in line with program guidelines and identified one provider's biweekly invoice was overpaid by $151 due to an inaccurate childcare subsidy determination. This error was not identified by the Department during the review and approval process and persisted for 10 months of fiscal year 2023, resulting in a total overpayment of $3,101.

OSA selected a non-statistical random sample.

Context: In fiscal year 2023, the Department provided $40.1 million to 1,056 providers in the CCDF program.

Cause: Lack of adequate supervisory oversight

Effect:

- Inaccurate childcare subsidy determinations will result in overpayments or underpayments to providers.
- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department enhance oversight policies and procedures to ensure that childcare subsidy determinations and resulting provider payments are accurate.

Corrective Action Plan: See F-35

Management's Response: The Department agrees with this finding. The Department will enhance oversight policies and procedures to ensure that childcare subsidy determinations and resulting provider payments are accurate. The Program will seek to maintain a below 10% threshold of improper payments as required by CCDF Rule.

Contact: John Feeney, Chief Operating Officer, OCFS, DHHS, 207-626-8614

(State Number: 23-1114-02)

(2023-084)

Title: Internal control over CCDF provider application and payment approvals 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: See E-93 to E-94

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

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 98.68

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.

In the Child Care and Development Fund (CCDF) State Plan, Lead Agencies are required to describe effective internal controls that are in place to ensure integrity and accountability, while maintaining continuity of services, in the CCDF program.

Condition: The CCDF program provides monthly stabilization grant payments to eligible childcare providers. The Department utilizes the InforME system as a mechanism for providers to submit applications for the American Rescue Plan Act's Child Care Stabilization Funds (CCSF) under the CCDF program. The Department reviews the application to ensure that the provider is eligible for CCSF, provider costs submitted for CCSF reimbursement are allowable, required program certifications are complete, and payment amounts are accurate, and then approves the application in the InforME system and initiates grant payments.

The Office of the State Auditor (OSA) tested 60 CCSF provider payments to verify that payments are allowable, accurate, and made to eligible providers, and identified the following:

- Documentation in support of grant application approvals was not maintained for any of the 60 providers reviewed.
- Nine provider CCSF grant applications were manually modified by the Department, and documentation of the modifications or the user initiating the modification was not maintained. The Department does not require documentation to support the modifications in the InforME system. In addition, providers are not notified of modifications to submitted

applications. The nine modifications noted as exceptions resulted in changes to the amount paid to providers in the month selected for testing.

For the provider applications and payments noted above, OSA verified that all providers were eligible for CCSF and payments were accurate.

OSA selected a non-statistical random sample.

Context: In fiscal year 2023, the Department provided $34.4 million in CCSF to over 1,300 providers.

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

Effect:
- Potential unauthorized application approvals
- Potential unauthorized or inaccurate application modifications, which may lead to inaccurate provider payment amounts

Recommendation: We recommend that the Department enhance policies and procedures to include a requirement for documentation of provider application modifications and approvals and increase supervisory oversight of these processes. This will help ensure that only authorized and accurate provider application modifications, approvals, and resulting payments are processed.

Corrective Action Plan: See F-35

Management's Response: The Department agrees with this finding. Updates have been made to the Portal to identify program personnel making determinations to ensure appropriate supporting documentation. Updates have been made to the system to send email communications to the providers, an itemization of monthly payments and when changes have been made to determinations.

Contact: John Feeney, Chief Operating Officer, OCFS, DHHS, 207-626-8614

(State Number: 23-1114-01)

(2023-085)

Title: Internal control over CCDF provider health and safety requirements 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: See E-93 to E-94

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 98.41 and .68

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.

Lead Agencies are required to design, implement, and enforce health and safety requirements for the protection of children.

In the Child Care and Development Fund (CCDF) State Plan, Lead Agencies are required to describe effective internal controls that are in place to ensure program integrity and accountability while maintaining continuity of services.

Condition: The CCDF program is administered by the Office of Child and Family Services (OCFS) and provides funds to increase the availability, affordability, and quality of childcare services in the State. OCFS completes annual childcare provider site visits or licensing inspections for providers receiving subsidies from the CCDF program. During site visits and licensing inspections, OCFS reviews Federal program health and safety requirements using a provider compliance checklist. Any deficiencies are noted by OCFS, corrective action by the provider is required, and the frequency of site visits or licensing inspections is increased until remediation of noted deficiencies is complete.

The Office of the State Auditor reviewed the listing of providers subject to health and safety site visits or licensing inspections and identified that 27 provider facilities did not receive a site visit or licensing inspection during fiscal year 2023 as required.

OCFS does not have adequate policies and procedures in place to monitor providers due for annual health and safety site visits or licensing inspections.

Context: The Department provided $87.4 million to CCDF program providers in fiscal year 2023.

Cause:

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

Effect:

- Noncompliance with Federal regulations
- Providers not meeting CCDF program regulations for health and safety may go undetected, or deficiencies may not be remediated timely.

Recommendation: We recommend that OCFS enhance policies and procedures to ensure that required annual provider site visits and licensing inspections, and any resulting corrective action, are monitored and completed.

Corrective Action Plan: See F-35

Management's Response: The Department agrees with this finding. Child Care Licensing is responsible for completing at least an annual onsite inspection to ensure health and safety requirements are met. This was not met with 27 providers which is approximately 1% of licensed child care providers and license exempt providers receiving federal CCDF subsidy. During the period under review the Licensing team had multiple vacancies which is largely the reason not all providers were seen within the one year.

Contact: Janet Whitten, CLIS Program Manager, DHHS, 207-441-2259

(State Number: 23-1114-03)

(2023-086)

Title: Internal control over the Foster Care – Title IV-E eligibility and benefit 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: Foster Care – Title IV-E (COVID-19)
Assistance Listing Number: 93.658
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: $8,006
Likely Questioned Costs: $220,373; likely questioned costs were projected by dividing the identified known overpayment in our sample by total payments tested to establish an error rate, then applying that error rate to total payments made on behalf of Foster Care – Title IV-E clients in fiscal year 2023.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 45 CFR 1356.21

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.

Funds may be expended for foster care maintenance payments on behalf of eligible children, in accordance with the Title IV-E agency's foster care maintenance payment rate schedule, to individuals serving as foster family homes, to childcare institutions, or to public or private child-placement or child-care agencies.

Condition: The Foster Care – Title IV-E program is designed to help states provide safe and stable out-of-home care for children under its jurisdiction until the children are returned home safely, placed with adoptive families, or placed in other planned arrangements for permanency. The Office of Child and Family Services (OCFS) administers the Foster Care – Title IV-E program for the State of Maine.

A financial resources specialist (FRS) determines program eligibility and initiates benefits through completion of a determination checklist. The FRS reviews program eligibility factors, gathers required supporting documentation, and documents the certification decision on the checklist. The FRS enters the information into the child welfare information system for processing.

Once the client is determined eligible in the child welfare information system, a level of benefits is assigned. OCFS relies on this information and the related system coding to ensure that benefits are accurately provided to eligible clients.

The Office of the State Auditor (OSA) tested 60 clients and 60 benefit payments and found:

- 10 determination checklists that did not include a certification decision; and
- one benefit payment for an ineligible client. The client was erroneously paid a total of $8,006 for six months during fiscal year 2023.

OSA selected non-statistical random samples.

Context: In fiscal year 2023, the State provided approximately 900 Foster Care – Title IV-E clients with $5.3 million in Federal benefits.

Cause: Lack of adequate policies and procedures and supervisory oversight over the child welfare information system. The system was implemented in fiscal year 2023 and policies and procedures were not designed to properly test system coding for all eligibility change circumstances that could occur.

Effect:

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

Recommendation: We recommend that the Department enhance policies and procedures to ensure that eligibility determination checklists include certification decisions by a FRS and benefits are paid only to eligible clients.

Corrective Action Plan: See F-35

Management's Response: The Department agrees with this finding. The Financial Resources Specialist (FRS) role is to accurately determine Title IV-E Eligibility Foster care for the State of Maine DHHS OCFS. One of the items utilized in their determination of program eligibility is to document all of their findings in the "Title IV-E Initial Determination" document. This is included in every case file in front of the corresponding paperwork that confirms each element of that eligibility determination.

Contact: Manisha Donahue, Title IV-E Program Manager, OCFS, DHHS, 207-592-1268

(State Number: 23-1109-01)

(2023-087)

Title: Internal control over DHHS allocated costs needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
Health and Human Services
State Bureau: Health and Human Services Service Center
Office of Child and Family Services
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Title IV-E Prevention Program
Foster Care – Title IV-E (COVID-19)
Assistance Listing Number: 93.472; 93.658
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.403; Department of Health and Human Services' Cost Allocation Plan

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.

Some accounts include costs that benefit multiple programs (cost pool accounts). A Random Moment Time Study (RMTS) allocation method is used to allocate certain Office of Child and Family Services cost pool accounts. RMTS is used to identify time spent on Title IV-E programs and time reimbursable for child welfare system operational costs.

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

The Office of the State Auditor (OSA) identified that the Foster Care – Title IV-E program's allocated costs decreased by 31 percent in fiscal year 2023. In response to OSA's inquiry, the Department acknowledged that the program was overcharged by $2.7 million due to incorrect

RMTS statistic information that was provided beginning in October 2021 through April 2023. These costs should have been charged to ALN 93.472 Title IV-E Prevention Program.

During the last quarter of fiscal year 2023, the Department initiated corrective action and appropriately transferred the unallowable costs that were incurred during fiscal year 2023 from the Foster Care – Title IV-E program to the Title IV-E Prevention Program.

Context: Of the $80.2 million in costs allocated through the DHHS CAP, $11.9 million was correctly charged to the Foster Care – Title IV-E program and $4.9 million was correctly charged to the Title IV-E Prevention Program during fiscal year 2023.

Cause:
- Lack of adequate procedures to prevent, or detect and correct, errors timely
- Lack of supervisory oversight

Effect:
- Potential questioned costs and disallowances if unallowable costs are charged to the wrong Federal program and not detected timely
- Noncompliance with Federal requirements

Recommendation: We recommend that the Department implement additional procedures to validate the accuracy of changes to the DHHS CAP before implementation and to enhance monitoring procedures over allocated costs. This will ensure that Federal programs are appropriately charged through the DHHS CAP in accordance with Federal regulations.

Corrective Action Plan: See F-36

Management's Response: The DHHS and DHHS Financial Service Center agree with this finding. The DHHS Financial Service Center and the Office of Child and Family Services will implement additional procedures to validate the accuracy of OCFS applicable changes to the DHHS CAP by December 31, 2024.

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

(State Number: 23-1103-01)

(2023-088)

Title: Internal control over the Adoption Assistance – Title IV-E eligibility and benefit 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: Adoption Assistance – Title IV-E (COVID-19)
Assistance Listing Number: 93.659
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.403; 45 CFR 1356.40

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 State is allowed to pay a portion of the Federal Adoption Assistance maintenance payments and claim Federal financial participation for Title IV-E eligible clients.

Condition: The Adoption Assistance – Title IV-E Program provides Federal funds to states to facilitate the timely placement of children, whose special needs or circumstances would otherwise make them difficult to place, with adoptive families. Funds are available for a one-time payment to assist with the costs of adopting a child as well as for subsidies to adoptive families to assist with the care of the eligible child on an ongoing basis. The Office of Child and Family Services (OCFS) administers the Adoption Assistance – Title IV-E program for the State.

A financial resources specialist (FRS) determines program eligibility and initiates benefits through completion of an adoption assistance checklist. The FRS reviews program eligibility factors, gathers required supporting documentation, documents the certification decision on the checklist, and obtains supervisory approval. The FRS enters the information into the child welfare information system for processing.

The Office of the State Auditor (OSA) tested 60 eligibility determinations and found:

- one checklist did not have supervisory approval;
- one checklist did not have a FRS signature or supervisory approval;
- one checklist was not included in the case file; and
- one checklist was signed by a FRS and included supervisory approval; however, information indicating that the required steps were taken to determine benefit eligibility was excluded.

Once the client is determined eligible in the child welfare information system, a daily rate is negotiated by OCFS and the adoptive parents. OCFS relies on the information entered in the system and related system coding for the assignment of the appropriate revenue source to charge the assigned benefits.

OSA tested 60 client benefit payments and identified that benefits for one client paid with State funds should have been charged to Federal funds. Through discussions with OCFS, OSA was informed that the error was caused by an issue with the newly implemented child welfare information system, which affected 421 clients. $1.6 million of State funds were utilized to pay benefits that should have been charged to Federal funds.

OSA selected non-statistical random samples.

Context: In fiscal year 2023, the State provided approximately 4,000 Adoption Assistance – Title IV-E clients with $24.6 million in Federal benefits.

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

- the documentation of eligibility determinations
- the child welfare information system. The system was implemented in fiscal year 2023 and policies and procedures were not designed to properly test system coding to ensure that benefits were paid utilizing the appropriate funding source.

Effect:

- Individuals not eligible for services could be deemed eligible or eligible individuals could be deemed ineligible.
- Potential questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that OCFS enhance policies and procedures to ensure that eligibility determination checklists include certification decisions and are documented consistently for all case files.

We understand that OCFS is completing a retroactive review to correct the issue and charge the appropriate funding source for previously paid benefits. We recommend that OCFS continue this process and implement policies and procedures which require monitoring of the system to ensure benefits are accurately paid to eligible clients.

Corrective Action Plan: See F-36

Management's Response: The Department agrees with this finding. Completion of the Adoption Assistance Checklist has not been universally understood to be used as the internal control for documentation of certification decisions, but as a guide for staff to use in preparing and organizing the Application for Adoption Assistance Packets. We agree that this is an effective tool to ensure certification decisions regarding IVE, and consistent documentation in case files. OCFS staff will be trained in the importance of these internal control procedures. The Adoption Policy is currently in revision and the policy will be enhanced to reflect these changes.

Contact: Karen Benson, Adoption Program Manager, DHHS, 207-561-4208

(State Number: 23-1110-01)

(2023-089) 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-37

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

(State Number: 23-0906-02)

(2023-090)

Title: Internal control over Adoption Assistance – Title IV-E level of effort 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: Adoption Assistance – Title IV-E (COVID-19)
Assistance Listing Number: 93.659
Federal Award Identification Number: See E-93 to E-94

Compliance Area: Matching, level of effort, earmarking
Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 42 USC 673(a)(8)(B) and (D)

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 file an annual report containing accurate information on any savings (referred to as "adoption savings") resulting from the application of differing program eligibility rules to all applicable children for a fiscal year.

As part of the Adoption Assistance – Title IV-E program's level of effort, referred to as maintenance of effort (MOE) requirements, the Department must use adoption savings to supplement and not supplant any Federal or non-Federal funds to provide any service under Title IV-B or IV-E.

Condition: The Adoption Assistance – Title IV-E program has expanded eligibility provisions for any child who meets the criteria of an "applicable child." The expanded eligibility provisions allow the State to receive additional Federal funding for adoption, thereby allowing them to reduce the level of non-Federal funds required for these services, referred to as "adoption savings." The State must report the amount of adoption savings and how the adoption savings are spent on Form CB-496 *Annual Adoption Savings Calculation and Accounting Report*.

The Office of the State Auditor (OSA) reviewed the Federal fiscal year 2022 adoption savings calculation reported in State fiscal year 2023 and found:

- the average monthly number of applicable children was incorrectly calculated and reported as 1,171 instead of 1,052, resulting in an overstatement of approximately $962,000

reported on Form CB-496. The Department informed OSA that the error was due to inaccurate information obtained from the child welfare system vendor.
- the Department could not provide documentation to support amounts reported on Form CB-496.

While the Federal fiscal year 2022 adoption savings was incorrectly calculated and reported, OSA was able to verify that the Department met MOE requirements relating to the use of adoption savings to supplement not supplant any Federal or non-Federal funds.

Context: The Department reported $9,461,754 in adoption savings on the Federal fiscal year 2022 Form CB-496; however, $8,500,226 should have been reported.

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

Effect:
- The Department is required to meet specific MOE requirements that relate to adoption savings. An inaccurate adoption savings calculation could result in the Department not meeting these requirements.
- Inaccurate information reported to the Federal government may be used for programmatic, policy or statistical purposes.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department enhance monitoring procedures to ensure the annual adoption savings information reported on Form CB-496 is accurate and complete prior to submission and retain documentation to support amounts reported.

