# STATE OF MAINE

## SINGLE AUDIT REPORT
## Uniform Guidance
### Fiscal Year Ended June 30, 2024

Office of the State Auditor
Matthew Dunlap, CIA
State Auditor

# STATE OF MAINE
# SINGLE AUDIT REPORT
# FOR THE YEAR ENDED JUNE 30, 2024

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**Matthew Dunlap, CIA**
**State Auditor**

**B. Melissa Perkins, CPA**
**Deputy State Auditor**

# Letter of Transmittal

Honorable Members of the Legislative Council, 132nd 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, 2024. 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 2024, $5.5 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 2024 Single Audit of the State of Maine.

Respectfully submitted,

Matthew Dunlap, CIA
State Auditor

March 27, 2025

# STATE OF MAINE
# EXECUTIVE SUMMARY
# FOR THE YEAR ENDED JUNE 30, 2024

# STATE OF MAINE
# SINGLE AUDIT REPORT
# FOR THE YEAR ENDED JUNE 30, 2024

## 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 2024 includes 19 major Federal programs that represent 84 percent of the $5.5 billion in Federal expenditures for the 2024 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 two 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 19 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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

*Compliance with program requirements*

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

- Adoption Assistance – Title IV-E
- CCDF Cluster
- Child Nutrition Cluster
- Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- Foster Care – Title IV-E
- Homeowner Assistance Fund Program
- Medicaid Cluster
- SNAP Cluster
- Temporary Assistance for Needy Families (TANF)

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

*Internal control over compliance*

OSA identified 61 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.

Sixteen 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 45 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 $4.5 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, 2024

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General Purpose Financial Statements of the State of Maine

For the Fiscal Year Ended June 30, 2024

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**Deputy State Auditor**


## INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Legislative Council, 132nd 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, 2024, 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, 2024, 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 61 percent of revenue of the aggregate remaining fund information (Maine Public Employees Retirement System and Maine Governmental Facilities Authority); and 4 percent of the assets, and less than 1 percent of the net position and revenue of the governmental activities (Maine Governmental Facilities Authority) as of June 30, 2024. 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.

***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-159, 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 17, 2024, 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 17, 2024

# 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, 2024. 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 continues to be strong, with continued population growth, ranking in the top ten nationally for total net migration. Moody's has upgraded Maine's bond rating to Aa1, which is the second highest possible rating, while Standard & Poor's has affirmed its AA long-term rating. Maine has maintained its Budget Stabilization Fund at the statutory cap, its highest level ever. The unprecedented federal fiscal and monetary policies have continued to positively impact 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, 2024. 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 $458.3 million, while net position of Business-Type Activities increased by $67.2 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by $3.847 billion at the close of fiscal year 2024. Of this amount $1.325 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 $4.271 billion, an increase of $376.5 million (9.7 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 $2.960 billion, a decrease of $66.8 million from the previous year. The General Fund's total fund balance is $1.115 billion, a decrease of $243.0 million from the previous year. The General Fund revenue of $5.715 billion is a decrease of $29.3 million from the prior year, primarily due to a decrease in miscellaneous revenue of $54.3 million. The General Fund expenses of $5.254 billion is an increase of $731.5 million from the prior year, primarily due to an increase in health & human services program expense of $400.4 million. General Fund revenue exceeded expenses by $461.9 million. The Other Special Revenue Fund total fund balance is $1.563 billion, an increase of $209.7 million from the prior year. The Other Special Revenue fund revenue of $938.9 million is an increase of $20.5 million from the prior year. The Other Special Revenue fund expenses of $1.570 billion is a decrease of $592.6 million from the prior year. This was due primarily to a decrease in governmental support & operations expense of $560.5 million.
- The proprietary funds reported net position at year-end of $1.207 billion, an increase of $144.9 million from the previous year. The increase is the net result of an increase in two Enterprise Funds, the Employment Security Fund of $55.6 million and Ferry Service Fund of $15.2 million and increases in three Internal Service Funds, the Retiree Health Insurance Fund, the Employee Health and Benefit Fund and the Information Services Fund by $10.2 million, $26.8 million and $24.3 million, respectively.

### Long-term Debt:

- The State's liability for general obligation bonds decreased by $119.0 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State did not issue any new general obligation bonds and made principal payments of $119.0 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 $525.6 million to $3.847 billion over the course of fiscal year ended June 30, 2024, as detailed in Tables A-1 and A-2. Though the change in net position is positive for the year, it is $376.6 million less (not including the special item impact from the prior year) than the net position increase in fiscal year 2023. Current year revenue decreased by $4.5 million and current year expenses increased by $372.2 million, primarily due to an increase in education and health & human services of $698.9 million, while governmental support decreased by $395.2 million.

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

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | **2024** | **2023*** | **2024** | **2023*** | **2024** | **2023*** |
| **Current and other noncurrent assets** | | | | | | |
| Current and other assets | $ 4,709,984 | $ 5,184,235 | $ 839,481 | $ 796,560 | $ 5,549,465 | $ 5,980,795 |
| Long-term assets | 1,811,568 | 962,725 | 10,390 | 4,295 | 1,821,958 | 967,020 |
| Current and other noncurrent assets | 6,521,552 | 6,146,960 | 849,871 | 800,855 | 7,371,423 | 6,947,815 |
| Total capital and right to use assets, net | 5,229,853 | 5,080,341 | 80,658 | 64,696 | 5,310,511 | 5,145,037 |
| Total Assets | 11,751,405 | 11,227,301 | 930,529 | 865,551 | 12,681,934 | 12,092,852 |
| Deferred Outflows of Resources | 1,051,068 | 1,550,175 | 5,988 | 7,300 | 1,057,056 | 1,557,475 |
| | | | | | | |
| Current liabilities | 2,753,754 | 2,587,995 | 53,295 | 51,987 | 2,807,049 | 2,639,982 |
| Non-current liabilities | 5,200,925 | 6,281,881 | 20,199 | 27,567 | 5,221,124 | 6,309,448 |
| Total Liabilities | 7,954,679 | 8,869,876 | 73,494 | 79,554 | 8,028,173 | 8,949,430 |
| Deferred Inflows of Resources | 1,857,540 | 1,375,680 | 6,316 | 3,833 | 1,863,856 | 1,379,513 |
| | | | | | | |
| Net Position (Deficit) | | | | | | |
| Net Investment in Capital Assets | 4,099,173 | 3,916,854 | 80,658 | 64,696 | 4,179,831 | 3,981,550 |
| Restricted | 226,579 | 166,741 | 765,421 | 709,846 | 992,000 | 876,587 |
| Unrestricted (deficit) | (1,335,498) | (1,551,675) | 10,628 | 14,922 | (1,324,870) | (1,536,753) |
| Total Net Position | $ 2,990,254 | $ 2,531,920 | $ 856,707 | $ 789,464 | $ 3,846,961 | $ 3,321,384 |

* As restated

The State's fiscal year 2024 revenues totaled $13.586 billion. (See Table A-2) Taxes and Operating grants and contributions accounted for most of the State's revenue by contributing 45.9 percent and 40.3 percent, respectively. The remainder came from charges for services and other miscellaneous sources.

The total cost of all programs and services totaled $13.060 billion for the year 2024. (See Table A-2) These expenses are predominantly (69.8 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 6.3 percent of total costs. Though net position increased by $525.6 million, it is $376.6 million less (not including the special item impact) than last years increase, primarily due to an increase in education and health & human services program expense and a decrease in governmental support.

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

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | **2024** | **2023*** | **2024** | **2023*** | **2024** | **2023*** |
| **Revenues:** | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | $ 627,816 | $ 609,580 | $ 857,403 | $ 832,440 | $ 1,485,219 | $ 1,442,020 |
| Operating grants and contributions | 5,451,288 | 5,689,721 | 21,570 | 11,507 | 5,472,858 | 5,701,228 |
| General Revenues: | | | | | | |
| Taxes | 6,238,732 | 6,050,729 | - | - | 6,238,732 | 6,050,729 |
| Other | 388,871 | 396,177 | - | - | 388,871 | 396,177 |
| Total Revenues | 12,706,707 | 12,746,207 | 878,973 | 843,947 | 13,585,680 | 13,590,154 |
| **Expenses:** | | | | | | |
| Governmental Activities: | | | | | | |
| Governmental Support | 825,001 | 1,220,177 | - | - | 825,001 | 1,220,177 |
| Education | 2,783,638 | 2,439,809 | - | - | 2,783,638 | 2,439,809 |
| Health & Human Services | 6,329,698 | 5,974,642 | - | - | 6,329,698 | 5,974,642 |
| Justice & Protection | 684,160 | 691,174 | - | - | 684,160 | 691,174 |
| Transportation Safety | 902,085 | 767,090 | - | - | 902,085 | 767,090 |
| Economic Development & Workforce Training | 328,794 | 468,971 | - | - | 328,794 | 468,971 |
| Other | 474,230 | 431,446 | - | - | 474,230 | 431,446 |
| Interest Expense | 48,096 | 47,790 | - | - | 48,096 | 47,790 |
| Business-type Activities: | | | | | | |
| Employment Security | - | - | 119,895 | 97,758 | 119,895 | 97,758 |
| Lottery | - | - | 343,962 | 333,848 | 343,962 | 333,848 |
| Alcoholic Beverages | - | - | 191,706 | 190,456 | 191,706 | 190,456 |
| Other | - | - | 28,838 | 24,789 | 28,838 | 24,789 |
| Total Expenses | 12,375,702 | 12,041,099 | 684,401 | 646,851 | 13,060,103 | 12,687,950 |
| Excess (Deficiency) before Special Items and Transfers | 331,005 | 705,108 | 194,572 | 197,096 | 525,577 | 902,204 |
| Special Items | - | (168,000) | - | - | - | (168,000) |
| Transfers | 127,329 | 119,234 | (127,329) | (119,234) | - | - |
| Increase (Decrease) in Net Position | 458,334 | 656,342 | 67,243 | 77,862 | 525,577 | 734,204 |
| Net Position, beginning of year | 2,531,920 | 1,875,578 | 789,464 | 711,602 | 3,321,384 | 2,587,180 |
| Ending Net Position | $ 2,990,254 | $ 2,531,920 | $ 856,707 | $ 789,464 | $ 3,846,961 | $ 3,321,384 |

* As Restated

## Governmental Activities

Revenues for the State's Governmental Activities totaled $12.707 billion while total expenses equaled $12.376 billion. The increase in net position for Governmental Activities was $458.3 million in 2024. Though current year net position increased, it is $366.0 million less (not including the special item impact) compared to the prior years. The change is primarily due to an increase in program expenses for education and health & human services of $698.9 million and a decrease in governmental support expenses of $395.2 million. In addition, the State’s Business-Type Activities transfers of $127.3 million (net) to the Governmental Activities, included statutorily required profit transfers  of the Alcoholic Beverages Fund.

The users of the State's programs financed $627.8 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $5.451 billion. $6.628 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 2024**

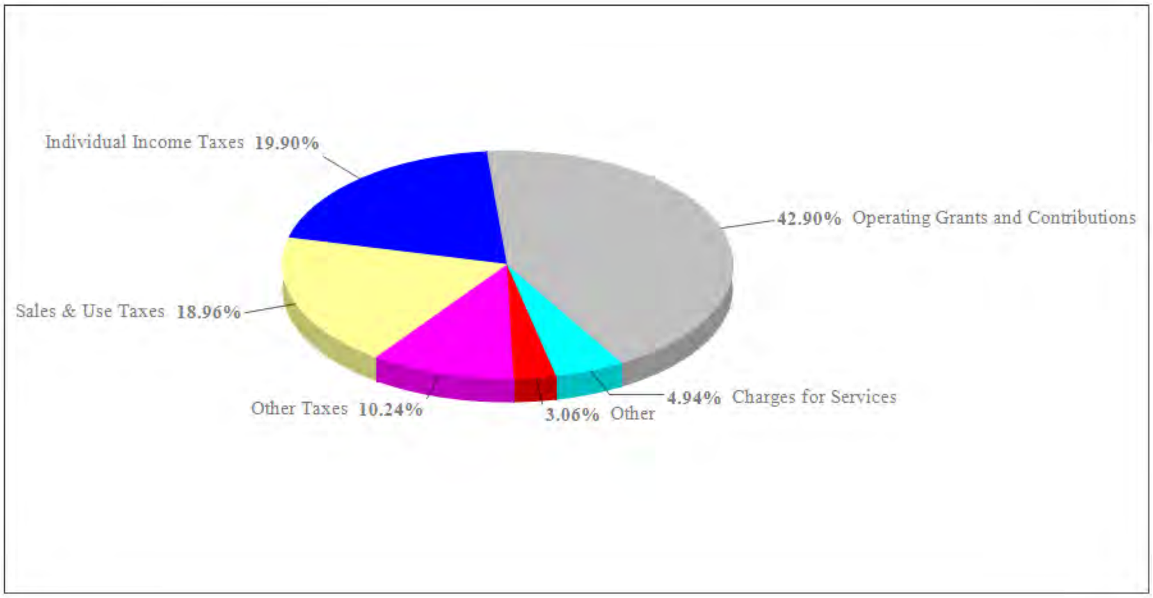
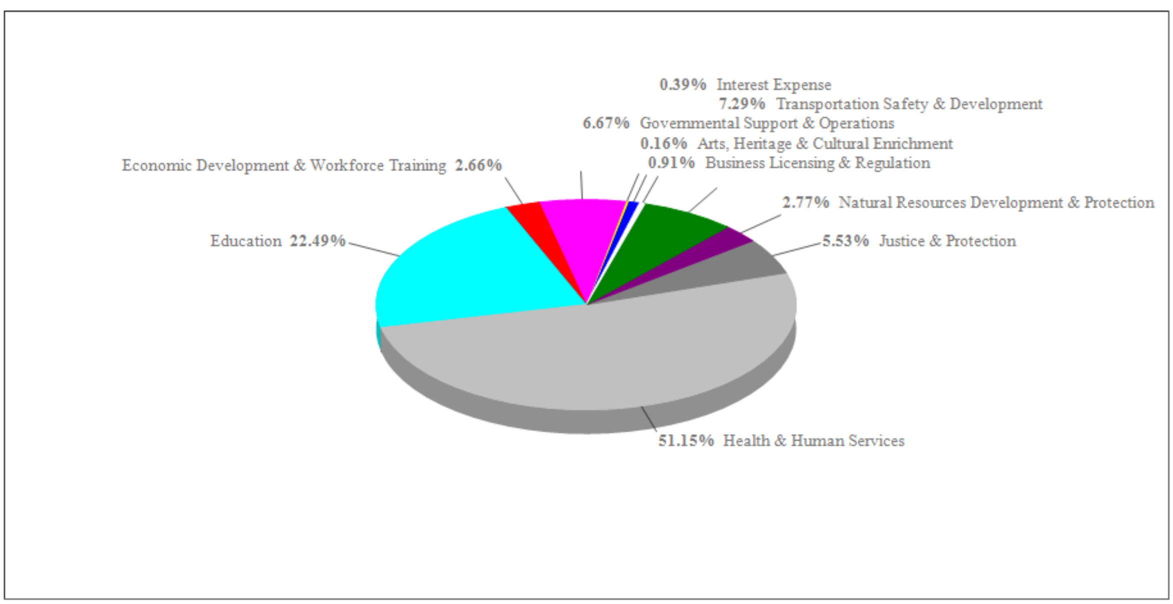



**TABLE A-4: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2024**



### Business-Type Activities

Revenues for the State's Business-Type Activities totaled $879.0 million while expenses totaled $684.4 million. The increase in net position for Business-Type Activities was $67.2 million 2024 due to an increase in revenues over expenses of $55.6 million in Employment Security and an increase of $15.2 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) | |
|---|---|---|---|---|
| | **2024** | **2023*** | **2024** | **2023*** |
| Employment Security | $ 119,895 | $ 97,758 | $ 44,049 | $ 52,265 |
| Alcoholic Beverages | 191,706 | 190,456 | 66,145 | 65,643 |
| Lottery | 343,962 | 333,848 | 85,808 | 82,947 |
| Ferry Services | 17,310 | 14,761 | (9,511) | (7,436) |
| Consolidated Emergency Communications | 7,769 | 6,396 | 159 | 341 |
| Other | 3,759 | 3,632 | 7,922 | 3,336 |
| Total | $ 684,401 | $ 646,851 | $ 194,572 | $ 197,096 |

* As restated

The cost of all Business-Type Activities this year was $684.4 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was $194.6 million. Employment Security net revenue increased by $44.0, while Alcoholic Beverages and Lottery contributed $66.1 and $85.8 million of net revenue, respectively. The $127.3 million (net) transfers from the State’s Business-Type Activities to the Governmental Activities included statutorily required profit transfers of the Alcoholic Beverages Fund.

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

| | 2024 | 2023* | Change |
|---|---|---|---|
| General | $ 1,115,459 | $ 1,358,435 | $ (242,976) |
| Highway | 40,995 | 17,821 | 23,174 |
| Federal | 6,528 | 21,859 | (15,331) |
| Other Special Revenue | 1,563,360 | 1,353,619 | 209,741 |
| Other Governmental Funds | 233,679 | 275,075 | (41,396) |
| Total | $ 2,960,021 | $ 3,026,809 | $ (66,788) |

* As restated

As of the end of the fiscal year, the State’s governmental funds reported combined ending fund balances of $2.960 billion, a decrease of $66.8 million in comparison with the prior year. Of this total, $55.6 million (1.9 percent) is classified as non-spendable, either due to its form or legal constraints, and $1.094 billion (37.0 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 2024, there was $841.1 million of unassigned fund balance on the GAAP basis in the General Fund.

General Fund expenditures and other uses were greater than General Fund revenues and other sources resulting in a decrease in the fund balance of $243.0 million. Revenues and other financing sources of the General Fund of $5.885 billion decreased by approximately $108.3 million (1.8 percent), as compared to fiscal year end 2023. Expenses and uses of $6.127 billion increased by $517.7 million (9.2 percent), as compared to the prior year.

Other Special Revenue fund revenue and other financing sources of $1.834 billion decreased by $300.4 million from the prior year (14.1 percent). Expenses and other uses of $1.624 billion decreased from the prior year by $664.9 million (29.1 percent).

### Budgetary Highlights

For the 2024 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $5.362 billion, an increase of about $488 million from the original legally adopted budget of approximately $4.875 billion. Actual expenditures on a budgetary basis amounted to approximately $349.5 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2024, including the budgeted starting balance for fiscal year 2024, there were funds remaining of $75.0 million to distribute in fiscal year 2024. Actual revenues exceeded final budget forecasts by $148.5 million. In accordance with the statute, the State Controller transferred the $75.0 million to the Highway and Capital Program, an Other Special Revenue Funds account since the Budget Stabilization Fund was at its statutory cap of $963.5 million. Interest earnings of $11.2 million of interest earnings was transferred to the Irrevocable Trust Funds for Other Post-Employment Benefits. 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 2024, the State had roughly $5.311 billion in a broad range of capital and right to use assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2024, the State acquired or constructed more than $297.0 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 | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Land | $ 704,080 | $ 691,494 | $ 3,926 | $ 2,426 | $ 708,006 | $ 693,920 |
| Construction in Progress | 335,204 | 322,807 | 20,385 | 25,661 | 355,589 | 348,468 |
| Infrastructure | 3,176,376 | 3,105,351 | - | - | 3,176,376 | 3,105,351 |
| Buildings | 887,863 | 821,621 | 5,268 | 5,261 | 893,131 | 826,882 |
| Equipment | 415,849 | 385,843 | 50,870 | 38,713 | 466,719 | 424,556 |
| Improvements Other Than Buildings | 117,553 | 114,619 | 60,266 | 49,514 | 177,819 | 164,133 |
| Software | 155,356 | 155,356 | - | - | 155,356 | 155,356 |
| Total Capital Assets | 5,792,281 | 5,597,091 | 140,715 | 121,575 | 5,932,996 | 5,718,666 |
| Less: Accumulated Depreciation | 922,289 | 877,158 | 60,057 | 56,879 | 982,346 | 934,037 |
| Capital Assets, net | 4,869,992 | 4,719,933 | 80,658 | 64,696 | 4,950,650 | 4,784,629 |
| Right to Use Assets | 272,786 | 262,754 | - | - | 272,786 | 262,754 |
| Less: Accumulated Amortization | 30,228 | 19,979 | - | - | 30,228 | 19,979 |
| Right to Use Assets, net | 242,558 | 242,775 | - | - | 242,558 | 242,775 |
| Subscription Based Assets | 170,660 | 142,014 | - | - | 170,660 | 142,014 |
| Less: Accumulated Amortization | 53,357 | 24,381 | - | - | 53,357 | 24,381 |
| Subscription Based Assets, net | 117,303 | 117,633 | - | - | 117,303 | 117,633 |
| Capital, Right to Use and Subscription Based Assets, net | $ 5,229,853 | $ 5,080,341 | $ 80,658 | $ 64,696 | $ 5,310,511 | $ 5,145,037 |

## 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 8,779 highway miles or 17,835 lane miles within the State. Bridges have a deck area of 12.5 million square feet among 3,033 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2024, the actual average condition was 73.1. 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, 2024. Preservation costs for fiscal year 2024 totaled $216.7 million compared to estimated preservation costs of $207.0 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by PL 2021, Chapter 408, $31.1 million in General Fund bonds were spent during fiscal year 2024. Of the amount authorized by PL 2019, Chapter 673, $3.1 million in General Fund bonds were spent during fiscal year 2024.

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 $1.824 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 | |
|---|---|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** | **2024** | **2023** |
| **General Obligation** | | | | | | |
| Bonds | $ 454,295 | $ 559,370 | $ - | $ - | $ 454,295 | $ 559,370 |
| Unmatured Premiums | 65,312 | 79,270 | - | - | 65,312 | 79,270 |
| Other Long-Term Obligations | 1,300,625 | 1,232,681 | 3,284 | 3,627 | 1,303,909 | 1,236,308 |
| Total | $ 1,820,232 | $ 1,871,321 | $ 3,284 | $ 3,627 | $ 1,823,516 | $ 1,874,948 |

During the year, the State reduced outstanding long-term obligations by $119.0 million for general obligation bonds and $305.5 million for other long-term debt. Also during fiscal year 2024, the State incurred $373.1 million of additional long-term obligations.

## Credit Ratings

The State's credit was rated during fiscal year 2024 by Moody's Investors Service as Aa1 with a stable 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 25, 2024, to review and revise its forecast through 2029. This meeting builds on the Commission's forecast update of February 1, 2024, incorporating the most recent updates available for all relevant baseline data.

The CEFC continued to recognize ongoing uncertainty in economic conditions in the near-term but does not anticipate a recession in its forecast. Net migration is likely to be positive in the coming years and may play a role in the future supply of, and demand for, jobs. Some of the future demand for labor may be filled through productivity gains. The CEFC noted that inflation has moderated and the Federal Reserve, in its mission to find a 'soft landing', is expected to continue pursuing policies that will constrain inflation to its target levels. Overall, employment in the health care and social assistance sector has recovered and is slightly above pre-pandemic levels. However, some subsectors – like hospitals and nursing residential care facilities – are facing labor shortages and financial struggles. Demographic changes, a possible slowdown in job openings, and global geopolitical tensions were among the key risks to continued economic growth identified by the CEFC.

The Commission's forecast for wage and salary employment was left unchanged for all forecast years based on information from the Maine Department of Labor.

The Commission revised its forecast for total personal income growth in 2024 up from 4.7% to 5.3%. The forecast for 2025 was left unchanged (4.4%). The Commission made slight upward revisions for all remaining forecast years, going from 4.3% to 4.4% in 2026, 4.2% to 4.4% in 2027, 4.2% to 4.3% in 2028, and from 4.2% to 4.3% in 2029. For all components of personal income, revisions for 2024 were informed by the growth as reported by the U.S. Bureau of Economic Analysis for the first two quarters of 2024 relative to the same period in 2023.

The forecast for wage and salary income growth was revised up for 2024 from 5.0% to 6.0%. The Commission left the rest of the forecast years unchanged.

Annual inflation according to the Consumer Price Index (CPI) was 4.1% in 2023, equivalent to the Commission's forecast for that year. The Commission left their forecast of annual inflation unchanged for all forecast years.

The forecast for corporate profits was revised upwards in 2024 from 1.0% to 9.0% based on data from the U.S. Bureau of Economic Analysis, and to more closely align with forecasts from Moody's Analytics and S&P. The Commission left the rest of the forecast years unchanged.

Maine saw continued population growth in 2023, gaining over 6,300 in population. Since 2021, Maine's total net migration rate has ranked in the top ten nationally (5th in 2021, 9th in 2022, and 9th in 2023). Most of this was driven by net domestic migration, in which Maine ranked 8th in the nation in 2023.

Maine's total personal income increased by 4.4% at a seasonally adjusted, annualized rate (SAAR) in the second quarter of 2024, following a 10.1% increase in the first quarter. Wage and salary income, the largest component of personal income, grew 4.7% in the second quarter of 2024 while dividends, interest and rent increased 1.8% (SAAR) in the second quarter and transfer receipts increased by 6.4%. Maine's growth in transfer receipts was higher than in New England (2.9%) and in the U.S. (6.1%). Meanwhile, real GDP for Maine grew to just over $77 billion in the second quarter of 2024.

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 2.4% in September before seasonal adjustment. On September 18, the Federal Reserve Federal Open Market Committee cut its target interest rate by 0.5%. This was their first rate cut since 2020.

The University of Michigan Consumer Sentiment Index was up 3.2% in September. There were improvements in all five components of the index and improvements were seen across all education groups and political affiliations. Sentiment remains below the historical average in part due to high prices, but perceptions of future inflation are becoming more optimistic. The Small Business Optimism Index, as measured by the National Federation of Independent Businesses, was down 2.7% in August, and little changed (-0.1%) from a year ago. Small business owners reported higher levels of uncertainty, while sales expectations and profit trends fell during the month. Inflation remains the top concern for business owners.

Single-family existing-home sales were up 1.7% year-over-year in August and prices continued to increase (7.5%). In the second quarter of 2024, Maine's year-over-year growth in the house price index (HPI) was 6.3% (seasonally adjusted), 23rd in the nation for year-over-year growth and last in New England.

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 (though job openings have slowed recently), supply is low, and unemployment rates are near historic lows in Maine and nationwide. Workers have experienced 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. Maine's net migration is likely to be positive in the coming years and may play a role in the future supply of, and demand for, jobs. Some of the future demand for labor may be filled through productivity gains.

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

- Absent any unexpected cuts, Maine will continue to see impacts of large, federally funded infrastructure programs (including the Bipartisan Infrastructure Law and the Inflation Reduction Act) throughout the duration of the forecast. This includes potential impacts on local job markets. Federal capital infrastructure projects already begun will continue into the future.

- Inflation growth has moderated, and the Federal Reserve Open Market Committee cut interest rates in 2024 for the first time since 2020. The Federal Reserve, in its mission to find a 'soft landing', is expected to continue pursuing policies that will constrain inflation to its target levels.

- 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 residential care facilities – as well as financial challenges.

- 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 have returned to the office or transitioned to hybrid work arrangements than during the peak of the pandemic.

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

- Geopolitical tensions remain elevated and continue to pose a negative risk to the forecast.

- Climate shocks are beginning to impact some sectors of Maine's economy, particularly hospitality; while future impacts are unknown, the Commission recognizes the potential for resulting economic changes and intends to track and consider possible implications in future forecasts.

At June 30, 2024, the State of Maine reported an ending fund balance of $1.115 billion in the General Fund on a GAAP basis, a decrease of more than $243.0 million since the end of fiscal year 2023. The General Fund "unassigned" fund balance on a GAAP basis at June 30, 2024 was $0.8 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 strong equity and cash positions of the General Fund. Consequently, the State has enjoyed significant balances in its Treasurer's Cash Pool and Budget Stabilization Fund and has not required external borrowing in the form of TANs or BANs for cash flow purposes.

# CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

State of Maine
Office of the State Controller
14 State House Station
Augusta, ME 04333-0014
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# BASIC FINANCIAL STATEMENTS


DIRIGO
MAINE

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

June 30, 2024
(Expressed in Thousands)

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Component Units |
| **Assets** | | | | |
| Current Assets: | | | | |
| Equity in Treasurer's Cash Pool | $ 2,200,659 | $ 14,292 | $ 2,214,951 | $ 98,101 |
| Cash and Cash Equivalents | 183 | 2,173 | 2,356 | 213,482 |
| Cash with Fiscal Agent | 297,659 | 2,224 | 299,883 | - |
| Investments | 169,853 | - | 169,853 | 944,153 |
| Restricted Assets: | | | | |
| Restricted Equity in Treasurer's Cash Pool | 37,752 | - | 37,752 | - |
| Restricted Deposits and Investments | 4,052 | 746,776 | 750,828 | 656,994 |
| Inventories | 19,450 | 5,872 | 25,322 | 3,148 |
| Receivables, Net of Allowances for Uncollectibles: | | | | |
| Taxes Receivable | 781,800 | - | 781,800 | - |
| Settlements Receivable | 29,977 | - | 29,977 | - |
| Loans, Leases & Notes Receivable | 1,577 | - | 1,577 | 145,834 |
| Other Receivables | 343,097 | 69,949 | 413,046 | 116,017 |
| Internal Balances | 1,805 | (1,805) | - | - |
| Due from Other Governments | 697,551 | - | 697,551 | 189,769 |
| Due from Primary Government | - | - | - | 20,600 |
| Loans Receivable from Primary Government | - | - | - | 39,843 |
| Due from Component Units | 93,326 | - | 93,326 | - |
| Prepaid Items | 31,003 | - | 31,003 | - |
| Other Current Assets | 240 | - | 240 | 130,258 |
| Total Current Assets | 4,709,984 | 839,481 | 5,549,465 | 2,558,199 |
| Noncurrent Assets: | | | | |
| Equity in Treasurer's Cash Pool | 1,600,135 | 10,390 | 1,610,525 | 71,332 |
| Investments | - | - | - | 715,065 |
| Restricted Assets: | | | | |
| Restricted Equity in Treasurer's Cash Pool | 27,450 | - | 27,450 | - |
| Restricted Deposits and Investments | - | - | - | 435,499 |
| Pension Assets | 14,113 | - | 14,113 | - |
| Receivables, Net of Current Portion: | | | | |
| Taxes Receivable | 81,001 | - | 81,001 | - |
| Settlements Receivable | 78,669 | - | 78,669 | - |
| Loans, Leases & Notes Receivable | 4,126 | - | 4,126 | 2,552,593 |
| Other Receivables | 410 | - | 410 | 11,192 |
| Due from Other Governments | 5,664 | - | 5,664 | 1,609,723 |
| Loans Receivable from Primary Government | - | - | - | 186,928 |
| Due from Primary Government | - | - | - | 1,448 |
| Post-Employment Benefit Assets | - | - | - | 66,532 |
| Other Noncurrent Assets | - | - | - | 29,003 |
| Capital Assets: | | | | |
| Land, Infrastructure, & Other Non-Depreciable Assets | 4,215,660 | 24,311 | 4,239,971 | 1,018,913 |
| Buildings, Equipment & Other Depreciable Assets | 654,332 | 56,347 | 710,679 | 1,260,648 |
| Right to Use Assets - Leases, Net | 242,558 | - | 242,558 | 63,104 |
| Right to Use Assets - Subscriptions, Net | 117,303 | - | 117,303 | 29,314 |
| Total Noncurrent Assets | 7,041,421 | 91,048 | 7,132,469 | 8,051,294 |
| Total Assets | 11,751,405 | 930,529 | 12,681,934 | 10,609,493 |
| **Deferred Outflows of Resources** | $ 1,051,068 | $ 5,988 | $ 1,057,056 | $ 46,676 |

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

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | Component Units |
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | $ 1,230,242 | $ 21,958 | $ 1,252,200 | $ 117,214 |
| Accrued Payroll | 65,885 | 1,052 | 66,937 | 5,298 |
| Tax Refunds Payable | 436,356 | - | 436,356 | - |
| Due to Component Units | 40,510 | - | 40,510 | - |
| Due to Primary Government | - | - | - | 93,326 |
| Current Portion of Long-Term Obligations: | | | | |
| Compensated Absences | 11,834 | 150 | 11,984 | 3,744 |
| Due to Other Governments | 643,173 | 112 | 643,285 | 753 |
| Amounts Held under State & Federal Loan Programs | - | - | - | 39,995 |
| Claims Payable | 23,863 | - | 23,863 | - |
| Bonds & Notes Payable | 106,554 | - | 106,554 | 264,351 |
| Revenue Bonds Payable | 27,142 | - | 27,142 | 36,553 |
| Lease Liabilities | 8,591 | - | 8,591 | 3,287 |
| Subscription Liabilities | 18,271 | - | 18,271 | 4,106 |
| Certificates of Participation & Other Financing Arrangements | 18,444 | 428 | 18,872 | - |
| Loans Payable to Component Unit | 39,843 | - | 39,843 | - |
| Accrued Interest Payable | 13,164 | 2 | 13,166 | 39,849 |
| Unearned Revenue | 8,337 | - | 8,337 | 133,876 |
| Other Post-Employment Benefits | 877 | - | 877 | - |
| Other Current Liabilities | 60,668 | 29,593 | 90,261 | 82,997 |
| Total Current Liabilities | 2,753,754 | 53,295 | 2,807,049 | 825,349 |
| Long-Term Liabilities: | | | | |
| Compensated Absences | 66,278 | 992 | 67,270 | - |
| Due to Component Units | 1,448 | - | 1,448 | - |
| Due to Other Governments | - | - | - | 10,594 |
| Amounts Held under State & Federal Loan Program | - | - | - | 59,884 |
| Claims Payable | 54,925 | - | 54,925 | - |
| Bonds & Notes Payable | 413,053 | - | 413,053 | 4,217,339 |
| Revenue Bonds Payable | 440,075 | - | 440,075 | 808,692 |
| Lease Liabilities | 243,285 | - | 243,285 | 60,883 |
| Subscription Liabilities | 79,054 | - | 79,054 | 20,739 |
| Certificates of Participation & Other Financing Arrangements | 82,092 | 1,714 | 83,806 | - |
| Loans Payable to Component Unit | 186,928 | - | 186,928 | - |
| Unearned Revenue | 7,245 | - | 7,245 | 16,527 |
| Net Pension Liability | 2,291,654 | 11,862 | 2,303,516 | 56,989 |
| Other Post-Employment Benefits | 1,295,649 | 5,631 | 1,301,280 | 42,727 |
| Pollution Remediation & Landfill Obligations | 39,239 | - | 39,239 | - |
| Other Noncurrent Liabilities | - | - | - | 56,682 |
| Total Long-Term Liabilities | 5,200,925 | 20,199 | 5,221,124 | 5,351,056 |
| Total Liabilities | 7,954,679 | 73,494 | 8,028,173 | 6,176,405 |
| **Deferred Inflows of Resources** | 1,857,540 | 6,316 | 1,863,856 | 208,320 |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 4,099,173 | 80,658 | 4,179,831 | 1,503,798 |
| Restricted: | | | | |
| Governmental Support & Operations | 47,406 | - | 47,406 | - |
| Justice & Protection | 8,837 | - | 8,837 | - |
| Employment Security | - | 765,421 | 765,421 | - |
| Other Purposes | - | - | - | 2,044,733 |
| Funds Held for Permanent Investments: | | | | |
| Expendable | 117,889 | - | 117,889 | - |
| Nonexpendable | 52,447 | - | 52,447 | 339,959 |
| Unrestricted (deficit) Net Position | (1,335,498) | 10,628 | (1,324,870) | 382,954 |
| Total Net Position | $ 2,990,254 | $ 856,707 | $ 3,846,961 | $ 4,271,444 |

Note: Restricted net position balance for Justice & Protection includes only Pension Assets.