Corrective Action Plan: See F-37

Management's Response: The Department agrees with this finding. Requirements will be added to the standard operating procedure and backup data will be stored in an OCFS shared drive for future needs.

Contact: John Feeney, Chief Operating Officer, OCFS, DHHS, 207-626-8614

(State Number: 23-1110-02)

(2023-091)

Title: Internal control over Medicaid Nursing Facility audits needs improvement

Prior Year Findings:

FY22	FY21	FY20	FY19	FY18	FY17	FY16
2022-080	2021-050	2020-048	2019-047	2018-049	2017-025	2016-025

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: See E-93 to E-94

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, Section 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, Section 67 outlines 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: For each participating Long Term Care Facility, the Department must provide for the filing of uniform cost reports in order to establish payment rates and must provide for the periodic audits of financial and statistical records. The specific audit requirements will be established by the State plan. 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 Division of Audit did not complete NF audits in accordance with Federal regulations. The population of NF uniform desk reviews due for completion in fiscal year 2023 was 96. Of those 96 uniform desk reviews, one was completed timely, one was completed 128 days late, and 94 had not been completed at the time of audit testing.

Context: The Department:

- provided $275.7 million in Federal Medicaid funding and $80.3 million in State Medicaid funding to NFs during fiscal year 2023.
- completed 66 NF uniform desk reviews related to prior fiscal years in fiscal year 2023.

Cause: Lack of resources

Effect:

- Noncompliance with Federal and State regulations
- The determination of amounts owed to or from NFs is delayed.

Recommendation: We recommend that the Department reallocate resources to address the backlog of NF uniform desk reviews. Timely audit issuance will minimize the impact on providers of potential payables and receivables.

Corrective Action Plan: See F-37

Management's Response: The Department agrees with this finding. This is a long-standing finding due, in part, to the complexity of audit-related work for Nursing Facility cost reports. Meeting the requirement has always been a challenge. Further complicating this topic, during State Fiscal year 2023, the Division of Audit experienced a vacancy rate of over 30%. In addition to being short of staffing, over 600 additional audit reviews were added to the audit workload as a result of COVID funding requirements. Staff are still assigned to completing the COVID audits. Once those are completed, the staff will be assigned to the Long Term Care audits. Additionally, the Division has worked with HR to increase our recruiting efforts. We will continue to work on recruiting and hiring qualified audit staff in order to improve the timeliness of audit assignments.

Contact: Herb Downs, Director, Division of Audit, DHHS, 207-287-2778

(State Number: 23-1106-02)

(2023-092)

Title: Internal control over Medicare Part B premium payments needs improvement

Prior Year Findings:

FY22	FY21	FY20	FY19
2022-084	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: See E-93 to E-94

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.

Of the 12 Monthly Reconciliation Reports required in fiscal year 2023, the Department could not provide documentation that reports were reviewed or corrective action was taken for six reports.

In the Office of the State Auditor's (OSA) test of 60 premium payments:

- one premium was paid by the Department on behalf of a client who was coded eligible on the CMS invoice but was coded not eligible in ACES.
- one premium was paid by the Department on behalf of a client who was coded eligible in ACES but was not included on the CMS invoice.
- four 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 2023, approximately $129 million in Federal funds and $57 million in State funds were paid to CMS for Medicare Part B premiums.

Cause:

- Lack of resources
- 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 implement oversight 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-38

Management's Response: The Office for Family Independence agrees with this finding and recommendation. We have created a MaineCare Program Integrity team and have hired a Program Manager for this group effective February 5, 2024. The work of this team will include Medicare Part B reconciliations.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

(State Number: 23-1106-01)

(2023-093)

Title: Internal control over Medicaid cost of care deductions needs improvement

Prior Year Findings: None

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: See E-93 to E-94

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.403; 42 CFR 435.725

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 reduce its payment to an institution for services 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 cost of care (COC).

Condition: A COC assessment represents the required contribution that a MaineCare recipient must pay toward care in a Long Term Care Facility (LTCF). The Office for Family Independence (OFI) is responsible for COC assessments for all Medicaid members in the State. COC assessments are either calculated by the Automated Client Eligibility System 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 60 COC assessments and related deductions from paid claims. OSA identified one COC deduction that was not updated after the claim was adjusted. As a result, the Department underpaid the provider by $263 for the month of September 2022.

Seven additional claims that utilized this member's COC were paid during fiscal year 2023 resulting in a total underpayment of $2,039. The monthly COC exception report generated by the system did not identify this error.

OSA selected a non-statistical random sample.

Context: In fiscal year 2023, approximately:
- 26,000 COC assessments were calculated by OFI;
- 9,400 members had COC assessments; and
- $430 million was paid to nursing facilities and residential care facilities.

Cause: Lack of adequate procedures to ensure system exception reports are complete and accurate

Effect:
- Potential questioned costs and disallowances
- Inaccurate COC deductions and retroactive changes may result in overpayments or underpayments for members or the State.

Recommendation: We recommend that OMS collaborate with OFI to ensure that system exception reports capture all COC-related claims which require adjustments.

Corrective Action Plan: See F-38

Management's Response: The Department agrees with this finding. OMS acknowledges a discrepancy in the report of identified claims for adjustments needed to claims as a result of changes to a member's cost of care. OFI generates the report for reporting COC changes from the ACES system, but the report provided only captures manual changes made to the member's cost of care. This report does not capture all cost of care changes.

Example:
NF COC, person has a level of care change and now needs APRC. They needed APRC starting in November and OFI doesn't know about it until January. They cannot have the system "run" that change because it is a change in the assistance group type that occurred in the past. OFI has to manually make that adjustment. It will populate as a change on the manually adjusted COC report. The report used by the OMS Adjustment Unit is generated by our vendor and sent by the second Wednesday of the month, capturing changes made to cost of care for an identified period of time. The cost of care adjustments are intended to be completed within the same month. Based on the discrepancy in the claims identified for adjustment, OMS is in agreement that collaboration between OFI and OMS should occur to assure accurate claims data is reviewed for those member's having changes to their cost of care within that month.

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

(State Number: 23-1106-04)

(2023-094)

Title: Internal control over Medicaid drug rebates needs improvement

Prior Year Findings: None

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: See E-93 to E-94

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; Section 1927 of the Social Security Act (42 USC 1396r-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.

Section 1927 of the Social Security Act requires manufacturers that wish to have their outpatient drugs covered by Medicaid to enter into an agreement with the Centers for Medicare & Medicaid Services (CMS) under which the manufacturers agree to pay rebates for drugs dispensed and paid for by the State Medicaid agencies under the State plan. Drug rebates are shared between the State and Federal government.

Condition: Drug manufacturers are required to submit a list of all covered outpatient drugs, along with each drug's average manufacturer price and "best price" to CMS. Utilizing this information, CMS calculates a unit rebate amount (URA) for each covered outpatient drug and provides the amounts to the State on a quarterly basis. The Department is required to maintain drug utilization data that identifies, by National Drug Code, the number of units of each covered outpatient drug for which the Department has paid pharmacy providers. The utilization data is provided to CMS and the manufacturers. The number of dispensed units is applied to the URA to determine the rebate amount due from each manufacturer. The State contracts with a vendor to calculate the drug rebate amounts and invoice manufacturers for drug rebates.

During audit testing, the Office of the State Auditor identified that the Department does not have procedures in place to ensure the accuracy and completeness of the drug rebate amounts invoiced by the vendor. The Department does not compare drug utilization data to the number of dispensed units utilized to ensure that the vendor has calculated the rebate correctly.

Context: In fiscal year 2023, the State invoiced approximately $315 million for rebatable drugs and received approximately $220 million in rebates. Of the $220 million in rebates, approximately $159 million was returned to the Federal government. Due to the amount of time rebate negotiations may take, discrepancies will exist between the invoiced total and the total amount of rebates received.

Cause:

- Lack of adequate procedures
- Lack of supervisory oversight

Effect:

- Inaccurate or incomplete invoicing of drug rebates would result in overpayments or underpayments to the State and Federal government.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement procedures to confirm the drug rebate amounts calculated and invoiced by the vendor are accurate and complete by utilizing drug utilization data. This will ensure that correct drug rebate amounts are returned to the State and Federal government.

Corrective Action Plan: See F-38

Management's Response: The Department agrees with this finding. The control described is built into the computer systems that facilitate selecting claims for submission to the Pharmacy Rebate Invoice Management System (PRIMS). An additional check on the collection of claims is not needed for the following reasons:

In response to the concern of completeness of the rebate eligible claim capture, the criteria for selecting outpatient drug claims from our claims system was defined, implemented, tested, and validated when PRIMS was first installed. This claim selection coding is what ensures that all outpatient drug claims are submitted to PRIMS for invoicing.

In response to the concern of accuracy, pre-invoicing variance checks are completed within PRIMS and the manufacturers scrutinize the invoices once received which would detect any incorrect calculations. We have both a preventative control with the variance checks and independent detection with the drug manufacturers with respect to accuracy. However, we will take additional steps to ensure accuracy.

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

Auditor's Concluding Remarks: Though the Department agrees with this finding, the Department asserts that controls exist over the control deficiency identified in the Condition and an "additional check on the collection of claims is not needed." However, as a result of not comparing drug utilization data to the number of dispensed units utilized, the Department is relying on the drug manufacturer to submit the correct drug rebate information to the Department and to notify the Department of any discrepancies. The drug manufacturer is not an independent source to ensure accuracy of the drug rebate amount. An “additional check” would ensure that the drug rebate amount received is accurate and complete.

The finding remains as stated.

(State Number: 23-1106-08)

(2023-095)

Title: Internal control over conflict of interest requirements needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Division of Procurement 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: See E-93 to E-94

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.318

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 written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award or administration of contracts. No employee, officer, or agent may participate in the selection, award or administration of a contract supported by a Federal award if he or she has a real or apparent conflict of interest.

Condition: The Division of Procurement Services (DPS) oversees the creation, development, approval, and implementation of contracts for the State. DPS publishes contract templates and a Procurement Justification Form (PJF) template to be used by State agencies during the procurement process. The templates are reviewed by DPS to ensure all pertinent Federal requirements are included.

The Office of the State Auditor reviewed the contract and PJF templates and found that the following templates did not include required conflict of interest language:

- Service contract template, which only addressed a prohibition of employment between a State employee and the party to the contract
- PJF template, which is utilized for contracts procured through the non-competitive bidding (sole source) process

Context: $825.3 million in Federal expenditures was paid to contractors, subcontractors, or vendors through contracts in fiscal year 2023.

Cause: Lack of supervisory oversight

Effect:

- All conflicts of interest may not be disclosed and thus, may not be considered by the State when entering into contracts with contractors, subcontractors or vendors. Conflict of interest disclosures are required to ensure transparency, accountability, and remove potential bias.
- Noncompliance with Federal regulations

Recommendation: We recommend that DPS enhance oversight procedures to ensure conflict of interest requirements and disclosures are included in all contract and PJF templates. This will ensure transparency, accountability, and remove potential bias.

Corrective Action Plan: See F-38

Management's Response: The Department agrees with this finding. The service contract did not include updated conflict of interest verbiage. Upon review and consultation, Procurement Services has updated the contract to appropriately reference the applicable statute and verbiage. These new contracts will be distributed to agencies for future use. Historically, the NOI-PJF has not included the conflict of interest reference. This was the case at the time of this audit review, a revised PJF form has been created with a department attestation referencing the statute at the time of the document signature. This new PJF will be distributed for use.

Contact: David Morris, Acting Chief Procurement Officer, DAFS, 207-624-7335

(State Number: 23-1010-01)

(2023-096)

Title: Internal control over DG – PA program special reporting needs improvement

Prior Year Findings:

FY22	FY21
2022-091	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: See E-93 to E-94

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 (FSRS).

Condition: When an amount exceeding the first-tier subaward threshold is awarded to a subrecipient, Maine Emergency Management Agency (MEMA) must collect and enter data into FSRS. MEMA did not report any of its first-tier subawards under the DG – PA program in FSRS for fiscal year 2022 or 2021. As a result, a backlog existed during fiscal year 2023. MEMA entered approximately 100 first-tier subawards into FSRS during fiscal year 2023; however, many of these awards were attributable to prior fiscal years. Additionally, upon subsequent review, MEMA identified completeness and accuracy issues related to the awards entered into FSRS in fiscal year 2023.

The Office of the State Auditor and MEMA agreed that it was not beneficial to select a sample of subawards for audit testing. For this reason, the auditee did not provide a listing of awards input into FSRS or a listing of awards subject to FFATA reporting.

Context: First-tier subawards totaled $116.4 million under the DG – PA program in fiscal year 2023. First-tier subawards account for 83 percent of program expenditures.

Cause:
- Lack of adequate policies and procedures
- Competing priorities related to an increase in aid requests as a result of COVID-19
- Lack of resources

Effect:
- Noncompliance with Federal regulations
- Accurate 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 evaluate FFATA reporting policies and procedures and allocate necessary resources to ensure that subrecipient awards are properly reported in FSRS as required by Federal program regulations.

Corrective Action Plan: See F-39

Management's Response: The Department agrees with this finding. MEMA will update internal controls to ensure that FFATA reporting is timely and accurate.

Contact: James Belanger, Business Office Director MEMA, 207-707-2912

(State Number: 23-1502-02)

(2023-097)

Title: Internal control over DG – PA program cash management needs improvement

Prior Year Findings:

FY22	FY21
2022-090	2021-059

State Department: Defense, Veterans and Emergency Management
Administrative and Financial Services
State Bureau: Maine Emergency Management Agency
Security and Employment Service Center
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: See E-93 to E-94

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 31 CFR 205(A); 2023 Treasury-State Agreement (Maine)

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.

A Treasury-State Agreement (TSA) documents the accepted funding techniques and methods for calculating interest agreed upon by the U.S. Department of Treasury and the State. The funding technique agreed upon in the State's TSA for the Disaster Grants – Public Assistance (DG – PA) program is the "weekly drawdown – actual and estimate" method. This method specifies that the State shall make weekly drawdown requests such that funds are deposited in the State account on the median business day of the week, based on actual and estimated expenditures for that week.

Condition: The Maine Emergency Management Agency (MEMA) administers the DG – PA program for the State. The Department of Administrative and Financial Services' Security and Employment Service Center (SESC) is responsible for requesting drawdowns of Federal funds in order to pay DG – PA program expenditures on behalf of MEMA. MEMA reviews, authorizes, and submits approved invoices to SESC for payment. SESC then requests Federal funds based on the approved invoice and processes the authorized payment once Federal funds are received. This process is a cash advance funding technique and is not in compliance with the TSA which requires utilization of the "weekly drawdown – actual and estimate" funding technique.

Context: In fiscal year 2023, DG – PA expenditures totaled $139.6 million.

Cause: The program has not been included in the TSA in previous years; as a result, policies and procedures to ensure compliance with TSA regulations have not been established.

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 Department implement policies and procedures to ensure compliance with the funding techniques specified in the TSA when requesting Federal funds.

Corrective Action Plan: See F-39

Management's Response: The Department agrees with this finding. MEMA will update and implement policies and procedures to ensure compliance with the Treasury State Agreement. MEMA has altered the timing and frequency of drawdown requests to conform with the funding technique specified in the Treasury State Agreement.

Contact: James Belanger, Business Office Director, MEMA, 207-707-2912

(State Number: 23-1502-01)

STATE OF MAINE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023

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.

Table of Contents

Finding Number	State Department	Corrective Action Plan Page Number	Single Audit Page Number
2023-016	Administrative and Financial Services	F-12	E-51
2023-017	Health and Human Services	F-13	E-55
2023-018	Redacted	F-14	E-58
2023-019	Labor Administrative and Financial Services	F-14	E-59
2023-020	Redacted	F-14	E-62
2023-021	Redacted	F-15	E-63
2023-022	Redacted	F-15	E-64
2023-023	Redacted	F-15	E-65
2023-024	Redacted	F-15	E-66
2023-025	Redacted	F-16	E-67
2023-026	Redacted	F-16	E-68
2023-027	Redacted	F-16	E-69
2023-028	Redacted	F-17	E-70
2023-029	Redacted	F-17	E-71
2023-030	Health and Human Services	F-17	E-97
2023-031	Health and Human Services	F-19	E-104
2023-032	Health and Human Services	F-19	E-108
2023-033	Health and Human Services	F-19	E-112
2023-034	Redacted	F-19	E-115
2023-035	Health and Human Services	F-20	E-116
2023-036	Redacted	F-20	E-119
2023-037	Education	F-20	E-120
2023-038	Education	F-20	E-122
2023-039	Redacted	F-21	E-127
2023-040	Redacted	F-21	E-128
2023-041	Education	F-21	E-129
2023-042	Education	F-22	E-131
2023-043	Education	F-22	E-134
2023-044	Health and Human Services	F-22	E-137
2023-045	Health and Human Services Administrative and Financial Services	F-23	E-139
2023-046	Education	F-23	E-141
2023-047	Education	F-23	E-145
2023-048	Labor	F-24	E-148
2023-049	Redacted	F-24	E-151
2023-050	Administrative and Financial Services	F-24	E-152
2023-051	Redacted	F-25	E-156
2023-052	Redacted	F-25	E-157

Finding Number	State Department	Corrective Action Plan Page Number	Single Audit Page Number
2023-053	Redacted	F-25	E-158
2023-054	Transportation	F-25	E-159
2023-055	Economic and Community Development	F-26	E-161
2023-056	Economic and Community Development	F-26	E-163
2023-057	Administrative and Financial Services	F-26	E-165
2023-058	Economic and Community Development	F-26	E-167
2023-059	Economic and Community Development	F-27	E-169
2023-060	Labor	F-27	E-171
2023-061	Administrative and Financial Services	F-27	E-173
2023-062	Education Administrative and Financial Services	F-27	E-175
2023-063	Education	F-28	E-178
2023-064	Education	F-28	E-180
2023-065	Redacted	F-28	E-184
2023-066	Education	F-29	E-185
2023-067	Education	F-29	E-187
2023-068	Redacted	F-29	E-189
2023-069	Health and Human Services	F-29	E-190
2023-070	Redacted	F-30	E-193
2023-071	Administrative and Financial Services	F-30	E-194
2023-072	Redacted	F-30	E-196
2023-073	Health and Human Services	F-31	E-197
2023-074	Health and Human Services Administrative and Financial Services	F-31	E-199
2023-075	Health and Human Services	F-31	E-201
2023-076	Health and Human Services	F-32	E-205
2023-077	Health and Human Services	F-32	E-209
2023-078	Health and Human Services	F-33	E-212
2023-079	Redacted	F-33	E-215
2023-080	Health and Human Services	F-33	E-216
2023-081	Health and Human Services	F-34	E-219
2023-082	Redacted	F-34	E-221
2023-083	Health and Human Services	F-35	E-222
2023-084	Health and Human Services	F-35	E-224
2023-085	Health and Human Services	F-35	E-226
2023-086	Health and Human Services	F-35	E-228
2023-087	Administrative and Financial Services Health and Human Services	F-36	E-230
2023-088	Health and Human Services	F-36	E-232
2023-089	Redacted	F-37	E-235

Finding Number	State Department	Corrective Action Plan Page Number	Single Audit Page Number
2023-090	Health and Human Services	F-37	E-236
2023-091	Health and Human Services	F-37	E-238
2023-092	Health and Human Services Administrative and Financial Services	F-38	E-240
2023-093	Health and Human Services	F-38	E-242
2023-094	Health and Human Services	F-38	E-244
2023-095	Administrative and Financial Services	F-38	E-247
2023-096	Defense, Veterans and Emergency Management	F-39	E-249
2023-097	Defense, Veterans and Emergency Management Administrative and Financial Services	F-39	E-251

Finding Number	Corrective Action Plan	
2023-001	Department:	Corrections Administrative and Financial Services
	Title:	Internal control over Department of Corrections procurement card procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	DPS, Corrections Service Center, and DOC, in collaboration with OSC, are reviewing existing processes and updating polices to ensure compliance with best practices and procedures for all components of the p-card process including issuance, usage, management and oversight. Updated training is being developed and will be provided to cardholders, management and accounting staff regarding proper procurement policies, requirements for supporting documentation, and review of transactions. As part of the transition to a new p-card vendor, all cardholders will be required to re-apply for their card, have p-card limits and transaction limits reviewed, and be required to attest to understanding p-card policies and having completed p-card training. Internal controls, roles and responsibilities are being reviewed in collaboration with the Office of the State Controller to ensure appropriate segregation of duties, oversight, reviews and approvals are in place throughout the p-card process. Analytics and reviews of transactions will be used to detect anomalies and suspicious patterns, as well as identify opportunities to improve the process for addressing non-compliance. DPS will investigate options to acquire more sophisticated analytics tools to improve these processes.

Finding Number	Corrective Action Plan	
		As part of transition to new p-card vendor, we will be taking advantage of and implementing the new vendor's robust fraud detection capabilities.
	Completion Date:	December 31, 2023 (second, third and fifth items) and March 31, 2024 (first, fourth and sixth items)
	Agency Contact:	MDOC: Anthony Cantillo, Deputy Commissioner, Corrections, 207-624-2770 DAFS: David Morris, Acting Chief Procurement Officer, DPS, 207-624-7335 Mitchell Boynton, Director, Corrections Service Center, DAFS, 207-557-0791 John Baker, Director of Internal Audit, OSC, 207-626-8441
2023-002	Department:	Administrative and Financial Services
	Title:	Internal control over procurement card procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will establish a centralized database to track requests for and approvals of modifications to single transaction and/or spending limits, including “emergency” requests and historically heightened limits, whether submitted by email, text, phone, or other means, including all relevant documentation. As part of the transition to a new p-card vendor, all cardholders will be required to re-apply for their card, have p-card limits and transaction limits reviewed, and exceptions will be documented and stored in the new centralized database. As part of a planned update to P-card policies, all references to timing of inter-agency payments will be removed due to Procurement Services' lack of authority in this area.
	Completion Date:	January 31, 2024, March 31, 2024 and December 12, 2023 respectively
	Agency Contact:	David Morris, Acting Chief Procurement Officer, DPS, 207-624-7335
2023-003	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 Department will continue to implement the remaining procedures necessary to properly reconcile accounts receivables.
	Completion Date:	June 30, 2024
	Agency Contact:	Laurie Andre, Director, General Government Service Center, DFPS, DAFS, 207-592-0725
2023-004	Department:	Administrative and Financial Services
	Title:	Internal control over Alcoholic Beverages Fund financial reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will review policies and procedures to determine if improvements can be made to ensure that all vendor activity is appropriately recorded within the State’s accounting system and that balances reconcile to vendor reports.
	Completion Date:	June 30, 2024

Finding Number	Corrective Action Plan	
	Agency Contact:	Laurie Andre, Director, General Government Service Center, DFPS, DAFS, 207-592-0725
2023-005	Department:	Administrative and Financial Services
	Title:	Internal control over the calculation and recording of monthly accrued liabilities needs improvement
	Questioned Costs:	None
	Status:	Corrective action complete
	Corrective Action:	MaineIT does maintain that the current process is the most accurate method available to them for estimating accruals. However, moving forward MaineIT will implement an additional review on our monthly accrual journals. This will be comparing the accrual journals for the last fiscal year to the current accrual journals to see if the accrual journal is reasonable with the data available. If it isn't reasonable at this cursory review, the data supporting the accrual journal will be reviewed to determine if the invoices skewing the results were one-time expenditures that should be ignored or if they are legitimate on-going expenditures that should be accrued moving forward.
	Completion Date:	January 6, 2024
	Agency Contact:	Laurie Andre, Director, General Government Service Center, DFPS, DAFS, 207-592-0725
2023-006	Department:	Administrative and Financial Services
	Title:	Internal control over Medicaid receivables needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will review procedures to determine if improvements can be made to ensure amounts reported in the State's financial statements are accurate and complete. After further discussion with DHHS it has been agreed that the $6.8 million will not be recognized going forward.
	Completion Date:	June 30, 2024
	Agency Contact:	Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
2023-007	Department:	Administrative and Financial Services Secretary of State
	Title:	Internal control over financial reporting of capital assets needs improvement
	Questioned Costs:	None
	Status:	*DAFS*: Management's opinion is that corrective action is not required *SOS:* Corrective action complete

Finding Number	Corrective Action Plan	
	Corrective Action:	*DAFS:* The cost for the resurfacing of an existing parking lot is considered maintenance and repair, it does not increase the capacity to this existing asset and should be expensed. This cost does not increase the future benefit of this existing fixed asset beyond the previously assessed standard of performance. This repair is not considered extraordinary as it is a common repair on this type of asset. *SOS:* The Managing Staff Accountant has worked with the Office of the State Controller to correct this issue. Internal processes and procedures will be reviewed within the Accounting Section to avoid this issue in the future.
	Completion Date:	*DAFS*: N/A *SOS*: December 5, 2023, and January 31, 2024, respectively
	Agency Contact:	*DAFS*: Gilbert M. Bilodeau, Director, Natural Resources Service Center, NRSC, 207-624-6363 *SOS:* David Lachance, Director Finance & Administration, SOS, 207-624-9009
2023-008	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, 2024
	Agency Contact:	Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431
2023-009	Department:	Defense, Veterans and Emergency Management Administrative and Financial Services
	Title:	Internal control over Department of Defense, Veterans and Emergency Management procurement related expenditures needs improvement
	Questioned Costs:	None

Finding Number	Corrective Action Plan	
	Status:	Corrective action in progress
	Corrective Action:	*Maine National Guard:* Audit findings were shared with all pertinent department team members to review. A staff meeting was held to review and discuss all mandatory procedures for submittal of invoices, the aspects of a "proper invoice", and re-emphasized the requirement of date stamping all incoming correspondence. Also, we addressed the other audit findings that were not part of the Military Bureau as well. *MEMA*: The Department will train new staff on policies and procedures. The Department will maintain a working knowledge of Federal and State regulations including procurement requirements. The Department will continue training new subrecipient staff and updating existing staff on Federal and State procurement requirements. *SESC*: The Department will develop a policy to add a review step before a second partial payment is processed when partial payments are deemed necessary.
	Completion Date:	*Maine National Guard*: December 1, 2023, and December 6, 2023 respectively *MEMA*: March 31, 2024 *SESC*: January 31,2024
	Agency Contact:	*Maine National Guard*: Joseph Wilson, Public Service Manager, DVEM, 207-430-5696 *MEMA*: James Belanger, Public Service Manager, MEMA, 207-707-2912 *SESC*: Marilyn Leimbach, Director, Security and Employment Service Center, DFPS, DAFS, 207-248-2556
2023-010	Department:	Secretary of State Administration and Financial Services
	Title:	Internal control over expenditures processed by the Secretary of State needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	*SOS:* The Department will review guidance instructions from the Office of the State Controller regarding service dates. The Department will complete internal training with all staff within the Accounting Section. The Department will conduct an in-depth training with the staff accountants (approvers) to provide another control in the process. *OSC*: The Department will clarify/improve guidance in the annual GAAP Closing Package Instructions. The Department will complete internal training with new and existing OSC Accounting Division staff. The Department will add guidance to the OSC Accounting website over Service Dates.
	Completion Date:	*SOS:* January 31, 2024

Finding Number	Corrective Action Plan	
		OSC: June 30, 2024
	Agency Contact:	*SOS:* David Lachance, Director Finance & Administration, SOS, 207-624-9009 *OSC*: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-011	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 Department will review policies and procedures to determine if including additional periods in the accrual evaluation will result in additional expenditures that should be included in the accrual. The Department will clarify instructions regarding how service dates are determined and entered on payment transactions during the relevant periods.
	Completion Date:	June 30, 2024
	Agency Contact:	Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
2023-012	Department:	Administrative and Financial Services
	Title:	Internal control over year-end adjusting journal entry procedures needs improvement
	Questioned Costs:	None
	Status:	Management’s opinion is that corrective action is not required
	Corrective Action:	In an attempt to meet the deadline for journal entries to be finished there was an error in the process. The error would have been discovered when our analytical review was complete and before statements were issued. OSA communicated the issue prior to completion of the analytical review
	Completion Date:	N/A
	Agency Contact:	Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
2023-013	Department:	Administrative and Financial Services
	Title:	Internal control over financial reporting of subscription-based information technology arrangements needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will work with MaineIT, Procurement Services, and State agencies to develop and document the contract requirements to be utilized in the development of new IT-related contracts to provide the information needed for GASB 96.
	Completion Date:	June 30, 2024
	Agency Contact:	Thomas Randall, Financial Management Coordinator, OSC, 207-626-8437
2023-014	Department:	Administrative and Financial Services
	Title:	Internal control over financial reporting of MRS taxes receivable and the allowance for uncollectible taxes receivable needs improvement
	Questioned Costs:	None
	Status:	*OSC*: Management’s opinion is that corrective action is not required *MRS*: Corrective action in progress

Finding Number	Corrective Action Plan	
	Corrective Action:	*OSC*: The Office of the State Controller disagrees with this finding. The Office of the State Controller does have financial reporting procedures in place to ensure the appropriate valuation of receivables and related allowances. OSC initially recognized the missing receivable and allowance for uncollectable taxes balances and contacted Maine Revenue Services. Due to the immaterial net effect on the States's financial statements, OSC made an informed management decision based on actual knowledge and experience with historical and current data to document that information was missing and to process the entry. OSC corrected the entry once the missing information was made available. *MRS*: Policies and procedures for the Annual Reserve for Doubtful Accounts calculation and reporting have been updated to include the appropriate STARS reports. A SQR (2812) has been created to review and modify the formula for calculating accounts receivable in the STARS system (subsidiary ledger).
	Completion Date:	*OSC*: N/A *MRS*: November 29, 2023 and February 27, 2024 respectively
	Agency Contact:	*OSC Contact:* April Newman, Financial Management Coordinator, OSC, 207-626-8436 *MRS Contact:* Vicki Roy, Deputy Executive Director. MRS, 207-624-9853
2023-015	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 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:	Thomas Randall, Financial Management Coordinator, OSC, 207-626-8437
2023-016	Department:	Administration and Financial Services
	Title:	Internal control over Division of Procurement Services procurement related expenditures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress

Finding Number	Corrective Action Plan	
	Corrective Action:	The Department will review the BPO process and related policies with staff during our January Staff meeting. The Department will update its' MA and RFP documents to clarify the purpose of the reports to specify that reports are not required when there have been no transactions under the MA. As a result of an organizational review in 2022 in collaboration with the Project Management Office, DPS is reorganizing to ensure consistency and effective management of processes and personnel. This will include a vendor sourcing component that will proactively manage our portfolio of Master Agreements. Of the many responsibilities, this does include all cooperative agreements (the majority of cooperative agreements are master agreements) and associated compliance by vendors, including reports as well as current pricelist monitoring.
	Completion Date:	January 31, 2024, June 30, 2024 and December 31, 2024 respectively
	Agency Contact:	David Morris, Acting Chief Procurement Officer, DPS, 207-624-7335
2023-017	Department:	Health and Human Services
	Title:	Internal control over Division of Contract Management procurement related expenditures needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with the finding. It is difficult to respond fully or accurately to the finding without the full details of what was tested. Regarding the potential overpayment, there was a situation where a quarterly financial report (QFR) was submitted by the provider with an error, and it was processed resulting in a higher payment ($3,800) than should have been processed. However, the Department's internal controls will correct this through its agreement closeout (ACR) process. This is the Department's check/balance on the financials for the entire contract for cost-settled contracts. Regarding paying invoices with overlapping dates, it is possible that dates for invoices may be overlapping. A common reason is that the provider did not invoice for everything in the first month, so they catch up in the following month. The Department is not double paying for services. Also, invoices do not necessarily contain all of the detail required to approve an invoice. Much of that is in reports that the program administrator/manager receives and reviews prior to approving invoices. Regarding the concern with a cost-settled payment being made prior to the end of a quarterly service period, this was for a contract that was encumbered very late. The payment was large, for the first six months of the contract. The Department made the decision to catch up for the first six months and not require the quarterly financial report after the first three months. The Department would, however, require a financial report due after the second quarter and would then settle based upon that quarterly report. Finally, regarding the concerns about the cost allocation methodology, the Department uses multiple methods for the allocations which may result in non-standard splits between funding lines.