# STATE OF MAINE
## STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2024
(Expressed in Thousands)

| | | Program Revenues | | |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| **Primary Government:** | | | | |
| Governmental Activities: | | | | |
| Governmental Support & Operations | $ 825,001 | $ 117,135 | $ 32,798 | $ - |
| Arts, Heritage & Cultural Enrichment | 19,410 | 839 | 7,758 | - |
| Business Licensing & Regulation | 112,342 | 91,548 | 44,636 | - |
| Economic Development & Workforce Training | 328,794 | 7,249 | 130,821 | - |
| Education | 2,783,638 | 33,215 | 519,194 | - |
| Health & Human Services | 6,329,698 | 23,018 | 4,106,735 | - |
| Justice & Protection | 684,160 | 91,085 | 122,599 | - |
| Natural Resources Development & Protection | 342,478 | 115,453 | 95,611 | - |
| Transportation Safety & Development | 902,085 | 148,274 | 391,136 | - |
| Interest Expense | 48,096 | - | - | - |
| Total Governmental Activities | 12,375,702 | 627,816 | 5,451,288 | - |
| Business-Type Activities: | | | | |
| Employment Security | 119,895 | 144,974 | 18,970 | - |
| Alcoholic Beverages | 191,706 | 257,851 | - | - |
| Lottery | 343,962 | 429,770 | - | - |
| Ferry Services | 17,310 | 6,799 | 1,000 | - |
| Consolidated Emergency Communications | 7,769 | 7,928 | - | - |
| Other | 3,759 | 10,081 | 1,600 | - |
| Total Business-Type Activities | 684,401 | 857,403 | 21,570 | - |
| Total Primary Government | 13,060,103 | 1,485,219 | 5,472,858 | - |
| **Component Units:** | | | | |
| Finance Authority of Maine | 96,686 | 20,517 | 73,309 | - |
| Maine Community College System | 189,462 | 14,559 | 93,118 | 281 |
| Maine Health & Higher Education Facilities Authority | 36,059 | 33,137 | 4,142 | - |
| Maine Municipal Bond Bank | 78,334 | 45,480 | 21,209 | 103,207 |
| Maine State Housing Authority | 454,434 | 84,586 | 404,920 | - |
| Maine Turnpike Authority | 118,815 | 164,182 | - | - |
| University of Maine System | 891,479 | 318,876 | 301,904 | 46,412 |
| All Other Non-Major Component Units | 233,543 | 51,379 | 148,689 | 10,905 |
| Total Component Units | $ 2,098,812 | $ 732,716 | $ 1,047,291 | $ 160,805 |

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

| | Net (Expenses) Revenues and Changes in Net Position | | | |
|---|---|---|---|---|
| | Primary Government | | | |
| | Governmental Activities | Business-type Activities | Total | Component Units |
| | $ (675,068) | $ - | $ (675,068) | $ - |
| | (10,813) | - | (10,813) | - |
| | 23,842 | - | 23,842 | - |
| | (190,724) | - | (190,724) | - |
| | (2,231,229) | - | (2,231,229) | - |
| | (2,199,945) | - | (2,199,945) | - |
| | (470,476) | - | (470,476) | - |
| | (131,414) | - | (131,414) | - |
| | (362,675) | - | (362,675) | - |
| | (48,096) | - | (48,096) | - |
| | (6,296,598) | - | (6,296,598) | - |
| | - | 44,049 | 44,049 | - |
| | - | 66,145 | 66,145 | - |
| | - | 85,808 | 85,808 | - |
| | - | (9,511) | (9,511) | - |
| | - | 159 | 159 | - |
| | - | 7,922 | 7,922 | - |
| | - | 194,572 | 194,572 | - |
| | (6,296,598) | 194,572 | (6,102,026) | - |
| | - | - | - | (2,860) |
| | - | - | - | (81,504) |
| | - | - | - | 1,220 |
| | - | - | - | 91,562 |
| | - | - | - | 35,072 |
| | - | - | - | 45,367 |
| | - | - | - | (224,287) |
| | - | - | - | (22,570) |
| | $ - | $ - | $ - | $ (158,000) |
| **General Revenues:** | | | | |
| Taxes: | | | | |
| Corporate Taxes | 458,878 | - | 458,878 | - |
| Individual Income Taxes | 2,528,315 | - | 2,528,315 | - |
| Fuel Taxes | 248,458 | - | 248,458 | - |
| Property Taxes | 87,756 | - | 87,756 | - |
| Sales & Use Taxes | 2,409,027 | - | 2,409,027 | - |
| Other Taxes | 506,298 | - | 506,298 | - |
| Unrestricted Investment Earnings | 173,689 | - | 173,689 | 64,954 |
| Non-Program Specific Grants, Contributions & Appropriations | - | - | - | 452,748 |
| Miscellaneous Income | 121,925 | - | 121,925 | 18,815 |
| Gain (Loss) on Sale of Assets | - | - | - | (96) |
| Tobacco and Opioid Settlements | 93,257 | - | 93,257 | - |
| Special Items | - | - | - | (1,965) |
| Transfers - Internal Activities | 127,329 | (127,329) | - | - |
| Total General Revenues and Transfers | 6,754,932 | (127,329) | 6,627,603 | 534,456 |
| Change in Net Position | 458,334 | 67,243 | 525,577 | 376,456 |
| Net Position - Beginning (as restated) | 2,531,920 | 789,464 | 3,321,384 | 3,894,988 |
| Net Position - Ending | $ 2,990,254 | $ 856,707 | $ 3,846,961 | $ 4,271,444 |


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, 2024
(Expressed in Thousands)

| | General | Highway | Federal | Other Special Revenue | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Equity in Treasurer's Cash Pool | $ 1,645,348 | $ 60,611 | $ 495,682 | $ 1,229,340 | $ 483 | $ 3,431,464 |
| Cash & Short-Term Investments | 69 | 76 | - | 36 | - | 181 |
| Cash with Fiscal Agent | 5,490 | 2,909 | - | 277,990 | - | 286,389 |
| Investments | - | - | - | - | 169,853 | 169,853 |
| Restricted Assets: | | | | | | |
| Restricted Equity in Treasurer's Cash Pool | - | - | - | - | 65,202 | 65,202 |
| Inventories | 3,708 | 2 | 9,802 | - | - | 13,512 |
| Receivables, Net of Allowance for Uncollectibles: | | | | | | |
| Taxes Receivable | 820,462 | 23,730 | - | 18,609 | - | 862,801 |
| Settlements Receivable | - | - | - | 108,646 | - | 108,646 |
| Loans Receivable | 1 | - | - | 1,063 | - | 1,064 |
| Other Receivable | 117,092 | 4,722 | 161,754 | 53,656 | - | 337,224 |
| Due from Other Funds | 16,066 | 23,699 | 4,002 | 37,941 | - | 81,708 |
| Due from Other Governments | - | - | 696,530 | - | - | 696,530 |
| Due from Component Units | 88 | - | 1,188 | 92,050 | - | 93,326 |
| Other Assets | (208) | 37 | 556 | 122 | - | 507 |
| Working Capital Advances Receivable | 111 | - | - | - | - | 111 |
| Total Assets | $ 2,608,227 | $ 115,786 | $ 1,369,514 | $ 1,819,453 | $ 235,538 | $ 6,148,518 |
| **Liabilities** | | | | | | |
| Accounts Payable | $ 331,984 | $ 54,168 | $ 670,574 | $ 86,353 | $ 1,211 | $ 1,144,290 |
| Accrued Payroll | 32,295 | 9,566 | 7,130 | 12,245 | - | 61,236 |
| Tax Refunds Payable | 436,356 | - | - | - | - | 436,356 |
| Due to Other Governments | - | - | 641,075 | - | - | 641,075 |
| Due to Other Funds | 122,295 | 6,727 | 16,239 | 28,724 | 16 | 174,001 |
| Due to Component Units | 18,941 | 101 | 15,550 | 3,910 | 629 | 39,131 |
| Unearned Revenue | - | 3,079 | 3,124 | 9,154 | 3 | 15,360 |
| Other Accrued Liabilities | 56,340 | 5 | 2,755 | 7,366 | - | 66,466 |
| Total Liabilities | 998,211 | 73,646 | 1,356,447 | 147,752 | 1,859 | 2,577,915 |
| **Deferred Inflows of Resources** | 494,557 | 1,145 | 6,539 | 108,341 | - | 610,582 |
| **Fund Balances** | | | | | | |
| Nonspendable: | | | | | | |
| Permanent Fund Principal | - | - | - | - | 52,447 | 52,447 |
| Inventories & Prepaid Items | 3,173 | - | - | - | - | 3,173 |
| Restricted | 11,988 | 40,995 | 6,528 | 852,878 | 181,232 | 1,093,621 |
| Committed | 4,927 | - | - | 514,597 | - | 519,524 |
| Assigned | 254,305 | - | - | 195,885 | - | 450,190 |
| Unassigned | 841,066 | - | - | - | - | 841,066 |
| Total Fund Balances | 1,115,459 | 40,995 | 6,528 | 1,563,360 | 233,679 | 2,960,021 |
| Total Liabilities, Deferred Inflows and Fund Balances | $ 2,608,227 | $ 115,786 | $ 1,369,514 | $ 1,819,453 | $ 235,538 | $ 6,148,518 |

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, 2024
(Expressed in Thousands)

| | | | |
|---|---|---|---|
| Total fund balances for governmental funds | | $ | 2,960,021 |
| 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. | 5,519,263 | | |
| Accumulated Depreciation & Amortization | (695,434) | | |
| | | | 4,823,829 |
| Refunded Bond Deferred Outflows | | | 622 |
| 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 | (986,824) | | |
| Interest Payable Related to Long-term Financing | (5,160) | | |
| Certificates of Participation and Other Financing Arrangements | (63,946) | | |
| Leases | (11,953) | | |
| Subscriptions | (71,092) | | |
| Loans Payable to Component Unit | (226,771) | | |
| Compensated Absences | (72,350) | | |
| Pension Liabilities and Deferrals | (1,876,473) | | |
| Other Post-Employment Benefit Liabilities and Deferrals | (2,401,510) | | |
| Pollution Remediation and Landfill Obligations | (39,239) | | |
| | | | (5,755,318) |
| Certain revenues are earned but not available and therefore are not reported in the governmental fund statements. | | | 606,141 |
| Other Revenue | | | 4,573 |
| 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. | | | 349,962 |
| Net position of governmental activities | | $ | 2,990,254 |

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, 2024
(Expressed in Thousands)

| | General | Highway | Federal | Other Special Revenue | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Taxes | $ 5,437,602 | $ 215,951 | $ - | $ 400,814 | $ - | $ 6,054,367 |
| Assessments | 104,527 | 109,231 | - | 211,506 | - | 425,264 |
| Federal Grants & Reimbursements | 186 | - | 5,426,571 | 23,536 | - | 5,450,293 |
| Charges for Services | 47,740 | 4,601 | 4 | 144,374 | - | 196,719 |
| Investment Income (Loss) | 105,200 | 2,763 | 9,454 | 21,020 | 21,283 | 159,720 |
| Miscellaneous Revenues | 20,193 | 462 | 6,234 | 137,546 | - | 164,435 |
| Total Revenues | 5,715,448 | 333,008 | 5,442,263 | 938,796 | 21,283 | 12,450,798 |
| **Expenditures** | | | | | | |
| Current: | | | | | | |
| Governmental Support & Operations | 442,266 | 4,972 | 31,705 | 359,449 | 81 | 838,473 |
| Economic Development & Workforce Training | 62,293 | - | 131,337 | 136,480 | 3,746 | 333,856 |
| Education | 2,133,321 | - | 517,883 | 54,388 | 3,455 | 2,709,047 |
| Health & Human Services | 1,823,324 | - | 4,091,169 | 486,555 | - | 6,401,048 |
| Business Licensing & Regulation | - | - | 44,624 | 72,892 | - | 117,516 |
| Natural Resources Development & Protection | 130,531 | 38 | 95,188 | 141,807 | 5,784 | 373,348 |
| Justice & Protection | 455,200 | 35,704 | 127,065 | 118,681 | - | 736,650 |
| Arts, Heritage & Cultural Enrichment | 11,531 | - | 7,781 | 1,054 | - | 20,366 |
| Transportation Safety & Development | - | 472,964 | 339,205 | 176,600 | - | 988,769 |
| Debt service: | | | | | | |
| Principal Payments | 135,752 | 408 | 21,878 | 15,767 | - | 173,805 |
| Interest Expense | 43,897 | 58 | 8,472 | 5,777 | - | 58,204 |
| Capital Outlay | 15,469 | - | 7,496 | 620 | 45,566 | 69,151 |
| Total Expenditures | 5,253,584 | 514,144 | 5,423,803 | 1,570,070 | 58,632 | 12,820,233 |
| Revenue over (under) Expenditures | 461,864 | (181,136) | 18,460 | (631,274) | (37,349) | (369,435) |
| **Other Financing Sources (Uses)** | | | | | | |
| Transfer from Other Funds | 151,848 | 206,196 | 11,897 | 777,948 | - | 1,147,889 |
| Transfer to Other Funds | (873,901) | (7,496) | (48,642) | (53,818) | (4,047) | (987,904) |
| Certificates of Participation & Other | 13,804 | 5,610 | - | 5,715 | - | 25,129 |
| Bonds Issued | - | - | - | 110,550 | - | 110,550 |
| Leases | 1,220 | - | - | 620 | - | 1,840 |
| Subscriptions | 2,189 | - | 2,954 | - | - | 5,143 |
| Net Other Finance Sources (Uses) | (704,840) | 204,310 | (33,791) | 841,015 | (4,047) | 302,647 |
| Net Change in Fund Balances | (242,976) | 23,174 | (15,331) | 209,741 | (41,396) | (66,788) |
| Fund Balance at Beginning of Year (as restated) | 1,358,435 | 17,821 | 21,859 | 1,353,619 | 275,075 | 3,026,809 |
| Fund Balances at End of Year | $ 1,115,459 | $ 40,995 | $ 6,528 | $ 1,563,360 | $ 233,679 | $ 2,960,021 |

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

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

Fiscal Year Ended June 30, 2024
(Expressed in Thousands)

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ (66,788) |
| 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 | 196,607 | |
| Depreciation Expense | (57,103) | |
| | | 139,504 |
| Refunded Bond Deferred Outflows | | (281) |
| Pollution Remediation Receivable | | - |
| 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 | (110,550) | |
| Proceeds from Other Financing Arrangements | (19,414) | |
| Repayment of Bond Principal | 128,650 | |
| Repayment of Other Financing Debt | 11,775 | |
| Repayment of Pledged Revenue Principal | 38,287 | |
| Repayment of Lease Principal | 894 | |
| Repayment of Subscription Principal | 4,193 | |
| Accrued Interest | (516) | |
| Amortization of Bond Premiums | 13,958 | |
| | | 67,277 |
| 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 | (6,479) | |
| Pension Liabilities and Deferrals | (78,134) | |
| Other Post-employment Benefit Liabilities and Deferrals | 112,725 | |
| Pollution Remediation and Landfill Obligations | 1,579 | |
| | | 29,691 |
| Certain revenues are earned but not available and therefore are not reported in the governmental fund statements. | | 211,251 |
| 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. | | 77,680 |
| Changes in net position of governmental activities | | $ 458,334 |

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


DIRIGO
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# PROPRIETARY FUND FINANCIAL STATEMENTS

## MAJOR FUNDS

<u>*Employment Security Fund*</u> - This fund accounts for unemployment insurance contributions from employers and the payment of unemployment benefits to eligible claimants.

## NON-MAJOR FUNDS

<u>*Non-Major Enterprise Funds*</u> 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, 2024
(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 | $ - | $ 14,292 | $ 14,292 | $ 213,841 |
| Cash & Short-Term Investments | 1,419 | 754 | 2,173 | 2 |
| Cash with Fiscal Agent | - | 2,224 | 2,224 | 11,270 |
| Restricted Assets: | | | | |
| Restricted Deposits & Investments | 746,765 | 11 | 746,776 | 4,052 |
| Inventories | - | 5,872 | 5,872 | 5,938 |
| Receivables, Net of Allowance for Uncollectibles: | | | | |
| Other Receivable | 33,149 | 36,800 | 69,949 | 6,381 |
| Due from Other Funds | 965 | 1,920 | 2,885 | 55,790 |
| Other Assets | - | - | - | 14,199 |
| Total Current Assets | 782,298 | 61,873 | 844,171 | 311,473 |
| Noncurrent Assets: | | | | |
| Equity in Treasurer's Cash Pool | - | 10,390 | 10,390 | 155,489 |
| Receivables, Net of Current Portion | - | - | - | 4,126 |
| Capital Assets, Net of Accumulated Depreciation | - | 80,658 | 80,658 | 164,973 |
| Right to Use Assets - Leases, Net | - | - | - | 231,031 |
| Right to Use Assets - Subscriptions, Net | - | - | - | 26,557 |
| Total Noncurrent Assets | - | 91,048 | 91,048 | 582,176 |
| Total Assets | 782,298 | 152,921 | 935,219 | 893,649 |
| **Deferred Outflows of Resources** | $ - | $ 5,988 | $ 5,988 | $ 29,304 |
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | $ 11,102 | $ 10,856 | $ 21,958 | $ 19,244 |
| Accrued Payroll | - | 1,052 | 1,052 | 4,649 |
| Due to Other Governments | 112 | - | 112 | - |
| Due to Other Funds | 3,835 | 1,167 | 5,002 | 28,083 |
| Due to Component Units | - | - | - | 2,827 |
| Current Portion of Long-Term Obligations: | | | | |
| Certificates of Participation and Other Financing Arrangements | - | 428 | 428 | 5,977 |
| Lease Liabilities | - | - | - | 7,820 |
| Subscription Liabilities | - | - | - | 10,038 |
| Claims Payable | - | - | - | 23,863 |
| Compensated Absences | - | 150 | 150 | 758 |
| Unearned Revenue | - | - | - | 222 |
| Accrued Interest Payable | - | - | - | 2,206 |
| Other Accrued Liabilities | 1,828 | 27,767 | 29,595 | - |
| Total Current Liabilities | 16,877 | 41,420 | 58,297 | 105,687 |
| Long-Term Liabilities: | | | | |
| Working Capital Advances Payable | - | - | - | 111 |
| Certificates of Participation & Other Financing Arrangements | - | 1,714 | 1,714 | 30,613 |
| Lease Liabilities | - | - | - | 232,103 |
| Subscription Liabilities | - | - | - | 16,195 |
| Claims Payable | - | - | - | 54,925 |
| Compensated Absences | - | 992 | 992 | 5,004 |
| Net Pension Liability | - | 11,862 | 11,862 | 61,001 |
| Net Other Post-Employment Benefit Liability | - | 5,631 | 5,631 | 29,578 |
| Total Long-Term Liabilities | - | 20,199 | 20,199 | 429,530 |
| Total Liabilities | 16,877 | 61,619 | 78,496 | 535,217 |
| **Deferred Inflows of Resources** | $ - | $ 6,316 | $ 6,316 | $ 37,462 |
| **Net Position** | | | | |
| Net Investment in Capital Assets: | - | 80,658 | 80,658 | 140,921 |
| Restricted for: | | | | |
| Unemployment Compensation | 765,421 | - | 765,421 | - |
| Other Purposes | - | - | - | 254 |
| Unrestricted | - | 10,316 | 10,316 | 209,099 |
| Total Net Position | $ 765,421 | $ 90,974 | 856,395 | $ 350,274 |
| 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 | | | 312 | |
| Net Position of Business-Type Activities | | | $ 856,707 | |

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, 2024
(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 | $ - | $ 703,460 | $ 703,460 | $ 547,942 |
| Assessments | 142,464 | 7,494 | 149,958 | - |
| Miscellaneous Revenues | 2,510 | 219 | 2,729 | 2,472 |
| Total Operating Revenues | 144,974 | 711,173 | 856,147 | 550,414 |
| **Operating Expenses** | | | | |
| General Operations | - | 561,402 | 561,402 | 432,297 |
| Depreciation and Amortization | - | 3,178 | 3,178 | 41,568 |
| Claims/Fees Expense | 119,895 | - | 119,895 | 10,852 |
| Total Operating Expenses | 119,895 | 564,580 | 684,475 | 484,717 |
| Operating Income (Loss) | 25,079 | 146,593 | 171,672 | 65,697 |
| **Nonoperating Revenues (Expenses)** | | | | |
| Investment Revenue (Expenses) - net | 18,970 | - | 18,970 | 13,969 |
| Interest Expense | - | (79) | (79) | (5,650) |
| Operating Subsidy and Grants | - | 2,600 | 2,600 | - |
| Other Nonoperating Revenue (Expenses) - net | - | 1,256 | 1,256 | 78 |
| Total Nonoperating Revenues (Expenses) | 18,970 | 3,777 | 22,747 | 8,397 |
| Income (Loss) Before Capital Contributions, Transfers and Special Items | 44,049 | 150,370 | 194,419 | 74,094 |
| **Capital Contributions, Transfers and Special Items** | | | | |
| Capital Contributions from (to) Other Funds | - | 17,349 | 17,349 | - |
| Transfer from Other Funds | 13,398 | 7,625 | 21,023 | 3,739 |
| Transfer to Other Funds | (1,872) | (163,829) | (165,701) | - |
| Total Capital Contributions, Transfers and Special Items | 11,526 | (138,855) | (127,329) | 3,739 |
| Change in Net Position | 55,575 | 11,515 | 67,090 | 77,833 |
| Net Position - Beginning (as restated) | 709,846 | 79,459 | | 272,441 |
| Net Position - End of Year | $ 765,421 | $ 90,974 | | $ 350,274 |
| 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 | | | 153 | |
| Changes in Business-Type Net Position | | | $ 67,243 | |

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, 2024
(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 | $ 138,260 | $ 706,202 | $ 844,462 | $ 208,245 |
| Other Operating Cash Receipts (Payments): | | | | |
| Cash Received from Interfund Services | 3,615 | 19,253 | 22,868 | 354,015 |
| Payments of Benefits | (116,871) | - | (116,871) | - |
| Payments to Prize Winners | - | (291,307) | (291,307) | - |
| Payments to Suppliers | - | (250,183) | (250,183) | (307,375) |
| Payments to Employees | - | (19,526) | (19,526) | (87,608) |
| Payments for Interfund Goods and Services | - | (4,178) | (4,178) | (73,784) |
| Net Cash Provided (Used) by Operating Activities | 25,004 | 160,261 | 185,265 | 93,493 |
| **Cash Flows from Noncapital Financing Activities** | | | | |
| Transfers from Other Funds | 13,398 | 7,625 | 21,023 | 3,739 |
| Transfers to Other Funds | (1,872) | (163,829) | (165,701) | - |
| Operating Subsidy and Grants | - | 1,000 | 1,000 | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | 11,526 | (155,204) | (143,678) | 3,739 |
| **Cash Flows from Capital and Related Financing Activities** | | | | |
| Payments for Acquisition of Capital Assets | - | (1,791) | (1,791) | (47,099) |
| Proceeds from Financing Arrangements | - | - | - | 14,500 |
| Principal and Interest Paid on Financing Arrangements | - | (508) | (508) | (18,207) |
| Proceeds from Sale of Capital Assets | - | 2 | 2 | 820 |
| Net Cash Provided (Used) by Capital and Related Financing Activities | - | (2,297) | (2,297) | (49,986) |
| **Cash Flows from Investing Activities** | | | | |
| Interest Revenue | 18,970 | 1,254 | 20,224 | 13,897 |
| Net Cash Provided (Used) by Investing Activities | 18,970 | 1,254 | 20,224 | 13,897 |
| Net Increase (Decrease) in Cash/Cash Equivalents | 55,500 | 4,014 | 59,514 | 61,143 |
| Cash/Cash Equivalents - Beginning of Year (as restated) | 692,684 | 23,657 | 716,341 | 323,511 |
| Cash/Cash Equivalents - End of Year | $ 748,184 | $ 27,671 | $ 775,855 | $ 384,654 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities** | | | | |
| Operating Income (Loss) | $ 25,079 | $ 146,593 | $ 171,672 | $ 65,697 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | |
| Depreciation Expense | - | 3,178 | 3,178 | 41,568 |
| Decrease (Increase) in Assets: | | | | |
| Accounts Receivable | 174 | 343 | 517 | 4,915 |
| Interfund Balances | (3,385) | 13,939 | 10,554 | (15,729) |
| Due from Other Governments | - | - | - | 869 |
| Inventories | - | (420) | (420) | 280 |
| Other Assets | - | - | - | (1,203) |
| Deferred Outflows | - | 1,312 | 1,312 | 8,154 |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts Payable | 2,680 | (2,733) | (53) | (578) |
| Accrued Payroll Expense | - | 107 | 107 | (14) |
| Due to Other Governments | 112 | - | 112 | 2,116 |
| Compensated Absences | - | 86 | 86 | 200 |
| Deferred Inflows | - | 2,483 | 2,483 | 11,728 |
| Net Pension Liability | - | 78 | 78 | (1,062) |
| Other Accruals | 344 | 787 | 1,131 | 6,067 |
| Net OPEB Liability | - | (5,492) | (5,492) | (29,515) |
| Total Adjustments | (75) | 13,668 | 13,593 | 27,796 |
| Net Cash Provided (Used) by Operating Activities | $ 25,004 | $ 160,261 | $ 185,265 | $ 93,493 |
| **Non Cash Investing, Capital and Financing Activities** | | | | |
| Property Leased, Accrued or Acquired | - | - | - | 9,712 |
| Subscription Based Assets | - | - | - | 3,188 |
| Contributed Capital Assets | - | 17,349 | 17,349 | - |
| Disposal of Assets | - | - | - | (742) |

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, 2024
(Expressed in Thousands)

| | Pension (and Other Employee Benefits) | Private Purpose Trusts | Custodial Funds |
|---|---|---|---|
| **Assets** | | | |
| Equity in Treasurer's Cash Pool | $ - | $ 500 | $ 14,366 |
| Cash & Short-Term Investments | 16,411 | 9,988 | 27 |
| Receivables, Net of Allowance for Uncollectibles: | | | |
| State and Local Agency Contributions | 55,372 | - | - |
| Interest and Dividends | 3,028 | - | - |
| Due from Brokers for Securities Sold | 26,506 | - | - |
| Settlements Receivable | - | - | 34,763 |
| Other Receivable | - | 3,254 | - |
| Investments at Fair Value: | | | |
| Equity Securities | 3,245,602 | - | - |
| Common/Collective Trusts | 17,606,570 | - | - |
| Investments - Other | - | 24,078 | - |
| Securities Lending Collateral | 3,377 | - | - |
| Due from Other Funds | - | 66,708 | - |
| Investments Held on Behalf of Others | - | - | 69,625 |
| Capital Assets, Net of Accumulated Depreciation | 12,690 | - | - |
| Other Assets | - | 9,960 | 35 |
| Total Assets | 20,969,556 | 114,488 | 118,816 |
| **Liabilities** | | | |
| Accounts Payable | 3,141 | 534 | 25 |
| Due to Other Funds | - | 5 | - |
| Obligations Under Securities Lending | 3,377 | - | - |
| Other Accrued Liabilities | 63,729 | - | 1,949 |
| Total Liabilities | 70,247 | 539 | 1,974 |
| **Net Position** | | | |
| Restricted for Pension | 20,070,620 | - | - |
| Restricted for Other Post-Employment Benefits | 828,689 | - | - |
| Restricted for Individuals, Organizations and Other Governments | - | 113,949 | 116,842 |
| Total Net Position | $ 20,899,309 | $ 113,949 | $ 116,842 |

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, 2024
(Expressed in Thousands)

| | Pension (and Other Employee Benefits) | Private Purpose Trusts | Custodial Funds |
|---|---|---|---|
| **Additions:** | | | |
| Contributions: | | | |
| Members | $ 263,741 | $ - | $ - |
| State & Local Agency Employers | 485,841 | - | - |
| Non-Employer Contributing Entity | 264,210 | - | 6,499 |
| Litigation Receipts | - | - | 28,408 |
| Other | - | - | 4,443 |
| Investment Income (Loss): | | | |
| Net Increase (Decrease) in the Fair Value of Investments | 1,596,335 | 2,883 | 25 |
| Interest & Dividends | 67,176 | 1,702 | (970) |
| Securities Lending Income & Borrower Rebates Refunded | 225 | - | - |
| Less Investment Expense: | | | |
| Securities Lending Expense | 137,921 | - | - |
| Net Investment Income (Loss) | 1,525,815 | 4,585 | (945) |
| Miscellaneous Revenues | - | 56,929 | - |
| Transfer from Other Pension Plans | 334 | - | - |
| Total Additions | 2,539,941 | 61,514 | 38,405 |
| **Deductions:** | | | |
| Benefits Paid to Participants, Beneficiaries or Clients | 1,393,085 | 11,566 | 23,023 |
| Refunds & Withdrawals | 43,588 | - | 735 |
| Restitution Payments | - | - | 1,080 |
| Administrative Expenses | 18,745 | 433 | - |
| Claims Processing Expense | 1,611 | - | - |
| Miscellaneous Disbursements | - | - | 2,501 |
| Transfer to Other Funds | - | 19,046 | - |
| Transfer to Other Pension Plans | 334 | - | - |
| Total Deductions | 1,457,363 | 31,045 | 27,339 |
| Net Increase (Decrease) | 1,082,578 | 30,469 | 11,066 |
| **Net Position:** | | | |
| Restricted | | | |
| Beginning of Year | 19,816,731 | 83,480 | 105,776 |
| End of Year | $ 20,899,309 | $ 113,949 | $ 116,842 |

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


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# COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

June 30, 2024
(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 | $ 17,956 | $ 16,902 | $ - | $ 51,358 |
| Cash & Short-Term Investments | 8,806 | 13,519 | 9,302 | 297 |
| Investments | 90,058 | 88,963 | 14,466 | 11,217 |
| Restricted Assets: | | | | |
| Restricted Deposits & Investments | - | - | 23,317 | 381,347 |
| Inventories | - | - | - | - |
| Receivables, Net of Allowance for Uncollectibles: | | | | |
| Loans, Leases & Notes Receivable | 35,765 | - | 33,193 | - |
| Other Receivable | 4,793 | 18,902 | 157 | 3,073 |
| Due from Other Governments | - | 214 | - | 157,984 |
| Due from Primary Government | - | 2,170 | - | - |
| Loans Receivable from Primary Government | - | - | - | 39,843 |
| Other Assets | 1,224 | 3,024 | 3,734 | 111,172 |
| Total Current Assets | 158,602 | 143,694 | 84,169 | 756,291 |
| Noncurrent Assets: | | | | |
| Equity in Treasurer's Cash Pool | 13,056 | 12,290 | - | 37,344 |
| Restricted Assets: | | | | |
| Restricted Assets | 28,298 | 1,262 | 74,978 | 170,634 |
| Investments | - | 17,400 | 23,174 | - |
| Receivables, Net of Current Portion: | | | | |
| Loans, Leases & Notes Receivable | 70,078 | - | 697,682 | - |
| Other Receivables | - | 683 | - | - |
| Due from Other Governments | - | - | - | 1,609,723 |
| Due from Primary Government | - | - | - | - |
| Loans Receivable from Primary Government | - | - | - | 186,928 |
| Post-Employment Benefit Asset | - | 32,099 | - | - |
| Capital and Right to Use Assets, Net | 1,173 | 195,899 | - | 1,080 |
| Other Non-Current Assets | - | - | - | - |
| Total Noncurrent Assets | 112,605 | 259,633 | 795,834 | 2,005,709 |
| Total Assets | 271,207 | 403,327 | 880,003 | 2,762,000 |
| **Deferred Outflows of Resources** | $ 858 | $ 20,025 | $ - | $ 9,050 |
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | $ 6,782 | $ 7,913 | $ 44 | $ 435 |
| Accrued Payroll | - | - | - | - |
| Compensated Absences | - | 3,608 | - | - |
| Due to Other Governments | - | - | - | 275 |
| Due to Primary Government | - | - | - | 90,553 |
| Amounts Held Under State & Federal Loan Programs | - | - | - | 39,995 |
| Bonds & Notes Payable | 5,977 | 980 | 34,170 | 155,862 |
| Obligations for Right to Use Assets | - | 1,102 | - | - |
| Accrued Interest Payable | 365 | - | 18,038 | 12,880 |
| Unearned Revenue | 1,470 | 6,399 | 1 | 10,581 |
| Other Accrued Liabilities | 30,752 | 11,589 | - | - |
| Total Current Liabilities | 45,346 | 31,591 | 52,253 | 310,581 |
| Long-Term Liabilities: | | | | |
| Due to Other Governments | 3,907 | - | 1,547 | 4,327 |
| Amounts Held Under State & Federal Loan Programs | 59,884 | - | - | - |
| Bonds & Notes Payable | 97,691 | 12,346 | 776,470 | 1,440,855 |
| Obligations for Right to Use Assets | - | 10,322 | - | - |
| Net Pension Liability | - | 41,980 | - | 517 |
| Net Other Post-Employment Benefit Liability | - | 3,112 | - | 789 |
| Other Noncurrent Liabilities | - | - | - | - |
| Total Long-Term Liabilities: | 161,482 | 67,760 | 778,017 | 1,446,488 |
| Total Liabilities | 206,828 | 99,351 | 830,270 | 1,757,069 |
| **Deferred Inflows of Resources** | - | 33,936 | - | 634 |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 1,173 | 172,398 | - | 1,080 |
| Restricted | 31,048 | 57,231 | - | 960,227 |
| Unrestricted | 33,016 | 60,436 | 49,733 | 52,040 |
| Total Net Position | $ 65,237 | $ 290,065 | $ 49,733 | $ 1,013,347 |