Finding Number	Corrective Action Plan	
	Completion Date:	N/A
	Agency Contact:	Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2023-018	Department:	Redacted
	Title:	________ over ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-019	Department:	Labor Administrative and Financial Services
	Title:	Internal control over financial reporting of interest and penalties related to unemployment insurance receivables needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	*DOL:* The Department will review the Trial Balance Receivable Report monthly for reasonableness. *DOL/TCS:* Change to how Change Requests (CR) are handled that impact P&I. Whenever a new change to the system that impacts P&I is identified, DOL will review all reports related to P&I for no fewer than 3 months post-implementation of the change. SESC will review P&I journals for reasonableness and alert DOL for review if unusual fluctuations are detected. *OSC:* The Department will continue to perform analytic reviews and will follow up on variances outside of the determined thresholds. Additionally, OSC will review and reassess procedures and determine if additional procedures are needed.
	Completion Date:	*DOL*: January 15, 2024 *OSC*: June 30, 2024
	Agency Contact:	*DOL:* Laura Boyett, Director, Bureau of Unemployment Compensation, DOL, 207-621-5156 *OSC:* Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431
2023-020	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with the 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

Finding Number	Corrective Action Plan	
		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, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-021	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with the 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, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-022	Department:	Redacted
	Title:	________ over ________ and ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action complete
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	July 30, 2023
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-023	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the 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 1, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-024	Department:	Redacted
	Title:	________ over ________ needs improvement
	Questioned Costs:	Redacted

Finding Number	Corrective Action Plan	
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the 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, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-025	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with the 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, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-026	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action complete
	Corrective Action:	The Department partially agrees with the 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:	November 2023 and December 22, 2023 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-027	Department:	Redacted
	Title:	________ over ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	March 29, 2024, August 1, 2024, August 30, 2024, and December 31, 2025 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

Finding Number	Corrective Action Plan	
2023-028	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	March 29, 2024 and June 30, 2024 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-029	Department:	Redacted
	Title:	________ over ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	December 22, 2023 (first item), March 31, 2024 (second item) and September 27, 2024 (third and fourth items)
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-030	Department:	Health and Human Services
	Title:	Internal control over P-EBT Food Benefits needs improvement
	Questioned Costs:	Known: $4,271 Likely: $4,862,998
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with the following Conditions: For 22 students, MDOE was not able to identify the specific student whose continuous absence established those students' schools' eligibility date. The P-EBT state plan required at least one student to be absent or remote for at least five consecutive days to establish a school eligibility date and MDOE in fact applied this test and established a school eligibility start date at the time the eligibility files were generated. While the school eligibility start date was captured and preserved in the original files provided to OSA, no student was named. The name of the student was not relevant to other students' eligibility, and creating or preserving a record of the particular student whose absence conferred eligibility was not a requirement of Maine's P-EBT plan with FNS, the Department's MOU with MDOE, or federal P-EBT policy. Further attaching that kind of Personal Identifying Information (PII) to other students' records would not be appropriate. Additionally, since local educational agencies (LEAs) update the core database throughout the school year and beyond, the results could not be replicated in the course of this audit to retrospectively identify the particular students whose absences conferred eligibility. Neither the omission of the students' names in the original file nor DOE's inability to identify such students during the audit establishes that it was improper to issue P-EBT benefits in connection with those

Finding Number	Corrective Action Plan	
		students. These students were found eligible based on the best data available to MDOE at the time. Likewise, the Department acknowledges that for four students, MDOE was unable – when requested to do so by the OSA – to locate their economically disadvantaged status in the database updated by LEAs throughout the school year. That does not mean, however, that it was improper to issue P-EBT benefits in connection with those students. These students' economically disadvantaged status was verified by MDOE and captured in the files at the time of issuance. The Department disagrees that tracking benefit issuance by child identification number is inadequate to monitor benefit issuances and ensure benefits are not duplicated. Child identification numbers are the most reliable way to track and deduplicate issuance. As pointed out in this finding, many households had more than one child. Additionally, some children may have moved from one household to another during the period in question. The Department disagrees with the Context and Likely Questioned Costs: For the reasons detailed above, only three – not 29 – of the students sampled were established to have been issued benefits in error. OSA's calculations should be adjusted accordingly. The Department disagrees with the Causes: OSA is incorrect to conclude that OFI should have reviewed, reconciled, and verified data provided by MDOE prior to issuance for at least two reasons. First, contrary to OSA's characterization of the partnership, the Department and MDOE were jointly responsible for administering the P-EBT program, with delegated duties defined in the state plan. That federally approved plan considered MDOE data to be accurate and actionable, and it did not contemplate OFI independently validating such data. Second, the Department is not permitted access to the local educational agency data that would have been necessary for the type of review and reconciliation proposed. The Department disagrees with the Recommendations: The three bulleted recommendations cannot be implemented. The P-EBT program ended December 31, 2023. It will not be possible to take corrective action in the implementation of a program that no longer exists. The State is confident that all issuances in the audit period, including those raised by OSA, were issued correctly based on the best information available at the time by the Departments responsible for implementing the P-EBT program. As such and following FNS guidance that no benefits are to be recouped unless the household applied for them directly, OFI will not revisit prior P-EBT decisions as suggested in OSA's additional recommendation.
	Completion Date:	N/A
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481

Finding Number	Corrective Action Plan	
2023-031	Department:	Health and Human Services
	Title:	Internal control over SNAP eligibility determinations and benefit calculations needs improvement
	Questioned Costs:	Known: $7,491 Likely: Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The management of OFI will review the operating procedures to identify opportunities for improvement and distribute to all staff involved.
	Completion Date:	June 1, 2024
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481
2023-032	Department:	Health and Human Services
	Title:	Internal control over Medicaid and SNAP deceased client cases needs improvement
	Questioned Costs:	Known: $8,329 Likely: Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Department will complete a follow up of cases noted in the "condition" section of the finding. Responsible party: MC Program Integrity and ES Special Project teams. The Department will review and update standard operating procedures (SOP) clarifying the Program Integrity team as responsible for working on DOD reports timely with enhanced oversight procedures. Responsible party: Program Manager team
	Completion Date:	June 30, 2024
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481
2023-033	Department:	Health and Human Services
	Title:	Internal control over automated SNAP eligibility certification periods needs improvement
	Questioned Costs:	Known: $18,090 Likely: Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Department has the necessary policies and procedures in place regarding providing households with correct certification period lengths. The Department has previously identified that some household's six-month reports would be withdrawn incorrectly, at times. Over the course of approximately three years the Department has identified the causes of this error, the final of which is scheduled to be completed June 7, 2024.
	Completion Date:	June 7, 2024
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481
2023-034	Department:	Redacted
	Title:	________ over ________ and ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective

Finding Number	Corrective Action Plan	
		action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	November 2022 (first item), February 7, 2023 (second item), June 30, 2024 (third item), April 30, 2024 (fourth item) and September 30, 2024 (fifth, sixth and seventh items)
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-035	Department:	Health and Human Services
	Title:	Internal control over SNAP EBT card security needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	Although the Department agrees that errors were identified, these data entry errors were clerical in nature, and do not impact the security of our returned EBT cards. The Standard Operating Procedure for processing returned EBT cards does segregate duties sufficiently. First, all returned cards are received by District Operations in the Lewiston Regional Office, and they are distributed to a separate resource for processing. Second, a clerical resource in the Lewiston office reviews the case to determine the appropriate course of action, and then subsequently takes and logs that action (in spreadsheets and in ACES). Third, the EBT manager performs quality checks on the logs to ensure the proper handling of the cards/cases.
	Completion Date:	N/A
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481
2023-036	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the 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:	October 27, 2023 and September 30, 2024 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-037	Department:	Education
	Title:	Internal control over CNC special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The existing procedure for monitoring FFATA reporting now includes Child Nutrition Awards as of 7/1/23.
	Completion Date:	July 1, 2024
	Agency Contact:	Nicole Denis, Director of Finance, DOE, 207-530-2161
2023-038	Department:	Education
	Title:	Internal control over CNC claim reimbursements needs improvement

Finding Number	Corrective Action Plan	
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will adjust the one-time exception procedure to include the procedure for downward adjustments and tracking of sponsor requested downward adjustments. The Department will adjust the SFSP application/site information sheet approval and update procedures to include instructions on documentation needs. Requests for site information sheet changes will be documented and maintained in CNPweb. CNPweb ticket requests have been submitted to ensure downward adjustments are tracked in CNPweb. CNPweb ticket requests have been submitted to ensure site information sheet changes are date stamped.
	Completion Date:	March 12, 2024 (first and second items), March 1, 2025 (third item) and June 9, 2022 (fourth item)
	Agency Contact:	Adriane Ackroyd, Assistant Director Child Nutrition, DOE, 207-592-1722
2023-039	Department:	Redacted
	Title:	________ over ________, ________, and ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	December 31, 2024 (first item) and March 18, 2024 (second and third items)
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-040	Department:	Redacted
	Title:	________ over ________ and ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the 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 15, 2024 and June 30, 2024 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-041	Department:	Education
	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

Finding Number	Corrective Action Plan	
	Corrective Action:	The Department will work with auditors to find the SEFA numbers. The Department director will create a procedure to report the SEFA numbers to DOE Finance. The Department will review with DOE Finance for approval of the procedure.
	Completion Date:	March 1, 2024, May 1, 2024 and June 1, 2024 respectively
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2023-042	Department:	Education
	Title:	Internal control over CNC donated food inventory needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department found a ticketing issue in CNPWeb, and a ticket was issued to remediate the problem. The Department staff will continue to provide paper back up until the computer system is found to be reliable.
	Completion Date:	December 31, 2024 and March 18, 2024 respectively
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2023-043	Department:	Education
	Title:	Internal control over CNC subrecipient monitoring procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Child Nutrition supervisor will review details of the findings from the state auditors to assess where errors occurred in both administrative review completion and tracking. Clear separation of duties will be created between administrative staff responsibilities for review tracking and reviewer staff responsibilities. Staff will be trained on review tracking spreadsheet responsibilities. Staff will be trained on administrative review tool completion. Training will highlight areas where data was missing, more information was needed or errors were made. This will occur at monthly staff meetings. Special Provision 2 base year review staff will be trained on the need to ensure SFAs revise claims as required due to base year review findings. It will be recommended that a tracking document be created to validate that claim adjustments have been made. If the adjustment is over the 60 day late claim window, the financial specialist will track the reason for the claim exception.
	Completion Date:	March 15, 2024 (first, second and third items), June 10, 2024 (fourth item) and March 14, 2024 (sixth item)
	Agency Contact:	Adriane Ackroyd, Assistant Director Child Nutrition, DOE, 207-592-1722
2023-044	Department:	Health and Human Services
	Title:	Internal control over WIC subrecipient monitoring needs improvement
	Questioned Costs:	None

Finding Number	Corrective Action Plan	
	Status:	Corrective action in progress
	Corrective Action:	The Department will continue training and finalizing processes with DHHS Internal Audit for ongoing completion of the financial component of MERs.
	Completion Date:	June 1, 2024
	Agency Contact:	Ginger Roberts-Scott, Senior Health Program Manager, DHHS, 207-287-5342
2023-045	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 contact the Federal Awarding Agency to identify steps needed to resolve cash discrepancy.
	Completion Date:	December 31, 2024
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2023-046	Department:	Education
	Title:	Internal control over CACFP eligibility determination and claim reimbursement procedures needs improvement
	Questioned Costs:	Known: $19,362 Likely: Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Department will create a property type form, using USDA Regulations, and will share the form with small facilities. The Department will add the form to the new application and will be stored throughout the year. The Department will add an enhancement request for a warning and attestation for the collection of “in and out” records to substantiate the claiming of meals over the licensed capacity. The Department will implement a two-step claim verification process for each sponsoring agency which requires a two-person internal approval prior to a claim submission.
	Completion Date:	July 31, 2024, October 31, 2024, April 30, 2024 and August 31, 2024 respectively
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2023-047	Department:	Education
	Title:	Internal control over CACFP subrecipient monitoring procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will update the newly established risk evaluation tool, with new auditor suggestions. The Department will enhance the policies and procedures to ensure that the audit reports for all subrecipients receiving over $750,000 in Federal Awards requiring audits are properly tracked, received, and reviewed.

Finding Number	Corrective Action Plan	
		The Department will enhance documentation to support the reasons for late or missing audit reports. The Department will implement a process to ensure that all reviews are fully completed within the allotted timeframe.
	Completion Date:	April 1, 2024 (first item), May 1, 2024 (second item) and June 1, 2024 (third and fourth items)
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2023-048	Department:	Labor
	Title:	Internal control over UI claim payments needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will review the single case where the claimant received multiple consecutive two-week work-search waivers by answering they were starting new employment. We will review to formulate new controls once the initial two-week period ends and the claimant continues to file for benefits to determine why the new employment did not commence as reported. The Department will conduct refresher training for staff to address the findings that were the result of staff errors.
	Completion Date:	December 31, 2024 and November 11, 2024 respectively
	Agency Contact:	Laura Boyett, Director, Bureau of Unemployment Compensation, DOL, 207-621-5156
2023-049	Department:	Redacted
	Title:	_________ over _________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	July 1, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-050	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 allocate resources to adhere to the statutory review of the classification specifications--a timeframe which as of 2024 is every 10 years. The department will continue to document reviews of classifications specifications, including those which do not result in changes. The department will create and maintain a spreadsheet to record all reviews of classification specifications.

Finding Number	Corrective Action Plan	
	Completion Date:	June 30, 2024
	Agency Contact:	Breena Bissell, Director, Bureau of Human Resources, DAFS, 207-624-7368
2023-051	Department:	Redacted
	Title:	________ over ________ and ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Management’s opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with the 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
2023-052	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with the 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 31, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-053	Department:	Redacted
	Title:	________ over ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department’s corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-054	Department:	Transportation
	Title:	Internal control over DOT subrecipient and contractor determinations needs improvement
	Questioned Costs:	None
	Status:	Corrective action complete

Finding Number	Corrective Action Plan	
	Corrective Action:	The Department has reviewed the standards for categorizing vendors and subrecipients. The Department has amended the process to include a substantive review of the initial categorization by a Financial Analyst before the report is finalized and transmitted.
	Completion Date:	February 21, 2024
	Agency Contact:	Kathleen Malcolm, Financial Processing Director, DOT, 207-624-3292
2023-055	Department:	Economic and Community Development
	Title:	Internal control over ERA Program subrecipient monitoring needs improvement
	Questioned Costs:	None
	Status:	Corrective action complete
	Corrective Action:	The Department has contracted with a vendor to conduct all subrecipient monitoring of all federal ARPA funding. The Department has required detailed documentation in support of subrecipient reimbursement of all federal ARPA funding.
	Completion Date:	June 30, 2023
	Agency Contact:	Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817
2023-056	Department:	Economic and Community Development
	Title:	Internal control over ERA Program performance reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will have quarterly onsite meetings with MaineHousing staff to review the data and supporting documentation prior to the submission deadline.
	Completion Date:	January 31, 2026
	Agency Contact:	Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817
2023-057	Department:	Administrative and Financial Services
	Title:	Internal control over the submission of HAF Program SEFA reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will institute a more rigorous review process for the SEFA going forward.
	Completion Date:	August 31, 2024
	Agency Contact:	Marilyn Leimbach, Director, Security and Employment Service Center, DFPS, DAFS, 207-248-2556
2023-058	Department:	Economic and Community Development
	Title:	Internal control over CSLFRF expenditures needs improvement
	Questioned Costs:	Known: $591,845 Likely: $591,845
	Status:	Corrective action in progress

Finding Number	Corrective Action Plan	
	Corrective Action:	The Department will review internal processes and procedures to ensure that they properly address questions of compliance and allowable expenditures for similar programs that may arise in the future. The Department will identify the appropriate allowable expenditure categories and create business cases that will address the questioned costs by placing them into the proper expenditure categories.
	Completion Date:	June 30, 2024
	Agency Contact:	Denise Garland, Deputy Commissioner, DECD, 207-624-7496
2023-059	Department:	Economic and Community Development
	Title:	Internal control over CSLFRF subrecipient audit procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department engaged with their contractor to review single audits for all subrecipients receiving more than $750,000 in aggregate federal funding. The contractor will raise any findings to the attention of DECD staff who will then issue a management decision letter in keeping with federal regulations. The Department will continue its own review in conjunction with that of the contractor and address findings or concerns with subrecipients to ensure that findings are addressed and that chances of recurrence are mitigated.
	Completion Date:	February 21, 2024 and ongoing respectively
	Agency Contact:	Denise Garland, Deputy Commissioner, DECD, 207-624-7496
2023-060	Department:	Labor
	Title:	Internal control over CSLFRF subrecipient risk evaluation procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will further develop and refine the sub-recipient monitoring procedure and implement the revised process.
	Completion Date:	June 30, 2024
	Agency Contact:	Samantha Dina, Associate Commissioner, DOL, 207-816-1714
2023-061	Department:	Administrative and Financial Services
	Title:	Internal control over CSLFRF reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will review contracts with the agencies to verify the classifications.
	Completion Date:	June 30, 2024
	Agency Contact:	Marilyn Leimbach, Director, Security and Employment Service Center, DFPS, DAFS, 207-248-2556
2023-062	Department:	Education Administrative and Financial Services
	Title:	Internal control over Special Education period of performance needs improvement