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 |
|---|---|---|---|---|
| $ - | $ - | $ 11,666 | $ 219 | $ 98,101 |
| 101,318 | 32,035 | 12,664 | 35,541 | 213,482 |
| 464,139 | - | 256,854 | 18,456 | 944,153 |
| - | 156,290 | - | 96,040 | 656,994 |
| - | 1,869 | - | 1,279 | 3,148 |
| 35,659 | 2,286 | 294 | 38,637 | 145,834 |
| 11,040 | 6,536 | 62,091 | 9,425 | 116,017 |
| 7,014 | - | 21,532 | 3,025 | 189,769 |
| 3,159 | 800 | 8,662 | 5,809 | 20,600 |
| - | - | - | - | 39,843 |
| - | 2,201 | 7,992 | 911 | 130,258 |
| 622,329 | 202,017 | 381,755 | 209,342 | 2,558,199 |
| - | - | 8,483 | 159 | 71,332 |
| - | 67,471 | 4,650 | 88,206 | 435,499 |
| 142,349 | - | 517,053 | 15,089 | 715,065 |
| 1,707,761 | 33,254 | 25,400 | 18,418 | 2,552,593 |
| - | 1,128 | 9,317 | 64 | 11,192 |
| - | - | - | - | 1,609,723 |
| - | - | 621 | 827 | 1,448 |
| - | - | - | - | 186,928 |
| - | - | 34,433 | - | 66,532 |
| 18,127 | 975,109 | 1,016,386 | 164,205 | 2,371,979 |
| 16,385 | 145 | 6,864 | 5,609 | 29,003 |
| 1,884,622 | 1,077,107 | 1,623,207 | 292,577 | 8,051,294 |
| 2,506,951 | 1,279,124 | 2,004,962 | 501,919 | 10,609,493 |
| $ 2,638 | $ 6,408 | $ 6,039 | $ 1,658 | $ 46,676 |
| $ 30,914 | $ 17,334 | $ 37,747 | $ 16,045 | $ 117,214 |
| - | 5,298 | - | - | 5,298 |
| - | - | - | 136 | 3,744 |
| 478 | - | - | - | 753 |
| 1,127 | 415 | 153 | 1,078 | 93,326 |
| - | - | - | - | 39,995 |
| 62,465 | 20,535 | 17,871 | 3,044 | 300,904 |
| - | - | 5,916 | 375 | 7,393 |
| 8,566 | - | - | - | 39,849 |
| 30,800 | 15,328 | 49,781 | 19,516 | 133,876 |
| - | 12,084 | 27,269 | 1,303 | 82,997 |
| 134,350 | 70,994 | 138,737 | 41,497 | 825,349 |
| 650 | - | - | 163 | 10,594 |
| - | - | - | - | 59,884 |
| 1,904,185 | 556,662 | 199,779 | 38,043 | 5,026,031 |
| 441 | - | 69,950 | 909 | 81,622 |
| 1,931 | 9,067 | - | 3,494 | 56,989 |
| - | 38,349 | - | 477 | 42,727 |
| - | 895 | 72,314 | - | 73,209 |
| 1,907,207 | 604,973 | 342,043 | 43,086 | 5,351,056 |
| 2,041,557 | 675,967 | 480,780 | 84,583 | 6,176,405 |
| 16,849 | 50,810 | 68,658 | 37,433 | 208,320 |
| 3,858 | 480,489 | 694,270 | 150,530 | 1,503,798 |
| 408,850 | 119,718 | 640,602 | 166,005 | 2,383,681 |
| 38,475 | (41,452) | 126,691 | 65,026 | 383,965 |
| $ 451,183 | $ 558,755 | $ 1,461,563 | $ 381,561 | $ 4,271,444 |

# STATE OF MAINE
## STATEMENT OF ACTIVITIES
## COMPONENT UNITS

Fiscal Year Ended June 30, 2024
(Expressed in Thousands)

| | Finance Authority Of Maine | Maine Community College System | Maine Health & Higher Educational Facilities Authority | Maine Municipal Bond Bank |
|---|---|---|---|---|
| **Expenses** | $ 96,686 | $ 189,462 | $ 36,059 | $ 78,334 |
| **Program Revenues** | | | | |
| Charges for Services | 20,517 | 14,559 | 33,137 | 45,480 |
| Program Investment Income | 1,252 | 2,811 | 4,142 | 9,371 |
| Operating Grants & Contributions | 72,057 | 90,307 | - | 11,838 |
| Capital Grants & Contributions | - | 281 | - | 103,207 |
| Net Revenue (Expense) | (2,860) | (81,504) | 1,220 | 91,562 |
| **General Revenues** | | | | |
| Unrestricted Investment Earnings | 8,288 | 9,054 | 1,153 | 537 |
| Non-program Specific Grants, Contributions & Appropriations | - | 84,890 | - | - |
| Miscellaneous Revenues | - | 3,380 | 115 | 1,543 |
| Gain (Loss) on Assets Held for Sale | - | - | - | - |
| Special Items | - | - | - | - |
| Total General Revenues | 8,288 | 97,324 | 1,268 | 2,080 |
| Change in Net Position | 5,428 | 15,820 | 2,488 | 93,642 |
| Net Position, Beginning of Year (as restated) | 59,809 | 274,245 | 47,245 | 919,705 |
| Net Position, End of Year | $ 65,237 | $ 290,065 | $ 49,733 | $ 1,013,347 |

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 |
|---|---|---|---|---|
| $ 454,434 | $ 118,815 | $ 891,479 | $ 233,543 | $ 2,098,812 |
| 84,586 | 164,182 | 318,876 | 51,379 | 732,716 |
| 33,000 | - | 52,243 | 143 | 102,962 |
| 371,920 | - | 249,661 | 148,546 | 944,329 |
| - | - | 46,412 | 10,905 | 160,805 |
| 35,072 | 45,367 | (224,287) | (22,570) | (158,000) |
| 1,238 | 12,443 | 21,148 | 11,093 | 64,954 |
| - | - | 346,826 | 21,032 | 452,748 |
| - | 8,862 | 287 | 4,628 | 18,815 |
| - | (96) | - | - | (96) |
| - | - | - | (1,965) | (1,965) |
| 1,238 | 21,209 | 368,261 | 34,788 | 534,456 |
| 36,310 | 66,576 | 143,974 | 12,218 | 376,456 |
| 414,873 | 492,179 | 1,317,589 | 369,343 | 3,894,988 |
| $ 451,183 | $ 558,755 | $ 1,461,563 | $ 381,561 | $ 4,271,444 |


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# NOTES TO THE FINANCIAL STATEMENTS

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**Notes to the Financial Statements**

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### A. REPORTING ENTITY

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

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

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

**Blended Component Units**

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

The Maine Governmental Facilities Authority (MGFA) is a legally separate organization that has its board appointed by the primary government and provides services entirely, or almost entirely, to the State. Its purpose includes assisting in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court facility, State office or State activity space. In their separately issued financial statements, MGFA records a lease receivable from the State and a liability for bonds issued. However, in accordance with GASB, 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 non-major component units include Efficiency Maine Trust, Maine Connectivity Authority, Maine Maritime Academy, Midcoast Regional Redevelopment Authority and Northern New England Passenger Rail Authority. Addresses to obtain their audited financial statements and descriptions can be found on page 243.

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<br>5 Community Dr.<br>PO Box 949<br>Augusta, ME 04432 | Maine Health and Higher<br>Education Facilities Authority<br>PO Box 2268<br>Augusta, ME 04338 | Maine Public Employees<br>Retirement System<br>PO Box 349<br>Augusta, ME 04332-0349 | Maine Turnpike Authority<br>2360 Congress Street<br>Portland, ME 04102 |
| Maine Community<br>College System<br>323 State Street<br>Augusta, ME 04330 | Maine Municipal Bond<br>Bank<br>PO Box 2268<br>Augusta, ME 04338 | Maine State Housing<br>Authority<br>26 Edison Drive<br>Augusta, ME 04330-6046 | University of Maine<br>System<br>65 Texas Ave<br>Bangor, ME 04401 |

The blended component unit financial statements can be obtained directly from the administrative office by writing to Maine Governmental Authority, PO Box 2268, Augusta, ME 04338.

**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 $992.0 million of restricted net position, of which $765.4 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 $130.8 million of Workers' Compensation, $64.6 million of Bureau of Insurance, and $48.8 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, 2024 is $404.9 million.

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

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

**Compensated Employee Absences**
In the government-wide statements and proprietary fund financial statements, compensated absences are recorded as a long-term liability as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2024 but paid after the fiscal year end are also reported in the funds. Approximately 54 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 $841.1 million 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 $75.0 million to the Highway and Bridge Capital Program at the end of fiscal year 2024 because the BSF was at its statutory cap. The $11.2 million of BSF interest earnings were transferred to the Irrevocable Trust Funds for Other Post-Employment Benefits for State Employees.

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 2024 actual General Fund revenue, the statutory cap at the close of fiscal year 2024 was $963.5 million. At the close of fiscal year 2024, the balance of the Maine BSF was $968.3 million. No reductions to the Maine BSF 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 | $ 968,309 |
| No change in fund balance | - |
| 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, 2024, the Legislature increased appropriations to the General Fund by $1.0 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, 2024 are detailed on the following pages.

## Governmental Fund Balances
(Expressed in Thousands)

| | NSIF | Restricted | Committed | Assigned |
|---|---|---|---|---|
| **General Fund:** | | | | |
| Arts, Heritage & Cultural Enrichment | $ - | $ - | $ 1,524 | $ - |
| Education | - | - | - | 55,012 |
| Governmental Support & Operations | - | 4,026 | 912 | 181,733 |
| Public Safety | - | 1,464 | - | - |
| Justice & Protection | - | - | - | 14,271 |
| Defense, Veterans & Emergency Management | - | - | - | 2,729 |
| Inland Fisheries & Wildlife | - | 6,498 | - | - |
| Agriculture & Conservation | - | - | 2,491 | - |
| All Other | 3,173 | - | - | 560 |
| Total | $ 3,173 | $ 11,988 | $ 4,927 | $ 254,305 |
| **Highway Fund:** | | | | |
| Transportation, Highway & Bridge Construction | $ - | $ 40,995 | $ - | $ - |
| Total | $ - | $ 40,995 | $ - | $ - |
| **Federal Fund:** | | | | |
| Economic Development & Workforce Training | $ - | $ 2,281 | $ - | $ - |
| Governmental Support & Operations | - | 4,247 | - | - |
| Total | $ - | $ 6,528 | $ - | $ - |
| **Other Special Revenue Fund:** | | | | |
| Workers Compensation Board | $ - | $ 17,770 | $ 6,682 | $ - |
| Professional & Financial Regulation | - | 9,387 | 3,618 | 1,214 |
| Public Utilities Commission | - | 1,670 | 11,660 | - |
| PFR Bureau of Consumer Credit Protection | - | - | 7,542 | - |
| PFR Bureau of Financial Institutions | - | - | 16,598 | - |
| PFR Bureau of Insurance | - | 53,457 | - | - |
| PFR Licensing & Enforcement Division | - | - | 17,678 | - |
| PFR Office of Securities | - | 6,985 | - | - |
| Education | - | - | 12,671 | 2,960 |
| Higher Education | - | - | - | 1,660 |
| Education Stabilization Fund | - | - | 15,000 | - |
| Economic Development & Workforce Training | - | 65,140 | 5,081 | 1,071 |
| Tourism Marketing Promotion Fund | - | - | 17,550 | - |
| Unemployment Administrative Fund | - | - | - | 5,699 |
| Paid Family and Medical Leave | - | - | 24,667 | - |
| Electric Assistance Program | - | - | 7,500 | - |
| Governmental Support & Operations | - | 142,264 | 7,742 | - |
| Treasury | - | - | 3,365 | - |
| Bonds for Highway & Bridge Construction | - | 213,310 | - | - |
| State Facilities Capital Improvements | - | - | 25,689 | - |
| Unorganized Territory Education | - | 11,187 | - | - |
| Municipal Excise Tax Reimbursement Fund | - | - | 8,369 | - |
| Cannabis Use Funds | - | - | 15,673 | - |
| Clean Elections Act Funds | - | - | 5,401 | - |

## Governmental Fund Balances
(Expressed in Thousands)

| | NSIF | Restricted | Committed | Assigned |
|---|---|---|---|---|
| Transcap Trust Fund | - | 6,509 | - | - |
| Health & Human Services | - | 1,671 | - | - |
| Fund for Healthy Maine | - | - | 59,375 | - |
| Office of Family Independence | - | 4,050 | - | - |
| Office of the Commissioner | - | - | - | 7,820 |
| Substance Abuse & Mental Health | - | - | 13,117 | 4,419 |
| Centers for Disease Control & Prevention | - | 1,219 | 9,829 | 7,248 |
| MaineCare | - | 12,747 | - | 80,757 |
| Defense, Veterans & Emergency Management | - | 3,092 | 3,414 | - |
| Justice & Protection | - | 25,708 | 2,475 | 22,404 |
| Public Safety | - | 7,579 | - | 7,402 |
| Indigent Legal Services | - | - | 9,284 | - |
| Armory Maintenance | - | - | 3,558 | - |
| State Fire Marshall | - | 7,523 | - | - |
| Maine Recovery Fund | - | - | - | 36,180 |
| EMS Stabilization | - | - | 22,318 | - |
| Natural Resources Development & Protection | - | 36,772 | - | - |
| Agriculture & Conservation | - | 5,000 | 13,911 | 6,331 |
| Environmental Protection | - | - | 5,130 | 807 |
| Inland Fisheries & Wildlife | - | 20,337 | - | - |
| Marine Resources | - | 8,952 | 6,321 | 976 |
| PFAS Mitigation | - | - | 67,336 | - |
| Hazardous Waste Fund | - | 4,476 | - | - |
| Uncontrolled Sites Fund | - | 20,434 | - | - |
| Ground and Surface Waters Cleanup Fund | - | 6,202 | - | - |
| Environmental Protection Fund | - | - | 16,528 | - |
| Land for Maine's Future | - | - | 28,557 | - |
| Public Reserved Lands Management Fund | - | - | - | 5,461 |
| DEP Revolving Loan Program | - | - | 8,723 | - |
| Transportation Safety & Development | - | 3,205 | 8,827 | 2,994 |
| Transportation - Highway & Bridge Construction | - | 154,844 | 164 | - |
| Multimodal Transportation | - | - | 21,859 | - |
| All Other | - | 1,388 | 1,385 | 482 |
| Total | $ - | $ 852,878 | $ 514,597 | $ 195,885 |

| **Other Governmental Funds:** | **NSIF** | **Restricted** | **Permanent** |
|---|---|---|---|
| Capital Projects - Transportation Safety & Develop | - | 46,986 | - |
| Capital Projects - Multimodal Transportation | - | 9,544 | - |
| Capital Projects - Environmental Protection | - | 6,813 | - |
| Permanent Funds - Baxter Park | - | - | 11,852 |
| Permanent Funds - All Others | - | - | 40,595 |
| Special Revenue Funds - Baxter Park | - | 117,387 | - |
| Special Revenue Funds - All Other | - | 502 | - |
| Total | $ - | $ 181,232 | $ 52,447 |

## NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

### ACCOUNTING CHANGES AND ERROR CORRECTIONS

The following GASB Statements became effective for fiscal year ended June 30, 2024:

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. Requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements were effective in fiscal year 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

**Accounting Changes and Error Corrections**
(Expressed in Thousands)

| | As Previously Reported | Error Correction | As Restated |
|---|---|---|---|
| **Government-Wide** | | | |
| Governmental Activities | $ 2,476,551 | $ 55,369 | $ 2,531,920 |
| Business Type Activities | 784,776 | 4,688 | 789,464 |
| Total Primary Government | $ 3,261,327 | $ 60,057 | $ 3,321,384 |
| Component Units | $ 3,894,101 | $ 887 | $ 3,894,988 |
| **Governmental Funds** | | | |
| Major Funds | | | |
| Other Special Revenue Funds | $ 1,349,419 | $ 4,200 | $ 1,353,619 |
| **Proprietary Funds** | | | |
| Major Funds | | | |
| Employment Security Fund | $ 715,946 | $ (6,100) | $ 709,846 |
| Nonmajor Funds | 68,671 | 10,788 | 79,459 |
| Total Proprietary Funds | $ 784,617 | $ 4,688 | $ 789,305 |
| **Fiduciary Funds** | | | |
| Custodial Funds | $ 81,644 | $ 20,468 | $ 102,112 |
| **Discretely Presented Component Units** | | | |
| Nonmajor Component Units | $ 368,456 | $ 887 | $ 369,343 |

## Other Restatements

In fiscal year 2023 the State of Maine recorded $51.2 million of future opioid settlement receivables as deferred inflows. In fiscal year 2024 the State determined the settlement funds should have been recognized as revenue (exchange-like transaction) in the Government Wide, Governmental Activities on the Statement of Activities. In addition to the $51.2 million adjustment, an additional $4.2 million was recorded due to an error correction associated with the Employment Security Fund (ESF), a major enterprise fund, for a total of $55.4 million. The ESF overstatement of contribution revenue should have been recorded in the Competitive Scholarship Fund, a non-major enterprise fund and the Other Special Revenue Fund, a major governmental fund. The restatement decreased the net position of the ESF by $6.1 million. The net position of the Competitive Scholarship Fund increased by $1.9 million and the net position of the Other Special Revenue Fund increased by $4.2 million. The State also identified an $8.9 million error in the calculation of instant prize reserves in the Lottery fund, a non-major enterprise fund. These error corrections, in addition to impacting the Governmental Activities by $4.2 million, also increased the net position of the Business-Type Activities by $4.7 million on the Statement of Activities. In fiscal year 2023, the State recorded $20.5 million of future opioid settlement receivables as deferred inflows in a Fiduciary Fund. In fiscal year 2024 the State determined the settlement funds should have been recognized as revenue (exchange-like transaction), increasing the beginning net position.

## Restatement – Component Unit

A non-major component unit, Midcoast Regional Redevelopment Authority increased its beginning net position by $887 thousand, as a result of over depreciating assets in prior years.

## NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

**PROPRIETARY FUNDS**

Five internal service funds showed deficits for the fiscal year ended June 30, 2024. The Workers' Compensation Fund reported a deficit of $6.0 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of $8.8 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $12.4 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 $24.0 million and $10.9 million, respectively. These deficits are primarily the result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, which required the recognition of the entire net pension and postemployment benefits other than pension liability.

Two enterprise funds showed deficits for the fiscal year ended June 30, 2024. Maine Military Authority reported a deficit of $170 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 $4.4 million due to the accrual of Other Postemployment Benefits and Pension Liabilities which will be funded by future service charges.

## 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, 2024 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 | $ 3,800,794 | $ 24,682 | $ 500 | $ 14,366 | $ 3,840,342 |
| Cash and Cash Equivalents | 183 | 2,173 | 9,988 | 27 | 12,371 |
| Cash with Fiscal Agent | 297,659 | 2,224 | - | - | 299,883 |
| Investments | 169,853 | - | 24,078 | - | 193,931 |
| Restricted Equity in Treasurer's Cash Pool | 65,202 | - | - | - | 65,202 |
| Restricted Deposits and Investments | 4,052 | 746,776 | - | - | 750,828 |
| Investments Held on Behalf of Others | - | - | - | 69,625 | 69,625 |
| Total Primary Government | $ 4,337,743 | $ 775,855 | $ 34,566 | $ 84,018 | $ 5,232,182 |

*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, 2024:

**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 | $ - | $ 26,101 | $ - | $ - | $ - | $ - | $ 26,101 |
| US Treasury Notes | 275,183 | 1,404,119 | - | - | - | - | 1,679,302 |
| Commercial Paper | 138,500 | - | - | - | - | - | 138,500 |
| Certificates of Deposit | 1,030,117 | 213,978 | - | - | - | - | 1,244,095 |
| Cash and Cash Equivalents | 1,559 | - | - | - | - | 807,529 | 809,088 |
| Unemployment Fund | - | - | - | - | - | 746,776 | 746,776 |
| *Private-Purpose Trusts, Custodial Funds, and Non-Major Special Revenue and Permanent Funds* | | | | | | | |
| US Instrumentalities | - | 276 | 701 | 655 | 1,225 | 1,233 | 4,090 |
| US Treasury Notes | 1,051 | 5,459 | - | - | 2,494 | 9,039 | 18,043 |
| Corporate Notes and Bonds | - | 3,765 | - | - | 25 | 58,284 | 62,074 |
| Other Fixed Income Securities | - | - | - | - | - | 41,930 | 41,930 |
| Commercial Paper | 529 | - | - | - | - | - | 529 |
| Certificates of Deposit | 5,373 | 831 | - | - | - | 10,540 | 16,744 |
| Money Market | 7,138 | 326 | - | - | - | 1,598 | 9,062 |
| Cash and Cash Equivalents | 15,540 | 4,620 | 2,022 | - | - | 33,274 | 55,456 |
| Equities | - | - | - | - | - | 75,673 | 75,673 |
| Other | - | - | - | - | - | 4,836 | 4,836 |
| | $ 1,474,990 | $ 1,659,475 | $ 2,723 | $ 655 | $ 3,744 | $ 1,790,712 | $ 4,932,299 |
| Other Assets | | | | | | | |
| Cash with Fiscal Agent | | | | | | | 299,883 |
| Total Primary Government | | | | | | | $ 5,232,182 |

*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, 2024 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 | $ 138,500 | $ - | $ - | $ - | $ - | $ - | $ - | $ 138,500 |
| *Private-Purpose Trusts, Custodial Funds, and Non-Major Special Revenue and Permanent Funds* | | | | | | | | |
| Corporate Notes and Bonds | - | 2,401 | 444 | 123 | - | 2,485 | 56,621 | 62,074 |
| Commercial Paper | 529 | - | - | - | - | - | - | 529 |
| Money Market | - | - | - | - | - | - | 9,062 | 9,062 |
| Other Fixed Income Securities | - | - | - | - | - | - | 4,836 | 4,836 |
| Total Primary Government | $ 139,029 | $ 2,401 | $ 444 | $ 123 | $ - | $ 2,485 | $ 70,519 | $ 215,001 |

*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, 2024, 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 $1.310 billion 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, 2024 was $117.4 million and was comprised of the following (expressed in thousands):

| | Percival Baxter Trust |
|---|---|
| U.S. Instrumentalities | $ 4,001 |
| U.S. Treasury Notes | 7,835 |
| Corporate Notes and Bonds | 5,454 |
| Other Fixed Income Securities | 13,782 |
| Equities | 71,805 |
| Cash and Equivalents | 1,358 |
| Other | 13,157 |
| Total | $ 117,392 |

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2024 these disbursements, on average, exceeded $253 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

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

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

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

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

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

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

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

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

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

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

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

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

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

The following table set forth by level, within the fair value hierarchy, the State of Maine’s assets carried at fair value on a recurring basis as of June 30, 2024:

**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 | $ 139,030 | $ - | $ 139,030 | $ - |
| Corporate Notes and Bonds | 62,072 | 56,619 | 5,453 | - |
| U.S. Instrumentalities | 27,699 | - | 27,631 | 68 |
| U.S. Treasury Notes | 1,693,963 | 1,693,963 | - | - |
| Other Fixed Income Securities | 41,931 | 28,774 | - | 13,157 |
| Equities | 75,672 | 75,672 | - | - |
| Total | $ 2,040,367 | $ 1,855,028 | $ 172,114 | $ 13,225 |

**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, 2024 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 with its master custodian 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. Securities are loaned against collateral that may include cash, U.S. government securities and irrevocable letters of credit. Non-cash collateral cannot be pledged or sold unless the borrower defaults. Cash collateral may also be invested separately in "term loans," in which case the investments match the loan term. During fiscal years 2024 and 2023, there were no violations of legal or contractual provision, and no borrower or lending agent default losses identified to the system by securities lending agent. Because of the program's collateralization of loans, generally at 102% (or more) the system believes that there is no material credit risk.

Cash collateral is invested in a short-term investment pool. Cash collateral may also be invested separately in “term loans.” At June 30, 2024 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, 2024 was $139.5 million and $136.4 million, respectively.

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

**COMPONENT UNITS**

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

Certain component units also invest in the Treasurer’s Cash Pool and comprise approximately 4.16 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 $169.4 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 $9.9 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 | $ 967,288 | $ - | $ 198,321 | $ 1 | $ (228,055) | $ 937,555 |
| Highway | 23,898 | - | 4,716 | - | (162) | 28,452 |
| Federal * | - | - | 267,108 | - | (105,354) | 161,754 |
| Other Special Revenue ** | 18,895 | 108,646 | 129,160 | 1,162 | (75,889) | 181,974 |
| Total Governmental Funds | 1,010,081 | 108,646 | 599,305 | 1,163 | (409,460) | 1,309,735 |
| Allowance for Uncollectibles | (147,280) | - | (262,081) | (99) | | |
| Net Receivables | $ 862,801 | $ 108,646 | $ 337,224 | $ 1,064 | | $ 1,309,735 |
| **Proprietary Funds:** | | | | | | |
| Employment Security * | $ - | $ - | $ 102,134 | $ - | $ (68,985) | $ 33,149 |
| Nonmajor Enterprise | - | - | 36,863 | - | (63) | 36,800 |
| Internal Service | - | - | 6,381 | - | - | 6,381 |
| Total Proprietary Funds | - | - | 145,378 | - | (69,048) | 76,330 |
| Allowance for Uncollectibles | - | - | (69,048) | - | | |
| Net Receivables | $ - | $ - | $ 76,330 | $ - | | $ 76,330 |

* 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 19 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 | $ 4,793 | $ 110,606 | $ (4,763) | $ 110,636 |
| Maine Community College System | 21,569 | - | (1,984) | 19,585 |
| Maine Health and Educational Facilities Authority | 157 | 730,875 | - | 731,032 |
| Maine Municipal Bond Bank | 3,073 | - | - | 3,073 |
| Maine State Housing Authority | 11,040 | 1,751,413 | (7,993) | 1,754,460 |
| Maine Turnpike Authority | 7,664 | 35,540 | - | 43,204 |
| University of Maine System | 93,493 | 26,651 | (23,042) | 97,102 |
| Net Receivables | $ 141,789 | $ 2,655,085 | $ (37,782) | $ 2,759,092 |

## 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, 2024 were:

**Interfund Receivables**
(Expressed in Thousands)

| | Due to Other Funds | | | | |
|---|---|---|---|---|---|
| **Due from Other Funds** | **General** | **Highway** | **Federal** | **Other Special Revenue** | **Other Governmental** |
| General | $ - | $ - | $ 1,192 | $ - | $ - |
| Highway | 8 | 8 | 5,700 | 17,982 | - |
| Federal | 2 | - | 165 | - | - |
| Other Special Revenue | 32,721 | 479 | 2,789 | 1,637 | 16 |
| Other Governmental | - | - | - | - | - |
| Employment Security | - | - | 965 | - | - |
| Non-Major Enterprise | 1,192 | 565 | - | 163 | - |
| Internal Service | 21,664 | 5,675 | 5,428 | 8,942 | - |
| Fiduciary | 66,708 | - | - | - | - |
| Total | $ 122,295 | $ 6,727 | $ 16,239 | $ 28,724 | $ 16 |

| | Due to Other Funds | | | | |
|---|---|---|---|---|---|
| **Due from Other Funds** | **Employment Security** | **Non-Major Enterprise Funds** | **Internal Service Funds** | **Fiduciary Funds** | **Total** |
| General | $ - | $ 548 | $ 14,326 | $ - | $ 16,066 |
| Highway | - | - | 1 | - | 23,699 |
| Federal | 3,835 | - | - | - | 4,002 |
| Other Special Revenue | - | 21 | 278 | - | 37,941 |
| Other Governmental | - | - | - | - | - |
| Employment Security | - | - | - | - | 965 |
| Non-Major Enterprise | - | - | - | - | 1,920 |
| Internal Service | - | 598 | 13,478 | 5 | 55,790 |
| Fiduciary | - | - | - | - | 66,708 |
| Total | $ 3,835 | $ 1,167 | $ 28,083 | $ 5 | $ 207,091 |

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 2024, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The General Fund transferred $75.0 million, $65.0 million, $31.0 million, $25.0 million and $21.7 million to the Other Special Revenue Fund, respectively, for: the Highway and Bridge Capital Program, the Maine State Housing Authority State Program, the Department of Public Safety Emergency Medical Services Stabilization and Sustainability Program, the Paid Medical Leave Insurance

Fund and the TransCap Trust Fund.

Interfund transfers for the year ended June 30, 2024 consisted of the following:

**Interfund Transfers**
(Expressed in Thousands)

| | Transferred From | | | | |
|---|---|---|---|---|---|
| **Transferred To** | **General** | **Highway** | **Federal** | **Other Special Revenue** | **Other Governmental** |
| General | $ - | $ - | $ - | $ 30,674 | $ - |
| Highway | 109,392 | - | 23,538 | 13,119 | - |
| Federal | - | - | - | 10,025 | - |
| Other Special Revenue | 760,641 | - | 11,706 | - | 4,047 |
| Employment Security | - | - | 13,398 | - | - |
| Non-Major Enterprise | 129 | 7,496 | - | - | - |
| Internal Service | 3,739 | - | - | - | - |
| Total | $ 873,901 | $ 7,496 | $ 48,642 | $ 53,818 | $ 4,047 |

| | Transferred From | | | | |
|---|---|---|---|---|---|
| **Transferred To** | **Employment Security** | **Non-Major Enterprise Funds** | **Internal Service Funds** | **Fiduciary Funds** | **Total** |
| General | $ - | $ 102,273 | $ - | $ 18,901 | $ 151,848 |
| Highway | - | 60,147 | - | - | 206,196 |
| Federal | 1,872 | - | - | - | 11,897 |
| Other Special Revenue | - | 1,409 | - | 145 | 777,948 |
| Employment Security | - | - | - | - | 13,398 |
| Non-Major Enterprise | - | - | - | - | 7,625 |
| Internal Service | - | - | - | - | 3,739 |
| Total | $ 1,872 | $ 163,829 | $ - | $ 19,046 | $ 1,172,651 |

## 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, 2024:

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

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| **Capital assets not being depreciated** | | | | |
| Land | $ 691,494 | $ 13,203 | $ 617 | $ 704,080 |
| Construction in progress | 322,807 | 80,988 | 68,591 | 335,204 |
| Infrastructure | 3,105,351 | 71,025 | - | 3,176,376 |
| Total capital assets not being depreciated | 4,119,652 | 165,216 | 69,208 | 4,215,660 |
| **Capital assets being depreciated** | | | | |
| Buildings | 821,621 | 66,677 | 435 | 887,863 |
| Equipment | 385,843 | 45,644 | 15,638 | 415,849 |
| Improvements other than buildings | 114,619 | 3,075 | 141 | 117,553 |
| Software | 155,356 | - | - | 155,356 |
| Total capital assets being depreciated | 1,477,439 | 115,396 | 16,214 | 1,576,621 |
| **Less accumulated depreciation for** | | | | |
| Buildings | 387,007 | 20,109 | 279 | 406,837 |
| Equipment | 285,865 | 27,978 | 12,708 | 301,135 |
| Improvements other than buildings | 77,030 | 2,856 | 141 | 79,745 |
| Software | 127,256 | 7,316 | - | 134,572 |
| Total accumulated depreciation | 877,158 | 58,259 | 13,128 | 922,289 |
| Total capital assets being depreciated, net | 600,281 | 57,137 | 3,086 | 654,332 |
| Governmental Activities Capital Assets, net | 4,719,933 | 222,353 | 72,294 | 4,869,992 |
| **Right to use assets being amortized** | | | | |
| Buildings | 262,754 | 11,886 | 1,854 | 272,786 |
| **Less accumulated amortization** | | | | |
| Buildings | 19,979 | 11,433 | 1,184 | 30,228 |
| Net right to use lease assets | 242,775 | 453 | 670 | 242,558 |
| **Subscription Assets being amortized** | 142,014 | 28,646 | - | 170,660 |
| **Less accumulated amortization** | 24,381 | 28,976 | - | 53,357 |
| Net Subscription assets | 117,633 | (330) | - | 117,303 |
| Governmental Activities Capital, Right to Use and Subscription Assets, net | $ 5,080,341 | $ 222,476 | $ 72,964 | $ 5,229,853 |
| **Business-Type Activities:** | | | | |
| **Capital assets not being depreciated** | | | | |
| Land | $ 2,426 | $ 1,500 | $ - | $ 3,926 |
| Construction in progress | 25,661 | 20,025 | 25,301 | 20,385 |
| Total capital assets not being depreciated | 28,087 | 21,525 | 25,301 | 24,311 |
| **Capital assets being depreciated** | | | | |
| Buildings | 5,261 | 7 | - | 5,268 |
| Equipment | 38,713 | 12,157 | - | 50,870 |
| Improvements other than buildings | 49,514 | 10,752 | - | 60,266 |
| Total capital assets being depreciated | 93,488 | 22,916 | - | 116,404 |
| **Less accumulated depreciation for** | | | | |
| Buildings | 3,593 | 152 | - | 3,745 |
| Equipment | 14,244 | 1,465 | - | 15,709 |
| Improvements other than buildings | 39,042 | 1,561 | - | 40,603 |
| Total accumulated depreciation | 56,879 | 3,178 | - | 60,057 |
| Total capital assets being depreciated, net | 36,609 | 19,738 | - | 56,347 |
| Business-Type Activities Capital Assets, net | $ 64,696 | $ 41,263 | $ 25,301 | $ 80,658 |

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 | $ 18 |
| Business Licensing and Regulation | 162 |
| Economic Development and Workforce Training | 800 |
| Education | 2,263 |
| Governmental Support and Operations | 38,386 |
| Health and Human Services | 18,575 |
| Justice and Protection | 18,543 |
| Natural Resources Development and Protection | 7,758 |
| Transportation Safety and Development | 12,163 |
| Total Depreciation Expense - Governmental Activities | $ 98,668 |

## 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 330 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, 2024, there were 96 employers participating in these plans. The 1,767 participants individually direct the $69.4 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, 2024 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, 2023. 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, 2024 there were 241 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, 2023:

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

| | Judicial | Legislative |
|---|---|---|
| Inactive employees or beneficiaries currently receiving benefits | 92 | 232 |
| Terminated participants: | | |
| Vested | 3 | 142 |
| Inactive employees due refunds | 1 | 96 |
| Active employees | 58 | 178 |
| Total participants | 154 | 648 |

**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, 2024 and June 30, 2023 are as follows:

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| **SETP - State Employees** | | |
| Employees [2] | 7.65% - 8.65% | 7.65% - 8.65% |
| Employer [1] | 18.26% - 44.02% | 22.09% - 47.23% |
| **SETP - Teachers** | | |
| Employees [2] | 7.65% | 7.65% |
| Employer [1] | 4.47% | 3.84% |
| Non-employer entity [1] | 14.51% | 14.29% |
| **Judicial Plan** | | |
| Employees [2] | 7.65% | 7.65% |
| Employer [1] | 4.19% | 6.95% |
| **Legislative Plan** | | |
| Employees [2] | 7.65% | 7.65% |
| Employer [1] | 0.00% | 0.00% |
| **Consolidated Participating Local Entities** | | |
| Employees [2] | 3.45% - 10.70% | 3.35% - 9.70% |
| Employer [1] | 5.30% - 14.80% | 5.60% - 14.70% |

[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, 2024, 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 | $ 178,032 |
| Teacher Members (non-employer contribution) | 199,571 |
| Judicial Pension Plan | 601 |
| Legislative Pension Plan | 17 |
| Total Contributions Recognized as Pension Expense | $ 378,221 |

**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, 2023, 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, 2023 | $ 77,426 | $ 85,821 | $ (8,395) | $ 10,979 | $ 16,145 | $ (5,166) |
| **Changes for the Year:** | | | | | | |
| Service Cost | 1,770 | - | 1,770 | 311 | - | 311 |
| Interest | 4,915 | - | 4,915 | 703 | - | 703 |
| Changes in Benefit Terms | 19 | - | 19 | 6 | - | 6 |
| Differences Between Expected and Actual Experience | (110) | - | (110) | 65 | - | 65 |
| Benefit Payments, Including Refunds | (5,434) | (5,434) | - | (655) | (655) | - |
| Employer Contributions | - | 620 | (620) | - | 6 | (6) |
| Member Contributions | - | 663 | (663) | - | 227 | (227) |
| Transfers | - | 730 | (730) | - | - | - |
| Net Investment Income | - | 5,094 | (5,094) | - | 975 | (975) |
| Administrative Expense | - | (71) | 71 | - | (13) | 13 |
| Net Changes | 1,160 | 1,602 | (442) | 430 | 540 | (110) |
| Balances at June 30, 2024 | $ 78,586 | $ 87,423 | $ (8,837) | $ 11,409 | $ 16,685 | $ (5,276) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | | | 111.2 % | | | 146.3 % |
| Covered Payroll | | | $ 8,658 | | | $ 2,962 |
| Net Pension Liability as a Percentage of Covered Payroll | | | (102.1)% | | | (178.1)% |

**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, 2023, 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, 2024 and June 30, 2023 is as follows:

(Expressed in Thousands)

| Pension Plan | Proportionate Share June 30, 2023 | Proportionate Share June 30, 2024 | Net Pension Asset June 30, 2024 | Net Pension Liability June 30, 2024 |
|---|---|---|---|---|
| SETP - State Employees [1] | 95.160789 % | 94.845535 % | $ - | $ 882,298 |
| SETP - Teachers [2] | 93.504374 % | 93.677413 % | - | 1,421,218 |
| Total Primary Government | | | $ - | $ 2,303,516 |

[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, 53 percent is posted to the General Fund, 19 percent to Other Special Revenue Funds, 15 percent to Highway Funds and 13 percent to Federal Funds.

| Proportion | June 30, 2023 | June 30, 2024 | Change Increase (Decrease) |
|---|---|---|---|
| Governmental Funds | 91.64 % | 91.74 % | 0.10 % |
| Internal Service Funds | 7.03 % | 6.91 % | (0.12)% |
| Enterprise Funds | 1.33 % | 1.34 % | 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 | $ 100,610 | $ 177,717 | $ 278,327 |
| Interest | 370,794 | 710,102 | 1,080,896 |
| Changes in Benefit Terms | 2,528 | 4,047 | 6,575 |
| Differences Between Expected and Actual Experience | 68,824 | 105,552 | 174,376 |
| Benefit Payments, Including Refunds of Member Contributions | (362,062) | (639,370) | (1,001,432) |
| Change in Proportionate Share | - | - | - |
| Net Change in Total Pension Liability | 180,694 | 358,048 | 538,742 |
| Beginning Total Pension Liability | 5,831,948 | 11,149,849 | 16,981,797 |
| Ending Total Pension Liability | 6,012,642 | 11,507,897 | 17,520,539 |
| **Plan Fiduciary Net Position** | | | |
| Employer Contributions | 190,130 | 74,781 | 264,911 |
| Non-employer Contributions | - | 200,007 | 200,007 |
| Member Contributions | 57,975 | 113,963 | 171,938 |
| Transfers | (910) | - | (910) |
| Net Investment Income | 297,555 | 584,352 | 881,907 |
| Benefit Payments, Including Refunds of Member Contributions | (362,062) | (639,370) | (1,001,432) |
| Administrative Expense | (4,052) | (7,913) | (11,965) |
| Net Change in Plan Fiduciary Net Position | 178,636 | 325,820 | 504,456 |
| Beginning Plan Fiduciary Net Position | 4,903,759 | 9,664,937 | 14,568,696 |
| Ending Plan Fiduciary Net Position | 5,082,395 | 9,990,757 | 15,073,152 |
| Ending Net Pension Liability | $ 930,247 | $ 1,517,140 | $ 2,447,387 |
| **Proportion** | | | |
| June 30, 2024 | 94.845535 % | 93.677413 % | 100 % |
| June 30, 2023 | 95.160789 % | 93.504374 % | 100 % |
| Change - Increase (Decrease) | (0.315254)% | 0.173039 % | 0 % |

**Actuarial Assumptions**

Actuarial assumptions used in the June 30, 2023 and 2022 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, 2023 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, 2024, the State recognized pension expense of $476,627 which includes $306,606 of teacher pensions recorded in grant expense.