Finding Number	Corrective Action Plan	
	Questioned Costs:	Known: $2,446,391 Likely: Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	In FY22, Maine DOE implemented a new grants management system. The implementation of the new system and staffing created delays in final payments. The Office of Special Services and Inclusive Education will review and implement stronger internal controls to monitor final payments for timeliness.
	Completion Date:	June 30, 2024
	Agency Contact:	Nicole Denis, Director of Finance, DOE, 207-530-2161
2023-063	Department:	Education
	Title:	Internal control over Special Education subrecipient audit procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will review the current procedure regarding the notification of management decisions related to audit findings and corrective action, to strengthen the areas where prior notifications were missed.
	Completion Date:	April 30, 2024
	Agency Contact:	Nicole Denis, Director of Finance, DOE, 207-530-2161
2023-064	Department:	Education
	Title:	Internal control over ESF expenditures needs improvement
	Questioned Costs:	Known: $161,468 Likely: $7,308,277
	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 FERP 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 FERP 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, FERP utilized ESF federal statutory language and the grantor’s published guidance to determine allowability. Once funding applications were approved, SAUs requested reimbursement from the FERP for the approved costs outlined in the school administrative unit (SAU) application. The FERP 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.
	Completion Date:	N/A
	Agency Contact:	Shelly Chasse-Johndro, Director of OFERP, DOE, 207-458-3180
2023-065	Department:	Redacted
	Title:	________ over the ________ and ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress

Finding Number	Corrective Action Plan	
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	July 1, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-066	Department:	Education
	Title:	Internal control over ESF special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The department has implemented a new procedure in FY24 to review project descriptions and reconcile subawards reported between USA Spending and Advantage.
	Completion Date:	June 30, 2024
	Agency Contact:	Nicole Denis, Director of Finance, DOE, 207-530-2161
2023-067	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:	Ongoing and July 1, 2024 respectively
	Agency Contact:	Shelly Chasse-Johndro, Director of OFERP, DOE, 207-458-3180
2023-068	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with the 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 31, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-069	Department:	Health and Human Services
	Title:	Internal control over ICA program subrecipient monitoring procedures needs improvement
	Questioned Costs:	None

Finding Number	Corrective Action Plan	
	Status:	Corrective action in progress
	Corrective Action:	The Department will establish a plan to ensure that a final review of contracts is completed to confirm that accurate Federal award identification information is included and documented prior to being sent to the provider for signing. The Department will begin using the established plan to ensure that a final review of contracts is completed to confirm that accurate Federal award identification information is included and documented prior to being sent to the provider for signing. The Department will re-evaluate the risk of current providers to determine the appropriate monitoring activities. The Department team will establish a plan to ensure that they receive, review, and approve all financial and performance reports within 10 business days of receipt. The Department will begin using the established plan to receive, review, and approve all financial and performance reports within 10 business days of receipt.
	Completion Date:	April 30, 2024 (first item), May 31, 2024 (second, third and fourth items) and June 30, 2024 (fifth item)
	Agency Contact:	Eden Silverthorne, Associate Director, Office of Population Health Equity (CDC OPHE PSM II), 207-441-1090
2023-070	Department:	Redacted
	Title:	________ over ________ and ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	July 1, 2023, June 1, 2024 and June 15, 2024 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-071	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 review estimated revenue amounts for the CDC ICA appropriations and request the establishment and/or increases related to an analysis of ICA transactions.
	Completion Date:	March 31, 2024
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2023-072	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress

Finding Number	Corrective Action Plan	
	Corrective Action:	The Department agrees with the 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, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-073	Department:	Health and Human Services
	Title:	Internal control over ELC program reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Financial Reporting: Quarterly financial reporting will be emailed to the reviewer by Maine CDC. Financial Reporting: Reviewer corresponds corrections/findings via email to Maine CDC. Financial Reporting: Maine CDC inputs financial reporting into CAMP. Performance Reporting: Quarterly meetings with each team to update progress will be recorded. Performance Reporting: All milestones that have progress in the last quarter will have a note describing how we determined the progress level entered into CAMP. Performance Reporting: A note about who reviewed the progress report and who submitted it will be entered into the Monitoring Notes section in CAMP.
	Completion Date:	June 10, 2024 (first item), June 18, 2024 (second item), June 20, 2024 (third item) and June 30, 2024 (last three items)
	Agency Contact:	Sara Robinson, Infectious Disease Program Manager, DHHS, 207-287-4610
2023-074	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 DHHS Financial Service Center will update procedures for the ELC program related to CMIA, Federal cash requests and reconciliations to reflect the current Treasury State Agreement and weekly draw processes.
	Completion Date:	March 31, 2024
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2023-075	Department:	Health and Human Services
	Title:	Internal control over payments made to and on behalf of TANF clients needs improvement
	Questioned Costs:	Known: $4,721 Likely:$279,992
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	OFI disagrees with this finding.

Finding Number	Corrective Action Plan	
		OSA's interpretation of federal regulation regarding the recoupment of overpaid funds is incorrect, and benefit overpayments are identified and processed by OFI in compliance with federal regulation and policy. Overpayments are required to be recouped in the shortest timeframe possible, but the recoupment amount cannot exceed the standards as set by policy. Neither state policy nor federal regulation requires an overpayment to be recouped within the same state fiscal year it is identified, so it was not appropriate for OSA to include as questioned costs on that basis the two cases where recoupment did not occur in the same fiscal year that the overpayment was established. Further, OFI disputes how OSA calculated the questioned costs. Three of the payments tested by OSA were found to be correct at the time of issuance. OSA then reviewed all payments during the state fiscal year for the three cases and stated that parent fees should have been adjusted based on documentation in DocuWare. Transitional Child Care does not require changes in income to be reported during the certification period unless the gross income exceeds 250% of the federal poverty level (MPAM, Ch. V, A, (6)), and adjustment of the parent fees were not required for these cases. They should not be included in the list of exceptions. While OSA cites MPAM, Ch. V, A (6), "TCC payments remain constant until a redetermination is completed, or until the recipient or child care provider reports a change that affects the amount of TCC benefits (emphasis added)" the reported change did not affect the amount of TCC benefits.
	Completion Date:	N/A
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481
2023-076	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's existing IEVS reports are part of an Integrated Eligibility System whose format is in compliance with federal regulations.
	Completion Date:	N/A
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481
2023-077	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 believes that we are in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement is as close as administratively feasible. The Department's procedures related to cash management include: reconciling payments to expenditures quarterly and monitoring subrecipient's audits. The Department's subrecipients not only are required to have Single Audits but also are required to have audited financial statements and audited Schedule of Expenditures of Department Awards at a lower threshold than that of the Single Audit through the Department's rule, Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP). This rule also defines a major program at a much

Finding Number	Corrective Action Plan	
		lower threshold than the Uniform Guidance, so far more programs get tested annually than just Single Audits alone.
	Completion Date:	N/A
	Agency Contact:	Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2023-078	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 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), 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
2023-079	Department:	Redacted
	Title:	________ over the ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department’s corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	March 31, 2024 and June 30, 2024 respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-080	Department:	Health and Human Services
	Title:	Internal control over TANF client child support sanction procedures needs improvement
	Questioned Costs:	None

Finding Number	Corrective Action Plan	
	Status:	Management’s opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The audit objective identified in the Compliance Supplement is to "Determine whether, after notification by the state Title IV-D agency, the TANF agency has taken necessary action to reduce or deny TANF assistance." One of the two suggested audit procedures is to "Test a sample of cases referred by the Title IV-D agency to the TANF agency to ascertain if benefits were reduced or denied as required." The Department spent a lot of time and effort attempting to validate for OSA that it had a testable population, and the Department believes that the Office of State Auditor can perform this procedure either with the DSER-provided report of referrals or with that report in conjunction with the additional material the Department has pulled and analyzed for OSA. In the absence of that review nothing in the Department’s records, data, or discussions with OSA could reasonably be interpreted to suggest a “significant deficiency” in its Internal Controls over this aspect of the TANF program. There has not been any evidence that referrals made from DSER to OFI are getting lost, ignored, or misapplied. All 38 cases that the Department analyzed for completeness purposes reflect a well-functioning and substantively accurate sanction referral and case-action process, and this record does not support the OSA's conclusion to the contrary.
	Completion Date:	N/A
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481
2023-081	Department:	Health and Human Services
	Title:	Internal control over TANF performance reporting and work participation procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department’s staff will meet internally to review system protocols and discuss possible changes to increase reporting accuracy. The Department will meet with Fedcap technical staff to discuss possible system information exchange improvements. If applicable, implementation of system improvements.
	Completion Date:	March 31, 2024, April 30, 2024 and June 30, 2024 respectively
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481
2023-082	Department:	Redacted
	Title:	________ over ________ and ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action complete
	Corrective Action:	The Department agrees with the 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, 2024
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

Finding Number	Corrective Action Plan	
2023-083	Department:	Health and Human Services
	Title:	Internal control over CCDF provider payments needs improvement
	Questioned Costs:	Known: $3,101 Likely: $32,099
	Status:	Corrective action in progress
	Corrective Action:	The Department's Program Managers will review findings with the CCAP program staff. The Department's Program Managers will update the FRS Manual (standard operating procedures). The Department's QA team will be informed of findings and updates to the CCAP manual.
	Completion Date:	May 13, 2024
	Agency Contact:	John Feeney, Chief Operating Officer, OCFS, DHHS, 207- 626-8614
2023-084	Department:	Health and Human Services
	Title:	Internal control over CCDF provider application and payment approvals needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department's Program Managers will review findings with the program staff. The Department's Program Managers will update Manual standard operating procedures.
	Completion Date:	May 13, 2024
	Agency Contact:	John Feeney, Chief Operating Officer, OCFS, DHHS, 207- 626-8614
2023-085	Department:	Health and Human Services
	Title:	Internal control over CCDF provider health and safety requirements needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department's CLIS Program Manager will update the standard operating procedures to more explicitly detail the requirements for an annual inspection and will add steps for the Licensing Specialists and Supervisors to take in the event that there may be a delay. This will include reassignment to another Licensing Specialist when necessary. The Department's standard operating procedure updates will be provided to all child care licensing staff and reviewed during the monthly staff meeting.
	Completion Date:	April 1, 2024 and May 1, 2024 respectively
	Agency Contact:	Janet Whitten, CLIS Program Manager, DHHS, 207- 441-2259
2023-086	Department:	Health and Human Services
	Title:	Internal control over the Foster Care – Title IV-E eligibility and benefit determination process needs improvement
	Questioned Costs:	Known: $8,006 Likely: $220,373

Finding Number	Corrective Action Plan	
	Status:	Corrective action in progress
	Corrective Action:	The Department's Title IV-E Program Manager will educate and train the FRS staff on the proper completion of Title IV-E Initial Determination checklists for their FRS files. The Department's Title IV-E Program Manager will include a verification of this item in our Internal Quality Assurance review checklist. The Title IV-E Program Manager will educate and train the FRS staff on this update to the review tool. The Department's Title IV-E Program Manager will update the FRS Manual to describe the proper completion of the "Title IV-E Determination Checklist". The Title IV-E Program Manager will educate and train the FRS staff on this update to the manual.
	Completion Date:	April 1, 2024
	Agency Contact:	Manisha Donahue, Title IV-E Program Manager, OCFS, DHHS, 207-592-1268
2023-087	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over DHHS allocated costs needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The DHHS Financial Service Center will implement additional procedures for communicating back and forth with OCFS regarding changes to the Cost Allocation Plan. The DHHS Financial Service Center will review and enhance current monitoring procedures to ensure costs are being allocated as expected within Federal regulations.
	Completion Date:	December 31, 2024
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2023-088	Department:	Health and Human Services
	Title:	Internal control over the Adoption Assistance – Title IV-E eligibility and benefit determination process needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department's Adoption Program Manager will educate and train the Adoption FRS workers on the proper completion of the Application for Adoption Assistance Checklists. The Department's Adoption Program Manager will review the final Adoption Assistance Packet for completeness before approving. The Department's Adoption Program Manager will educate and train the District Caseworkers and Supervisors on the proper completion of the Application for Adoption Assistance Checklist. The Department's Adoption Manager will work with the OCFS team on enhancing the Adoption Policy.

Finding Number	Corrective Action Plan	
		The Department's Adoption Program Manager will update the Adoption Assistance Checklist in Katahdin to state it will be returned to the district if not completed and signed by the caseworker and supervisor. The Department will organize a workgroup to evaluate how to improve the financial review process and define any changes needed to be implemented in Katahdin to support validating that payments are processed appropriately.
	Completion Date:	April 1, 2024 (first and second items), June 1, 2024 (third item), September 1, 2024 (fourth and fifth items) and October 1, 2024 (sixth item)
	Agency Contact:	Karen Benson, Adoption Program Manager, DHHS, 207-561-4208
2023-089	Department:	Redacted
	Title:	________ over ________ and ________ needs improvement
	Questioned Costs:	Redacted
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the 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, 2024 (first three items) and May 1, 2024 (fourth item)
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2023-090	Department:	Health and Human Services
	Title:	Internal control over Adoption Assistance – Title IV-E level of effort needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will create a new folder on its shared drive to store all the needed documentation. The Adoption Savings standard operating procedure will also be updated to include what and where this information must be stored.
	Completion Date:	May 1, 2024
	Agency Contact:	John Feeney, Chief Operating Officer, OCFS, DHHS, 207- 626-8614
2023-091	Department:	Health and Human Services
	Title:	Internal control over Medicaid Nursing Facility audits needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will check with HR weekly for new applicants, interview qualified candidates as soon as possible, and hire and train qualified individuals. The Department will complete the COVID audits. The Department will reassign COVID auditors to the LTC program audits.
	Completion Date:	Ongoing (first item), June 30, 2024 (second item) and July 1, 2024 (third item)
	Agency Contact:	Herb Downs, Director, Division of Audit, DHHS, 207-287-2778

Finding Number	Corrective Action Plan	
2023-092	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 ensure the monthly report from the data team captures all discrepancies based on the CMS monthly reporting for Medicare Part B. OFI will revise and implement standard operating procedures, including oversight procedures, ensuring monthly documentation of completed reconciliations.
	Completion Date:	May 1, 2024
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481
2023-093	Department:	Health and Human Services
	Title:	Internal control over Medicaid cost of care deductions needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department's State Adjustment Supervisor and Provider Relations Manager will work with OFI to request the COC manual change report be sent to the State Adjustment Unit. The State Adjustment Unit will QA the claims report received by the vendor and compare it to the OFI report to assure accurate reporting of cost of care changes for affected members.
	Completion Date:	April 30, 2024
	Agency Contact:	Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2023-094	Department:	Health and Human Services
	Title:	Internal control over Medicaid drug rebates needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	As a part of the quarterly drug rebate invoicing cycle, the pharmacy unit drug rebate team will review and approve the pre-invoicing variances prior to the generation of invoices. On a quarterly basis, the QA team will review a sample of medical claim drug lines to calculate the drug utilization and compare that to PRIMS and confirm that the invoice is calculated correctly.
	Completion Date:	May 31, 2024 and June 15, 2024 respectively
	Agency Contact:	Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2023-095	Department:	Administrative and Financial Services
	Title:	Internal control over conflict of interest requirements needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will add updated verbiage to the service contract and IT service contract templates. The Department will notify agencies of the updated contract and transition timeline to accommodate contract negotiations in process.

Finding Number	Corrective Action Plan	
		The Department will require the mandatory use of new contract templates. The Department will revise the NOI-PJF to include statutory reference and departmental attestation to conflict of interest. The Department will revise PJF guidance documents to include direction regarding conflict of interest acknowledgement/attestation. The Department will require the mandatory use of the revised NOI-PJF form.
	Completion Date:	March 31, 2024 (first, second and fourth items), April 15, 2024 (fifth item) and July 31, 2024 (third and sixth items)
	Agency Contact:	David Morris, Acting Chief Procurement Officer, DAFS, 207-624-7335
2023-096	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 written procedures for the monthly identification of subawards, the collection of UEIs, input to FSRS, and a reconciliation to MEMA records. The Department will identify FSRS entries recorded for current awards and compare them to the actual subawards (identified by the review of contracts, analysis of Advantage payments, and interview of program staff). The Department will input the remaining subawards into FSRS. The Department will compare the complete subaward list in FSRS to MEMA records. The Department will switch over to a monthly input of new subawards.
	Completion Date:	April 1, 2024, May 3, 2024 and June 20, 2024 respectively
	Agency Contact:	James Belanger, Business Office Director MEMA, 207-707-2912
2023-097	Department:	Defense, Veterans and Emergency Management Administrative and Financial Services
	Title:	Internal control over DG – PA program cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action is complete
	Corrective Action:	The Department revised the current process based on a review of the TSA agreement and a comparison to the current practices. The Department developed a process diagram and review it with the Service Center. The Department trained MEMA Business Office Staff on the new process. The Department wrote a revised cash management procedure. The Department reviewed the process with MEMA Program Staff. The Department implemented the revised cash management process.

Finding Number	Corrective Action Plan	
	Completion Date:	November 21, 2023 (first and second items), November 30, 2023 (third and fourth items), December 4, 2023 (fifth item) and December 11, 2023 (sixth item)
	Agency Contact:	James Belanger, Business Office Director MEMA, 207-707-2912

STATE OF MAINE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

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 2023

Summary Schedule of Prior Audit Findings

The *Summary Schedule of Prior Audit Findings* (SSPAF) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of the SSPAF is to report on the status of audit findings reported in the prior: (1) audit's schedule of findings and questioned costs, and (2) audit's summary schedule of prior audit findings.

For each prior year audit finding, the SSPAF reports the current status of corrective action; for findings in which corrective action has either not been taken, or not completed, explanations are generally provided that describe the reason(s) for the finding's recurrence, the planned corrective action, and any partial corrective action taken. In the event that corrective action differs significantly from previously reported corrective action, an additional explanation has been provided. The SSPAF complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up.

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2022-021* 2021-009* 2020-009**	Finding Title:	Internal control over valuing estimates for the allowances for uncollectible unemployment insurance receivables needs improvement
	State Department:	Labor Administrative and Financial Services
	ALN:	Financial Statement Finding; 17.225
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
		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.
	FY 2023 Finding:	2023-008
2022-012* 2021-010* 2020-016** 2020-015** 2020-014**	Finding Title:	over the needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2019
	Questioned Costs:	Redacted
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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 2023 Finding:	2023-024 & 2023-053
2022-010* 2021-005* 2020-011**	Finding Title:	________ over the ________ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2018
	Questioned Costs:	Redacted
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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 2023 Finding:	2023-018
2022-025* 2020-018**	Finding Title:	Internal control over automated SNAP eligibility determinations and benefit calculations needs improvement
	State Department:	Health and Human Services
	ALN:	10.551, 10.561
	Initial Finding FY:	2019
	Questioned Costs 2022-025:	Known questioned costs totaling $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.

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="6"></td><td rowspan="3">Questioned Costs 2020-018:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$74</td><td>$74</td><td>$0</td></tr>
<tr><td>Likely</td><td>$111,273</td><td>$111,273</td><td>$0</td></tr>
<tr><td>FY23 Status:</td><td colspan="4">* Corrective action was not completed in FY 2023
** 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 partially agrees with the exceptions noted; however, the Office for Family Independence has policies in place to ensure that information that is entered into ACES is accurate, that automated client eligibility determinations are processed in accordance with federal law and that recalculations of file modifications are retroactive, as applicable. The Department will continue to review its operating procedures to identify opportunities for improvement.

Regarding the one case identified where household expenses had not been updated since 2018: The Head of Household (HH) has been receiving the full standard (FSUA) which means the expense deduction has been changing. The client & Department have been updating the medical expense deduction with timely verifications from the client. On the signed Review, the client checked that the above listed expenses were correct and checked the HH had no other shelter expenses other than the ones listed above. These actions are in compliance with 7 CFR 273.10(d)(4).

The Department asserts that adequate safeguards are in place. The cost of implementing the recommendations would exceed the benefit realized in achieving 100 percent accuracy in determining eligibility.</td></tr>
<tr><td>FY 2023 Finding:</td><td colspan="4">2023-031</td></tr>
<tr><td rowspan="8">2022-026*
2021-015*
2020-019**</td><td>Finding Title:</td><td colspan="4">Internal control over the issuance of SNAP benefits needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">10.551, 10.561</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY23 Status:</td><td colspan="4">*Corrective action was not completed in FY 2023
** 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 agrees with this finding and will review the current SOP governing DOD procedures and will implement enhancements to ensure DOD is updated and that related required actions are taken within allowable timeframes.</td></tr>
<tr><td>FY 2023 Finding:</td><td colspan="4">2023-032</td></tr>
<tr><td rowspan="5">2022-029*
2021-012*
2021-017*
2020-020**</td><td>Finding Title:</td><td colspan="4">________ over the ________ needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Redacted</td></tr>
<tr><td>ALN:</td><td colspan="4">Redacted</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">Redacted</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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 2023 Finding:	2023-036
2022-039* 2021-019* 2020-022**	Finding Title:	Internal control over WIC subrecipient monitoring needs improvement
	State Department:	Health and Human Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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 three (3) MERs for FY23. One (1) MER was not completed within the fiscal year, however, has since been completed. WIC is now current with the MERs in this fiscal year. WIC continues to work with DHHS Internal Audit to assist in completing the MERs financial component. All Local Agencies were monitored for FY23.
	FY 2023 Finding:	2023-044
2022-040* 2021-018* 2020-021**	Finding Title:	Internal control over WIC cash balances needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY23 Status:	*Corrective action was not completed in FY 2023 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The DHHS and DHHS Financial Service Center agree with this finding. The Department will work with the Federal Agency on steps needed to resolve the cash discrepancy.
	FY 2023 Finding:	2023-045
2022-045* 2021-021* 2020-026**	Finding Title:	Internal control over UI claim payments needs improvement
	State Department:	Labor
	ALN:	17.225
	Initial Finding FY:	2011
	Questioned Costs 2022-045:	Known questioned costs totaling $19,278. 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.
	Questioned Costs 2021-021:	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

Summary Schedule of Prior Audit Findings					
Finding Number	**Prior Audit Finding Status**				
		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.			
	Questioned Costs 2020-026:	Questioned Costs	Total	Federal	State
		Known	$63,371,162	$37,047,183	$26,323,979
		Likely	Undeterminable	Undeterminable	Undeterminable
		Known	$10,375	$0	$10,375
		Likely	$5,272,833	$0	$5,272,833
	FY23 Status:	*Corrective action was not completed in FY 2023 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)			
	Explanation:	In a general sense the state has added significant controls around benefit eligibility, especially in the vital statistics area and work search. We continue to monitor all eligibility controls and work collaboratively with the state and federal government to enhance controls and strengthen program integrity. Specific to the findings: The agency agrees with the 18 claimants who provided repetitive work search efforts on their weekly claims. This subset of claimants used CareerCenter activities as their work search for numerous subsequent weeks. Per the Commission Rules, Chapter 10, subsection B (1) and (2), certain CareerCenter activities may count as a work search for the week claimed. However, due to recent OSA audits, additional controls were defined and implemented to avoid this exact scenario. The change was implemented with our 06/28/2023 build. As of that time in cases where a claimant reports a CareerCenter related activity on more than two weekly benefit claims, the claimant will be scheduled for a fact-finding to discuss their work search efforts. We anticipate seeing a significant improvement in this area for SFY 24. We agree with the finding on the single claimant who was granted consecutive work search waivers by reporting they were scheduled to start new employment within the next two weeks on their weekly claim. Additional controls in this area will be formulated and a change request filed to address this finding. We agree with the remaining six claimants' control findings which were due to a variety of staff training issues. Some of these are in process of being addressed through refresher training, some of which had already been detected prior to OSA's finding. One case will require additional review but was possibly due to a staff data entry error. We are encouraged by the continued collaboration with OSA, which has resulted in meaningful change and added controls in this area. We appreciate the opportunity provided and look forward to continued improvement.			
	FY 2023 Finding:	2023-048			

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2022-014* 2021-011* 2020-013**	Finding Title:	over the needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2019
	Questioned Costs:	Redacted
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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 2023 Finding:	2023-023
2020-031	Finding Title:	Internal control over claim reimbursements needs improvement
	State Department:	Labor
	ALN:	84.126
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY23 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 2023 Finding:	No finding was issued for FY 2023; 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
	FY23 Status:	Corrective action was not completed in FY 2023
	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

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		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 2023 Finding:	No finding was issued for FY 2023; however, this program was not audited as a major program
2022-062* 2021-036* 2020-037**	Finding Title:	over the needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2019
	Questioned Costs:	Redacted
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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 2023 Finding:	2023-072
2022-069* 2021-042* 2020-042**	Finding Title:	Internal control over subrecipient cash management needs improvement
	State Department:	Health and Human Services
	ALN:	93.558; 10.557; 93.044, 93.045, 93.053; 93.667; 93.569; 93.917; 93.268
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY23 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 believes that we are in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement is as close as administratively feasible. The Department's procedures related to cash management include: reconciling payments to expenditures quarterly and monitoring subrecipient's audits. The Department's subrecipients not only are required to have Single Audits but also are required to have audited financial statements and audited Schedule of Expenditures of Department Awards at a lower threshold than that of the Single Audit through the Department's rule, Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP). This rule also defines a major program at a much lower threshold than the Uniform Guidance, so far more programs get tested annually than just Single Audits alone.
	FY 2023 Finding:	2023-077

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2022-068* 2021-043* 2020-043**	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
	FY23 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. The finding does not articulate any deficiency in OFI policy or practice with respect to federal IEVS requirements. The Office of the State Auditor (OSA) takes exception with OFI's identified population from which to test a sample. It is our position that OSA could have identified a complete population to test from the information that OFI provided this year and last year. That information included: • A report of all TANF cases “subject to the IEVS requirement” in the audit period and • All the IEVS reports in our possession, which would allow OSA to cross-reference whether sampled TANF cases were identified in a discrepancy report and should have had IEVS-related activity reflected in ACES during the audit period. We also provided access to ACES, which would allow OSA to review sampled TANF cases in detail to determine whether IEVS activity occurred appropriately on the case during the audit period.
	FY 2023 Finding:	2023-076
2022-071* 2021-048* 2020-044**	Finding Title:	Internal control over TANF subrecipient risk evaluation procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY23 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

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		Accounting and Auditing Practices for Community Agencies (MAAP), 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 2023 Finding:	2023-078
2022-075* 2021-047* 2020-041**	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
	FY23 Status:	*Corrective action was not completed in FY 2023 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. OFI staff will meet internally to review system protocols and discuss possible changes to increase reporting accuracy. Subsequently, OFI will meet with Fedcap technical staff to discuss possible system information exchange improvements. If feasible improvements are identified that will lead to a marked increase in reporting accuracy, OFI will work internally and with Fedcap staff to implement changes. Corrective action is significantly different from corrective action previously reported.
	FY 2023 Finding:	2023-081
2022-067* 2021-040* 2020-039**	Finding Title:	Internal control over payments made to and on behalf of TANF clients needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2018

<table>
<tr><th colspan="3">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="2">Prior Audit Finding Status</th></tr>
<tr><td></td><td>Questioned Costs 2022-067:</td><td>Known questioned costs totaling $1,447. 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.</td></tr>
<tr><td></td><td>Questioned Costs 2021-040:</td><td>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></td><td>Questioned Costs 2020-039:</td><td><table><tr><th>Questioned Costs</th><th>Total</th><th>Federal</th><th>State</th></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></table></td></tr>
<tr><td></td><td>FY23 Status:</td><td>*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></td><td>Explanation:</td><td>OFI disagrees with this finding.

OSA's interpretation of federal regulation regarding the recoupment of overpaid funds is incorrect, and benefit overpayments are identified and processed by OFI in compliance with federal regulation and policy. Overpayments are required to be recouped in the shortest timeframe possible, but the recoupment amount cannot exceed the standards as set by policy. Neither state policy nor federal regulation requires an overpayment to be recouped within the same state fiscal year it is identified, so it was not appropriate for OSA to include as questioned costs on that basis the two cases where recoupment did not occur in the same fiscal year that the overpayment was established.

Further, OFI disputes how OSA calculated the questioned costs. Three of the payments tested by OSA were found to be correct at the time of issuance. OSA then reviewed all payments during the state fiscal year for the three cases and stated that parent fees should have been adjusted based on documentation in DocuWare. Transitional Child Care does not require changes in income to be reported during the certification period unless the gross income exceeds 250% of the federal poverty level (MPAM, Ch. V, A, (6)), and adjustment of the parent fees were not required for these cases. They should not be included in the list of exceptions. While OSA cites MPAM, Ch. V, A (6), "TCC payments remain constant until a redetermination is completed, or until the recipient or child care provider reports a change that affects the amount of TCC benefits (emphasis added)" the reported change did not affect the amount of TCC benefits.</td></tr>
<tr><td></td><td>FY 2023 Finding:</td><td>2023-075</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2022-074* 2021-044* 2020-046**	Finding Title:	over the needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2018
	Questioned Costs:	Redacted
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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 2023 Finding:	2023-079
2022-078* 2020-047**	Finding Title:	over and needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	Redacted
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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 2023 Finding:	2023-082
2022-085 2021-055 2020-049	Finding Title:	Internal control over cost of care assessments needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs 2022-085:	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 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
	FY23 Status:	Corrective action was taken during FY 2023
2022-080* 2021-050* 2020-048**	Finding Title:	Internal control over 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

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY23 Status:	*Corrective action was not completed in FY 2023 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:	2023-091 - The Department agrees with this finding. This is a long-standing finding due, in part, to the complexity of audit-related work for Nursing Facility cost reports. Meeting the requirement has always been a challenge. Further complicating this topic, during State Fiscal year 2023, the Division of Audit experienced a vacancy rate of over 30%. In addition to being short of staffing, over 600 additional audit reviews were added to the audit workload as a result of COVID funding requirements. Staff are still assigned to completing the COVID audits. Once those are completed, the staff will be assigned to the Long Term Care audits. Additionally, the Division has worked with HR to increase our recruiting efforts. We will continue to work on recruiting and hiring qualified audit staff in order to improve the timeliness of audit assignments. ML 23-1106-03 – 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 2023 Finding:	2023-091 & ML 23-1106-03
2022-081 2021-051 2020-051	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
	FY23 Status:	Corrective action was not completed in FY 2023
	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 2023 Finding:	ML 23-1106-05

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="8">2020-061</td><td>Finding Title:</td><td colspan="4">Internal control over provider license verification procedures 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">93.775, 93.777, 93.778, 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY23 Status:</td><td colspan="4">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">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</td></tr>
<tr><td>FY 2023 Finding:</td><td colspan="4">No finding was issued for 2023 and this program was audited as a major program</td></tr>
<tr><td rowspan="12">2022-084*
2021-053*
2020-053**</td><td>Finding Title:</td><td colspan="4">Internal control over Medicare Part B premium payments needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services
Administrative and Financial Services</td></tr>
<tr><td>ALN:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs 2022-084:</td><td colspan="4">None</td></tr>
<tr><td>Questioned Costs 2021-053:</td><td colspan="4">None</td></tr>
<tr><td rowspan="3">Questioned Costs 2020-053:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$279</td><td>$187</td><td>$92</td></tr>
<tr><td>Likely</td><td>$4,675,373</td><td>$3,136,240</td><td>$1,539,133</td></tr>
<tr><td>FY23 Status:</td><td colspan="4">*Corrective action was not completed in FY 2023
** 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 Office for Family Independence agrees with this finding and recommendation. We have created a MaineCare Program Integrity team and have hired a Program Manager for this group effective February 5, 2024. The work of this team will include Medicare Part B reconciliations.</td></tr>
<tr><td>FY 2023 Finding:</td><td colspan="4">2023-092</td></tr>
<tr><td rowspan="5">2022-082*
2021-054*
2020-054**</td><td>Finding Title:</td><td colspan="4">Internal control over the eligibility determination process 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">93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY23 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 YDrive 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
	FY 2023 Finding:	No finding was issued for FY 2023 and this program was audited as a major program.
2022-017* 2021-014* 2020-063**	Finding Title:	________ over ________ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2017
	Questioned Costs:	Redacted
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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 2023 Finding:	2023-027