**PENSION COSTS**
(Expressed in Thousands)

| | | |
|---|---|---|
| SETP - State of Maine Primary Government Pension Expense | $ | 171,602 |
| SETP - Teachers Non-Employer Pension Expense (grant expense) | | 306,606 |
| Legislative Pension Expense | | (363) |
| Judicial Pension Expense | | (1,218) |
| Total | $ | 476,627 |

At June 30, 2024, the State reported $227,575 of deferred outflows of resources and $72,031 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of $178,430 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, 2025. 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 | $ 49,099 | $ - | $ 116,441 | $ - | $ 165,540 | $ - |
| Net difference between projected and actual earnings on pension plan investments | - | 67,830 | - | 131,850 | - | 199,680 |
| Changes in proportion and differences between State contributions and proportionate share of contributions | 46 | 2,524 | 4,251 | 6,258 | 4,297 | 8,782 |
| State and component unit contributions subsequent to the measurement date | 178,021 | - | 214,468 | - | 392,489 | - |
| Total | $ 227,166 | $ 70,354 | $ 335,160 | $ 138,108 | $ 562,326 | $ 208,462 |
| **For the Year Ended** | | | | | | |
| 2025 | (30,381) | | (64,845) | | (95,226) | |
| 2026 | (63,860) | | (120,535) | | (184,395) | |
| 2027 | 69,727 | | 161,296 | | 231,023 | |
| 2028 | 3,303 | | 6,671 | | 9,974 | |
| 2029 | - | | - | | - | |

| | 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 | $ - | $ - | $ - | $ 124 |
| Net difference between projected and actual earnings on pension plan investments | - | 238 | - | 1,315 |
| Changes in proportion and differences between State contributions and proportionate share of contributions | - | - | - | - |
| State and component unit contributions subsequent to the measurement date | 9 | - | 400 | - |
| Total | $ 9 | $ 238 | $ 400 | $ 1,439 |
| **For the Year Ended** | | | | |
| 2025 | (198) | | (1,162) | |
| 2026 | (296) | | (1,653) | |
| 2027 | 244 | | 1,306 | |
| 2028 | 12 | | 70 | |
| 2029 | - | | - | |

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 % | 2.6 % |
| Private Equity | 15.0 % | 7.6 % |
| Real Assets: | | |
| Infrastructure | 10.0 % | 5.3 % |
| Natural Resources | 5.0 % | 5.0 % |
| Traditional Credit | 7.5 % | 3.2 % |
| Alternative Credit | 5.0 % | 7.4 % |
| Diversifiers | 10.0 % | 5.0 % |

The discount rate used to measure the collective total pension liability was 6.500 percent for the 2023 and 2022 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 | $ 1,551,159 | $ 882,298 | $ 320,963 |
| Teacher Members | 2,794,445 | 1,421,218 | 278,079 |
| Judicial Pension Plan | (1,882) | (8,837) | (14,907) |
| Legislative Pension Plan | $ (4,101) | $ (5,276) | $ (6,265) |

**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 and 2023, this was one year for the Legislative Plan, three years for the Judicial Plan, three years for the State Employee and four years for the Teacher Plan.

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

*Changes in Assumptions* - Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the June 30, 2023 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 premiums increased to 60 percent after July 1, 2023. 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 160 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, 2024 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 | 12,101 | 27,767 | 696 | 11,399 | 15,374 |
| Retirees | 8,713 | 10,851 | 146 | 8,977 | 8,039 |
| Inactives Vested | 182 | 482 | - | - | - |
| Total | 20,996 | 39,100 | 842 | 20,376 | 23,413 |

* 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 98 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 36 cents per $1,000 of coverage per month during the post-employment retirement period.

**CHANGES IN THE TOTAL OPEB LIABILITY**
Changes in total OPEB liability are as follows:

**(Expressed in Thousands)**

| | Healthcare Increase (Decrease) First Responders |
|---|---|
| Balances at June 30, 2023 | $ 29,949 |
| **Changes for the Year:** | |
| Service Cost | 1,246 |
| Interest | 1,079 |
| Contributions - Employee | (769) |
| Contributions - Non-Employer Contributing Entity | (829) |
| Administrative Expenses | 134 |
| Differences Between Expected and Actual Experience | (1,108) |
| Changes in Assumptions - Discount Rate | (271) |
| Changes in Assumptions - Others | (129) |
| Net Changes | (647) |
| Balances at June 30, 2024 | $ 29,302 |
| Covered Payroll | $ 51,267 |
| Total OPEB Liability as a Percentage of Covered Payroll | 57.2 % |
| State's Proportionate Share of the Collective Total OPEB Liability | 24 % |

The State's proportionate share for fiscal years ended June 30, 2024 and June 30, 2023 was estimated using the same share of implicit subsidy for each 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 | Teachers | State Employees | Teachers | State portion of Group Life Insurance |
| **Total OPEB Liability** | | | | | |
| Service Cost | $ 18,237 | $ 45,372 | $ 1,321 | $ 1,468 | $ 2,789 |
| Interest | 68,578 | 53,324 | 7,353 | 7,498 | 14,851 |
| Changes in Benefit Terms | - | 77,309 | - | - | - |
| Differences Between Expected and Actual Experience | (359,371) | (171,039) | - | - | - |
| Changes in Assumptions Discount Rate | - | (536,445) | - | - | - |
| Changes in Assumptions Other | 56,632 | 17,667 | - | - | - |
| Change in Proportion | - | - | (139) | - | (139) |
| Benefit Payments, Including Refunds of Member Contributions | (83,265) | (38,523) | (3,890) | (3,600) | (7,490) |
| Net Change in Total OPEB Liability | (299,189) | (552,335) | 4,645 | 5,366 | 10,011 |
| Beginning Total OPEB Liability | 1,077,787 | 1,480,042 | 113,859 | 115,657 | 229,516 |
| Ending Total OPEB Liability | 778,598 | 927,707 | 118,504 | 121,023 | 239,527 |
| **Plan Fiduciary Net Position** | | | | | |
| Employer Contributions - Explicit | 148,265 | 141,523 | 6,026 | - | 6,026 |
| Non-employer Contributions | - | - | - | 4,727 | 4,727 |
| Transfers | - | - | - | 8,904 | 8,904 |
| Net Investment Income | 36,502 | - | 5,109 | - | 5,109 |
| Changes in Proportion | - | - | (53) | - | (53) |
| Benefit Payments, Including Refunds of Member Contributions | (83,265) | (38,523) | (3,890) | (3,600) | (7,490) |
| Administrative Expense | (3) | - | (338) | (596) | (934) |
| Net Change in Plan Fiduciary Net Position | 101,499 | 103,000 | 6,854 | 9,435 | 16,289 |
| Beginning Plan Fiduciary Net Position | 331,180 | - | 43,886 | 77,123 | 121,009 |
| Ending Plan Fiduciary Net Position | 432,679 | 103,000 | 50,740 | 86,558 | 137,298 |
| Ending Net OPEB Liability | $ 345,919 | $ 824,707 | $ 67,764 | $ 34,465 | $ 102,229 |
| **Proportion** | | | | | |
| June 30, 2024 | 100.000000 % | 62.000000 % | 95.243470 % | 100.000000 % | 96.794932 % |
| June 30, 2023 | 100.000000 % | 75.000000 % | 95.360195 % | 100.000000 % | 96.957867 % |
| Change - Increase (Decrease) | 0.000000 % | 13.000000 % | (0.116725)% | 0.000000 % | 0.162935 % |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 55.571553 % | 11.102643 % | 42.817120 % | 71.521942 % | 57.320469 % |

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, 2023 and will provide the basis for the State's financial reporting for the fiscal years ending June 30, 2024 and June 30, 2025. 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, 2023 and June 30, 2022 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, 2023 and June 30, 2022 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 7.63 percent at June 30, 2022 and -34.13 percent to 7.16 percent at 2023. 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.

**Group Life Insurance**
The valuation date is June 30, 2023. 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, 2023 and June 30, 2022 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, 2023 and June 30, 2023 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, 2023, there were 14 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, 2023 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, 2023. 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 funded the plan on June 30, 2023. Prior to that date

the State had funded the plan on a pay-as-you-go basis. The June 30, 2022 valuation assumed the State would continue this policy. Since the State's portion of the Teachers' post retirement medical plans were not being funded by assets in a separate trust, at June 30, 2022, GASB No. 75 required 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. The June 30, 2023 valuation included a discount rate and investment rate of return assumption of 6.5 percent. One third of active participants who have currently waived coverage elect coverage at retirement. Actuarial assumptions used in the June 30, 2023 and June 30, 2022 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, 2023 and June 30, 2022 include: using a 2.75 percent inflation rate and 3.00 percent annual salary increases. The initial medical trend rate had been 7.63 percent at June 30, 2022 and was 7.16 percent at June 30, 2023. 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 Teacher 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, 2023. The total OPEB liability was rolled-forward from June 30, 2022 to June 30, 2023 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 3.65 percent as of the measurement date and 3.54 percent at June 30, 2022. Actuarial assumptions used in the June 30, 2023 and June 30, 2022 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, 2023 and June 30, 2022 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 6.40 percent to 7.16 percent at June 30, 2023. 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, 2024, the State recognized OPEB expense of $9,968. Costs related to non-State employees are charged to the General Fund.

**OPEB COSTS**

(Expressed in Thousands)

| | | |
|---|---|---|
| SETP - State of Maine Healthcare OPEB Expense | $ | (27,318) |
| SETP - Teachers Non-Employer Healthcare OPEB Expense (grant expense) | | 25,979 |
| First Responders Healthcare OPEB Expense | | (233) |
| Group Life Insurance OPEB Expense - State Employees | | 7,081 |
| Group Life Insurance OPEB Expense - Teachers (grant expense) | | 4,459 |
| Total | $ | 9,968 |

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, 2024 will be recognized as a reduction of the net OPEB liability. At June 30, 2024, 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 | $ 10,297 | $ 320,436 | $ 21,862 | $ 434,387 | $ - | $ 2,657 |
| Changes of assumptions | 45,964 | 31,539 | 225,125 | 809,125 | 1,904 | 3,396 |
| Net difference between projected and actual earnings on OPEB plan investments | 48,104 | 39,823 | - | - | - | - |
| State and component unit contributions subsequent to the measurement date | 84,573 | - | 36,147 | - | 877 | - |
| Total | $ 188,938 | $ 391,798 | $ 283,134 | $ 1,243,512 | $ 2,781 | $ 6,053 |
| **For the Year Ended** | | | | | | |
| 2025 | (84,232) | | (139,518) | | (1,140) | |
| 2026 | (84,204) | | (127,308) | | (626) | |
| 2027 | (42,628) | | (136,643) | | (516) | |
| 2028 | (59,235) | | (156,734) | | (851) | |
| 2029 | (17,134) | | (180,876) | | (798) | |
| Thereafter | - | | (255,446) | | (218) | |

**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 | $ 406 | $ 576 | $ 1,178 | $ 65 |
| Changes of assumptions | 2,306 | - | 552 | 2,492 |
| Net difference between projected and actual earnings on OPEB plan investments | 1,110 | - | 1,800 | - |
| Changes in proportion and differences between State contributions and proportionate share of contributions | 206 | 177 | - | - |
| State and component unit contributions subsequent to the measurement date | 6,428 | - | 4,860 | - |
| Total | $ 10,456 | $ 753 | $ 8,390 | $ 2,557 |
| **For the Year Ended** | | | | |
| 2025 | 952 | | 442 | |
| 2026 | 424 | | (554) | |
| 2027 | 2,071 | | 2,678 | |
| 2028 | (22) | | (2,078) | |
| 2029 | (140) | | 485 | |
| Thereafter | (10) | | - | |

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

| | **State Employee and Teacher Healthcare** | | **State and Teacher Group Life Insurance** | |
|---|---|---|---|---|
| **Asset Class:** | **Target Allocation** | **Long-Term Expected Real Rate of Return** | **Target Allocation** | **Long-Term Expected Real Rate of Return** |
| U.S. Equity | 45.00 % | 6.90 % | - % | - % |
| U.S. Government Securities | - % | - % | 9.00 % | 2.30 % |
| Public Equity | - % | - % | 70.00 % | 6.00 % |
| International Equity | 25.00 % | 6.91 % | - % | - % |
| Traditional Credit | - % | - % | 16.00 % | 3.20 % |
| Real Estate | 5.00 % | 5.01 % | 5.00 % | 5.20 % |
| Fixed Income | 25.00 % | 2.46 % | - % | - % |

For the year ended June 30, 2024, the annual money-weighted average rate of return on investments, net of investment expense was 14.2 percent. 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 plans is 6.50 percent. The discount rate used for unfunded healthcare plan is 3.65 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 | $ 425,045 | $ 345,919 | $ 278,576 |
| State Employee Group Life | $ 84,234 | $ 67,764 | $ 54,307 |
| Teacher Group Life | $ 53,877 | $ 34,465 | $ 18,854 |
| **Total OPEB Liabilities** | | | |
| Teacher Healthcare Plan | $ 960,141 | $ 824,707 | $ 713,966 |
| First Responders Healthcare Plan | $ 31,889 | $ 29,302 | $ 26,979 |

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| Net OPEB State Employee Healthcare Plan | $ 265,486 | $ 345,919 | $ 442,216 |
| Total OPEB Teacher Healthcare Plan | $ 698,155 | $ 824,707 | $ 983,900 |
| Total OPEB First Responder Healthcare Plan | $ 26,555 | $ 29,302 | $ 32,525 |

Current healthcare trend rates are as follows: for State Employees the current trend rate is -34.13 percent to 7.16 percent grading to an ultimate of 4.19 percent; for Teachers the rate is 7.16 percent grading down to 4.19 percent; and, for First Responders the current trend rate was 6.40 percent to 7.16 percent grading to a 4.19 ultimate 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, 2024 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, 2024 were as follows:

(Expressed in Thousands)

| | State Employee Healthcare Plan | Teachers Healthcare Plan | State and Teachers Group Life Insurance Benefit Plan |
|---|---|---|---|
| Total OPEB liability | $ 787,292 | $ 972,024 | $ 248,730 |
| Plan fiduciary net position | 496,042 | 115,312 | 164,475 |
| State of Maine's net OPEB liability | $ 291,250 | $ 856,712 | $ 84,255 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 63.01 % | 11.86 % | 66.13 % |

Actuarial assumptions for the funded OPEB plans used in the June 30, 2024 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 2024 healthcare valuation, the initial medical trend rate of 7.53 percent decreased to 7.09 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 % |
| Traditional Credit | 15.0 % | 3.2 % |
| U.S. Government Securities | 15.0 % | 2.3 % |
| **Asset Class for State Employee and Teacher Healthcare Plans** | | |
| US Equity | 45.0 % | 6.90 % |
| Real Estate | 5.0 % | 5.01 % |
| US Fixed Income | 25.0 % | 2.46 % |
| International Equity | 25.0 % | 6.91 % |

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 14.2 percent for the funded plans. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

The following table shows how the collective net OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for the plans is 6.50 percent.

(Expressed in Thousands)

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| State Employee Healthcare Plan | $ 370,327 | $ 291,250 | $ 223,956 |
| Teachers Healthcare Plan | 996,461 | 856,712 | 742,335 |
| State Employee and Teacher Group Life Insurance Benefit Plan | $ 121,432 | $ 84,255 | $ 54,124 |

*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 7.09 percent grading down to 4.19 percent.

(Expressed in Thousands)

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| State Employee Healthcare Plan | $ 203,799 | $ 291,250 | $ 396,274 |
| Teachers Healthcare Plan | $ 717,856 | $ 856,712 | $ 1,031,860 |

## 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 2024 were:

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

| | Balance July 1, 2023 | Additions | Reductions | Balance June 30, 2024 | Due Within One Year |
|---|---|---|---|---|---|
| General Obligation Debt: | | | | | |
| General Fund | $ 559,370 | $ - | $ 105,075 | $ 454,295 | $ 93,780 |
| Unamortized Premiums: | | | | | |
| General Fund | 79,270 | - | 13,958 | 65,312 | 12,774 |
| Total | $ 638,640 | $ - | $ 119,033 | $ 519,607 | $ 106,554 |

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2024 until maturity, are summarized in the following table:

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

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 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 | 52,820 | 6,898 | 59,718 |
| 2030-2034 | 86,490 | 8,080 | 94,570 |
| Total | $ 454,295 | $ 78,478 | $ 532,773 |
| Unamortized Premiums | 65,312 | | |
| Total Principal | $ 519,607 | | |

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2024 are as follows:

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

| | Amounts Issued | Outstanding June 30, 2024 | Fiscal Year Maturities First Year | Fiscal Year Maturities Last Year | Interest Rates |
|---|---|---|---|---|---|
| General Fund: | | | | | |
| Series 2015 | $ 102,555 | $ 10,255 | 2016 | 2025 | 0.85% - 5.00% |
| Series 2016 | 97,705 | 19,540 | 2017 | 2026 | 1.00% - 5.00% |
| Series 2017 | 98,060 | 29,415 | 2018 | 2027 | 2.00% - 5.00% |
| Series 2019A | 111,255 | 44,500 | 2019 | 2028 | 3.125% - 5.00% |
| Series 2019B | 140,875 | 70,425 | 2020 | 2029 | 2.50% - 5.00% |
| Series 2020 | 114,905 | 76,595 | 2021 | 2030 | 1.25% - 5.00% |
| Series 2021 | 96,875 | 75,345 | 2022 | 2031 | 1.00% - 5.00% |
| Series 2022 | 85,470 | 68,895 | 2023 | 2032 | 3.75% - 5.00% |
| Series 2023 | 65,920 | 59,325 | 2024 | 2033 | 4.75% - 5.25% |
| | | 454,295 | | | |
| Plus Unamortized Bond Premium | | 65,312 | | | |
| Total General Fund | | $ 519,607 | | | |

**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, 2024, there were no general obligation bonds authorized and unissued.

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

The State included $467.2 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of $863.6 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2024, MGFA issued $64.5 million in 2024A bonds with an interest rate of 5.00 percent and $46.0 million in 2024B bonds with an interest rate of 5.00 percent.

At June 30, 2024, there were no 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 2024. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2024 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, 2024, are summarized as follows:

**Primary Government - Changes in Other Long-Term Obligations**

(Expressed in Thousands)

| | Balance July 1, 2023 | Additions | Reductions | Balance June 30, 2024 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities:** | | | | | |
| MGFA Revenue Bonds | $ 380,523 | $ 110,550 | $ 23,856 | $ 467,217 | 27,142 |
| COP's and Other Financing | 84,113 | 33,914 | 17,491 | 100,536 | 18,444 |
| Compensated Absences | 71,434 | 17,502 | 10,824 | 78,112 | 11,834 |
| Claims Payable | 75,004 | 189,029 | 185,245 | 78,788 | 23,863 |
| Leases | 249,039 | 10,514 | 7,677 | 251,876 | 8,591 |
| Subscriptions | 110,559 | 8,282 | 21,516 | 97,325 | 18,271 |
| Loans Payable to Component Unit | 262,009 | 3,049 | 38,287 | 226,771 | 39,843 |
| Total Governmental Activities | $ 1,232,681 | $ 372,840 | $ 304,896 | $ 1,300,625 | 147,988 |
| **Business-Type Activities:** | | | | | |
| COP's and Other Financing | $ 2,571 | $ - | $ 429 | $ 2,142 | 428 |
| Compensated Absences | 1,056 | 225 | 139 | 1,142 | 150 |
| Total Business-Type Activities | $ 3,627 | $ 225 | $ 568 | $ 3,284 | 578 |

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2024 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 |
| 2025 | $ 12,467 | $ 1,648 | $ 33,119 | $ 21,311 | $ 428 | $ 66 |
| 2026 | 10,201 | 1,340 | 34,036 | 19,517 | 428 | 52 |
| 2027 | 9,434 | 1,052 | 32,565 | 18,173 | 428 | 38 |
| 2028 | 7,873 | 825 | 32,686 | 16,836 | 429 | 24 |
| 2029 | 8,070 | 628 | 34,067 | 15,537 | 429 | 10 |
| 2030 - 2034 | 15,901 | 896 | 137,290 | 59,173 | - | - |
| 2035 - 2039 | - | - | 136,940 | 29,631 | - | - |
| 2040 - 2044 | - | - | 63,104 | 5,912 | - | - |
| Total | $ 63,946 | $ 6,389 | $ 503,807 | $ 186,090 | $ 2,142 | $ 190 |

### 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 2024 were:

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

(Expressed in Thousands)

| | Balance July 1, 2023 | Additions | Reductions | Balance June 30, 2024 | Due Within One Year |
|---|---|---|---|---|---|
| **Loans Payable to Components Unit:** | | | | | |
| Federal Funds | $ 203,378 | $ 3,049 | $ 23,048 | $ 183,379 | $ 23,617 |
| Special Revenue Fund | 58,631 | - | 15,239 | 43,392 | 16,225 |
| Total | $ 262,009 | $ 3,049 | $ 38,287 | $ 226,771 | $ 39,842 |

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, 2024 are as follows:

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

| | Amounts Issued | Outstanding June 30, 2024 | Fiscal Year Maturities: First Year | Fiscal Year Maturities: Last Year | Interest Rates |
|---|---|---|---|---|---|
| Federal Funds: | | | | | |
| Series 2014A | $ 44,810 | $ 13,950 | 2015 | 2026 | 2.00% - 5.00% |
| Series 2016A | 44,105 | 21,510 | 2017 | 2028 | 2.63% - 5.00% |
| Series 2018A | 44,310 | 39,690 | 2023 | 2030 | 4.00% - 5.00% |
| Series 2020A | 60,925 | 48,930 | 2021 | 2032 | 5.00% |
| Series 2022A | 47,175 | 44,235 | 2023 | 2035 | 5.00% |
| Total Federal Funds | | $ 168,315 | | | |
| Special Revenue Fund: | | | | | |
| Series 2015A | 54,680 | 16,225 | 2019 | 2024 | 4.00% - 5.00% |
| Series 2021A | 35,070 | 34,535 | 2022 | 2026 | 5.00% |
| Total Special Revenue Funds | | $ 50,760 | | | |

Total principal and interest requirements over the life of the 2014 GARVEE bonds are $59.0 million, with annual requirements 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 2024 were $342.8 million. Current year payments to MMBB for GARVEE bonds were $28.4 million (8.3 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2015A TransCap Revenue bonds 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 $71.9 million in fiscal year 2024.

**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, 2024 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% - 5.250% | $ 103,668 | 2024 - 2046 |
| Maine Community College System | 3.000% - 5.000% | 13,326 | 2024 - 2036 |
| Maine Health and Higher Educational Facilities Authority | 0.359% - 5.500% | 810,640 | 2024 - 2054 |
| Maine Municipal Bond Bank | 0.350% - 6.120% | 1,596,717 | 2024 - 2054 |
| Maine State Housing Authority | 0.000% - 5.810% | 1,966,650 | 2024 - 2058 |
| Maine Turnpike Authority | 2.000% - 5.000% | 577,197 | 2024 - 2050 |
| University of Maine System | 1.190% - 5.040% | 217,650 | 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.

On July 25, 2023 Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $68.4 million in 2023A Reserve 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 2013A Reserve Resolution bond series. A portion of the net proceeds of approximately $72.7 million, including other sources of funds and after payment of underwriting fees and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on defeased bonds. The economic benefits associated with the refunding inure to the respective institutions and not the Authority.

At June 30, 2024, MHHEFA had approximately $29.1 million of defeased bonds remaining outstanding with respect to all advance-refunding 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, 2024, MMBB had no outstanding in-substance defeased bonds.

For the year ended December 31, 2023, the Maine State Housing Authority (MHSA) redeemed prior to maturity $92.1 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 $187 thousand were attributed to recognition of the related bond premium.

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

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

| Fiscal Year Ending | FAME | MMBB | MCCS | MSHA | MTA | UMS | MHHEFA |
|---|---|---|---|---|---|---|---|
| 2025 | $ 5,425 | $ 137,260 | $ 980 | $ 62,465 | $ 20,535 | $ 16,020 | $ 34,170 |
| 2026 | 5,785 | 152,685 | 960 | 82,898 | 21,710 | 16,613 | 32,945 |
| 2027 | 5,820 | 144,360 | 1,050 | 87,900 | 25,700 | 14,562 | 33,915 |
| 2028 | 6,870 | 115,531 | 1,070 | 86,293 | 26,950 | 15,051 | 34,885 |
| 2029 | 7,430 | 115,375 | 1,120 | 85,456 | 28,190 | 13,465 | 35,910 |
| 2030 - 2034 | 27,730 | 410,770 | 6,430 | 329,448 | 124,965 | 43,401 | 177,885 |
| 2035 - 2039 | 21,955 | 262,100 | 187 | 348,070 | 96,960 | 11,672 | 162,130 |
| 2040 - 2044 | 14,655 | 114,415 | - | 302,220 | 82,850 | 12,199 | 138,225 |
| 2045 - 2049 | 4,230 | 20,245 | - | 328,310 | 71,725 | 11,490 | 83,395 |
| 2050 - 2054 | - | 2,545 | - | 250,200 | 15,955 | 14,945 | 77,180 |
| 2055 - 2059 | - | 225 | - | 2,075 | - | 19,540 | - |
| 2060 - 2064 | - | - | - | - | - | 14,490 | - |
| Net Unamortized Premium (or Deferred Amount) | 3,768 | 121,206 | 1,529 | 1,315 | 61,657 | 14,202 | - |
| Total Principal Payments | $ 103,668 | $ 1,596,717 | $ 13,326 | $ 1,966,650 | $ 577,197 | $ 217,650 | $ 810,640 |

## NOTE 12 - RIGHT TO USE LEASED ASSETS AND PUBLIC-PRIVATE PARTNERSHIPS

### PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES RIGHT TO USE LEASED ASSETS

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, 2024, is $272.8 million. Accumulated amortization is $30.2 million. Leased assets net of accumulated amortization is $242.6 million.

**Right to Use Leased Assets**
(Expressed in Thousands)

| | General Fund | Other Special Revenue Funds | Internal Service Funds | Total Governmental Activities |
|---|---|---|---|---|
| Buildings | $ 13,284 | $ 620 | $ 258,882 | $ 272,786 |
| Less: Accumulated Amortization | 2,297 | 80 | 27,851 | 30,228 |
| Total Right to Use Assets, net | $ 10,987 | $ 540 | $ 231,031 | $ 242,558 |

A summary of lease commitments to maturity is as follows:

**Future Lease Payments**
(Expressed in Thousands)

| Fiscal Years Ending June 30 | Principal | Interest |
|---|---|---|
| 2025 | $ 8,591 | $ 4,468 |
| 2026 | 8,939 | 4,322 |
| 2027 | 9,186 | 4,171 |
| 2028 | 9,314 | 4,016 |
| 2029 | 9,128 | 3,858 |
| 2030-2034 | 42,200 | 17,013 |
| 2035-2039 | 36,334 | 13,369 |
| 2040-2044 | 30,397 | 10,295 |
| 2045-2049 | 29,028 | 7,542 |
| 2050-2054 | 23,346 | 5,075 |
| 2055-2059 | 18,146 | 3,315 |
| 2060-2064 | 15,835 | 1,771 |
| 2065-2069 | 10,873 | 509 |
| 2070-2074 | 559 | 6 |
| Total | $ 251,876 | $ 79,730 |

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, 2024, leases receivable from CDS is $4.6 million. Fiscal year 2024 lease revenue was $541 thousand, interest revenue was $71 thousand.

**COMPONENT UNITS**
**RIGHT TO USE LEASED ASSETS**
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 2026 and provide for renewal options (ranging from 1-15 years) which extend them to 2044. As of June 30, 2024, right of use lease assets acquired through outstanding leases consisting of building and office space totaled $71.2 million less $9.8 million in accumulated amortization, or $61.4 million net. The lease liabilities outstanding totaled $62.3 million.

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, 2024, MRRA reported a lease receivable, including accrued interest, of $38.3 million. At June 30, 2024, MRRA also had a $36.2 million deferred inflow of resources balance associated with the leases that will be recognized as revenue over the lease terms that extend until 2069.

**PUBLIC-PRIVATE PARTNERSHIP**
On August 15, 2022, the System entered into a public-private partnership with a limited liability corporation (LLC1) to renovate two historic buildings and construct an adjacent 24,800 square foot addition creating a boutique hotel ensemble and extended stay residence consisting of 95 rooms and a café on the University of Maine campus in Orono. The hotel is under the operation of a second limited liability corporation (LLC2) and was opened to the public in March 2024.

As of June 30, 2024, public private leased assets totaled $25.0 million less $0.1 million depreciation, or $24.9 million net. Upon termination, the improvements shall be surrendered to the System in the agreed upon condition.

The arrangement covers 99 years with a base rent subject to scheduled increases every five years. A net present value receivable for installment payments of $5.9 million recognizing the expected future rental revenue under the lease. The System has reported deferred inflows of resources totaling $28.2 million as of June 30, 2024, which will be recognized into revenue evenly over the term of the agreement.

The arrangement also includes a performance guarantee and an income sharing arrangement. The arrangement includes certain minimum projected revenues for the first 25 years that the System may have to supplement. In consideration for the services it will provide under the arrangement, the System will receive 20 percent of all net operating income, on a cumulative basis, earned annually in excess of annual amounts outlined in the contract and subject to an annual maximum of $600 thousand. Both the shortfall supplement and the income sharing are variable in nature and will be recognized as incurred or earned. To date, no such amounts have been recognized.

## 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, 2024, is $170.7 million. Accumulated amortization is $53.4 million. Subscription assets net of accumulated amortization is $117.3 million.

| | General Fund | Highway Fund | Federal Funds | Other Special Revenue Funds | Internal Service Funds | Total Governmenta l Activities |
|---|---|---|---|---|---|---|
| **Right to Use Subscription Assets** | | | | | | |
| Subscriptions | $ 82,222 | $ 2,881 | $ 28,245 | $ 7,005 | $ 50,307 | $ 170,660 |
| Less: Accumulated Amortization | 15,027 | 898 | 11,134 | 2,548 | 23,750 | 53,357 |
| Total Right to Use Assets, net | $ 67,195 | $ 1,983 | $ 17,111 | $ 4,457 | $ 26,557 | $ 117,303 |

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 |
|---|---|---|
| 2025 | $ 18,271 | $ 2,583 |
| 2026 | 14,853 | 2,115 |
| 2027 | 14,944 | 1,672 |
| 2028 | 6,188 | 1,438 |
| 2029 | 4,887 | 1,262 |
| 2030-2034 | 26,803 | 3,722 |
| 2035-2039 | 11,379 | 221 |
| Total | $ 97,325 | $ 13,013 |

Subscription based information technology arrangement liabilities are valued using discount rates between 2.78 percent and 3.32 percent 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, 2024, SBITA assets totaled $14.5 million, net of $11.0 million of amortization. The associated liabilities totaled $13.6 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 $13.8 million at June 30, 2024. The associated liabilities totaled $10.8 million.

## 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* | Per Schedule | $2 million | $400 million |
| Ocean Marine Boat Liability*[1] | Per Schedule | 10 million | 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 | 1 million aggregate | 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)*[4] | 400 thousand | 400 thousand | none |
| Aircraft Liability*[3] | 10 million | Various | none |
| Data Breach | 3 million | 500 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. The property insurance limit per occurrence is per scheduled location. Total occurrence limit is $400 million.
[1] 10 million is the maximum limit for per occurrence coverage. Some agencies have chosen $400 thousand. Retentions vary up to $10 thousand.
[2] Excess insurance is only for out of state travel.
[3] $10 million is the maximum limit for per occurrence coverage. Some agencies have chosen $500 thousand. Retentions vary up to $10 thousand.
[4] Inland Marine policies vary by line, limit, and retention.

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, 2024. 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, 2024 and 2023 the present value of claims payable for the State's self-insurance plan was estimated at $11.1 million and $11.3 million, respectively. The actuary calculated this based on the State's rate on investments.

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

| | 2024 | 2023 |
|---|---|---|
| Liability at Beginning of Year | $ 11,329 | $ 10,898 |
| Current Year Claims and Changes in Estimates | 2,637 | 2,914 |
| Claims/Fees Expense | 2,824 | 2,483 |
| Liability at End of Year | $ 11,142 | $ 11,329 |

As of June 30, 2024, fund assets of $32.5 million exceeded fund liabilities of $12.5 million by $20.0 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

### B. Unemployment Insurance

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled $968 thousand for the fiscal year ended June 30, 2024.

### 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, 2024 and 2023:

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

| | 2024 | 2023 |
|---|---|---|
| Liability at Beginning of Year | $ 51,744 | $ 55,480 |
| Current Year Claims and Changes in Estimates | 8,028 | 4,465 |
| Claims Payments | 8,537 | 8,201 |
| Liability at End of Year | $ 51,235 | $ 51,744 |

Based on the actuarial calculation as of June 30, 2024, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $70.6 million. The discounted amount is $51.2 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 35,980 covered individuals. This total includes approximately 26,279 active employees, retirees and their dependents in the PPO plan and 9,701 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 $16.4 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2024 follows:

(Expressed in Thousands)

| | Employee Health Fund | Retiree Health Fund |
|---|---|---|
| Liability at Beginning of Year | $ 8,948 | $ 2,983 |
| Claims and Changes in Estimate | 140,365 | 37,999 |
| Claims Payments | 137,005 | 36,879 |
| Liability at End of Year | $ 12,308 | $ 4,103 |

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 $44.0 million and teacher healthcare costs of $38.5 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $39.3 million of active employee healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

## NOTE 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 2024, 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 | $ | 19,680 |
| Noncurrent Assets | | 11,997 |
| Total Assets | $ | 31,677 |
| Current Liabilities | $ | 19,018 |
| Long-term Liabilities | | 8,640 |
| Total Liabilities | $ | 27,658 |
| Designated Prize Reserves | $ | 4,345 |
| Reserve for Unrealized Gains (Losses) | | (326) |
| Total Net Position | | 4,019 |
| Total Liabilities and Net Position | $ | 31,677 |
| Total Revenue | $ | 112,523 |
| Total Expenses | | 83,258 |
| Gain (Loss) on Sale of Investment | | 11 |
| Allocation to Member States | | 29,276 |
| Change in Unrealized Gain (Loss) on Investments Held for Resale | | 69 |
| Change in Net Position | $ | 69 |

**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 39 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 | $ 341,227 |
| Investments in US Government Securities | 357,170 |
| US Government Securities Held for Prize Annuities | 38,466 |
| Due from Party Lotteries | 44,510 |
| Other Assets | 1,069 |
| Total Assets | $ 782,442 |
| Amount Held for Future Prizes | $ 667,243 |
| Grand Prize Annuities Payable | 39,777 |
| Other Liabilities | 12,584 |
| | 719,604 |
| Net Position, Unrestricted | 62,838 |
| Total Liabilities and Net Position | $ 782,442 |
| Total Revenue | $ 45,604 |
| Total Expenses | 17,420 |
| Excess (Deficit) of Revenues over Expenses | 28,184 |
| Net Position, beginning | 34,654 |
| Net Position, ending | $ 62,838 |

## 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 $20.4 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, $310.6 million; Maine Community College System, $108.6 million; Finance Authority of Maine, $65.1 million; and Maine State Housing Authority, $145.4 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $29.3 million at June 30, 2024, 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 2024, the State expended $900.0 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 $11.8 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 2024, the amount billed totaled $6.6 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 | $ 622 | $ - | $ 622 | $ 14,359 |
| Pension Related | 559,468 | 3,267 | 562,735 | 20,778 |
| OPEB Related | 490,978 | 2,721 | 493,699 | 11,539 |
| Total Deferred Outflows of Resources | $ 1,051,068 | $ 5,988 | $ 1,057,056 | $ 46,676 |
| **Deferred Inflows of Resources:** | | | | |
| Grant Income | $ - | $ - | $ - | $ 298 |
| Benefit Recovery | 4,441 | - | 4,441 | - |
| Loan Origination Fees | - | - | - | 348 |
| Accumulated Increase in Fair Value of Hedging Derivatives | - | - | - | 16,385 |
| Pension Related | 209,191 | 948 | 210,139 | 7,683 |
| OPEB Related | 1,639,305 | 5,368 | 1,644,673 | 79,916 |
| Lease Related | 4,603 | - | 4,603 | 75,526 |
| Public Private Partnerships | - | - | - | 28,164 |
| Total Deferred Inflows of Resources | $ 1,857,540 | $ 6,316 | $ 1,863,856 | $ 208,320 |

* 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 | $ 494,557 | $ 1,145 | $ 2,098 | $ 5,029 | $ - | $ 502,829 |
| Settlements ** | - | - | - | 103,312 | - | 103,312 |
| Benefit Recovery | - | - | 4,441 | - | - | 4,441 |
| Total Deferred Inflows of Resources | $ 494,557 | $ 1,145 | $ 6,539 | $ 108,341 | $ - | $ 610,582 |

** 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, 2024, 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 6/30/2024 | $3,203,076 | $10,816,787 | $3,515,071 |

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 DHHS's 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.

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.

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.

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 of up of 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 State recently received the arbitration award, which found that the State violated the collective bargaining agreement when it failed to pay the aforementioned employees standby pay, and ordered that the State pay the employees standby pay retroactively back to the date the grievances were filed, as well as going forward. The cost of both retroactive pay and prospective pay are currently being calculated but have not yet been finalized.

Maine State Troopers Association and State of Maine; Grievance # 2024-202-T: In or around February of 2024 the State submitted reclassification requests for all Maine State Trooper classifications. The reclassification/range changes were implemented in August of 2024. MSTA filed a grievance asserting that the State violated the collective bargaining agreement when it did not compensate its members with retroactive pay back to the date of the reclassification request. 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.

Meryl Nass, M.D. v. Maine Board of Licensure in Medicine, et al. Dr. Nass has filed a lawsuit against the Maine Board of Licensure in Medicine and several current and past Board members in their official and individual capacities alleging that the Board improperly restricted Dr. Nass's speech in violation of the First Amendment and the Maine Constitution, along with several other claims. 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 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. We are aware of no case in which a taxpayer seeks a refund in excess of $1 million.

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 our view, is there any reasonable possibility that the State's liability could reach or exceed $1 million.

In addition to the foregoing, there are various other suits pending against the State, State agencies and State officials involving damages or other potential costs. Since the amounts sought are less than $1 million, these suits have not been individually identified in this letter.

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 a spouse), it is difficult to estimate the total potential liability to the State.

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.

United States v. Maine. In early September 2024, the United States, through the Department of Justice, filed a complaint alleging that the State of Maine is violating the Americans With Disabilities Act in its provision of services to children with mental health or developmental disabilities. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Zachary Swain v. Maine Department of Corrections, et al. Mr. Swain alleges that while he was confined at the Maine State Prison, staff there willfully ignored his mental illness and unnecessarily placed him in solitary confinement. 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 $142.1 million, $2.9 million, $743.0 million, $103.3 million and $4.7 million, respectively.

**FEDERAL GRANTS**

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

**POLLUTION REMEDIATION**

The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State’s total amount of pollution remediation obligation as of June 30, 2024 is $20.7 million. Superfund sites account for approximately $6.9 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 $600 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, 2024, 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 $13.5 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, 2024 the remaining unspent bond funds were $531 thousand. 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, 2024 is $18.9 million.

Title 38 M.R.S.A., §1310-F establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose a potential hazard and that meet other qualifying criteria. The law provides for reimbursement of 75% of a municipality's closure expenses. If initial closure of a landfill fails to protect public health and the environment, DEP is obligated to reimburse up to 90% of a municipality's subsequent remediation expenses. However, these obligations are subject to the availability of funds approved for that purpose. In 2012, DEP, through bonds, had paid all of the outstanding match requirements for closure, but had $2,568,654 in outstanding match obligation for remediation. Additionally, several municipalities needed to close their failing landfills early, but could not afford to do so without the state match for closure, which had expired. To address this, in 2013 the legislature enacted a $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 FY24 the DEP received $1.1 million from the CDD fee. As required, the entirety of this fee was used to reimburse municipalities for eligible expenses. At the beginning of FY24, DEP's total outstanding reimbursement obligation to municipalities was $5.1 million. At the end of FY24, the outstanding match obligation was $5.1 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 2022.

**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 2024 fiscal year, $1.8 million of general obligation bond funds and $2.8 Million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2024, amounts encumbered for pollution abatement projects totaled $4.2 million, and general obligation bonds authorized for these projects, but not yet encumbered, totaled $7.6 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 |
|---|---|---|
| 2023 | 85 | 401 |
| 2022 | 105 | 413 |
| 2021 | 127 | 440 |
| 2020 | 156 | 494 |
| 2019 | 137 | 530 |

The annual average cost per spill over the past five years is $9,085. 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 55.10 percent of the annual payments. As of June 30, 2024, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $988.3 million.

At June 30, 2024, the Department of Transportation had contractual commitments of approximately $594.8 million for construction of various highway projects. The State's share of that amount is expected to be approximately $116.3 million. Of these amounts, $14.2 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

### TOBACCO SETTLEMENTS

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

The NPM Adjustment may be claimed each year and has been claimed for each completed calendar year since 2003. Frequently PMs claim entitlement to the NPM Adjustment and either withhold the amount from their annual payments, or place the amount in what is known as a 'disputed payment account'. Each year beginning in 2003 Maine's annual payments have been lower than calculated because many of the PMs have claimed entitlement to the NPM Adjustment and either withheld money or routed it to the disputed payments account. For the year 2003, the Adjustment claimed by the PMs, and calculated as set forth in the MSA, was approximately

18 percent of the total amount paid by the PM's and distributed among the Settling States. However, the total amount related to the NPM Adjustment to which the PMs are entitled is dependent on the number of non-diligent states.

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

In April 2024, Maine received an annual tobacco settlement payment of $46.6 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 $23.0 million as of June 30, 2024. All overpayments that are outstanding for more than one year, $18.6 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 $56.8 million as of June 30, 2024. All overpayments that are outstanding for more than one year, $54.7 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, 2024, the Fund included $10.0 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2024 of approximately $333.4 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, 2024, the amount reported in the Fund for claimant liability is $67.2 million. The General Fund shows a $66.7 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, 2024, 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, 2024.

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, 2024, 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, 2024.

**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 | $ 810,640 | $ 75,000 | NIL | 22 MRSA § 2075 |
| Finance Authority of Maine | 60,756 | - | 730,500 | 10 MRSA §1032, 1053 |
| | - | - | 50,000 | 20-A MRSA §11449 |
| | - | - | 50,000 | 38 MRSA §2221 |
| | 99,000 | 1,384 | 225,000 | 20-A MRSA §11424 |
| Maine Municipal Bond Bank | 1,329,051 | 135,100 | NIL | 30-A MRSA §6006 |
| Maine State Housing Authority | 1,904,225 | 124,150 | 2,150,000 | 30-A MRSA §4906 |
| Total | $ 4,203,672 | $ 335,634 | | |

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

**COMPONENT UNITS**

**CONSTRUCTION CONTRACTS**

At June 30, 2024, UMS and MCCS had outstanding commitments on uncompleted construction contracts. They totaled $137.8 million and $2.4 million, respectively. A non-major discretely reported component unit, Maine Maritime Academy, had commitments on construction projects at June 30, 2024 totaling $129.0 million.

At December 31, 2023, the Maine Turnpike Authority had $78.4 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, 2023 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $501.6 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2023, single-family loans being processed by lenders totaled $64.3 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, 2024, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately $150.8 million. At June 30, 2024, FAME was insuring loans with an aggregate outstanding principle balance approximating $2.6 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately $1.6 million at June 30, 2024. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2024, these commitments under the Loan Insurance Program were approximately $4.9 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, 2024, approximately $20.1 million of loans were insured under this program. Such loans are unsecured.

## NOTE 20 - SUBSEQUENT EVENTS

**PRIMARY GOVERNMENT**

On September 26, 2024, The Maine Municipal Bond Bank defeased $34.5 million of Transportation Revenue Refunding Series 2021A bonds. Funds from the State of Maine totaling $37.1 million have been deposited into a defeaseance trust account to cover all remaining principal and interest payments. After the final maturity in 2026, any remaining funds will inure to the State of Maine.

On October 4, 2024, the State issued $7.0 million of certificates of participation (COP's) for the purpose of financing an estimated 180 motor vehicle purchases for Central Fleet Management. The COP's carry interest rates of 3.63 percent and maturities from 2025 to 2029.

**COMPONENT UNITS**

Maine State Housing Authority (MSHA), has a December 31 fiscal year end. On February 28, 2024, MSHA issued at par $40.0 million of bonds in the General Mortgage Purchase Bond Resolution. The bonds have interest rates between 3.40 percent and 4.75 percent and mature from 2029 to 2054.

On June 5, 2024, MSHA issued at par $80.0 million of bonds in the General Mortgage Purchase Bond Resolution. The bonds have interest rates between 3.45 percent and 4.70 percent and mature from 2027 to 2054.

On July 11, 2024, MSHA issued at par $70.0 million of bonds in the General Mortgage Purchase Bond Resolution. The bonds have interest rates between 3.40 percent and 4.85 percent and mature from 2025 to 2054.

On August 29, 2024, MSHA issued two series of bonds at par in the General Mortgage Purchase Bond Resolution. 2024 Series D bonds total $60.0 million and have interest rates between 3.15 percent and 4.75 percent and mature from 2037 to 2054. 2024 Series E bonds total $60.0 million and have an interest rate of 3.25 percent and mature from 2026 to 2054.

On November 11, 2024, MSHA issued at par $95.0 million of bonds in the General Mortgage Purchase Bond Resolution. The bonds have interest rates between 3.30 percent and 4.75 percent and mature from 2026 to 2054.

After its December 31 fiscal year end, MSHA retired $77.9 million of bonds in the General Mortgage Purchase Bond Resolution. It also retired $3.0 million bonds in the Maine Energy, Housing and Economic Recovery Fund.

On September 10, 2024, Maine Health and Higher Education Facilities Authority (MHHEFA) issued $86.4 million of Series 2024 A Reserve Fund Resolution Bonds with an average interest rate of 4.77 percent with principal payments beginning July 1, 2025 and maturing July 1, 2054.

On September 12, 2024, Maine Health and Higher Education Facilities Authority (MHHEFA) issued $187.4 million of General Resolution Fund series bonds with an average interest rate of 5.16%, with principal payments beginning October 1, 2025 and maturing October 1, 2054.

On November 7, 2024, the Maine Municipal Bond Bank issued $32.6 million of Series 2024B General Resolution Bonds with an interest rate of 5.00 percent with principal payments beginning November 1, 2025, and maturing November 1, 2054.

On November 7, 2024, the Maine Municipal Bond Bank issued $30.7 million of Series 2024C General Resolution Refunding Bonds with an interest rate of 5.00 percent to in-substance defease $40.3 million in outstanding maturities of the 2014C bonds. The $30.7 million par value plus $1.9 million in premium and $17.5 million in other funds were used to fund $9.5 million in reserves and to purchase $40.4 million in State and Local Government Series securities which will provide for all future debt service payments on the defeased bonds.

On August 19, 2024 as a result of a fault in the fire suppression system, a non-major component unit, Midcoast Regional Redevelopment Authority (MRRA), released 1,450 gallons of aqueous film-forming foam (AFFF) mixed with approximately 50,000 gallons of water. AFFF is a National Fire Protection Association approved fire suppressant used to fight flammable liquid fires. AFFF contains PFAS, toxic chemicals known to negatively impact human health and do not easily break down in the environment, waterways, wildlife or human bodies. Invoiced costs total less than $1 million and the insurance company denies any responsibility for any claims due to a PFAS exclusion clause. MRRA is still evaluating the claim for building insurance. At this time it is unclear whether the spill violated the Federal Clean Water Act. To date MRRA has not received any third party claims.


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# REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal Year Ended June 30, 2024
(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 | $ 5,262,807 | $ 5,440,302 | $ 5,420,931 | $ (19,371) | $ 275,872 | $ 266,884 | $ 216,013 | $ (50,871) |
| Assessments and Other | 95,387 | 98,605 | 102,853 | 4,248 | 99,504 | 102,571 | 110,193 | 7,622 |
| Federal Grants | 1,445 | 1,630 | 94 | (1,536) | (1) | (1) | - | 1 |
| Service Charges | 47,266 | 40,862 | 46,112 | 5,250 | 6,467 | 6,390 | 6,473 | 83 |
| Income from Investments | 27,009 | 55,103 | 100,988 | 45,885 | 613 | 2,327 | 2,763 | 436 |
| Miscellaneous Revenue | 61,558 | 94,096 | 208,143 | 114,047 | 5,445 | 13,411 | 175,429 | 162,018 |
| Total Revenues | 5,495,472 | 5,730,598 | 5,879,121 | 148,523 | 387,900 | 391,582 | 510,871 | 119,289 |
| **Expenditures** | | | | | | | | |
| Governmental Support & Operations | 476,566 | 540,462 | 501,053 | 39,409 | 52,903 | 60,597 | 2,662 | 57,935 |
| Economic Development & Workforce Training | 60,887 | 68,318 | 62,181 | 6,137 | - | - | - | - |
| Education | 2,113,298 | 2,182,353 | 2,112,114 | 70,239 | - | - | - | - |
| Health and Human Services | 1,657,916 | 1,906,011 | 1,737,741 | 168,270 | - | - | - | - |
| Business Licensing & Regulation | - | - | - | - | - | - | - | - |
| Natural Resources Development & Protection | 111,611 | 139,609 | 127,359 | 12,250 | 34 | 38 | 37 | 1 |
| Justice and Protection | 444,692 | 511,943 | 461,033 | 50,910 | 35,340 | 35,876 | 34,597 | 1,279 |
| Arts, Heritage & Cultural Enrichment | 9,842 | 13,679 | 11,444 | 2,235 | - | - | - | - |
| Transportation Safety & Development | - | - | - | - | 401,013 | 432,604 | 443,489 | (10,885) |
| Total Expenditures | 4,874,812 | 5,362,375 | 5,012,925 | 349,450 | 489,290 | 529,115 | 480,785 | 48,330 |
| Revenues Over (Under) Expenditures | 620,660 | 368,223 | 866,196 | 497,973 | (101,390) | (137,533) | 30,086 | 167,619 |
| **Other Financing Sources (Uses)** | | | | | | | | |
| Operating Transfers Net | (401,248) | (417,090) | (890,858) | (473,768) | 101,862 | 107,534 | - | (107,534) |
| Proceeds from Pledged Future Revenues | - | - | - | - | - | - | - | - |
| Net Other Financing Sources (Uses) | (401,248) | (417,090) | (890,858) | (473,768) | 101,862 | 107,534 | - | (107,534) |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | $ 219,412 | $ (48,867) | $ (24,662) | $ 24,205 | $ 472 | $ (29,999) | $ 30,086 | $ 60,085 |
| Fund balances, beginning of year | | | 1,934,104 | | | | 49,061 | |
| Fund balances, end of year | | | $ 1,909,442 | | | | $ 79,147 | |

| Federal Funds | | | | Other Special Revenue Fund | | | |
|---|---|---|---|---|---|---|---|
| Original Budget | Final Budget | Actual | Variance with Final Budget | Original Budget | Final Budget | Actual | Variance with Final Budget |
| $ - | $ - | $ - | $ - | $ 398,188 | $ 399,704 | $ 398,911 | $ (793) |
| 641 | 1,078 | - | (1,078) | 228,247 | 230,982 | 213,506 | (17,476) |
| 4,834,291 | 5,519,782 | 4,703,420 | (816,362) | 19,241 | 21,042 | 23,536 | 2,494 |
| 7,372 | 7,372 | 4 | (7,368) | 251,765 | 278,573 | 281,899 | 3,326 |
| - | - | 23,805 | 23,805 | 1,419 | 2,339 | 12,569 | 10,230 |
| 112 | 568 | 5,752 | 5,184 | 268,770 | 287,192 | 82,349 | (204,843) |
| 4,842,416 | 5,528,800 | 4,732,981 | (795,819) | 1,167,630 | 1,219,832 | 1,012,770 | (207,062) |
| 24,377 | 85,033 | 26,400 | 58,633 | 700,614 | 380,464 | 339,282 | 41,182 |
| 125,178 | 373,878 | 176,325 | 197,553 | 79,887 | 176,475 | 134,530 | 41,945 |
| 287,344 | 912,883 | 485,765 | 427,118 | 48,564 | 77,247 | 51,518 | 25,729 |
| 3,708,644 | 4,046,161 | 3,621,196 | 424,965 | 604,634 | 768,074 | 667,818 | 100,256 |
| 19,336 | 108,199 | 46,330 | 61,869 | 79,479 | 89,361 | 70,923 | 18,438 |
| 102,147 | 221,490 | 77,340 | 144,150 | 222,713 | 352,156 | 138,592 | 213,564 |
| 79,153 | 270,673 | 142,624 | 128,049 | 86,250 | 152,209 | 97,822 | 54,387 |
| 4,095 | 10,379 | 8,108 | 2,271 | 2,108 | 2,300 | 1,056 | 1,244 |
| 489,164 | 565,320 | 376,622 | 188,698 | 293,981 | 488,089 | 159,060 | 329,029 |
| 4,839,438 | 6,594,016 | 4,960,710 | 1,633,306 | 2,118,230 | 2,486,375 | 1,660,601 | 825,774 |
| 2,978 | (1,065,216) | (227,729) | 837,487 | (950,600) | (1,266,543) | (647,831) | 618,712 |
| 5,492 | 3,321 | (10,860) | (14,181) | 1,140,515 | 952,893 | 722,310 | (230,583) |
| - | - | - | - | 25,000 | 27,000 | 42,495 | 15,495 |
| 5,492 | 3,321 | (10,860) | (14,181) | 1,165,515 | 979,893 | 764,805 | (215,088) |
| $ 8,470 | $ (1,061,895) | $ (238,589) | $ 823,306 | $ 214,915 | $ (286,650) | $ 116,974 | $ 403,624 |
| | | 726,423 | | | | 1,110,318 | |
| | | $ 487,834 | | | | $ 1,227,292 | |


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

Fiscal Year Ended June 30, 2024
(Expressed in Thousands)

| | General Fund | Highway Fund | Federal Funds | Special Revenue Fund |
|---|---|---|---|---|
| Fund Balances - Non-GAAP Budgetary Basis | $ 1,909,442 | $ 79,147 | $ 487,834 | $ 1,227,292 |
| **Basis Differences** | | | | |
| Revenue Accruals/Adjustments: | | | | |
| Taxes Receivable | 524,710 | 2,744 | - | 17,326 |
| Settlement Receivables | - | - | - | 108,646 |
| Other Receivables | 60,099 | 4,628 | 159,983 | 36,419 |
| Inventories | 3,693 | - | 9,802 | - |
| Due from Component Units | 92 | - | 1,188 | 92,050 |
| Due from Other Governments | - | - | 771,549 | 1,072 |
| Due from Other Funds | 50,985 | 29,267 | 14,906 | 324,509 |
| Other Assets | 397 | 23 | 501 | 283 |
| Unearned Revenues | - | (3,079) | (3,124) | (4,991) |
| Deferred Inflows - Taxes and Assessment Revenues | (494,557) | (1,145) | (6,539) | (108,341) |
| Total Revenue Accruals/Adjustments | 145,419 | 32,438 | 948,266 | 466,973 |
| Expenditure Accruals/Adjustments: | | | | |
| Accounts Payable | (342,529) | (54,196) | (674,570) | (85,074) |
| Due to Component Units | (1,031) | (101) | (11,322) | (2,033) |
| Accrued Liabilities | (30,305) | (9,566) | (9,879) | (15,074) |
| Taxes Payable | (436,356) | - | - | - |
| Intergovernmental Payables | - | - | (717,562) | - |
| Due to Other Funds | (129,181) | (6,727) | (16,239) | (28,724) |
| Total Expenditure Accruals/Adjustments | (939,402) | (70,590) | (1,429,572) | (130,905) |
| Fund Balances - GAAP Basis | $ 1,115,459 | $ 40,995 | $ 6,528 | $ 1,563,360 |

**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, 2024, the legislature increased appropriations to the General Fund by $1.0 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 2024 - 2025, 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 August 9, 2024, 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, 2024 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 Ten Fiscal Years
(Expressed in Thousands)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Total Pension Liability** | | | |
| Service Cost | $ 1,770 | $ 1,734 | $ 1,547 |
| Interest | 4,915 | 4,876 | 4,823 |
| Changes in Benefit Terms | 19 | 274 | - |
| Differences Between Expected and Actual Experience | (110) | (151) | 1,066 |
| Changes of Assumptions | - | - | 836 |
| Benefit Payments, Including Refunds of Member Contributions | (5,434) | (5,095) | (4,681) |
| Net Change in Total Pension Liability | 1,160 | 1,638 | 3,591 |
| Beginning Total Pension Liability | 77,426 | 75,788 | 72,197 |
| Ending Total Pension Liability | 78,586 | 77,426 | 75,788 |
| **Plan Fiduciary Net Position** | | | |
| Employer Contributions | 620 | 868 | 739 |
| Member Contributions | 663 | 651 | 636 |
| Net Investment Income | 5,094 | (454) | 19,280 |
| Transfers | 730 | 30 | 473 |
| Benefit Payments, Including Refunds of Member Contributions | (5,434) | (5,095) | (4,681) |
| Administrative Expense | (71) | (73) | (68) |
| Net Change in Plan Fiduciary Net Position | 1,602 | (4,073) | 16,379 |
| Beginning Plan Fiduciary Net Position | 85,821 | 89,894 | 73,515 |
| Ending Plan Fiduciary Net Position | 87,423 | 85,821 | 89,894 |
| Ending Net Pension Liability (Asset) | $ (8,837) | $ (8,395) | $ (14,106) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 111.2 % | 110.8 % | 118.6 % |
| Covered Payroll | $ 8,658 | $ 8,502 | $ 8,312 |
| Net Pension Liability (Asset) as a Percentage of Covered Payroll | (102.1)% | (98.7)% | (169.7)% |

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| $ 1,609 | $ 1,597 | $ 1,487 | $ 1,466 | $ 1,397 | $ 1,606 | $ 1,518 |
| 4,645 | 4,582 | 4,442 | 4,358 | 4,155 | 3,863 | 3,736 |
| - | - | - | - | 2,017 | 28 | 17 |
| 943 | (1,087) | 469 | (893) | (1,746) | 2,238 | (292) |
| - | - | 698 | - | 2,490 | - | 426 |
| (4,317) | (4,068) | (3,805) | (3,652) | (3,502) | (3,384) | (3,219) |
| 2,880 | 1,024 | 3,291 | 1,279 | 4,811 | 4,351 | 2,186 |
| 69,317 | 68,293 | 65,002 | 63,723 | 58,912 | 54,561 | 52,375 |
| 72,197 | 69,317 | 68,293 | 65,002 | 63,723 | 58,912 | 54,561 |
| 716 | 1,213 | 1,179 | 1,144 | 1,078 | 979 | 932 |
| 617 | 620 | 604 | 585 | 550 | 550 | 528 |
| 2,165 | 4,709 | 6,607 | 7,800 | 130 | 1,055 | 8,416 |
| 765 | (3) | - | - | 6,343 | - | - |
| (4,317) | (4,068) | (3,805) | (3,652) | (3,502) | (3,384) | (3,219) |
| (69) | (68) | (62) | (57) | (48) | (49) | (42) |
| (123) | 2,403 | 4,523 | 5,820 | 4,551 | (849) | 6,615 |
| 73,638 | 71,235 | 66,712 | 60,892 | 56,341 | 57,190 | 50,575 |
| 73,515 | 73,638 | 71,235 | 66,712 | 60,892 | 56,341 | 57,190 |
| $ (1,318) | $ (4,321) | $ (2,942) | $ (1,710) | $ 2,831 | $ 2,571 | $ (2,629) |
| 101.8 % | 106.2 % | 104.3 % | 102.6 % | 95.6 % | 95.6 % | 104.8 % |
| $ 8,054 | $ 8,117 | $ 7,894 | $ 7,640 | $ 7,188 | $ 7,186 | $ 6,742 |
| (16.4)% | (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 Ten Fiscal Years
(Expressed in Thousands)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Total Pension Liability** | | | |
| Service Cost | $ 311 | $ 376 | $ 287 |
| Interest | 703 | 699 | 658 |
| Changes in Benefit Terms | 6 | 44 | - |
| Differences Between Expected and Actual Experience | 65 | (200) | 181 |
| Changes of Assumptions | - | - | 374 |
| Benefit Payments, Including Refunds of Member Contributions | (655) | (619) | (550) |
| Net Change in Total Pension Liability | 430 | 300 | 950 |
| Beginning Total Pension Liability | 10,979 | 10,679 | 9,729 |
| Ending Total Pension Liability | 11,409 | 10,979 | 10,679 |
| **Plan Fiduciary Net Position** | | | |
| Employer Contributions | 6 | 44 | - |
| Member Contributions | 227 | 162 | 215 |
| Net Investment Income | 975 | (90) | 3,560 |
| Benefit Payments, Including Refunds of Member Contributions | (655) | (619) | (550) |
| Transfers | - | - | (3) |
| Administrative Expense | (13) | (12) | (12) |
| Net Change in Plan Fiduciary Net Position | 540 | (515) | 3,210 |
| Beginning Plan Fiduciary Net Position | 16,145 | 16,660 | 13,450 |
| Ending Plan Fiduciary Net Position | 16,685 | 16,145 | 16,660 |
| Ending Net Pension Liability (Asset) | $ (5,276) | $ (5,166) | $ (5,981) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 146.3 % | 147.1 % | 156.0 % |
| Covered Payroll | $ 2,962 | $ 2,802 | $ 2,802 |
| Net Pension Liability (Asset) as a Percentage of Covered Payroll | (178.1)% | (184.3)% | (213.5)% |

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| $ 335 | $ 297 | $ 282 | $ 265 | $ 412 | $ 451 | $ 450 |
| 611 | 578 | 565 | 530 | 549 | 545 | 503 |
| - | - | - | - | - | 4 | 4 |
| 414 | 239 | (91) | 158 | (246) | (508) | (93) |
| - | - | 100 | - | (147) | - | 86 |
| (698) | (607) | (460) | (469) | (446) | (439) | (318) |
| 662 | 507 | 396 | 484 | 122 | 53 | 632 |
| 9,067 | 8,560 | 8,164 | 7,680 | 7,558 | 7,505 | 6,873 |
| 9,729 | 9,067 | 8,560 | 8,164 | 7,680 | 7,558 | 7,505 |
| | | | | | | |
| - | - | - | - | - | 4 | 4 |
| 157 | 221 | 154 | 202 | 138 | 193 | 140 |
| 391 | 845 | 1,176 | 1,366 | 48 | 206 | 1,622 |
| (698) | (607) | - | - | - | - | - |
| 366 | 45 | (460) | (469) | (446) | (439) | (318) |
| (14) | (12) | (11) | (9) | (8) | (9) | (8) |
| 202 | 492 | 859 | 1,090 | (268) | (45) | 1,440 |
| 13,248 | 12,756 | 11,897 | 10,807 | 11,075 | 11,120 | 9,680 |
| 13,450 | 13,248 | 12,756 | 11,897 | 10,807 | 11,075 | 11,120 |
| $ (3,721) | $ (4,181) | $ (4,196) | $ (3,733) | $ (3,127) | $ (3,517) | $ (3,615) |
| | | | | | | |
| 138.2 % | 146.1 % | 149.0 % | 145.7 % | 140.7 % | 146.5 % | 148.2 % |
| $ 2,814 | $ 2,660 | $ 2,711 | $ 2,651 | $ 2,590 | $ 2,528 | $ 2,535 |
| (132.2)% | (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)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Judicial Pension Plan** | | | |
| Actuarially Determined Contribution | $ 401 | $ 602 | $ 594 |
| Contributions in Relation to the Actuarially Determined Employer Contribution | (401) | (602) | (594) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - |
| Covered Payroll | $ 9,568 | $ 8,658 | $ 8,502 |
| Contributions as a percentage of covered payroll | 4.19 % | 6.95 % | 6.99 % |
| **Legislative Pension Plan** | | | |
| Actuarially Determined Contribution | $ - | $ - | $ - |
| Contribution Deficiency (Excess) | $ - | $ - | $ - |
| Covered Payroll | $ 3,057 | $ 2,962 | $ 2,801 |
| Contributions as a Percentage of Covered Payroll | 0.00 % | 0.00 % | 0.00 % |

(continued)

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| $ 739 | $ 716 | $ 1,213 | $ 1,179 | $ 1,144 | $ 1,078 | $ 951 |
| (739) | (716) | (1,213) | (1,179) | (1,144) | (1,078) | (951) |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| $ 8,312 | $ 8,054 | $ 8,117 | $ 7,894 | $ 7,640 | $ 7,188 | $ 7,186 |
| 8.89 % | 8.89 % | 14.94 % | 14.94 % | 14.97 % | 15.00 % | 13.23 % |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| $ 2,802 | $ 2,814 | $ 2,660 | $ 2,711 | $ 2,651 | $ 2,590 | $ 2,528 |
| 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % |

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2024 can be found in the June 30, 2022 actuarial valuation report.