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
2022-090 2021-059	Finding Title:	Internal control over DG – PA program cash management needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	97.036
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this finding. MEMA will update and implement policies and procedures to ensure compliance with the Treasury State Agreement. MEMA has altered the timing and frequency of drawdown requests to conform with the funding technique specified in the Treasury State Agreement.
	FY 2023 Finding:	2023-097
2022-006* 2021-001* 2020-002**	Finding Title:	Internal control over Lottery Fund accounts receivable reconciliations needs improvement
	State Department:	Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this finding. The GGSC has successfully implemented procedures to improve the reconciliation process of the accounts receivable balance and is continuing to implement the remaining procedures necessary.
	FY 2023 Finding:	2023-003
2022-019 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; 10.551, 10.561, 93.558
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY23 Status:	Corrective action was taken during FY 2023
2021-007* 2020-006**	Finding Title:	________ over the ________ and ________ system needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	Redacted
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	FY 2023 Finding:	No finding was issued for FY 2023; however, this program was not audited as a major program
2022-011* 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
	FY23 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 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 2023 Finding:	2023-015
2022-059* 2021-037* 2020-038**	Finding Title:	________ over ________ and ________ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	Redacted
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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 2023 Finding:	2023-070
2022-070* 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

<table>
<tr><th colspan="3">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="2">Prior Audit Finding Status</th></tr>
<tr><td rowspan="3"></td><td>FY23 Status:</td><td>*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>The Department disagrees with this finding. The audit objective identified in the Compliance Supplement is to "Determine whether, after notification by the state Title IV-D agency, the TANF agency has taken necessary action to reduce or deny TANF assistance." One of the two suggested audit procedures is to "Test a sample of cases referred by the Title IV-D agency to the TANF agency to ascertain if benefits were reduced or denied as required." The Department spent a lot of time and effort attempting to validate for OSA that it had a testable population, and the Department believes that the Office of State Auditor can perform this procedure either with the DSER-provided report of referrals or with that report in conjunction with the additional material the Department has pulled and analyzed for OSA. In the absence of that review nothing in the Department's records, data, or discussions with OSA could reasonably be interpreted to suggest a "significant deficiency" in its Internal Controls over this aspect of the TANF program. There has not been any evidence that referrals made from DSER to OFI are getting lost, ignored, or misapplied. All 38 cases that the Department analyzed for completeness purposes reflect a well-functioning and substantively accurate sanction referral and case-action process, and this record does not support the OSA's conclusion to the contrary.</td></tr>
<tr><td>FY 2023 Finding:</td><td>2023-080</td></tr>
<tr><td rowspan="8">2022-086*
2021-056*
2020-056**</td><td>Finding Title:</td><td>Internal control over deceased client cases and claims analysis needs improvement</td></tr>
<tr><td>State Department:</td><td>Health and Human Services</td></tr>
<tr><td>ALN:</td><td>93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td>2020</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY23 Status:</td><td>*Corrective action was not completed in FY 2023

** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)</td></tr>
<tr><td>Explanation:</td><td>The Department agrees with this finding and will review the current SOP governing DOD procedures and will implement enhancements to ensure DOD is updated and that related required actions are taken within allowable timeframes.</td></tr>
<tr><td>FY 2023 Finding:</td><td>2023-032</td></tr>
<tr><td rowspan="5">2020-058</td><td>Finding Title:</td><td>Internal control over Patient Service Revenue needs improvement</td></tr>
<tr><td>State Department:</td><td>Health and Human Services</td></tr>
<tr><td>ALN:</td><td>93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td>2020</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
</table>

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	FY23 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 2023 Finding:	No finding was issued for 2023 and this program was audited as a major program.
2022-087* 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
	FY23 Status:	*Corrective action was not completed in FY 2023 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	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 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 2023 Finding:	No finding was issued for 2023 and this program was audited as a major program.
2022-018* 2021-013* 2020-062**	Finding Title:	over the needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	Redacted
	FY23 Status:	*Corrective action was not completed in FY 2023 ** 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 2023 Finding:	2023-028
2022-020 2021-058 2020-065	Finding Title:	over the needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	Redacted
	FY23 Status:	Corrective action was taken during FY 2023 for 2022-020 and portions of 2021-058 and 2020-065.

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2022-083 2021-058 2020-065	Finding Title:	over needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	Redacted
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2023 Finding:	2023-029 & 2023-034
2022-015 2021-002	Finding Title:	________ over ________ within the ________ and ________ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2021
	Questioned Costs:	Redacted
	FY23 Status:	Corrective action was taken during FY 2023
2022-027 2021-016	Finding Title:	Internal control over EBT reconciliation procedures needs improvement
	State Department:	Health and Human Services
	ALN:	10.551, 10.561; 10.542
	Initial Finding FY:	2021
	Questioned Costs 2022-027:	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.
	Questioned Costs 2021-016	None
	FY23 Status:	Corrective action was taken during FY 2023
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.
	FY23 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

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		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 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 2023 Finding:	No finding was issued for FY 23; 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.
	FY23 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

Summary Schedule of Prior Audit Findings

Finding Number	**Prior Audit Finding Status**	
		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 2023 Finding:	No finding was issued for FY 23; however, this was not audited as a major program
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
	FY23 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 2023 Finding:	No finding was issued for FY 23; however, this was not audited as a major program
2022-047 2021-026	Finding Title:	over needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2021
	Questioned Costs:	Redacted
	FY23 Status:	Management disagrees with this finding and does not believe that corrective action is required.
	Explanation:	The Department disagrees with this finding and will not be taking steps to address and remediate this condition
	FY 2023 Finding:	2023-051

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2022-054 2021-027	Finding Title:	over the needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2021
	Questioned Costs:	Redacted
	FY23 Status:	This audit finding does not warrant further action
	Explanation:	This finding is no longer applicable to this department.
	FY 2023 Finding:	2023-068
2022-055 2021-028	Finding Title:	over the and needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2021
	Questioned Costs:	Redacted
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2023 Finding:	2023-065
2022-048 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
	FY23 Status:	This audit finding does not warrant further action
	Explanation:	The compliance requirement of the prior year findings is not applicable to this program.
	FY 2023 Finding:	No finding was issued for FY 2023 and this program was audited as a major program.
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
	FY23 Status:	Corrective action was not completed in FY 2023
	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 districts.

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY 2023 Finding:	No finding was issued for FY 23; however, this was not audited as a major program
2022-056 2021-032	Finding Title:	Internal control over ESF special reporting needs improvement
	State Department:	Education
	ALN:	84.425U; 84.425D; 84.010
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this finding. The Department has implemented a new procedure in FY24 to review project descriptions and reconcile subawards reported between USA Spending and Advantage.
	FY 2023 Finding:	2023-066
2022-053 2021-034	Finding Title:	Internal control over submission and review of ESF Schedule of Expenditures of Federal Awards information needs improvement
	State Department:	Education
	ALN:	84.425B, 84.425C, 84.425D, 84.425R
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY23 Status:	Corrective action was taken during FY 2023
2022-063 2021-038	Finding Title:	Internal control over ELC program reporting needs improvement
	State Department:	Health and Human Services
	ALN:	93.323
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this finding. With each quarterly financial reporting due on the 20th of each subsequent month (November, February, May, and August), the Maine CDC will submit quarterly financial reports for internal review by the 10th of the pertinent month. The internal reviewer will have until the 18th to review and submit corrections, for reporting to be inputted into CAMP. A confirmatory email for the process will be issued to record the examination of financial reporting. For performance reporting, quantitative data is pulled for each report, however data cleaning of the quantitative data is ongoing and a requirement from the Federal CDC. Data pulled for each report will only be accurate at the point in time when the data is pulled. Each year's data is not finalized until six plus months after the year ends. The Federal CDC does not require past reports to be reposted and updated as data cleaning occurs after the initial report is filed. For performance reporting of qualitative data, each team holds a quarterly meeting to review the milestones and provide updates. These meetings will now be recorded and will be available to audit upon request. For any qualitative milestone where progress is made on any given period, the Maine CDC will ensure there is a documented note associated with

<table>
<tr><th colspan="3">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="2">Prior Audit Finding Status</th></tr>
<tr><td rowspan="2"></td><td></td><td>the percentage completeness selected to further document the recorded value.</td></tr>
<tr><td>FY 2023 Finding:</td><td>2023-073</td></tr>
<tr><td rowspan="6">2022-072
2021-041</td><td>Finding Title:</td><td>Internal control over special reporting needs improvement</td></tr>
<tr><td>State Department:</td><td>Health and Human Services</td></tr>
<tr><td>ALN:</td><td>93.558, 93.323, 93.268, 10.557</td></tr>
<tr><td>Initial Finding FY:</td><td>2021</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY23 Status:</td><td>Corrective action was taken during FY 2023</td></tr>
<tr><td rowspan="8">2021-045</td><td>Finding Title:</td><td>Internal control over cash benefits paid to TANF clients needs improvement</td></tr>
<tr><td>State Department:</td><td>Health and Human Services</td></tr>
<tr><td>ALN:</td><td>93.558</td></tr>
<tr><td>Initial Finding FY:</td><td>2021</td></tr>
<tr><td>Questioned Costs:</td><td>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 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.</td></tr>
<tr><td>FY23 Status:</td><td>Management disagrees with this finding and does not believe that corrective action is required.</td></tr>
<tr><td>Explanation:</td><td>The Department disagrees with 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.</td></tr>
<tr><td>FY 2023 Finding:</td><td>No finding was issued for FY 2023 and this program was audited as a major program.</td></tr>
<tr><td rowspan="6">2022-076
2021-049</td><td>Finding Title:</td><td>Internal control over TANF subrecipient audit procedures needs improvement</td></tr>
<tr><td>State Department:</td><td>Health and Human Services</td></tr>
<tr><td>ALN:</td><td>93.558</td></tr>
<tr><td>Initial Finding FY:</td><td>2021</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY23 Status:</td><td>Corrective action was taken during FY 2023</td></tr>
<tr><td rowspan="6">2022-092
2021-061</td><td>Finding Title:</td><td>Internal control over the submission and review of DG – PA Schedule of Expenditures of Federal Awards information needs improvement</td></tr>
<tr><td>State Department:</td><td>Administrative and Financial Services
Defense, Veterans and Emergency Management</td></tr>
<tr><td>ALN:</td><td>97.036</td></tr>
<tr><td>Initial Finding FY:</td><td>2021</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY23 Status:</td><td>Corrective action was taken during FY 2023</td></tr>
</table>

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
2022-091 2021-062	Finding Title:	Internal control over DG – PA program special reporting needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	97.036
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this finding. MEMA will update internal controls to ensure that FFATA reporting is timely and accurate.
	FY 2023 Finding:	2023-096
2022-001	Finding Title:	over needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2023 Finding:	2023-001
2022-002	Finding Title:	Internal control over financial reporting of accrued liabilities needs improvement
	State Department:	Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department partially agrees with this finding. The Department disagrees that all expenditures processed in the third period of fiscal year 2024 that had service dates in fiscal year 2023 should have been accrued. When reviewing the details of these expenditures, most of these should not be accrued. The Department agrees that policies and procedures can be reviewed to determine if including additional periods will identify additional expenditures that should be included in the accrual. The Department also agrees that instructions can be clarified regarding how service dates are determined and entered on payment transactions during the relevant periods.
	FY 2023 Finding:	2023-011
2022-003	Finding Title:	Internal control over financial reporting of National Opioid Settlement distributions needs improvement
	State Department:	Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2022
	Questioned Cost:	None

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	FY23 Status:	Corrective action was taken during FY 2023
2022-004	Finding Title:	over within needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY23 Status:	Corrective action was taken during FY 2023
2022-005	Finding Title:	Internal control over accounting for pharmacy rebates needs improvement
	State Department:	Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was taken during FY 2023
2022-007	Finding Title:	________ over ________ within ________ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY23 Status:	Corrective action was taken during FY 2023
2022-008	Finding Title:	Internal control over financial reporting of capital assets needs improvement
	State Department:	Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	SOS: Corrective action was not completed in FY 2023 DAFS: Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	SOS Response: The Department agrees with this finding. The roofing project was budgeted as capital and coded as such using object code 7301 when the job was completed. The commodity code used on the contract (CT), 91066, was not setup as a Fixed Asset commodity so it would not have triggered a Fixed Asset (FA) shell to be created in Advantage. DAFS Response: The Department disagrees with this finding. The cost for the resurfacing of an existing parking lot is considered maintenance and repair, it does not increase the capacity to this existing asset and should be expensed. This cost does not increase the future benefit of this existing fixed asset beyond the previously assessed standard of performance. This repair is not considered extraordinary as it is a common repair on this type of asset.
	FY 2023 Finding:	2023-007

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
2022-009	Finding Title:	over the needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY23 Status:	Corrective action was taken during FY 2023
2022-013	Finding Title:	Internal control over financial reporting of capital assets needs improvement
	State Department:	Transportation
	ALN:	Financial Statement Finding
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	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.
	FY 2023 Finding:	ML 23-0301-02
2022-016	Finding Title:	________ over the ________, ________, and ________ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2023 Finding:	2023-025, 2023-020 & 2023-021
2022-022	Finding Title:	Internal control over P-EBT Food Benefits needs improvement
	State Department:	Health and Human Services
	ALN:	10.542
	Initial Finding FY:	2022
	Questioned Cost:	Known questioned costs totaling $61,507,558. Likely questions costs $61,507,558. The full amount of P-EBT Food Benefits issued during fiscal year 2022 are reported as known questioned costs.
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department partially agrees with this finding. The Department agrees three students that received summer P-EBT benefits were overpaid $391 each. The Department disagrees with the following Conditions: For 22 students, MDOE was not able to identify the specific student whose continuous absence established those students' schools' eligibility date. The P-EBT state plan required at least one student to

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		be absent or remote for at least five consecutive days to establish a school eligibility date and MDOE in fact applied this test and established a school eligibility start date at the time the eligibility files were generated. While the school eligibility start date was captured and preserved in the original files provided to OSA, no student was named. The name of the student was not relevant to other students' eligibility, and creating or preserving a record of the particular student whose absence conferred eligibility was not a requirement of Maine's P-EBT plan with FNS, the Department's MOU with MDOE, or federal P-EBT policy. Further attaching that kind of Personal Identifying Information (PII) to other students' records would not be appropriate. Additionally, since local educational agencies (LEAs) update the core database throughout the school year and beyond, the results could not be replicated in the course of this audit to retrospectively identify the particular students whose absences conferred eligibility. Neither the omission of the students' names in the original file nor DOE's inability to identify such students during the audit establishes that it was improper to issue P-EBT benefits in connection with those students. These students were found eligible based on the best data available to MDOE at the time. Likewise, the Department acknowledges that for four students, MDOE was unable – when requested to do so by the OSA – to locate their economically disadvantaged status in the database updated by LEAs throughout the school year. That does not mean, however, that it was improper to issue P-EBT benefits in connection with those students. These students' economically disadvantaged status was verified by MDOE and captured in the files at the time of issuance. The Department disagrees that tracking benefit issuance by child identification number is inadequate to monitor benefit issuances and ensure benefits are not duplicated. Child identification numbers are the most reliable way to track and deduplicate issuance. As pointed out in this finding, many households had more than one child. Additionally, some children may have moved from one household to another during the period in question. The Department disagrees with the Context and Likely Questioned Costs: For the reasons detailed above, only three – not 29 – of the students sampled were established to have been issued benefits in error. OSA's calculations should be adjusted accordingly. The Department disagrees with the Causes: OSA is incorrect to conclude that OFI should have reviewed, reconciled, and verified data provided by MDOE prior to issuance for at least two reasons. First, contrary to OSA's characterization of the partnership, the Department and MDOE were jointly responsible for administering the P-EBT program, with delegated duties defined in the state plan. That federally approved plan considered MDOE data to be accurate and actionable, and it did not contemplate OFI independently