Notes to Schedule

| **Key Methods and Assumptions Used to Determine Contribution Rates** | |
|---|---|
| Valuation date | June 30, 2021 |
| | June 30, 2024 actuarially determined contribution rates are calculated based on 2022 liabilities developed as a roll-forward of the 2021 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2022 using assets as of June 30, 2022. |
| 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 | 6.5% |
| 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 | Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. |

**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 Ten Fiscal Years
(Expressed in Thousands)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **State Employees - Primary Government** | | | |
| Proportion of the Collective Net Pension Liability | 94.845535 % | 95.160789 % | 95.299042 % |
| Proportionate Share (Amount) of the Collective Net Pension Liability | $ 882,298 | $ 883,273 | $ 615,520 |
| Covered Payroll | $ 775,283 | $ 733,368 | $ 726,579 |
| Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 113.80 % | 120.44 % | 84.71 % |
| Plan Fiduciary Net Position As a Percentage of the Total Pension Liability | 84.50 % | 84.10 % | 88.60 % |
| **Maine Community College System - DCU** | | | |
| Proportion of the Collective Net Pension Liability | 4.512781 % | 4.205865 % | 4.085948 % |
| Proportionate Share (Amount) of the Collective Net Pension Liability | $ 41,980 | $ 39,038 | $ 26,390 |
| Covered Payroll | $ 39,033 | $ 32,896 | $ 32,619 |
| Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 107.55 % | 118.67 % | 80.90 % |
| Plan Fiduciary Net Position As a Percentage of the Total Pension Liability | 84.50 % | 84.10 % | 88.60 % |
| **Non-Major and Formerly Reported Component Units** | | | |
| Proportion of the Collective Net Pension Liability | 0.641684 % | 0.633346 % | 0.615050 % |
| Proportionate Share (Amount) of the Collective Net Pension Liability | $ 5,969 | $ 5,878 | $ 3,972 |
| Covered Payroll | $ 5,415 | $ 5,029 | $ 4,768 |
| Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 110.23 % | 116.88 % | 83.31 % |
| Plan Fiduciary Net Position As a Percentage of the Total Pension Liability | 84.50 % | 84.10 % | 88.60 % |
| **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 | $ 930,247 | $ 928,189 | $ 645,881 |
| Covered Payroll | $ 819,731 | $ 771,293 | $ 763,966 |
| Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 113.48 % | 120.34 % | 84.54 % |
| Plan Fiduciary Net Position As a Percentage of the Total Pension Liability | 84.50 % | 84.10 % | 88.60 % |

Notes to Schedule:

As of June 30, 2024, 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, 2024 can be found in the June 30, 2022 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.

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| 95.090771 % | 94.775523 % | 94.652308 % | 94.829879 % | 94.498857 % | 92.825250 % | 92.853946 % |
| $ 1,129,955 | $ 991,147 | $ 993,438 | $ 1,080,168 | $ 1,269,080 | $ 950,597 | $ 837,743 |
| $ 688,817 | $ 627,615 | $ 608,615 | $ 601,904 | $ 588,415 | $ 520,115 | $ 525,765 |
| 164.04 % | 157.92 % | 163.23 % | 179.46 % | 215.68 % | 182.77 % | 159.34 % |
| 77.30 % | 79.41 % | 78.70 % | 76.10 % | 71.00 % | 76.80 % | 79.21 % |
| | | | | | | |
| 4.295313 % | 4.610452 % | 4.695230 % | 4.605776 % | 4.969634 % | 6.640831 % | 6.618303 % |
| $ 51,041 | $ 48,215 | $ 49,280 | $ 52,462 | $ 66,740 | $ 68,007 | $ 59,710 |
| $ 32,713 | $ 31,535 | $ 31,106 | $ 30,867 | $ 32,627 | $ 32,008 | $ 31,679 |
| 156.03 % | 152.89 % | 158.43 % | 169.96 % | 204.55 % | 212.47 % | 188.48 % |
| 77.30 % | 79.41 % | 78.70 % | 76.10 % | 71.00 % | 76.80 % | 79.21 % |
| | | | | | | |
| 0.613916 % | 0.614025 % | 0.652461 % | 0.564345 % | 0.531509 % | 0.533919 % | 0.527751 % |
| $ 7,295 | $ 6,421 | $ 6,848 | $ 6,428 | $ 7,138 | $ 5,468 | $ 4,760 |
| $ 4,571 | $ 4,115 | $ 4,240 | $ 3,700 | $ 3,424 | $ 3,927 | $ 3,776 |
| 159.59 % | 156.04 % | 161.51 % | 173.73 % | 208.47 % | 139.24 % | 126.06 % |
| 77.30 % | 79.41 % | 78.70 % | 76.10 % | 71.00 % | 76.80 % | 79.21 % |
| | | | | | | |
| 100.000000 % | 100.000000 % | 100.000000 % | 100.000000 % | 100.000000 % | 100.000000 % | 100.000000 % |
| $ 1,188,292 | $ 1,045,784 | $ 1,049,566 | $ 1,139,058 | $ 1,342,959 | $ 1,024,072 | $ 902,213 |
| $ 726,101 | $ 663,265 | $ 643,961 | $ 636,471 | $ 624,466 | $ 556,050 | $ 561,220 |
| 163.65 % | 157.67 % | 162.99 % | 178.96 % | 215.06 % | 184.17 % | 160.76 % |
| 77.30 % | 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)

| | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| **State Employees - Primary Government** | | | | |
| Actuarially Determined Contribution | $ 177,789 | $ 177,882 | $ 167,081 | $ 164,103 |
| Contributions in Relation to the Actuarially Determined Employer Contribution | (177,789) | (177,882) | (167,081) | (164,103) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 824,519 | $ 775,283 | $ 733,367 | $ 726,579 |
| Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll | 21.56 % | 22.94 % | 22.78 % | 22.59 % |
| **Maine Community College System - DCU** | | | | |
| Actuarially Determined Contribution | $ 9,047 | $ 8,468 | $ 7,385 | $ 7,036 |
| Contributions in Relation to the Actuarially Determined Employer Contribution | (9,047) | (8,468) | (7,385) | (7,036) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 43,964 | $ 39,033 | $ 32,896 | $ 32,619 |
| Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll | 20.58 % | 21.69 % | 22.45 % | 21.57 % |
| **Combined Non-major and Formerly Reported Component Units** | | | | |
| Actuarially Determined Contribution | $ 1,189 | $ 1,204 | $ 926 | $ 1,059 |
| Contributions in Relation to the Actuarially Determined Employer Contribution | (1,189) | (1,204) | (926) | (1,059) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 5,645 | $ 5,415 | $ 5,030 | $ 4,768 |
| Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll | 21.06 % | 22.23 % | 18.41 % | 22.21 % |
| **Total SETP - State of Maine Employees** | | | | |
| Actuarially Determined Contribution | $ 188,025 | $ 187,554 | $ 175,392 | $ 172,198 |
| Contributions in Relation to the Actuarially Determined Employer Contribution | (188,025) | (187,554) | (175,392) | (172,198) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - |
| Covered Payroll | $ 874,128 | $ 819,731 | $ 771,293 | $ 763,966 |
| Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll | 21.51 % | 22.88 % | 22.74 % | 22.54 % |

(continued)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| $ | 155,628 | 152,439 | 148,115 | 141,295 | 136,139 | 107,807 |
| | (155,628) | (152,439) | (148,115) | (141,295) | (136,139) | (107,807) |
| $ | - | - | - | - | - | - |
| $ | 688,817 | 627,615 | 608,615 | 601,904 | 588,415 | 521,846 |
| | 22.59 % | 24.29 % | 24.34 % | 23.47 % | 23.14 % | 20.66 % |
| $ | 7,030 | 7,416 | 7,347 | 6,863 | 7,159 | 8,135 |
| | (7,030) | (7,416) | (7,347) | (6,863) | (7,159) | (8,135) |
| $ | - | - | - | - | - | - |
| $ | 32,713 | 31,535 | 31,106 | 30,867 | 32,627 | 30,257 |
| | 21.49 % | 23.52 % | 23.62 % | 22.23 % | 21.94 % | 26.89 % |
| $ | 1,005 | 987 | 1,021 | 840 | 766 | 635 |
| | (1,005) | (987) | (1,021) | (840) | (766) | (635) |
| $ | - | - | - | - | - | - |
| $ | 4,571 | 4,115 | 4,240 | 3,700 | 3,424 | 3,947 |
| | 21.99 % | 23.99 % | 24.08 % | 22.70 % | 22.37 % | 16.09 % |
| $ | 163,663 | 160,842 | 156,483 | 148,998 | 144,064 | 116,577 |
| | (163,663) | (160,842) | (156,483) | (148,998) | (144,064) | (116,577) |
| $ | - | - | - | - | - | - |
| $ | 726,101 | 663,265 | 643,961 | 636,471 | 624,466 | 556,050 |
| | 22.54 % | 24.25 % | 24.30 % | 23.41 % | 23.07 % | 20.97 % |

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

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, 2021 |
| | June 30, 2024 actuarially determined contribution rates are calculated based on 2022 liabilities developed as a roll-forward of the 2021 valuation liability, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2022 using actual assets at June 30, 2022. |
| 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 | 6.5% |
| 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 | Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. |

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2024 can be found in the June 30, 2022 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 Ten Fiscal Years
(Expressed in Thousands)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Non-employer Contributing Entity's Proportion of:** | | | |
| Percentage of the Collective Net Pension Liability | 93.677413 % | 93.504374 % | 94.381819 % |
| Amount of the Collective Net Pension Liability | $ 1,517,141 | $ 1,484,911 | $ 845,826 |
| Plan Fiduciary Net Position As a Percentage of the Total Pension Liability | - % | 86.70 % | 92.10 % |

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.

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| 95.704826 % | 95.540502 % | 95.298384 % | 95.016790 % | 95.002519 % | 95.036038 % | 95.069591 % |
| $ 1,632,252 | $ 1,465,876 | $ 1,349,443 | $ 1,452,536 | $ 1,766,662 | $ 1,350,118 | $ 1,027,065 |
| 83.10 % | 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)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Teachers - Non-Employer Contributions** | | | |
| Actuarially Determined Contribution | $ 214,918 | $ 200,007 | $ 194,229 |
| Contributions in Relation to the Actuarially Determined Non-Employer Contribution | (214,918) | (200,007) | (194,229) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - |
| **Employer Contributions** | | | |
| Actuarially Determined Contribution | $ 81,730 | $ 70,616 | $ 68,677 |
| Contributions in Relation to the Actuarially Determined Employer Contribution | (81,730) | (70,616) | (68,677) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - |
| **Total SETP - Teachers** | | | |
| Actuarially Determined Contribution | $ 296,647 | $ 270,623 | $ 262,906 |
| Contributions in Relation to the Actuarially Determined Employer Contribution | (296,647) | (270,623) | (262,906) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - |

(continued)

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| $ 179,330 | $ 174,530 | $ 132,981 | $ 129,422 | $ 116,080 | $ 112,478 | $ 147,048 |
| (179,330) | (174,530) | (132,981) | (129,422) | (116,080) | (112,478) | (147,048) |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| $ 67,031 | $ 61,582 | $ 56,761 | $ 54,472 | $ 47,659 | $ 45,349 | $ 38,404 |
| (67,031) | (61,582) | (56,761) | (54,472) | (47,659) | (45,349) | (38,404) |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| $ 246,361 | $ 236,112 | $ 189,742 | $ 183,894 | $ 163,739 | $ 157,827 | $ 185,452 |
| (246,361) | (236,112) | (189,742) | (183,894) | (163,739) | (157,827) | (185,452) |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - |

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

Notes to Schedule:

| | |
|---|---|
| Valuation date | June 30, 2021<br>June 30, 2024 actuarially determined contribution rates are calculated based on 2020 liabilities developed as a roll-forward of the 2021 valuation liability, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2022 using actual assets at June 30, 2022. |
| 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 | 6.5 |
| 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 | Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. |

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2024 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 Eight Fiscal Years
(Expressed in Thousands)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **State Employee Healthcare Plan** | | | |
| **Total OPEB Liability** | | | |
| Beginning Total Liability | $ 1,100,482 | $ 1,077,787 | $ 1,236,901 |
| Service Cost | 12,482 | 18,237 | 17,706 |
| Interest | 69,701 | 68,578 | 79,021 |
| Changes in Benefit Terms | - | - | 554 |
| Differences Between Expected and Actual Experience | (373,843) | 19,145 | (59,931) |
| Changes of Assumptions Discount Rate | - | - | - |
| Changes of Assumptions Others | 61,043 | - | (116,306) |
| Benefit Payments, Including Refunds of Member Contributions | (82,573) | (83,265) | (80,158) |
| Net Change in Total OPEB Liability | (313,190) | 22,695 | (159,114) |
| Ending Total OPEB Liability | 787,292 | 1,100,482 | 1,077,787 |
| **Plan Fiduciary Net Position** | | | |
| Beginning Plan Fiduciary Net Position | 432,679 | 331,180 | 382,842 |
| Employer Contributions | 82,573 | 83,265 | 82,158 |
| Discretionary/Prefunded | 2,000 | 65,000 | - |
| Net Investment Income | 61,365 | 36,502 | (53,659) |
| Benefit Payments, Including Refunds of Member Contributions | (82,573) | (83,265) | (80,158) |
| Administrative Expense | (2) | (3) | (3) |
| Net Change in Plan Fiduciary Net Position | 63,363 | 101,499 | (51,662) |
| Ending Plan Fiduciary Net Position | 496,042 | 432,679 | 331,180 |
| Ending Net OPEB Liability | $ 291,250 | $ 667,803 | $ 746,607 |
| **Proportion** | | | |
| Plan Fiduciary Net Position as Percentage of the Total OPEB Liability | 63.0 % | 39.3 % | 30.7 % |
| Covered Payroll | $ 835,682 | $ 785,462 | $ 737,707 |
| Net OPEB Liability as a Percentage of Covered Payroll | 34.9 % | 85.0 % | 101.2 % |

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Teacher Healthcare Plan** | | | |
| **Total OPEB Liability** | | | |
| Beginning Total Liability | $ 1,006,594 | $ 1,480,042 | $ - |
| Service Cost | 19,954 | 45,372 | - |
| Interest | 65,569 | 53,324 | - |
| Changes in Benefit Terms | 77,309 | - | - |
| Differences Between Expected and Actual Experience | (180,235) | 2,824 | - |
| Changes of Assumptions Discount Rate | - | (536,445) | - |
| Changes of Assumptions Others | 18,980 | - | - |
| Benefit Payments, Including Refunds of Member Contributions | (36,147) | (38,523) | - |
| Net Change in Total OPEB Liability | (34,570) | (473,448) | - |
| Ending Total OPEB Liability | 972,024 | 1,006,594 | - |
| **Plan Fiduciary Net Position** | | | |
| Beginning Plan Fiduciary Net Position | 103,000 | - | - |
| Non-Employer Contributions | 36,147 | 38,523 | - |
| Discretionary/Prefunded | - | 103,000 | - |
| Net Investment Income | 12,314 | - | - |
| Benefit Payments, Including Refunds of Member Contributions | (36,147) | (38,523) | - |
| Administrative Expense | (2) | - | - |
| Net Change in Plan Fiduciary Net Position | 12,312 | 103,000 | - |
| Ending Plan Fiduciary Net Position | 115,312 | 103,000 | - |
| Ending Net OPEB Liability | $ 856,712 | $ 903,594 | $ - |
| **Proportion** | | | |
| Plan Fiduciary Net Position as Percentage of the Total OPEB Liability | 11.9 % | 10.2 % | - % |
| Covered Payroll | $ 1,562,947 | $ 1,492,683 | $ - |
| Net OPEB Liability as a Percentage of Covered Payroll | 54.8 % | 60.5 % | - % |

This information relates to the OPEB Plans at June 30, 2024 administered through trusts. This is not the employer's or non-employer contributing entity's plan. The Teacher's Plan was funded on June 30, 2023.

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.

| 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| $ 1,180,487 | $ 1,226,111 | $ 1,199,512 | $ 1,161,320 | $ 1,143,542 |
| 18,311 | 17,777 | 17,425 | 16,917 | 12,246 |
| 78,426 | 81,020 | 79,128 | 76,921 | 75,650 |
| - | - | - | - | - |
| 6,689 | (56,455) | 20,875 | 17,725 | - |
| 28,083 | - | - | - | - |
| - | 652 | - | 5,241 | - |
| (75,095) | (88,618) | (90,829) | (78,612) | (70,118) |
| 56,414 | (45,624) | 26,599 | 38,192 | 17,778 |
| 1,236,901 | 1,180,487 | 1,226,111 | 1,199,512 | 1,161,320 |
| | | | | |
| 291,559 | 277,703 | 256,860 | 233,596 | 203,088 |
| 77,095 | 88,618 | 92,829 | 80,612 | 74,118 |
| - | - | - | - | - |
| 89,286 | 13,859 | 18,846 | 21,270 | 26,513 |
| (75,095) | (88,618) | (90,829) | (78,612) | (70,118) |
| (3) | (3) | (3) | (6) | (5) |
| 91,283 | 13,856 | 20,843 | 23,264 | 30,508 |
| 382,842 | 291,559 | 277,703 | 256,860 | 233,596 |
| $ 854,059 | $ 888,928 | $ 948,408 | $ 942,652 | $ 927,724 |
| | | | | |
| 31.0 % | 24.7 % | 22.6 % | 21.4 % | 20.1 % |
| $ 736,411 | $ 687,595 | $ 626,384 | $ 612,195 | $ 574,663 |
| 116.0 % | 129.3 % | 151.4 % | 154.0 % | 161.4 % |

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

Last Eight Fiscal Years
(Expressed in Thousands)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Total OPEB Liability** | | | |
| Beginning Total Liability | $ 245,450 | $ 235,060 | $ 223,516 |
| Service Cost | 2,934 | 2,856 | 2,757 |
| Interest | 16,241 | 15,219 | 15,240 |
| Changes of Assumptions Other | 1,754 | - | - |
| Differences Between Expected and Actual Experience | (10,415) | - | 365 |
| Changes of Assumptions Discount Rate | - | - | - |
| Benefit Payments, Including Refunds of Member Contributions | (7,234) | (7,685) | (6,818) |
| Net Change in Total OPEB Liability | 3,280 | 10,390 | 11,544 |
| Ending Total OPEB Liability | 248,730 | 245,450 | 235,060 |
| **Plan Fiduciary Net Position** | | | |
| Beginning Plan Fiduciary Net Position | 139,836 | 123,155 | 140,600 |
| Employer and Non-Employer Contributions | 12,163 | 11,053 | 10,585 |
| Net Investment Income | 20,683 | 14,264 | (20,387) |
| Benefit Payments, Including Refunds of Member Contributions | (7,234) | (7,685) | (6,818) |
| Administrative Expense | (973) | (951) | (825) |
| Net Change in Plan Fiduciary Net Position | 24,639 | 16,681 | (17,445) |
| Ending Plan Fiduciary Net Position | 164,475 | 139,836 | 123,155 |
| Ending Net OPEB Liability | $ 84,255 | $ 105,614 | $ 111,905 |
| **Proportion** | | | |
| Plan Fiduciary Net Position as Percentage of the Total OPEB Liability | 66.1 % | 57.0 % | 52.4 % |
| Covered Payroll | $ 1,734,788 | $ 1,644,477 | $ 1,600,465 |
| Net OPEB Liability as a Percentage of Covered Payroll | 4.9 % | 6.4 % | 7.0 % |

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.

| 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| $ 213,309 | $ 204,432 | $ 196,263 | $ 183,723 | $ 175,647 |
| 2,683 | 2,191 | 2,132 | 2,122 | 2,065 |
| 13,847 | 14,275 | 13,155 | 12,531 | 12,015 |
| - | - | - | - | - |
| - | 589 | - | 1,957 | - |
| 291 | - | - | 3,200 | - |
| (6,614) | (8,178) | (7,118) | (7,270) | (6,004) |
| 10,207 | 8,877 | 8,169 | 12,540 | 8,076 |
| 223,516 | 213,309 | 204,432 | 196,263 | 183,723 |
| | | | | |
| 105,617 | 100,617 | 94,287 | 86,883 | 77,416 |
| 9,867 | 9,311 | 7,756 | 7,639 | 6,921 |
| 32,552 | 4,886 | 6,418 | 7,805 | 9,886 |
| (6,614) | (8,178) | (7,118) | (7,270) | (6,004) |
| (822) | (1,019) | (726) | (770) | (1,336) |
| 34,983 | 5,000 | 6,330 | 7,404 | 9,467 |
| 140,600 | 105,617 | 100,617 | 94,287 | 86,883 |
| $ 82,916 | $ 107,692 | $ 103,815 | $ 101,976 | $ 96,840 |
| | | | | |
| 62.9 % | 49.5 % | 49.2 % | 48.0 % | 47.3 % |
| $ 1,525,193 | $ 1,484,373 | $ 1,380,619 | $ 1,343,669 | $ 1,277,009 |
| 5.4 % | 7.3 % | 7.5 % | 7.6 % | 7.6 % |

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

Fiscal Years 2017 - 2022
(Expressed in Thousands)

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | |
| Beginning Total Liability | $ 1,905,991 | $ 1,441,260 | $ 1,235,862 | $ 1,248,326 | $ 1,323,731 | $ 1,323,731 |
| Service Cost | 68,197 | 44,132 | 33,787 | 35,795 | 42,214 | - |
| Interest | 43,314 | 51,449 | 48,502 | 45,495 | 38,521 | - |
| Changes in Benefit Terms | 325,417 | - | - | - | - | - |
| Contribution - Non-Employer Contributing Entity | (28,719) | (31,133) | (33,032) | (26,855) | (28,848) | - |
| Differences Between Expected and Actual Experience | (457,831) | 846 | 59,296 | (5,178) | - | - |
| Changes of Assumptions Discount Rate | 12,837 | 399,437 | 90,624 | (61,721) | (170,420) | - |
| Changes of Assumptions - Others | (79,412) | - | 6,221 | - | - | - |
| Differences Between Expected and Actual Investment Earnings | - | - | - | - | 43,128 | - |
| Net Change in Total OPEB Liability | (116,197) | 464,731 | 205,398 | (12,464) | (75,405) | - |
| Ending Total OPEB Liability | 1,789,794 | 1,905,991 | 1,441,260 | 1,235,862 | 1,248,326 | 1,323,731 |
| **Proportion** | | | | | | |
| | - | - | - | - | - | - |
| Covered-Employee Payroll | $ 1,414,447 | $ 1,276,975 | $ 1,260,742 | $ 1,156,592 | $ 1,149,126 | $ 1,125,444 |
| Net OPEB Liability as Percentage of Covered Employee Payroll | 126.5 % | 149.3 % | 114.3 % | 106.9 % | 107.5 % | 117.6 % |
| State's Proportionate Share of the Collective Total OPEB | 78 % | 80 % | 75 % | 74 % | 83 % | 83 % |

This information relates to the OPEB Plan up to the date that the plan was funded on June 30, 2023. The plan did not previously accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The plan was funded on a pay-as-you go basis prior to June 30, 2023. Information related to the funded plan is included in a schedule titled "Changes in Net OPEB Liability - Healthcare - State and Teachers."

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.


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

Last Eight Fiscal Years
(Expressed in Thousands)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Total OPEB Liability** | | | |
| Beginning Total Liability | $ 29,949 | $ 32,680 | $ 31,926 |
| Service Cost | 1,246 | 1,639 | 1,553 |
| Interest | 1,079 | 729 | 731 |
| Changes in Benefit Terms | - | - | 165 |
| Contribution - Employee | (769) | (837) | (693) |
| Contribution - Non-Employer Contributing Entity | (829) | (397) | (218) |
| Administrative Expenses | 134 | 98 | 72 |
| Differences Between Expected and Actual Experience | (1,108) | (287) | (1,641) |
| Changes of Assumptions Discount Rate | (271) | (3,676) | 138 |
| Changes of Assumptions - Others | (129) | - | 647 |
| Net Change in Total OPEB Liability | (647) | (2,731) | 754 |
| Ending Total OPEB Liability | $ 29,302 | $ 29,949 | $ 32,680 |
| **Proportion** | | | |
| Covered Payroll | $ 51,267 | $ 55,806 | $ 46,207 |
| Total OPEB Liability as Percentage of Covered-Employee Payroll | 57.2 % | 53.7 % | 70.7 % |
| State's Proportionate Share of the Collective Total OPEB | 24 % | 24 % | 24 % |

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.

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.

| 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| | | | | |
| $ 27,506 | $ 19,232 | $ 18,980 | $ 26,052 | $ - |
| 1,142 | 751 | 776 | 1,836 | - |
| 989 | 763 | 698 | 786 | - |
| - | 8,247 | - | - | - |
| (696) | (592) | (617) | (618) | - |
| (242) | (48) | (5) | (78) | - |
| 132 | 92 | 98 | 99 | - |
| (210) | (863) | (191) | (2,909) | - |
| 3,305 | 939 | (507) | (1,325) | - |
| - | (1,015) | - | (4,863) | - |
| 4,420 | 8,274 | 252 | (7,072) | - |
| $ 31,926 | $ 27,506 | $ 19,232 | $ 18,980 | $ 26,052 |
| | | | | |
| $ 46,395 | $ 66,360 | $ 64,427 | $ 62,551 | $ 55,651 |
| 68.8 % | 41.4 % | 29.9 % | 30.3 % | 46.8 % |
| 24 % | 23 % | 13 % | 23 % | 23 % |

# STATE OF MAINE
## SCHEDULE OF STATE CONTRIBUTIONS
## STATE FUNDED OPEB PLANS

Last Eight Fiscal Years
(Expressed in Thousands)

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **State Employee Healthcare** | | | |
| Actuarially Determined Contribution | $ 27,551 | $ 74,913 | $ 52,922 |
| Contributions in Relation to the Actuarially Determined Employer Contribution | (84,573) | (148,265) | (82,158) |
| Contribution Deficiency (Excess) | $ (57,022) | $ (73,352) | $ (29,236) |
| Covered Payroll | $ 835,682 | $ 785,462 | $ 737,707 |
| Contributions as a Percentage of Covered Payroll | 10.12 % | 18.88 % | 11.14 % |
| **State Employee and Teacher Group Life Insurance Benefit Plan** | | | |
| Actuarially Determined Contribution | $ 13,057 | $ 11,593 | $ 11,242 |
| Contributions in Relation to the Actuarially Determined Employer Contribution | (12,163) | (11,053) | 10,585 |
| Contribution Deficiency (Excess) | $ 894 | $ 540 | $ 657 |
| Covered Payroll | $ 1,734,788 | $ 1,644,477 | $ 1,600,465 |
| Contributions as a Percentage of Covered Payroll | 0.70 % | 0.67 % | 0.66 % |
| **Teacher Healthcare** | | | |
| Actuarially Determined Contribution | $ 99,341 | $ 106,617 | $ - |
| Contributions in Relation to the Actuarially Determined Employer Contribution | (36,147) | (141,523) | - |
| Contribution Deficiency (Excess) | $ 63,194 | $ (34,906) | $ - |
| Covered Payroll | $ 1,562,947 | $ 1,492,683 | $ - |
| Contributions as a Percentage of Covered Payroll | 2.31 % | 9.48 % | - % |

Notes to Schedule:

Actuarial assumptions for State Health Insurance and Group Life Insurance plans:

All plans use the same basic assumptions including: the entry age normal actuarial cost method, inflation based on 2.75 percent, and a 5-year smoothed market asset valuation; and an investment interest rate and discount rate of 6.5 percent. Salary increases mirror the inflation rate plus a merit component. Plans based their mortality assumptions using the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model adjusted for experience. The experience study used is the one from July 1, 2015 to June 30, 2020. The unfunded actuarial liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis.

State Health Insurance

The valuation date is June 30, 2024. 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 unfunded liability will be fully recognized by June 30, 2037. The initial medical trend rate started at 7.09 percent. The ultimate medical trend rate of 4.19 percent is used 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.

Group Life Insurance

The valuation date is June 30, 2024. The ADCs for 2024 and 2025 were based on the June 30, 2020 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 is 2024 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. 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. The initial medical trend rate was 7.09 percent. The ultimate medical trend rate of 4.19 percent is used at 2075. Assumption changes and plan changes are amortized over a period to June 30, 2037. The unfunded liability will be fully recognized by June 30, 2037.

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.

| | | | | |
|---|---|---|---|---|
| 2021 | 2020 | 2019 | 2018 | 2017 |
| $ 58,819 | $ 56,241 | $ 71,363 | $ 71,179 | $ 69,000 |
| (77,095) | (88,618) | (92,829) | (80,612) | (74,000) |
| $ (18,276) | $ (32,377) | $ (21,466) | $ (9,433) | $ (5,000) |
| $ 736,411 | $ 687,595 | $ 626,384 | $ 612,195 | $ 582,934 |
| 10.47 % | 12.89 % | 14.82 % | 13.17 % | 12.67 % |
| $ 10,965 | $ 10,671 | $ 9,040 | $ 8,806 | $ 8,240 |
| (9,867) | (9,310) | (7,756) | (7,638) | (6,921) |
| $ 1,098 | $ 1,361 | $ 1,284 | $ 1,168 | $ 1,319 |
| $ 1,525,193 | $ 1,484,373 | $ 1,380,619 | $ 1,343,669 | $ 1,277,009 |
| 0.65 % | 0.63 % | 0.56 % | 0.57 % | 0.54 % |
| $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | - |
| $ - | $ - | $ - | $ - | $ - |
| $ - | $ - | $ - | $ - | $ - |
| - % | - % | - % | - % | - % |

## SCHEDULE OF INVESTMENT RETURNS
## STATE FUNDED OPEB PLANS

Last Eight Fiscal Years

| | 2024 | 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 | 14.2 % | 11.0 % | 14.1 % | 30.6 % | 6.0 % | 6.6 % | 9.0 % | 12.9 % |

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 8,779 highway miles or 17,835 lane miles of roads and 3,033 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 |
|---|---|---|
| 2024 | 73.1 | 74.0 |
| 2023 | 74.3 | 74.0 |
| 2022 | 76.2 | 74.0 |

**Comparison of Estimated-to-Actual Preservation Costs**

The following table presents the State's preservation costs for the past five fiscal years. It also shows the estimate of spending necessary to preserve and maintain the roads and bridges at, or above, a sufficiency rating of 60 for both highways and bridges (in millions).

**Actual Preservation Costs**
**(Expressed in millions)**

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Highways | $ 198.4 | $ 197.0 | $ 153.2 | $ 157.4 | $ 148.3 |
| Bridges | 18.3 | 8.7 | 22.8 | 34.9 | 32.0 |
| Total | $ 216.7 | $ 205.7 | $ 176.0 | $ 192.3 | $ 180.3 |

**Estimated Preservation Costs**
**(Expressed in millions)**

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|---|---|---|---|---|---|
| Highways | $ 185.0 | $ 175.0 | $ 150.0 | $ 150.0 | $ 130.0 |
| Bridges | 22.0 | 30.0 | 35.0 | 35.0 | 15.0 |
| Total | $ 207.0 | $ 205.0 | $ 185.0 | $ 185.0 | $ 145.0 |

**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, $31.1 million in General Fund bonds were spent during FY2024. Of the amount authorized by PL 2019, Chapter 673, $3.1 million in General Fund bonds were spent during FY2024.


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MAINE

# STATE OF MAINE
# INDEPENDENT AUDITOR'S REPORTS
# ON INTERNAL CONTROL AND COMPLIANCE
# FOR THE YEAR ENDED JUNE 30, 2024

**STATE OF MAINE**
**OFFICE OF THE STATE AUDITOR**
66 STATE HOUSE STATION
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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, 132nd 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, 2024, 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 17, 2024. 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 2024-001 and 2024-015 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 2024-002 through 2024-014 and 2024-016 through 2024-021 to be significant deficiencies.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2024-015.

**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 17, 2024

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**Matthew Dunlap, CIA**
**State Auditor**

**B. Melissa Perkins, CPA**
**Deputy State Auditor**

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

Honorable Members of the Legislative Council, 132nd 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, 2024. 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, 2024. 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, 2024:

- ALN 10.551, 10.561 SNAP Cluster
- ALN 10.553, 10.555, 10.556, 10.559, 10.582 Child Nutrition Cluster
- ALN 21.026 Homeowner Assistance Fund Program
- ALN 93.489, 93.575, 93.596 CCDF Cluster
- 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, 2024.

***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 |
|---|---|---|---|
| 10.551<br>10.561 | SNAP Cluster | Allowable costs/cost principles<br>Eligibility<br>Special Tests and provisions | 2024-022 |
| | | Allowable costs/cost principles<br>Eligibility | 2024-023 |
| | | Allowable costs/cost principles<br>Eligibility<br>Special tests and provisions | 2024-024 |
| 10.553<br>10.555<br>10.556<br>10.559<br>10.582 | Child Nutrition Cluster | Allowable costs/cost principles<br>Eligibility | 2024-030 |
| | | Allowable costs/cost principles<br>Reporting | 2024-031 |
| | | Subrecipient monitoring | 2024-032 |
| 21.026 | Homeowner Assistance Fund Program | Matching, level of effort, earmarking<br>Reporting | 2024-042 |
| | | Subrecipient monitoring | 2024-043 |
| 93.489<br>93.575<br>93.596 | CCDF Cluster | Matching, level of effort, earmarking<br>Reporting | 2024-059 |
| 93.558 | Temporary Assistance for Needy Families (TANF) | Activities allowed or unallowed<br>Allowable costs/cost principles | 2024-052 |
| | | Eligibility<br>Special tests and provisions | 2024-053 |
| 93.658 | Foster Care – Title IV-E | Allowable costs/cost principles<br>Eligibility | 2024-063 |
| 93.659 | Adoption Assistance – Title IV-E | Allowable costs/cost principles<br>Eligibility | 2024-063 |
| | | Allowable costs/cost principles<br>Eligibility | 2024-064 |
| 93.775<br>93.777<br>93.778 | Medicaid Cluster | Special tests and provisions | 2024-067 |
| 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) | Reporting | 2024-073 |

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 weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed one other instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 2024-047. Our opinion on each major Federal program is not modified with respect to this matter.

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

**Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2024-022 through 2024-024, 2024-030 through 2024-033, 2024-042, 2024-043, 2024-052, 2024-053, 2024-059, 2024-063, 2024-064, 2024-067, and 2024-073 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2024-016 through 2024-021, 2024-025 through 2024-029, 2024-034 through 2024-041, 2024-044 through 2024-051, 2024-054 through 2024-058, 2024-060 through 2024-062, 2024-065, 2024-066, 2024-068 through 2024-072, and 2024-074 through 2024-076 to be significant deficiencies.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on the State of Maine's response to the internal control over compliance findings identified in our 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 27, 2025

# STATE OF MAINE
# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
# FOR THE YEAR ENDED JUNE 30, 2024

**STATE OF MAINE**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2024**

**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 | - | 382,035 | 382,035 | |
| Specialty Crop Block Grant Program - Farm Bill | | | | | |
| 10.170 | Specialty Crop Block Grant Program - Farm Bill | 562,462 | 81,706 | 644,169 | |
| 10.170 | COVID-19 - Specialty Crop Block Grant Program - Farm Bill | 343,120 | - | 343,120 | |
| Specialty Crop Block Grant Program - Farm Bill Total | | 905,582 | 81,706 | 987,288 | |
| 10.171 | Organic Certification Cost Share Programs | 370,768 | 6,332 | 377,100 | |
| 10.182 | COVID-19 - Food Bank Network | 655,007 | 522 | 655,530 | |
| 10.185 | Local Food for Schools Cooperative Agreement Program | 582,170 | - | 582,170 | |
| 10.187 | The Emergency Food Assistance Program (TEFAP) Commodity Credit Corporation Eligible Recipient Funds | 318,125 | - | 318,125 | |
| 10.351 | Rural Business Development Grant | 20,000 | 300,128 | 320,128 | |
| 10.475 | Cooperative Agreements with States for Intrastate Meat and Poultry Inspection | - | 519,321 | 519,321 | |
| 10.525 | Farm and Ranch Stress Assistance Network Competitive Grants Program | 90,904 | - | 90,904 | |
| 10.541 | Child Nutrition-Technology Innovation Grant | - | 273,001 | 273,001 | |
| 10.542 | COVID-19 - Pandemic EBT Food Benefits | - | 15,577,353 | 15,577,353 | * |
| WIC Special Supplemental Nutrition Program for Women, Infants, and Children | | | | | |
| 10.557 | WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 5,477,339 | 17,001,811 | 22,479,150 | * |
| 10.557 | COVID-19 - WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 356,859 | 6,133 | 362,991 | * |
| WIC Special Supplemental Nutrition Program for Women, Infants, and Children Total | | 5,834,198 | 17,007,944 | 22,842,142 | |
| 10.558 | Child and Adult Care Food Program | 8,791,168 | 208,553 | 8,999,721 | |
| 10.560 | State Administrative Expenses for Child Nutrition | - | 1,074,788 | 1,074,788 | |
| 10.572 | WIC Farmers' Market Nutrition Program (FMNP) | 12,008 | 96,416 | 108,424 | |
| Senior Farmers Market Nutrition Program | | | | | |
| 10.576 | Senior Farmers Market Nutrition Program | 814,277 | 91,112 | 905,389 | |
| 10.576 | COVID-19 - Senior Farmers Market Nutrition Program | 10,000 | 12,436 | 22,436 | |
| Senior Farmers Market Nutrition Program Total | | 824,277 | 103,548 | 927,825 | |
| 10.579 | Child Nutrition Discretionary Grants Limited Availability | 128,014 | - | 128,014 | |
| 10.580 | Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants | - | 344,452 | 344,452 | |
| 10.645 | COVID-19 - Farm to School State Formula Grant | - | 5,739 | 5,739 | |
| 10.646 | Summer Electronic Benefit Transfer Program for Children | - | 986,965 | 986,965 | |
| Pandemic EBT Administrative Costs | | | | | |
| 10.649 | Pandemic EBT Administrative Costs | 382,649 | 1,959 | 384,608 | |
| 10.649 | COVID-19 - Pandemic EBT Administrative Costs | - | 821,962 | 821,962 | |
| Pandemic EBT Administrative Costs Total | | 382,649 | 823,921 | 1,206,570 | |
| 10.652 | Forestry Research | - | 305,331 | 305,331 | |
| 10.664 | Cooperative Forestry Assistance | 297,443 | 1,212,257 | 1,509,701 | |
| 10.676 | Forest Legacy Program | - | 40,587 | 40,587 | |
| 10.680 | Forest Health Protection | - | 16,143 | 16,143 | |
| 10.689 | Community Forest and Open Space Conservation Program (CFP) | - | 13,500 | 13,500 | |
| 10.698 | State & Private Forestry Cooperative Fire Assistance | 28,570 | - | 28,570 | |
| 10.720 | Infrastructure Investment and Jobs Act Community Wildfire Defense Grants | - | 6,497 | 6,497 | |
| 10.721 | Infrastructure Investment and Jobs Act Temporary Bridge Program | 34,778 | - | 34,778 | |
| 10.727 | Inflation Reduction Act Urban & Community Forestry Program | - | 9,730 | 9,730 | |
| 10.904 | Watershed Protection and Flood Prevention | - | 200,392 | 200,392 | |
| 10.912 | Environmental Quality Incentives Program | - | 7,927 | 7,927 | |
| 10.982 | Testing, Mitigation, and Relief for Agricultural Contamination by Per- and Polyfluoroalkyl Substances | 407,752 | 12,509 | 420,261 | |
| SNAP Cluster | | | | | |
| 10.551 | Supplemental Nutrition Assistance Program | - | 371,444,136 | 371,444,136 | * |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | | | | | |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 5,287,309 | 13,746,948 | 19,034,257 | * |
| 10.561 | COVID-19 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | - | 1,532,169 | 1,532,169 | * |
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program Total | | 5,287,309 | 15,279,117 | 20,566,426 | |
| SNAP Cluster Total | | 5,287,309 | 386,723,253 | 392,010,562 | |
| Food Distribution Cluster | | | | | |
| 10.565 | Commodity Supplemental Food Program | 2,722,233 | 38,570 | 2,760,802 | |
| Emergency Food Assistance Program (Administrative Costs) | | | | | |
| 10.568 | Emergency Food Assistance Program (Administrative Costs) | 225,779 | 78,670 | 304,449 | |
| 10.568 | COVID-19 - Emergency Food Assistance Program (Administrative Costs) | 191,025 | - | 191,025 | |
| Emergency Food Assistance Program (Administrative Costs) Total | | 416,804 | 78,670 | 495,474 | |
| 10.569 | Emergency Food Assistance Program (Food Commodities) | 11,771,619 | - | 11,771,619 | |
| Food Distribution Cluster Total | | 14,910,656 | 117,240 | 15,027,895 | |
| Child Nutrition Cluster | | | | | |
| 10.553 | School Breakfast Program | 14,748,185 | 59,487 | 14,807,672 | * |
| 10.555 | National School Lunch Program | 47,261,157 | 112,524 | 47,373,682 | * |

| ALN | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | ALN Total | |
|---|---|---|---|---|---|
| 10.556 | Special Milk Program for Children | 2,049 | - | 2,049 | * |
| 10.559 | Summer Food Service Program for Children | 2,750,310 | 268,734 | 3,019,044 | * |
| 10.582 | Fresh Fruit and Vegetable Program | 2,838,775 | 139,939 | 2,978,714 | * |
| Child Nutrition Cluster Total | | 67,600,477 | 580,684 | 68,181,161 | |
| **Department of Agriculture Total** | | 107,481,855 | 427,038,776 | 534,520,630 | |
| | | | | | |
| **Department of Commerce** | | | | | |
| 11.407 | Interjurisdictional Fisheries Act of 1986 | - | 178,012 | 178,012 | |
| 11.417 | Sea Grant Support | 188,618 | 109,749 | 298,367 | |
| 11.419 | Coastal Zone Management Administration Awards | 617,943 | 1,834,793 | 2,452,736 | |
| 11.454 | Unallied Management Projects | - | 6,039 | 6,039 | |
| 11.463 | Habitat Conservation | 599,934 | - | 599,934 | |
| [1] 11.469 | Congressionally Identified Awards and Projects | - | 778,973 | 778,973 | |
| [2] 11.472 | Unallied Science Program | 40,713 | 3,325,782 | 3,366,495 | |
| [3] 11.473 | Office for Coastal Management | 207,372 | 130,506 | 337,878 | |
| [4] 11.474 | Atlantic Coastal Fisheries Cooperative Management Act | - | 1,022,544 | 1,022,544 | |
| Economic Development Cluster | | | | | |
| 11.307 | COVID-19 - Economic Adjustment Assistance | 274,211 | 253,406 | 527,617 | |
| Economic Development Cluster Total | | 274,211 | 253,406 | 527,617 | |
| **Department of Commerce Total** | | 1,928,792 | 7,639,803 | 9,568,595 | |
| | | | | | |
| **Department of Defense** | | | | | |
| 12.113 | State Memorandum of Agreement Program for the Reimbursement of Technical Services | - | 405,991 | 405,991 | |
| 12.400 | Military Construction, National Guard | - | 8,800,477 | 8,800,477 | |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects | - | 30,641,310 | 30,641,310 | |
| **Department of Defense Total** | | - | 39,847,777 | 39,847,777 | |
| | | | | | |
| **Department of Housing And Urban Development** | | | | | |
| 14.171 | Manufactured Housing | - | 22,480 | 22,480 | |
| 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 | 10,347,542 | 452,394 | 10,799,936 | |
| 14.228 | COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 1,104,669 | - | 1,104,669 | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Total | | 11,452,211 | 452,394 | 11,904,605 | |
| 14.267 | Continuum of Care Program | 10,981,899 | - | 10,981,899 | |
| 14.401 | Fair Housing Assistance Program | - | 172,396 | 172,396 | |
| **Department of Housing And Urban Development Total** | | 22,434,110 | 647,269 | 23,081,379 | |
| | | | | | |
| **Department of the Interior** | | | | | |
| 15.073 | Earth Mapping Resources Initiative | - | 104,052 | 104,052 | |
| 15.608 | Fish and Wildlife Management Assistance | 54,986 | - | 54,986 | |
| 15.614 | Coastal Wetlands Planning, Protection and Restoration | 992,674 | 3,354 | 996,028 | |
| 15.615 | Cooperative Endangered Species Conservation Fund | - | 129,804 | 129,804 | |
| 15.616 | Clean Vessel Act | 143,861 | 115,268 | 259,128 | |
| 15.622 | Sportfishing and Boating Safety Act | - | 166,340 | 166,340 | |
| 15.623 | North American Wetlands Conservation Fund | 858,000 | 1,024,882 | 1,882,882 | |
| 15.634 | State Wildlife Grants | 14,366 | 472,926 | 487,292 | |
| 15.657 | Endangered Species Recovery Implementation | - | 98,182 | 98,182 | |
| [5] 15.663 | NFWF-USFWS Conservation Partnership | 119,088 | - | 119,087 | |
| 15.676 | Youth Engagement, Education, and Employment | - | 68,794 | 68,794 | |
| 15.684 | White-nose Syndrome National Response Implementation | - | 14,828 | 14,828 | |
| 15.808 | U.S. Geological Survey Research and Data Collection | 58,709 | 70,992 | 129,702 | |
| 15.810 | National Cooperative Geologic Mapping | - | 232,297 | 232,297 | |
| 15.814 | National Geological and Geophysical Data Preservation | - | 2,850 | 2,850 | |
| 15.904 | Historic Preservation Fund Grants-In-Aid | 171,459 | 626,373 | 797,832 | |
| 15.916 | Outdoor Recreation Acquisition, Development and Planning | 611,307 | 1,599 | 612,906 | |
| 15.931 | Youth and Veteran Organizations Conservation Activities | - | 71,202 | 71,202 | |
| [6] 15.935 | National Trails System Projects | - | 90,632 | 90,632 | |
| Fish and Wildlife Cluster | | | | | |
| 15.605 | Sport Fish Restoration | - | 3,303,105 | 3,303,105 | * |
| 15.611 | Wildlife Restoration and Basic Hunter Education and Safety | - | 13,816,254 | 13,816,254 | * |
| Fish and Wildlife Cluster Total | | - | 17,119,359 | 17,119,359 | |
| **Department of the Interior Total** | | 3,024,448 | 20,413,734 | 23,438,182 | |
| | | | | | |
| **Department of Justice** | | | | | |
| 16.017 | Sexual Assault Services Formula Program | 489,172 | 10,854 | 500,026 | |
| 16.034 | COVID-19 - Coronavirus Emergency Supplemental Funding Program | 37,300 | 226,150 | 263,449 | |

| ALN | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | ALN Total |
|---|---|---|---|---|
| 16.540 | Juvenile Justice and Delinquency Prevention | 233,956 | 331,513 | 565,469 |
| 16.543 | Missing Children's Assistance | - | 632,382 | 632,382 |
| 16.554 | National Criminal History Improvement Program (NCHIP) | - | 284,289 | 284,289 |
| 16.575 | Crime Victim Assistance | 6,666,604 | 577,534 | 7,244,138 |
| 16.576 | Crime Victim Compensation | - | 460,970 | 460,970 |
| 16.582 | Crime Victim Assistance/Discretionary Grants | - | 273,601 | 273,601 |
| 16.588 | Violence Against Women Formula Grants | 834,475 | 296,433 | 1,130,908 |
| 16.606 | State Criminal Alien Assistance Program | - | 20,985 | 20,985 |
| 16.609 | Project Safe Neighborhoods | - | 7,187 | 7,187 |
| 16.710 | Public Safety Partnership and Community Policing Grants | - | 734,680 | 734,680 |
| 16.735 | PREA Program: Strategic Support for PREA Implementation | - | 146,886 | 146,886 |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | 223,415 | 787,232 | 1,010,647 |
| 16.741 | DNA Backlog Reduction Program | - | 515,382 | 515,382 |
| 16.742 | Paul Coverdell Forensic Sciences Improvement Grant Program | - | 338,674 | 338,674 |
| 16.745 | Criminal and Juvenile Justice and Mental Health Collaboration Program | 213,079 | - | 213,079 |
| 16.754 | Harold Rogers Prescription Drug Monitoring Program | - | 324,052 | 324,052 |
| 16.812 | Second Chance Act Reentry Initiative | 60,608 | 235,054 | 295,662 |
| 16.816 | John R. Justice Prosecutors and Defenders Incentive Act | - | 67,910 | 67,910 |
| 16.831 | Children of Incarcerated Parents | 217,618 | 28,738 | 246,356 |
| 16.838 | Comprehensive Opioid, Stimulant, and other Substances Use Program | 39,308 | 347,250 | 386,558 |
| 16.839 | STOP School Violence | 88,562 | 296,840 | 385,402 |
| **Department of Justice Total** | | 9,104,096 | 6,944,596 | 16,048,691 |
| | | | | |
| **Department of Labor** | | | | |
| 17.002 | Labor Force Statistics | - | 941,945 | 941,945 |
| 17.005 | Compensation and Working Conditions | - | 135,835 | 135,835 |
| Unemployment Insurance | | | | |
| 17.225 | Unemployment Insurance | - | 135,533,150 | 135,533,150 * |
| 17.225 | COVID-19 - Unemployment Insurance | 343,427 | 3,295,266 | 3,638,693 * |
| Unemployment Insurance Total | | 343,427 | 138,828,416 | 139,171,843 |
| 17.235 | Senior Community Service Employment Program | - | 241,578 | 241,578 |
| 17.245 | Trade Adjustment Assistance | - | 675,400 | 675,400 |
| 17.261 | Workforce Data Quality Initiative (WDQI) | - | 73 | 73 |
| 17.270 | Reentry Employment Opportunities | - | 776 | 776 |
| 17.271 | Work Opportunity Tax Credit Program (WOTC) | - | 153,607 | 153,607 |
| 17.273 | Temporary Labor Certification for Foreign Workers | - | 443,187 | 443,187 |
| 17.277 | WIOA National Dislocated Worker Grants / WIA National Emergency Grants | 2,394,635 | 451,145 | 2,845,780 |
| 17.285 | Registered Apprenticeship | 316,812 | 1,165,355 | 1,482,167 |
| 17.289 | Community Project Funding/Congressionally Directed Spending | - | 9,731 | 9,731 |
| 17.503 | Occupational Safety and Health State Program | - | 548,739 | 548,739 |
| 17.504 | Consultation Agreements | - | 656,472 | 656,472 |
| 17.600 | Mine Health and Safety Grants | - | 125,420 | 125,420 |
| WIOA Cluster | | | | |
| 17.258 | WIOA Adult Program | 1,907,310 | 443,050 | 2,350,360 |
| 17.259 | WIOA Youth Activities | 1,960,528 | 491,910 | 2,452,439 |
| 17.278 | WIOA Dislocated Worker Formula Grants | 1,237,426 | 989,049 | 2,226,476 |
| WIOA Cluster Total | | 5,105,265 | 1,924,010 | 7,029,274 |
| Employment Service Cluster | | | | |
| 17.207 | Employment Service/Wagner-Peyser Funded Activities | - | 4,534,563 | 4,534,563 |
| 17.801 | Jobs for Veterans State Grants | - | 786,962 | 786,962 |
| Employment Service Cluster Total | | - | 5,321,524 | 5,321,524 |
| **Department of Labor Total** | | 8,160,139 | 151,623,213 | 159,783,353 |
| | | | | |
| **Department of Transportation** | | | | |
| 20.106 | Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs | - | 1,181,101 | 1,181,101 |
| 20.205 | Highway Planning and Construction | - | 337,705,705 | 337,705,705 |
| 20.219 | Recreational Trails Program | 958,297 | 112,722 | 1,071,019 |
| 20.314 | Railroad Development | - | 422,405 | 422,405 |
| 20.325 | Consolidated Rail Infrastructure and Safety Improvements | - | 6,261,433 | 6,261,433 |
| 20.505 | Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | - | 68,651 | 68,651 |
| Formula Grants for Rural Areas and Tribal Transit Program | | | | |
| 20.509 | Formula Grants for Rural Areas and Tribal Transit Program | 7,032,917 | 2,741,497 | 9,774,414 |
| 20.509 | COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program | 5,260,775 | 929,912 | 6,190,687 |
| Formula Grants for Rural Areas and Tribal Transit Program Total | | 12,293,692 | 3,671,409 | 15,965,101 |
| 20.520 | Paul S. Sarbanes Transit in the Parks | - | 1,506,471 | 1,506,471 |
| 20.532 | Passenger Ferry Grant Program, Electric or Low-Emitting Ferry Pilot Program, and Ferry Service for Rural Communities Program | - | 1,000,000 | 1,000,000 |
| 20.614 | National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements | - | 63,555 | 63,555 |
| 20.700 | Pipeline Safety Program State Base Grant | - | 298,711 | 298,711 |

| ALN | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | ALN Total |
|---|---|---|---|---|
| 20.703 | Interagency Hazardous Materials Public Sector Training and Planning Grants | 145,573 | 66,886 | 212,459 |
| 20.721 | PHMSA Pipeline Safety Program One Call Grant | - | 47,985 | 47,985 |
| Transit Services Programs Cluster | | | | |
| Enhanced Mobility of Seniors and Individuals with Disabilities | | | | |
| 20.513 | Enhanced Mobility of Seniors and Individuals with Disabilities | 69,103 | 1,055,529 | 1,124,632 |
| 20.513 | COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities | 135,819 | - | 135,819 |
| Enhanced Mobility of Seniors and Individuals with Disabilities Total | | 204,922 | 1,055,529 | 1,260,451 |
| Transit Services Programs Cluster Total | | 204,922 | 1,055,529 | 1,260,451 |
| Highway Safety Cluster | | | | |
| 20.600 | State and Community Highway Safety | 400,817 | 1,203,498 | 1,604,315 |
| 20.616 | National Priority Safety Programs | 443,439 | 4,634,788 | 5,078,227 |
| Highway Safety Cluster Total | | 844,256 | 5,838,286 | 6,682,542 |
| Federal Transit Cluster | | | | |
| Federal Transit Formula Grants | | | | |
| 20.507 | Federal Transit Formula Grants | 416,681 | - | 416,681 |
| 20.507 | COVID-19 - Federal Transit Formula Grants | 589,623 | - | 589,623 |
| Federal Transit Formula Grants Total | | 1,006,304 | - | 1,006,304 |
| 20.526 | Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs | 642,285 | 6,531,345 | 7,173,630 |
| Federal Transit Cluster Total | | 1,648,589 | 6,531,345 | 8,179,934 |
| Federal Motor Carrier Safety Assistance Cluster | | | | |
| 20.218 | Motor Carrier Safety Assistance | - | 2,347,608 | 2,347,608 |
| 20.237 | Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements | - | 1,229,337 | 1,229,337 |
| Federal Motor Carrier Safety Assistance Cluster Total | | - | 3,576,945 | 3,576,945 |
| **Department of Transportation Total** | | 16,095,328 | 369,409,140 | 385,504,468 |
| **Department of the Treasury** | | | | |
| 21.026 | COVID-19 - Homeowner Assistance Fund | 29,396,983 | 8,629 | 29,405,612 * |
| 21.027 | COVID-19 - Coronavirus State And Local Fiscal Recovery Funds | 137,957,540 | 70,683,019 | 208,640,559 * |
| **Department of the Treasury Total** | | 167,354,524 | 70,691,648 | 238,046,172 |
| **Equal Employment Opportunity Commission** | | | | |
| 30.001 | Employment Discrimination Title VII of the Civil Rights Act of 1964 | - | 262,119 | 262,119 |
| **Equal Employment Opportunity Commission Total** | | - | 262,119 | 262,119 |
| **General Services Administration** | | | | |
| 39.003 | Donation of Federal Surplus Personal Property | - | 614,386 | 614,386 |
| **General Services Administration Total** | | - | 614,386 | 614,386 |
| **National Aeronautics & Space Administration** | | | | |
| 43.001 | Science | - | 27,005 | 27,005 |
| **National Aeronautics & Space Administration Total** | | - | 27,005 | 27,005 |
| **Institute Of Museum And Library Services** | | | | |
| 45.310 | Grants to States | 20,800 | 1,272,581 | 1,293,381 |
| **Institute Of Museum And Library Services Total** | | 20,800 | 1,272,581 | 1,293,381 |
| **National Endowment For The Arts** | | | | |
| 45.025 | Promotion of the Arts Partnership Agreements | - | 1,282,119 | 1,282,119 |
| **National Endowment For The Arts Total** | | - | 1,282,119 | 1,282,119 |
| **National Endowment For The Humanities** | | | | |
| 45.130 | Promotion of the Humanities Challenge Grants | - | 95,000 | 95,000 |
| 45.149 | Promotion of the Humanities Division of Preservation and Access | - | 104,313 | 104,313 |
| **National Endowment For The Humanities Total** | | - | 199,313 | 199,313 |
| **National Science Foundation** | | | | |
| [7] 47.050 | Geosciences | - | 8,382 | 8,382 |
| **National Science Foundation Total** | | - | 8,382 | 8,382 |
| **Department of Veterans Affairs** | | | | |
| 64.055 | Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program | - | 150,620 | 150,620 |
| 64.U01 | Plot Allowance | - | 92,174 | 92,174 |
| 64.U02 | State Approving Agency | - | 182,789 | 182,789 |
| **Department of Veterans Affairs Total** | | - | 425,583 | 425,583 |

| ALN | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | ALN Total | |
|---|---|---|---|---|---|
| **Environmental Protection Agency** | | | | | |
| 66.032 | State Indoor Radon Grants | - | 114,900 | 114,900 | |
| 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 | - | 254,505 | 254,505 | |
| 66.034 | COVID-19 - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | - | 6,179 | 6,179 | |
| Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Ac | | - | 260,684 | 260,684 | |
| 66.040 | Diesel Emissions Reduction Act (DERA) State Grants | 383,422 | 10,861 | 394,283 | |
| 66.046 | Climate Pollution Reduction Grants | - | 623,870 | 623,870 | |
| 66.204 | Multipurpose Grants to States and Tribes | - | 85,510 | 85,510 | |
| 66.432 | State Public Water System Supervision | - | 1,100,890 | 1,100,890 | |
| 66.442 | Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program | - | 284,324 | 284,324 | |
| 66.444 | Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d)) | - | 271,833 | 271,833 | |
| 66.447 | Sewer Overflow and Stormwater Reuse Municipal Grant Program | 3,000 | 38,446 | 41,446 | |
| 66.454 | Water Quality Management Planning | 90,588 | 93,825 | 184,413 | |
| 66.461 | Regional Wetland Program Development Grants | - | 58,146 | 58,146 | |
| 66.468 | Drinking Water State Revolving Fund | - | 1,587,867 | 1,587,867 | |
| 66.472 | Beach Monitoring and Notification Program Implementation Grants | - | 260,691 | 260,691 | |
| 66.605 | Performance Partnership Grants | 1,152,699 | 6,088,706 | 7,241,405 | |
| 66.608 | Environmental Information Exchange Network Grant Program and Related Assistance | - | 5,480 | 5,480 | |
| 66.802 | Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative | - | 35,364 | 35,364 | |
| 66.804 | Underground Storage Tank (UST) Prevention, Detection, and Compliance Program | - | 370,157 | 370,157 | |
| 66.805 | Leaking Underground Storage Tank Trust Fund Corrective Action Program | - | 518,410 | 518,410 | |
| 66.809 | Superfund State and Indian Tribe Core Program Cooperative Agreements | - | 153,466 | 153,466 | |
| 66.817 | State and Tribal Response Program Grants | - | 1,838,922 | 1,838,922 | |
| 66.818 | Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements | 2,960,960 | 7,182 | 2,968,142 | |
| 66.920 | Solid Waste Infrastructure for Recycling Infrastructure Grants | - | 3,864 | 3,864 | |
| **Environmental Protection Agency Total** | | 4,590,669 | 13,813,399 | 18,404,068 | |
| **Department of Energy** | | | | | |
| 81.041 | State Energy Program | - | 1,148,470 | 1,148,470 | |
| 81.128 | Energy Efficiency and Conservation Block Grant Program (EECBG) | - | 25,632 | 25,632 | |
| 81.138 | State Heating Oil and Propane Program | - | 9,502 | 9,502 | |
| 81.254 | Grid Infrastructure Deployment and Resilience | - | 353 | 353 | |
| **Department of Energy Total** | | - | 1,183,957 | 1,183,957 | |
| **Department of Education** | | | | | |
| 84.002 | Adult Education - Basic Grants to States | 1,577,299 | 277,351 | 1,854,650 | |
| 84.010 | Title I Grants to Local Educational Agencies | 61,979,532 | 1,314,768 | 63,294,300 | * |
| 84.011 | Migrant Education State Grant Program | 580,930 | 112,237 | 693,167 | |
| 84.013 | Title I State Agency Program for Neglected and Delinquent Children and Youth | - | 127,614 | 127,614 | |
| 84.048 | Career and Technical Education -- Basic Grants to States | 5,107,109 | 582,802 | 5,689,911 | |
| 84.126 | Rehabilitation Services Vocational Rehabilitation Grants to States | - | 17,652,761 | 17,652,761 | * |
| 84.144 | Migrant Education Coordination Program | 191,357 | 20,775 | 212,132 | |
| 84.177 | Rehabilitation Services Independent Living Services for Older Individuals Who are Blind | - | 194,650 | 194,650 | |
| Special Education-Grants for Infants and Families | | | | | |
| 84.181 | Special Education-Grants for Infants and Families | 2,587,723 | - | 2,587,723 | |
| 84.181 | COVID-19 - Special Education-Grants for Infants and Families | 1,218,273 | - | 1,218,273 | |
| Special Education-Grants for Infants and Families Total | | 3,805,996 | - | 3,805,996 | |
| 84.184 | School Safely National Activities | - | 1,041,357 | 1,041,357 | |
| 84.196 | Education for Homeless Children and Youth | 409,035 | 102,824 | 511,860 | |
| 84.287 | Twenty-First Century Community Learning Centers | 5,422,463 | 311,601 | 5,734,064 | |
| 84.323 | Special Education - State Personnel Development | - | 838,667 | 838,667 | |
| 84.358 | Rural Education | 1,030,087 | 119,415 | 1,149,502 | |
| 84.365 | English Language Acquisition State Grants | 736,048 | 201,364 | 937,413 | |
| 84.367 | Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 10,161,811 | 302,362 | 10,464,173 | |
| 84.369 | Grants for State Assessments and Related Activities | - | 6,190,504 | 6,190,504 | |
| 84.372 | Statewide Longitudinal Data Systems | - | 958,147 | 958,147 | |
| 84.421 | Disability Innovation Fund (DIF) | - | 43,259 | 43,259 | |
| 84.424 | Student Support and Academic Enrichment Program | 6,632,756 | 199,239 | 6,831,995 | |
| 84.425B | COVID-19 - Education Stabilization Fund - Rethink K-12 Education Models | 4,621,290 | 3,167,723 | 7,789,014 | * |
| 84.425C | COVID-19 - Education Stabilization Fund - Governor's Emergency Education Relief Fund | 104,235 | 2,077,024 | 2,181,259 | * |

| ALN | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | ALN Total | |
|---|---|---|---|---|---|
| 84.425D | COVID-19 - Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund | 45,451,157 | 4,275,019 | 49,726,176 | * |
| 84.425R | COVID-19 - Education Stabilization Fund - Emergency Assistance Non-Public Schools | 1,486,385 | 3,997,349 | 5,483,734 | * |
| 84.425U | COVID-19 - Education Stabilization Fund - ARP Elementary and Secondary School Emergency Relief Fund | 122,208,155 | 5,080,326 | 127,288,481 | * |
| 84.425V | COVID-19 - Education Stabilization Fund - ARP Emergency Assistance to Non-Public Schools | 216,736 | 1,090,673 | 1,307,408 | * |
| 84.425W | COVID-19 - Education Stabilization Fund - ARP Homeless Children and Youth | 824,586 | 13,413 | 837,999 | * |
| Special Education Cluster (IDEA) | | | | | |
| Special Education Grants to States | | | | | |
| 84.027 | Special Education Grants to States | 57,857,567 | 5,736,799 | 63,594,366 | * |
| 84.027 | COVID-19 - Special Education Grants to States | 2,652,226 | 449 | 2,652,675 | * |
| Special Education Grants to States Total | | 60,509,794 | 5,737,248 | 66,247,042 | |
| Special Education Preschool Grants | | | | | |
| 84.173 | Special Education Preschool Grants | 2,052,808 | 65,106 | 2,117,913 | * |
| 84.173 | COVID-19 - Special Education Preschool Grants | 277,359 | - | 277,359 | * |
| Special Education Preschool Grants Total | | 2,330,167 | 65,106 | 2,395,273 | |
| Special Education Cluster (IDEA) Total | | 62,839,961 | 5,802,354 | 68,642,314 | |
| **Department of Education Total** | | 335,386,929 | 56,095,578 | 391,482,507 | |
| **National Archives And Records Administration** | | | | | |
| 89.003 | National Historical Publications and Records Grants | - | 4,000 | 4,000 | |
| **National Archives And Records Administration Total** | | - | 4,000 | 4,000 | |
| **U.S. Election Assistance Commission** | | | | | |
| 90.404 | HAVA Election Security Grants | - | 1,545,667 | 1,545,667 | |
| **U.S. Election Assistance Commission Total** | | - | 1,545,667 | 1,545,667 | |
| **Northern Border Regional Commission** | | | | | |
| [8] 90.601 | Northern Border Regional Development | 111,887 | - | 111,887 | |
| **Northern Border Regional Commission Total** | | 111,887 | - | 111,887 | |
| **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 | 10,198 | 500 | 10,698 | |
| 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 | 85,180 | - | 85,180 | |
| 93.042 | COVID-19 - Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals | 12,501 | - | 12,501 | |
| Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals Total | | 97,681 | - | 97,681 | |
| 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 | 134,102 | 1,963 | 136,065 | |
| 93.043 | COVID-19 - Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services | 67,188 | 1,378 | 68,567 | |
| Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services Total | | 201,291 | 3,341 | 204,632 | |
| 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 | 334,000 | 60,111 | 394,111 | |
| 93.048 | COVID-19 - Special Programs for the Aging Title IVand Title II Discretionary Projects | 63,355 | 3,216 | 66,571 | |
| Special Programs for the Aging, Title IV, and Title II, Discretionary Projects Total | | 397,355 | 63,327 | 460,682 | |
| National Family Caregiver Support, Title III, Part E | | | | | |
| 93.052 | National Family Caregiver Support, Title III, Part E | 676,523 | - | 676,523 | |
| 93.052 | COVID-19 - National Family Caregiver Support, Title III, Part E | 183,387 | - | 183,387 | |
| National Family Caregiver Support, Title III, Part E Total | | 859,911 | - | 859,911 | |
| 93.069 | Public Health Emergency Preparedness | - | 4,909,263 | 4,909,263 | |
| 93.070 | Environmental Public Health and Emergency Response | 143,000 | 1,121,457 | 1,264,457 | |
| 93.071 | Medicare Enrollment Assistance Program | 206,712 | 53,584 | 260,296 | |
| 93.074 | Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | - | 122,731 | 122,731 | |
| 93.079 | Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance | - | 35,380 | 35,380 | |
| Guardianship Assistance | | | | | |
| 93.090 | Guardianship Assistance | - | 1,025,127 | 1,025,127 | |
| 93.090 | COVID-19 - Guardianship Assistance | - | 16,041 | 16,041 | |
| Guardianship Assistance Total | | - | 1,041,168 | 1,041,168 | |
| 93.092 | Affordable Care Act (ACA) Personal Responsibility Education Program | 224,641 | 3,422 | 228,063 | |
| 93.103 | Food and Drug Administration Research | - | 469,074 | 469,074 | |