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
		validating such data. Second, the Department is not permitted access to the local educational agency data that would have been necessary for the type of review and reconciliation proposed. The Department disagrees with the Recommendations: The three bulleted recommendations cannot be implemented. The P-EBT program ended December 31, 2023. It will not be possible to take corrective action in the implementation of a program that no longer exists. The State is confident that all issuances in the audit period, including those raised by OSA, were issued correctly based on the best information available at the time by the Departments responsible for implementing the P-EBT program. As such and following FNS guidance that no benefits are to be recouped unless the household applied for them directly, OFI will not revisit prior P-EBT decisions as suggested in OSA’s additional recommendation.
	FY 2023 Finding:	2023-030
2022-023	Finding Title:	Internal control over the submission and review of SNAP and P-EBT Schedule of Expenditures of Federal Awards information needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	10.551, 10.561; 10.542
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was taken during FY 2023
2022-024	Finding Title:	________ over ________, ________ and ________, and needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2023 Finding:	2023-022
2022-028	Finding Title:	Internal control over EBT card security needs improvement
	State Department:	Health and Human Services
	ALN:	10.551, 10.561
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	Although the Department agrees that errors were identified, these data entry errors were clerical in nature, and do not impact the security of

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		our returned EBT cards. The Standard Operating Procedure for processing returned EBT cards does segregate duties sufficiently. First, all returned cards are received by District Operations in the Lewiston Regional Office, and they are distributed to a separate resource for processing. Second, a clerical resource in the Lewiston office reviews the case to determine the appropriate course of action, and then subsequently takes and logs that action (in spreadsheets and in ACES). Third, the EBT manager performs quality checks on the logs to ensure the proper handling of the cards/cases.
	FY 2023 Finding:	2023-035
2022-030	Finding Title:	Internal control over CNC special reporting needs improvement
	State Department:	Education
	ALN:	10.553, 10.555, 10.556, 10.559, 10.582
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this finding. The existing procedure for monitoring FFATA reporting now includes Child Nutrition Awards as of 7/1/23.
	FY 2023 Finding:	2023-037
2022-031	Finding Title:	Internal control over Child Nutrition claim reimbursements needs improvement
	State Department:	Education
	ALN:	10.553, 10.555, 10.556, 10.559, 10.582
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees to the one-time exception and application documentation elements of this finding. We have created new procedures to ensure these areas are corrected. The Department disagrees with the recommendation to increase oversight in the FFVP as it aligns with USDA and Department of Education policies and procedures. CFRs for all SFAs participating in FFVP are reviewed to confirm that the amounts claimed for non-food costs are reasonable and labor costs are minimal. The USDA Fresh Fruit and Vegetable Program (FFVP) is a program that is monitored at the same time as the other Child Nutrition Programs, including NSLP and SBP. The administrative review process is conducted on an approved timeline set by the USDA, who administers all of the Child Nutrition Programs. Reviewing one month's claim for reimbursement (referred to as the "Review Period") follows federal requirements and is the NSLP review teams procedure for each review. This includes verifying meal counts for breakfast, lunch, and snack (if applicable) as well as FFVP expenses, if applicable. FFVP claims are reviewed to ensure that only allowable costs are being claimed. This includes food, labor and other costs, which non-food cost is a part of. There is also an edit check in the CNP web reimbursement system so that schools do

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
		not exceed the 10% administrative labor amount per grant award. Child Nutrition staff does not verify the meal counts for every claim for reimbursement that is submitted to us on a monthly basis for over 200 SFA's; therefore, having to do this for FFVP is unreasonable and would create a hardship for staff overseeing this program. The monitoring and edit check systems we have in place for FFVP allow for sufficient oversight of the program, including non-food and labor costs, and align with USDA and Department of Education policies and procedures. SFAs that are provided additional FFVP funds are reviewed prior to reallocation to verify that SFAs will not be in excess of the allowed per-pupil limit. Based on the NSLA Sec. 19, (f) Per-Student Grant- the per student grant provided to a school under this section shall be (2) not less than $50.00, nor more than $75.00; however under (i)Funding (7) Reallocation, (B) Within States- A State that receives a grant under this section may reallocate any amounts made available under the grant that are not obligated or expended by a date determined by the Secretary. Our interpretation is that any amounts can be reallocated after the initial grant award is given. Allocating above the $75.00/student would allow us to maximize use of federal funds and is in line with the language of the NSLA Sec. 19. We have schools each year that spend more than they were awarded and some that underspend their funds. Imposing this restriction would negatively impact schools that are using their funds as they may have to decrease the number of serving days or stop the program altogether prior to the end of the school year, thus negatively impacting students who benefit from this program.
	FY 2023 Finding:	2023-038
2022-032	Finding Title:	over the needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2023 Finding:	ML 23-0909-05
2022-033	Finding Title:	________ over the ________ and ________ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2023 Finding:	2023-039
2022-034	Finding Title:	Internal control over the submission of CNC Schedule of Expenditures of Federal Awards information needs improvement
	State Department:	Education

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
		Administrative and Financial Services
	ALN:	10.553, 10.555, 10.556, 10.559, 10.582
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this finding. The child nutrition department will create a procedure for reporting the SEFA numbers to DOE Finance.
	FY 2023 Finding:	2023-041
2022-035	Finding Title:	Internal control over CNC subrecipient audit procedures needs improvement
	State Department:	Education
	ALN:	10.553, 10.555, 10.556, 10.559; 10.582
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was taken during FY 2023
2022-036	Finding Title:	Internal control over Child Nutrition donated food inventory needs improvement
	State Department:	Education
	ALN:	10.553, 10.555, 10.556, 10.559, 10.582
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this finding. The error was found to be a ticketing issue in CNPWeb, and a ticket was issued to remediate the problem. Staff will continue to provide paper back-up until the computer system is found to be reliable.
	FY 2023 Finding:	2023-042
2022-037	Finding Title:	over the needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2023 Finding:	2023-039
2022-038	Finding Title:	________ over the ________ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY23 Status:	Corrective action was not completed in FY 2023

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2023 Finding:	2023-040
2022-041	Finding Title:	Internal control over CACFP claim reimbursements needs improvement
	State Department:	Education
	ALN:	10.558
	Initial Finding FY:	2022
	Questioned Cost:	Known questioned costs totaling $11,222. Likely question 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.
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department partially agrees with this finding. The Department disagrees with the finding in relation to the property type, according to Federal Guidelines, submitted to OSA directly from the USDA, the State Agency is in compliance with Small Facility Approvals. Due to the state interpretation, we will develop a property form for new small facilities to confirm their residential status prior to approval for participation into the CACFP Program. The Department will update procedures to support claims made in excess of licensed capacity or enrollment and will require a secondary review of CFRs
	FY 2023 Finding:	2023-046
2022-042	Finding Title:	Internal control over CACFP subrecipient audit procedures needs improvement
	State Department:	Education
	ALN:	10.558
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this finding. The CACFP Team in Child Nutrition has made significant improvements since the prior year single audit. This finding is due to the timing of the single audit and the time it takes to implement corrective action, the Department responding to a Federal Audit, the withdrawal of a subrecipient, and the process to hire additional staff.
	FY 2023 Finding:	2023-047
2022-043	Finding Title:	Internal control over CACFP eligibility needs improvement
	State Department:	Education
	ALN:	10.558
	Initial Finding FY:	2022
	Questioned Cost:	Known questioned costs totaling $50,275. Likely questioned costs undeterminable. Likely questioned costs cannot be determined as the

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		projection of questioned costs utilizing the error rate is not tested by dollar amount, but instead is based on eligibility.
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department partially agrees with this finding. The Department disagrees with the finding in relation to the property type, according to Federal Guidelines, submitted to OSA directly from the USDA, the State Agency is in compliance with Small Facility Approvals. Due to the state interpretation, we will develop a property form for new small facilities to confirm their residential status prior to approval for participation into the CACFP Program. The Department will update procedures to support claims made in excess of licensed capacity or enrollment and will require a secondary review of CFRs
	FY 2023 Finding:	2023-046
2022-044	Finding Title:	Internal control over CACFP subrecipient risk evaluation procedures needs improvement
	State Department:	Education
	ALN:	10.558
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this finding. The CACFP Team in Child Nutrition has made significant improvements since the prior year single audit. This finding is due to the timing of the single audit and the time it takes to implement corrective action, the Department responding to a Federal Audit, the withdrawal of a subrecipient, and the process to hire additional staff.
	FY 2023 Finding:	2023-047
2022-046	Finding Title:	Internal control over monitoring of employee classification and compensation needs improvement
	State Department:	Administrative and Financial Services
	ALN:	17.225; 93.268; 93.563; 12.401
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department partially agrees with this finding. The Department disagrees with the statement "The assigned salary grade provides a basis for the allowability of compensation costs charged to Federal awards by documenting the reasonableness of compensation for services rendered by State employees...". The focus is on 5 MRSA 7061 Classification Plan which "records the duties and responsibilities of all positions" rather than on the statute for the Compensation Plan, 5 MRSA 7065, which relates to compensation in that it establishes "minimum and maximum salary rates and such intermediate rates as the director considers desirable." Consistent with 5 MRSA 7065, salary schedules were established and remain in place,

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		changing through bargained and legislatively approved adjustments. To determine the basis for appropriate compensation, one must review these salary schedules along with any recruitment and retention adjustments (permitted by 5 MRSA 7065; paid in addition to and outside of the salary schedule), any agreements for market pay adjustments, laws which provide for additional pay components, and all negotiated pay items contained in the associated collective bargaining agreements. The Compensation Plan has been reviewed and adjusted during the period of this audit (July 2022 through June 2023), as evidenced by the on-line publication of new salary schedules effective July 3, 2022. In the 5-year period of July 2018 through June 2023 (the period the audit looked at class specs), the published salary schedules have been adjusted eight (8) times. The Department also disagrees with the recommendation's reference "classification and compensation plan" as a singular plan. These are two separate plans in statute, and the recommendations are directed toward the classification plan. The Department agrees with the recommendations in that they provide for improved processes. It is worth noting the new language now in place by statute under the Classification Plan states: "Beginning in 2024, the procedure must provide for a comprehensive review of the classification plan every 10 years to make modifications and improvements as determined necessary."
	FY 2023 Finding:	2023-050
2022-049	Finding Title:	Internal control over ERA Program subrecipient monitoring needs improvement
	State Department:	Economic and Community Development
	ALN:	21.023
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	Although management agrees with this finding, the ERA program was one-time funding that the department was required to award to MaineHousing. The Department determined that because MaineHousing is a quasi-state agency that administers millions of federal dollars for rental assistance under the Section 8 and HOME programs, they did not require the level of oversight cited in the finding. The ERA 1 program is already closed-out with Treasury. If there is any additional funding under that program the department will implement our subrecipient monitoring policies and procedures.
	FY 2023 Finding:	2023-055
2022-050	Finding Title:	Internal control over ERA Program reporting needs improvement
	State Department:	Economic and Community Development
	ALN:	21.023
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	The Department agrees with this finding. DECD will take corrective action as advised. Prior to each quarterly report submission deadline, staff will meet with MaineHousing on site and review the data collected for uploading into the report to ensure the content of the submission is accurate.
	FY 2023 Finding:	2023-056
2022-051	Finding Title:	Internal control over CSLFRF expenditures needs improvement
	State Department:	Labor Administrative and Financial Services
	ALN:	21.027
	Initial Finding FY:	2022
	Questioned Cost:	Known questioned costs totaling $51,482,644. Likely questioned costs totaling $51,482,644.
	FY23 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	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

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		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.
	FY 2023 Finding:	No finding was issued for 2023 and this program was audited as a major program
2022-052	Finding Title:	Internal control over ESF expenditures needs improvement
	State Department:	Education
	ALN:	84.425D, 84.425U
	Initial Finding FY:	2022
	Questioned Cost:	Known questioned costs totaling $620,676. 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.
	FY23 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Maine Department of Education (MDOE) disagrees with the identified questioned costs. The FERP 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 FERP 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, FERP utilized ESF federal statutory language and the grantor's published guidance to determine allowability. Once funding applications were approved, SAUs requested reimbursement from the FERP for the approved costs outlined in the school administrative unit (SAU) application. The FERP 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.
	FY 2023 Finding:	2023-064
2022-057	Finding Title:	Internal control over ESF subrecipient monitoring procedures needs improvement
	State Department:	Education
	ALN:	84.425D, 84.425R, 84.425U
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this finding. The Office of Federal Emergency Relief Programs has developed and will be implementing a procedure to maintain complete and accurate records of all equipment purchased with ESF by each SAU.
	FY 2023 Finding:	2023-067

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2022-058	Finding Title:	Internal control over ICA program subrecipient monitoring procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.268
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this Finding. Presently, the Department engages in at least monthly meetings with subrecipients during which quarterly progress reports, quarterly financial reports, and workplans are reviewed and assessed for compliance. The Department documents its review of subrecipients' quarterly progress and financial reports in a quarterly review template. Additionally, the Department completes annual monitoring visits with subrecipients to monitor their compliance and documents findings during those visits in a sub monitoring visit template. The Department also meets on an as-needed basis with subrecipients to address emerging challenges and concerns and meet subrecipients' technical assistance needs to support their compliance.
	FY 2023 Finding:	2023-069
2022-060	Finding Title:	Internal control over the submission of ICA Schedule of Expenditures of Federal Awards reporting needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	93.268
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was taken during FY 2023
2022-061	Finding Title:	Internal control over ICA program cash management needs improvement
	State Department:	Administrative and Financial Services
	ALN:	93.268
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department and its Financial Service Center agree with this finding. Policies and procedures will be reviewed for CMIA, draw procedures and reconciliations. The DHHS Financial Service Center will work to obtain and/or increase estimated revenue within the ICA appropriations. With an approval of estimated revenue, expenses will process first, and federal cash will be drawn after, reducing the risk of CMIA noncompliance as Federal cash will be instantly replenishing the account rather than waiting for invoices to process.
	FY 2023 Finding:	2023-071
2022-064	Finding Title:	Internal control over submission and review of ELC Schedule of Expenditures of Federal Awards information needs improvement

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	93.323
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was taken during FY 2023
2022-065	Finding Title:	Internal control over ELC program cash management needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	93.323
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The DHHS and the DHHS Financial Service Center agree with this finding. As of July 1st, 2023, a Treasury State Agreement was put in place and estimated revenue was established for all appropriations related to the ELC program. Federal cash requests are now following the Treasury State Agreement and funds are being drawn weekly based upon actual expenditures. The DHHS Financial Service Center will update procedures for CMIA, Federal cash requests and reconciliations related to the ELC program to include the guidance of the Treasury State Agreement and weekly draw process.
	FY 2023 Finding:	2023-074
2022-066	Finding Title:	Internal control over ELC program suspension and debarment needs improvement
	State Department:	Health and Human Services
	ALN:	93.323
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	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

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		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.
	FY 2023 Finding:	No finding was issued for 2023 and this program was audited as a major program
2022-073	Finding Title:	Internal control over TANF reporting needs improvement
	State Department:	Administrative and Financial Services
	ALN:	93.558
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	This audit finding does not warrant further action
	Explanation:	The compliance requirement of the prior year finding is not applicable to this program.
	FY 2023 Finding:	No finding was issued for FY 2023 and this program was audited as a major program.
2022-077	Finding Title:	Internal control over Child Support Enforcement expenditures needs improvement
	State Department:	Administrative and Financial Services
	ALN:	93.563
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	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.
	FY 2023 Finding:	No finding was issued for FY 2023; however, this program was not audited as a major program
2022-079	Finding Title:	Internal control over the CCDF Cluster eligibility determination process needs improvement
	State Department:	Health and Human Services
	ALN:	93.489, 93.575, 93.596
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY23 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	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

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		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.
	FY 2023 Finding:	No finding was issued for 2023 and this program was audited as a major program
2022-088	Finding Title:	over needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY23 Status:	Corrective action was taken during FY 2023
2022-089	Finding Title:	over needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY23 Status:	Corrective action was taken during FY 2023
2022-093	Finding Title:	Internal control over expenditure processing needs improvement
	State Department:	Administrative and Financial Services
	ALN:	97.067; 97.042
	Initial Finding FY:	2022
	Questioned Cost:	Known questioned costs totaling $59,759. 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.
	FY23 Status:	Corrective action was not completed in FY 2023
	Explanation:	The Department agrees with this finding. The Security and Employment Service Center will continue to provide training for data entry and invoice approval processes.
	FY 2023 Finding:	No finding was issued for FY 2023; however, this program was not audited as a major program

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