| ALN | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | ALN Total | |
|---|---|---|---|---|---|
| 93.104 | Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | 1,281,302 | 846,240 | 2,127,542 | |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | 18,143 | 1,624,888 | 1,643,031 | |
| 93.116 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | - | 113,870 | 113,870 | |
| 93.127 | Emergency Medical Services for Children | - | 133,932 | 133,932 | |
| 93.130 | Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | - | 210,313 | 210,313 | |
| 93.136 | Injury Prevention and Control Research and State and Community Based Programs | 1,688,637 | 4,077,965 | 5,766,602 | |
| 93.150 | Projects for Assistance in Transition from Homelessness (PATH) | 299,994 | 890 | 300,884 | |
| Grants to States for Loan Repayment | | | | | |
| 93.165 | Grants to States for Loan Repayment | - | 291,437 | 291,437 | |
| 93.165 | COVID-19 - Grants to States for Loan Repayment | - | 365,750 | 365,750 | |
| Grants to States for Loan Repayment Total | | - | 657,187 | 657,187 | |
| 93.197 | Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | - | 395,435 | 395,435 | |
| Traumatic Brain Injury State Demonstration Grant Program | | | | | |
| 93.234 | Traumatic Brain Injury State Demonstration Grant Program | - | 137,063 | 137,063 | |
| 93.234 | COVID-19 - Traumatic Brain Injury State Demonstration Grant Program | - | 32,212 | 32,212 | |
| Traumatic Brain Injury State Demonstration Grant Program Total | | - | 169,275 | 169,275 | |
| 93.241 | State Rural Health Flexibility Program | - | 390,989 | 390,989 | |
| 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 | 2,981,176 | 3,025,587 | 6,006,763 | |
| 93.243 | COVID-19 - Substance Abuse and Mental Health Services Projects of Regional and National Significance | 383,446 | 163,087 | 546,533 | |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance Total | | 3,364,622 | 3,188,674 | 6,553,296 | |
| Immunization Cooperative Agreements | | | | | |
| 93.268 | Immunization Cooperative Agreements | - | 25,530,292 | 25,530,292 | * |
| 93.268 | COVID-19 - Immunization Cooperative Agreements | 1,919,711 | 3,653,007 | 5,572,718 | * |
| Immunization Cooperative Agreements Total | | 1,919,711 | 29,183,299 | 31,103,010 | |
| 93.270 | Viral Hepatitis Prevention and Control | 209,868 | 318,784 | 528,652 | |
| 93.301 | Small Rural Hospital Improvement Grant Program | - | 233,575 | 233,575 | |
| 93.314 | Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program | - | 212,544 | 212,544 | |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | | | | | |
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | - | 2,765,930 | 2,765,930 | |
| 93.323 | COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 396,649 | 10,998,249 | 11,394,898 | |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Total | | 396,649 | 13,764,179 | 14,160,828 | |
| State Health Insurance Assistance Program | | | | | |
| 93.324 | State Health Insurance Assistance Program | 288,354 | 63,449 | 351,803 | |
| 93.324 | COVID-19 - State Health Insurance Assistance Program | - | 50,252 | 50,252 | |
| State Health Insurance Assistance Program Total | | 288,354 | 113,701 | 402,055 | |
| 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 | - | 352,004 | 352,004 | |
| Behavioral Risk Factor Surveillance System | | | | | |
| 93.336 | Behavioral Risk Factor Surveillance System | - | 659,249 | 659,249 | |
| 93.336 | COVID-19 - Behavioral Risk Factor Surveillance System | - | 11,479 | 11,479 | |
| Behavioral Risk Factor Surveillance System Total | | - | 670,728 | 670,728 | |
| 93.354 | COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | 264,976 | 3,675,750 | 3,940,726 | |
| 93.369 | ACL Independent Living State Grants | 257,866 | 16,755 | 274,622 | |
| 93.387 | National and State Tobacco Control Program | 481,340 | 943,936 | 1,425,276 | |
| 93.391 | COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises | 8,204,493 | 5,011,552 | 13,216,045 | |
| 93.413 | The State Flexibility to Stabilize the Market Grant Program | - | 196,606 | 196,606 | |
| 93.426 | The National Cardiovascular Health Program | - | 863,587 | 863,587 | |
| 93.434 | Every Student Succeeds Act/Preschool Development Grants | 393,330 | 1,565,486 | 1,958,815 | |
| 93.464 | ACL Assistive Technology | 107,157 | 383,407 | 490,564 | |
| 93.472 | Title IV-E Prevention Program | 1,843,118 | 4,172,921 | 6,016,039 | |
| 93.493 | Congressional Directives | 2,859,138 | - | 2,859,138 | |
| 93.495 | COVID-19 - Community Health Workers for Public Health Response and Resilient | 1,175,941 | 417,402 | 1,593,342 | |
| 93.497 | COVID-19 - Family Violence Prevention and Services/ Sexual Assault/Rape Crisis Services and Supports | 102,418 | 15,397 | 117,815 | |
| 93.556 | MaryLee Allen Promoting Safe and Stable Families Program | 722,918 | 445,396 | 1,168,314 | |
| Temporary Assistance for Needy Families | | | | | |
| 93.558 | Temporary Assistance for Needy Families | 34,202,817 | 58,001,084 | 92,203,901 | * |
| 93.558 | COVID-19 - Temporary Assistance for Needy Families | - | 240,086 | 240,086 | * |
| Temporary Assistance for Needy Families Total | | 34,202,817 | 58,241,170 | 92,443,987 | |
| 93.563 | Child Support Services | - | 23,406,779 | 23,406,779 | |
| 93.569 | Community Services Block Grant | 3,534,974 | 416,497 | 3,951,471 | |
| 93.586 | State Court Improvement Program | - | 298,019 | 298,019 | |
| 93.597 | Grants to States for Access and Visitation Programs | - | 101,526 | 101,526 | |

| ALN | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | ALN Total | |
|---|---|---|---|---|---|
| 93.599 | Chafee Education and Training Vouchers Program (ETV) | - | 137,972 | 137,972 | |
| 93.603 | Adoption and Legal Guardianship Incentive Payments | - | 281,854 | 281,854 | |
| Developmental Disabilities Basic Support and Advocacy Grants | | | | | |
| 93.630 | Developmental Disabilities Basic Support and Advocacy Grants | 820,119 | - | 820,119 | |
| 93.630 | COVID-19 - Developmental Disabilities Basic Support and Advocacy Grants | 57,659 | - | 57,659 | |
| Developmental Disabilities Basic Support and Advocacy Grants Total | | 877,778 | - | 877,778 | |
| 93.639 | COVID-19 - ACA-Transforming Clinical Practice Initiative: Support and Alignment Networks (SANs) | - | 198,612 | 198,612 | |
| 93.643 | Children's Justice Grants to States | 1,550 | 10,986 | 12,536 | |
| 93.645 | Stephanie Tubbs Jones Child Welfare Services Program | 57,150 | 660,060 | 717,210 | |
| Foster Care Title IV-E | | | | | |
| 93.658 | Foster Care Title IV-E | 34,738 | 20,949,855 | 20,984,593 | * |
| 93.658 | COVID-19 - Foster CareTitle IV-E | - | 62,943 | 62,943 | * |
| Foster Care Title IV-E Total | | 34,738 | 21,012,798 | 21,047,536 | |
| Adoption Assistance | | | | | |
| 93.659 | Adoption Assistance | - | 30,851,674 | 30,851,674 | * |
| 93.659 | COVID-19 - Adoption Assistance | - | 346,169 | 346,169 | * |
| Adoption Assistance Total | | - | 31,197,843 | 31,197,843 | |
| 93.665 | COVID-19 - Emergency Grants to Address Mental and Substance Use Discorders During COVID-19 | 400,000 | 96,796 | 496,796 | |
| 93.667 | Social Services Block Grant | 6,337,911 | 8,025,531 | 14,363,442 | |
| Child Abuse and Neglect State Grants | | | | | |
| 93.669 | Child Abuse and Neglect State Grants | 28,814 | 180,779 | 209,593 | |
| 93.669 | COVID-19 - Child Abuse and Neglect State Grants | - | 253,073 | 253,073 | |
| Child Abuse and Neglect State Grants Total | | 28,814 | 433,852 | 462,666 | |
| Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | | | | | |
| 93.671 | Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | 871,525 | 10,637 | 882,162 | |
| 93.671 | COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | 618,677 | - | 618,677 | |
| Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services Total | | 1,490,203 | 10,637 | 1,500,840 | |
| 93.674 | John H. Chafee Foster Care Program for Successful Transition to Adulthood | 168,634 | 691,600 | 860,234 | |
| 93.687 | Maternal Opioid Misuse Model | - | 1,175,799 | 1,175,799 | |
| 93.747 | COVID-19 - Elder Abuse Prevention Interventions Program | 462,694 | 149,847 | 612,540 | |
| Children's Health Insurance Program | | | | | |
| 93.767 | Children's Health Insurance Program | - | 54,440,552 | 54,440,552 | |
| 93.767 | COVID-19 - Children's Health Insurance Program | - | 432,439 | 432,439 | |
| Children's Health Insurance Program Total | | - | 54,872,991 | 54,872,991 | |
| 93.788 | Opioid STR | 4,974,353 | 938,517 | 5,912,870 | |
| 93.791 | Money Follows the Person Rebalancing Demonstration | 362,015 | 658,582 | 1,020,596 | |
| 93.796 | State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid | - | 972,163 | 972,163 | |
| 93.800 | Organized Approaches to Increase Colorectal Cancer Screening | - | 380,876 | 380,876 | |
| 93.829 | Section 223 Demonstration Programs to Improve Community Mental Health Services | - | 407,228 | 407,228 | |
| Maternal, Infant and Early Childhood Homevisiting Grant Program | | | | | |
| 93.870 | Maternal, Infant and Early Childhood Homevisiting Grant Program | 7,584,824 | 455,603 | 8,040,427 | |
| 93.870 | COVID-19 - Maternal, Infant and Early Childhood Home Visiting Grant Program | 188,388 | 206,990 | 395,378 | |
| Maternal, Infant and Early Childhood Homevisiting Grant Program Total | | 7,773,213 | 662,593 | 8,435,806 | |
| National Bioterrorism Hospital Preparedness Program | | | | | |
| 93.889 | National Bioterrorism Hospital Preparedness Program | - | 896,994 | 896,994 | |
| 93.889 | COVID-19 - National Bioterrorism Hospital Preparedness Program | - | 944,897 | 944,897 | |
| National Bioterrorism Hospital Preparedness Program Total | | - | 1,841,891 | 1,841,891 | |
| 93.898 | Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | - | 1,722,359 | 1,722,359 | |
| 93.913 | Grants to States for Operation of Offices of Rural Health | - | 219,898 | 219,898 | |
| 93.917 | HIV Care Formula Grants | 116,335 | 1,540,727 | 1,657,062 | |
| 93.940 | HIV Prevention Activities Health Department Based | 611,850 | 534,524 | 1,146,374 | |
| 93.946 | Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | - | 189,672 | 189,672 | |
| Block Grants for Community Mental Health Services | | | | | |
| 93.958 | Block Grants for Community Mental Health Services | 3,060,622 | 875,448 | 3,936,070 | |
| 93.958 | COVID-19 - Block Grants for Community Mental Health Services | 2,914,410 | - | 2,914,410 | |
| Block Grants for Community Mental Health Services Total | | 5,975,032 | 875,448 | 6,850,480 | |
| Block Grants for Prevention and Treatment of Substance Abuse | | | | | |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | 5,955,583 | 1,764,298 | 7,719,881 | |
| 93.959 | COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse | 646,740 | 2,436,453 | 3,083,193 | |
| Block Grants for Prevention and Treatment of Substance Abuse Total | | 6,602,323 | 4,200,751 | 10,803,074 | |
| Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health | | | | | |
| 93.967 | Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health | - | 347,801 | 347,801 | |
| 93.967 | COVID-19 - CDC's Collaboration with Academia to Strengthen Public Health | - | 24,386 | 24,386 | |
| Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health Total | | - | 372,187 | 372,187 | |
| Sexually Transmitted Diseases (STD) Prevention and Control Grants | | | | | |
| 93.977 | Sexually Transmitted Diseases (STD) Prevention and Control Grants | 156,744 | 113,010 | 269,754 | |
| 93.977 | COVID-19 - Sexually Transmitted Diseases (STD) Prevention and Control Grants | 120,494 | 323,890 | 444,384 | |

| ALN | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | ALN Total | |
|---|---|---|---|---|---|
| Sexually Transmitted Diseases (STD) Prevention and Control Grants Total | | 277,238 | 436,900 | 714,138 | |
| 93.988 | Cooperative Agreements for Diabetes Control Programs | - | 427,241 | 427,241 | |
| 93.991 | Preventive Health and Health Services Block Grant | 6,934 | 1,418,639 | 1,425,572 | |
| 93.994 | Maternal and Child Health Services Block Grant to the States | 116,542 | 3,557,114 | 3,673,656 | |
| Medicaid Cluster | | | | | |
| 93.775 | State Medicaid Fraud Control Units | - | 1,404,083 | 1,404,083 | * |
| 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 | - | 3,456,213 | 3,456,213 | * |
| 93.777 | COVID-19 - State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | - | 65,500 | 65,500 | * |
| State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare Total | | - | 3,521,713 | 3,521,713 | |
| Medical Assistance Program | | | | | |
| 93.778 | Medical Assistance Program | - | 3,080,865,219 | 3,080,865,219 | * |
| 93.778 | COVID-19 - Medical Assistance Program | - | 34,807,635 | 34,807,635 | * |
| Medical Assistance Program Total | | - | 3,115,672,854 | 3,115,672,854 | |
| Medicaid Cluster Total | | - | 3,120,598,651 | 3,120,598,651 | |
| Head Start Cluster | | | | | |
| 93.600 | Head Start | - | 147,710 | 147,710 | |
| Head Start Cluster Total | | - | 147,710 | 147,710 | |
| CCDF Cluster | | | | | |
| Child Care and Development Block Grant | | | | | |
| 93.575 | Child Care and Development Block Grant | 1,816,887 | 36,596,056 | 38,412,943 | * |
| 93.575 | COVID-19 - Child Care and Development Block Grant | 9,971 | 6,250,678 | 6,260,649 | * |
| Child Care and Development Block Grant Total | | 1,826,858 | 42,846,734 | 44,673,592 | |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | - | 8,109,039 | 8,109,039 | * |
| CCDF Cluster Total | | 1,826,858 | 50,955,773 | 52,782,631 | |
| 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 | 2,666,898 | 896,273 | 3,563,171 | |
| 93.044 | COVID-19 - Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers | 981,057 | 27,530 | 1,008,586 | |
| Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers Total | | 3,647,955 | 923,803 | 4,571,758 | |
| Special Programs for the Aging, Title III, Part C, Nutrition Services | | | | | |
| 93.045 | Special Programs for the Aging, Title III, Part C, Nutrition Services | 3,433,211 | - | 3,433,211 | |
| 93.045 | COVID-19 - Special Programs for the Aging Title III, Part C Nutrition Services | 1,287,324 | - | 1,287,324 | |
| Special Programs for the Aging, Title III, Part C, Nutrition Services Total | | 4,720,536 | - | 4,720,536 | |
| 93.053 | Nutrition Services Incentive Program | 726,598 | - | 726,598 | |
| Aging Cluster Total | | 9,095,088 | 923,802 | 10,018,890 | |
| **Department of Health And Human Services Total** | | 113,355,807 | 3,477,594,326 | 3,590,950,133 | |
| **Corporation For National And Community Service** | | | | | |
| AmeriCorps State Commissions Support Grant | | | | | |
| 94.003 | AmeriCorps State Commissions Support Grant | - | 306,295 | 306,295 | |
| 94.003 | COVID-19 - AmeriCorps State Commissions Support Grant | - | 96,591 | 96,591 | |
| AmeriCorps State Commissions Support Grant Total | | - | 402,886 | 402,886 | |
| AmeriCorps State and National 94.006 | | | | | |
| 94.006 | AmeriCorps State and National 94.006 | 600,514 | 643,439 | 1,243,953 | |
| 94.006 | COVID-19 - AmeriCorps State and National | - | 81,501 | 81,501 | |
| AmeriCorps State and National 94.006 Total | | 600,514 | 724,940 | 1,325,454 | |
| 94.009 | Training and Technical Assistance | - | 165,322 | 165,322 | |
| 94.013 | AmeriCorps Volunteers In Service to America 94.013 | - | 82,521 | 82,521 | |
| 94.021 | AmeriCorps Volunteer Generation Fund 94.021 | - | 45,891 | 45,891 | |
| **Corporation For National And Community Service Total** | | 600,514 | 1,421,560 | 2,022,074 | |
| **Social Security Administration** | | | | | |
| Disability Insurance/SSI Cluster | | | | | |
| 96.001 | Social Security Disability Insurance | - | 9,441,175 | 9,441,175 | |
| Disability Insurance/SSI Cluster Total | | - | 9,441,175 | 9,441,175 | |
| **Social Security Administration Total** | | - | 9,441,175 | 9,441,175 | |
| **Department of Homeland Security** | | | | | |
| 97.008 | Non-Profit Security Program | 696,074 | 60,126 | 756,200 | |
| 97.012 | Boating Safety Financial Assistance | - | 1,210,707 | 1,210,707 | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | | | | | |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 4,547,928 | 868,822 | 5,416,750 | * |
| 97.036 | COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 61,622,652 | 1,041,933 | 62,664,585 | * |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) Total | | 66,170,580 | 1,910,755 | 68,081,335 | |
| 97.039 | Hazard Mitigation Grant | 17,186 | 8,774 | 25,960 | |

| ALN | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | ALN Total |
|---|---|---|---|---|
| 97.041 | National Dam Safety Program | - | 99,977 | 99,977 |
| Emergency Management Performance Grants | | | | |
| 97.042 | Emergency Management Performance Grants | 1,667,590 | 1,582,094 | 3,249,683 |
| 97.042 | COVID-19 - Emergency Management Performance Grants | 223,587 | - | 223,587 |
| Emergency Management Performance Grants Total | | 1,891,176 | 1,582,094 | 3,473,270 |
| 97.045 | Cooperating Technical Partners | - | 189,609 | 189,609 |
| 97.047 | BRIC: Building Resilient Infrastructure and Communities | 328,847 | 94,393 | 423,240 |
| [9] 97.067 | Homeland Security Grant Program | 3,746,633 | 1,683,362 | 5,429,995 |
| 97.137 | State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program | - | 286,064 | 286,064 |
| **Department of Homeland Security Total** | | 72,850,495 | 7,125,861 | 79,976,356 |
| **Total** | **Federal Expenditures** | **862,500,392** | **4,666,572,967** | **5,529,073,359** |

**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] Atlantic State Marine Fisheries Commission
[2] Atlantic State Marine Fisheries Commission
[3] The Nature Conservancy
[4] Atlantic State Marine Fisheries Commission
[5] National Fish & Wildlife Foundation
[6] Appalachian Trail Commission
[7] Hood College
[8] Northern Border Regional Commission
[9] Aroostook County
[9] Aroostook County Sheriff'S Office
[9] Franklin County
[9] Franklin County Sheriff'S Office
[9] Kennebec County
[9] Oxford County
[9] Somerset County
[9] Washington Country Sheriff'S Office
[9] Washington County

# STATE OF MAINE
## Notes to the Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2024

**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, 2024, 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 $16.6 million in expenditures, distributions, or issuances for the year ended June 30, 2024. 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 | $ 119,046,295 |
| Federal Funds | 16,486,855 |
| Federal Funds (Coronavirus) | 3,638,693 |
| Maine's UI Program Total | $ 139,171,843 |

**4. Noncash Awards**

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

| ALN | Assistance Listing | Noncash Awards |
|---|---|---|
| 10.542 | Pandemic EBT Food Benefits | $15,577,353 |
| 10.551 | SNAP (Supplemental Nutrition Assistance Program) | $371,444,136 |
| 10.555 | National School Lunch Program | $6,263,117 |
| 10.559 | Summer Food Service Program for Children | $9,286 |
| 10.565 | Commodity Supplemental Food Program | $2,079,099 |
| 10.569 | Emergency Food Assistance Program | $11,771,619 |
| 10.664 | Cooperative Forestry Assistance | $95,687 |
| 12.401 | National Guard Military Operations and Maintenance Projects | $4,006 |
| 39.003 | Donation of Federal Surplus Property | $614,386 |
| 93.268 | Immunization Cooperative Agreements | $23,062,559 |

## 5. Donated Personal Protective Equipment

In response to the COVID 19 pandemic, the federal government donated PPE with an estimated fair market value of $189,000 to the State of Maine. Per the 2024 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.

## 6. 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 | $11,948,683 |
| 17.225 | Unemployment Insurance (Audit Adjustment) | $11,602,118 |
| 17.225 | COVID Unemployment Insurance | $3,596,691 |

# STATE OF MAINE
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE YEAR ENDED JUNE 30, 2024

## 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>
Coronavirus State and Local Fiscal Recovery Funds
Education Stabilization Fund (ESF)
Fish and Wildlife Cluster
Immunization Cooperative Agreements
Pandemic EBT Food Benefits (P-EBT)
Rehabilitation Services – Vocational Rehabilitation Grants to States
Special Education Cluster (IDEA)
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)
Unemployment Insurance (UI)

<u>Qualified</u>
Adoption Assistance – Title IV-E
CCDF Cluster
Child Nutrition Cluster
Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Foster Care – Title IV-E
Homeowner Assistance Fund Program
Medicaid Cluster
SNAP Cluster
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 |
| Fish and Wildlife Cluster | |
| 15.605 | Sport Fish Restoration Program |
| 15.611 | Wildlife Restoration and Basic Hunter Education |
| 15.626 | Enhanced Hunter Education and Safety 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) |
| 17.225 | Unemployment Insurance (UI) |
| 21.026 | Homeowner Assistance Fund Program |
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds |
| 84.010A | Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) |
| 84.126 | Rehabilitation Services – Vocational Rehabilitation Grants to States |
| 84.425 | Education Stabilization Fund (ESF) |
| 93.268 | Immunization Cooperative Agreements |
| 93.558 | Temporary Assistance for Needy Families (TANF) |
| 93.658 | Foster Care – Title IV-E |
| 93.659 | Adoption Assistance – Title IV-E |
| 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |

Dollar threshold used to distinguish between type A and type B programs: $16,587,220

Does the auditee qualify as low risk? YES ☐ NO ☑

***Summary of Questioned Costs:***

| Federal Agency | Federal Program | Known Questioned Costs | Finding Number |
|---|---|---|---|
| U.S. Department of Agriculture | SNAP Cluster | $12,335<br>$11,080<br>$3,973 | 2024-022<br>2024-023<br>2024-024 |
| | Child Nutrition Cluster | $628,924<br>$128,399 | 2024-030<br>2024-031 |
| U.S. Department of Education | Special Education Cluster (IDEA) | $7,303 | 2024-047 |
| U.S. Department of Health and Human Services | Temporary Assistance for Needy Families (TANF) | $1,014 | 2024-052 |
| | CCDF Cluster | $3,700,000 | 2024-059 |
| | Foster Care – Title IV-E | $4,647 | 2024-063 |
| | Adoption Assistance – Title IV-E | $9,367<br>$10,860 | 2024-063<br>2024-064 |

# STATE OF MAINE
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE YEAR ENDED JUNE 30, 2024

## Section II – Index to Financial Statement Findings

State of Maine
Index to Financial Statement Findings
For the Year Ended June 30, 2024



*Continued on next page*

| Finding # | Brief Summary of Finding | Finding Type | Page |
|---|---|---|---|
| *Continued from previous page* | | | |
| 2024-019 | ________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-58 |
| 2024-020 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-59 |
| 2024-021 | ________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-60 |

**Legend of Abbreviations:**

MW Material Weakness
SD Significant Deficiency

# STATE OF MAINE
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE YEAR ENDED JUNE 30, 2024

## Section II – Financial Statement Findings

**(2024-001)**

**Title:** Internal control over procurement card procedures needs improvement

**Prior Year Findings:**

| FY23 |
| --- |
| 2023-002 |

**State Department:** Administrative and Financial Services
**State Bureau:** Office of State 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; Office of State Procurement Services (OSPS) 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.

During the fiscal year, the State engaged with two vendors to support its Procurement Card (P-Card) program. This occurred as part of a planned transition from the old vendor to a new one. Consequently, two active systems were in use simultaneously for a portion of the fiscal year: one managed by the outgoing vendor and the other by the incoming vendor. Because of the overlap, distinct policies and procedures govern the process expectations in each. The old system is governed by OSPS' Policies & Procedures (May 2023 Revision) and the new system is governed by OSPS' Policies & Procedures (December 2023 Revision).

OSPS P-Card Policies & Procedures (May 2023 Revision) 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 OSPS.
- any exceptions to policies must be requested in writing by OSPS 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 OSPS.
- the billing cycle for the State's P-Card program is a two-week period. Procedures over the billing cycle begin with OSPS' receipt of a bimonthly online statement which includes all P-Card expenditures for the period. OSPS 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.

OSPS P-Card Policies & Procedures (December 2023 Revision) 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 OSPS.
- there are four categories of P-Cards that can be issued to qualified State employees: General Use, Travel/Executive, Emergency Response, and Special Use. Each category P-Card issued has specific single transaction limits and maximum billing cycle limits with the General Use category being the lowest.
- for requests beyond the General Use P-Card, a written use case/demonstrated need is required to be submitted by the agency P-Card Coordinator, for review by the Chief Procurement Officer or Deputy Chief Procurement Officer for approval in advance of submitting an online application or for receiving a temporary limit increase.
- the billing cycle for the State's P-Card program is a two-week period. Procedures over the billing cycle begin with OSPS' receipt of a bimonthly online statement which includes all P-Card expenditures for the period. OSPS pays the full amount due the day after the cycle ends. 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. All reference to a time frame for which the outstanding receivable must be paid was removed in the Policies & Procedures (December 2023 Revision).

**Condition:** The Office of the State Auditor (OSA) performed data analysis over all fiscal year 2024 P-Card transactions. This analysis identified transactions across 44 unique State agencies that exceeded the maximum single transaction limit. OSPS could not provide documentation that appropriate oversight was performed for three transactions exceeding the single transaction limit. Specifically, these transactions lacked the requisite written approvals that would serve as exceptions to OSPS policy. In addition, these transactions were incurred utilizing P-Cards with historically heightened maximum single transaction limits; however, OSPS could not provide documented approval for these limit adjustments.

In 43 of the 44 transactions tested, documentation could not be provided to support that oversight of P-Card billing cycle procedures was performed. While it is GGSC's operational responsibility to ensure that accounting functions are performed, OSPS 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 for those transactions processed through the old vendor) and included appropriate support.

**Context:** In fiscal year 2024, the State's P-Card purchases totaled approximately $29.2 million. P-Card purchases over the single transaction limit for the old and new vendors accounted for approximately $1.5 million and $12 million, respectively, of the $29.2 million total.

**Cause:**
- Lack of supervisory oversight
- 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 OSPS:
- increase oversight and monitoring of P-Card spending limits and transactions.
- maintain documented approval for all exceptions to policy.
- enhance oversight to ensure that departments and service centers are adhering to OSPS P-Card policies and procedures.

**Corrective Action Plan:** See F-5

**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 3 transactions identified, we were unable to produce written, explicit documentation of the source of the approval. These exceptions occurred prior to the creation of our new tracking log. The previous system to document information about approvals was 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 Service's new tracking log has addressed this concern by logging both the request and the approval in one repository.

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:** OSPS, with the support of the Office of the State Controller (OSC), developed a historical usage analysis to justify spending limits at the cardholder level. While this quantitative approach offers a structured basis for setting limits, it does not adequately consider qualitative factors, particularly those arising from the lack of oversight over required transactional support. Given that much of the documented support for P-Card transactions is only available during the interagency billing process – beyond OSPS' stated purview – it is indeterminate how the spending limits could be justified based solely on historical transaction amounts.

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

OSPS' Management Response highlights the intended roles and responsibilities related to procurement services and interagency billing processes; however, this issue is not one of segregation of duties but rather one of oversight and administration. OSPS administers the P-Card program, develops associated policies, and retains responsibility for program oversight and administration. While departments and service centers are tasked with executing the policy, the responsibility for ensuring that documented control activities are implemented and monitored to mitigate the risks of fraud, waste, and abuse in the program ultimately rests with OSPS. These control activities, which are embedded in the policy, serve as critical safeguards and must be actively enforced and monitored to maintain program integrity. Furthermore, OSPS' response that they alone retain the ability to alter spending limits, along with their abilities to issue cards and take enforcement actions, reinforces their role as the primary oversight authority.

The finding remains as stated.

**(State Number: 24-0208-02)**

**(2024-002)**

**Title:** Internal control over financial reporting 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 State of Maine's Annual Comprehensive Financial Report (ACFR) in accordance with GAAP. Adjusting journal entries are 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 recording all year-end adjusting entries.

The Office of the State Auditor (OSA) identified the following misstatements and errors in the fiscal year ending June 30, 2024, draft ACFR provided for audit purposes:

- One year-end adjusting entry erroneously reduced both Other Special Revenue Fund expenditures and revenue by $71.9 million due to inaccurate financial reporting of debt-related amounts. OSC corrected the entry after the issue was identified by OSA.
- One year-end adjusting entry erroneously reduced Medicaid-related Federal Fund accounts receivable by approximately $40 million and General Fund accounts receivable by $16 million, due to a keying error of accrued pharmacy drug rebates. OSC corrected the entry after the issue was identified by OSA.
- One year-end adjusting entry erroneously overstated Federal Fund accounts receivable by approximately $28 million due to inaccurate classification of State and Local Fiscal Recovery Funds. OSC corrected the entry after the issue was identified by OSA.
- Two year-end adjusting entries to record transportation-related expenditure accruals were recorded in the Highway Fund; however, they should have been recorded in the Federal

and Other Special Revenue Funds. OSC corrected the entries after the issue was identified by OSA.

- Five year-end adjusting entries contained errors due to utilization of prior year balances and information. None of the entries were material to the financial statements; however, OSC corrected four of the five entries after the issues were identified by OSA.
- The ACFR JV Summary sheet, which is used by OSC to ensure all applicable year-end entries are made and communicated to OSA, was not complete. OSC corrected the summary sheet for three missing entries, after one missing entry was identified by OSA.
- Unrestricted Net Position for Non-Major Component Units was misclassified by approximately $7 million, as amounts should have been reported as Restricted Net Position. OSC corrected the classification after the issue was identified by OSA.
- Note disclosures contained the following errors identified by OSA and corrected by OSC:
    - Note 11 Long-Term Obligations did not disclose two revenue bond issuances from the Maine Governmental Facilities Authority totaling approximately $111 million, and did not disclose approximately $3 million in Loans Payable to Component Units.
    - Note 13 Subscription Based Information Technology Arrangements (SBITA) erroneously disclosed the SBITA Liability for the Maine Community College System as $13.8 million rather than the correct amount of $10.8 million.
    - Note 19 Escheat Property erroneously disclosed the Abandoned Property Fund claimant liability balance as $77.2 million, rather than the correct amount of $67.2 million.

**Context:** The ACFR provides:

- a transparent report of the State of Maine's financial health and performance;
- insight into how State government officials manage public funds; and
- information used by credit rating services to assess the State's fiscal integrity and credit rating to State of Maine government bonds.

**Cause:**

- Lack of adequate financial reporting procedures to ensure year-end adjusting entries and disclosures are complete and accurate
- Lack of resources. OSC encountered vacancies within the Financial Reporting team in fiscal year 2024.

**Effect:**

- Before the effects of corrections or revisions identified through OSA audit procedures, the financial statements were misstated as detailed in the Condition.
- Significant errors and omissions in the financial statements and related note disclosures may not be prevented, or detected and corrected.

**Recommendation:** We recommend that OSC implement additional financial reporting procedures to ensure that significant errors and omissions in the ACFR are prevented, or detected and corrected, prior to release to OSA for audit purposes.

**Corrective Action Plan:** See F-6

**Management's Response:** The Department agrees that subsequent adjustments were necessary; however, we have compensating controls in our review process that we believe would have identified many of these discrepancies for remediation prior to final issuance. Much of this is due to the timing of when draft financials and internal reference documents are provided to the auditor due to statutory deadlines. This timing necessitates that we provide this information prior to OSC's final review, which was still yet to be conducted.

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

**Auditor's Concluding Remarks:** While OSA agrees that OSC's final issuance review could have detected the $71.9 million error of debt-related amounts, OSA does not agree that OSC's final issuance review would have detected and corrected any of the other errors or omissions discussed in the Condition. Additionally, the statutory deadline to provide OSA with financial statements and notes is November 1st. OSA was provided financial statements and notes in December 2024.

The finding remains as stated.

**(State Number: 24-0104-01)**

**(2024-003)**

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

**Prior Year Findings:**

| FY23 |
|---|
| 2023-013 |

**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.

The Office of the State Controller (OSC) is responsible for GASB Statement 96 reporting in the State's financial statements. To comply with 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 through the use of GASB Statement 96 Surveys provided in the year-end closing package, discussed with State agency personnel. Through a collaborative effort among program, finance, IT, and procurement personnel, these procedures required a compilation of detailed technical information derived from various sources.

The Office of the State Auditor (OSA) reviewed contracts and related invoices for SBITAs recorded by OSC, as well as potential SBITAs that were not recorded by OSC, and found:

- contracts and invoices lacked the information necessary for determination of whether a SBITA exists, and if so, the value of SBITA assets and related liabilities.
- contract amendments that changed the subscription term or added capitalizable improvements to the SBITA were not considered.
- Buyer Purchase Orders (BPOs) were not always considered.
- SBITA assets and liabilities that had been calculated based on estimates were not consistently updated when actual contract and invoice amounts became available.
- completed GASB Statement 96 Surveys from all pertinent agencies were not collected and considered before concluding on SBITAs required to be recorded.

Therefore, OSC does not have adequate procedures in place to ensure that SBITA assets and liabilities are accurately recorded in the State's financial statements.

**Context:** As of June 30, 2024, OSC reported SBITA assets and liabilities of $117 million and $97.3 million, respectively, in the State's financial statements.

**Cause:** OSC did not implement adequate procedures to ensure that:

- information required to properly report SBITAs was made available. Currently, not all contracts and related invoices provide enough detail to determine whether potential SBITAs exist, and if so, whether other SBITAs are properly valued.
- contract amendments, all BPOs, other changes in SBITA estimates, and responses to GASB Statement 96 Surveys were considered prior to recording SBITA assets and liabilities.

**Effect:** Potential misstatement of SBITA assets and related liabilities, as well as IT related expenses, reported in the State's financial statements

**Recommendation:** We recommend that OSC collaborate with the Office of Information Technology, Office of State Procurement Services, and other State agencies as deemed necessary to:

- further review IT arrangements, including contract amendments, BPOs, and other changes in SBITA estimates, 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 procedures to obtain adequate detail for determination of the existence and value of SBITAs.

**Corrective Action Plan:** See F-6

**Management's Response:** The Department agrees with this finding. The Department will review procedures and meet with the Office of State Procurement Services and MaineIT to collaborate on a solution.

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

**(State Number: 24-0121-01)**

**(2024-004)**

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

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 |
|---|---|---|---|
| 2023-015 | 2022-011 | 2021-008 | 2020-007 |

**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 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) obtained current and historical collection data from the Judicial Branch in order to evaluate OSC's estimate. The Judicial Branch provided detailed collections activity derived from its payment information systems. OSA reviewed the data and estimated that approximately $3.5 million is collected annually on receivables outstanding over one year. As a result, OSA's calculated estimate of $21.8 million for the allowance for uncollectible fines and fees is less than OSC's estimate by $3.5 million.

**Context:** Fines and fees receivables for the Judicial Branch totaled $31.8 million as of June 30, 2024. The financial statements present receivables net of OSC's allowance for uncollectible amounts of $25.3 million, resulting in a presentation of $6.5 million.

**Cause:** OSC asserts that their methodology for estimating the allowance for uncollectible fines and fees would not be significantly impacted if actual collections were factored into the determination process.

**Effect:** 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 to the financial statements may be misstated.

**Recommendation:** We recommend that OSC obtain available current and historical collections data from the Judicial Branch and 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-6

**Management's Response:** OSC agrees with the process description. Judicial provides the aging report and OSC calculates the reserve. OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective as well as objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is conservative, not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC accumulates relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. The OSC will continue to reserve 100% of all fines over 360 days old, which has been the acceptable method for many years.

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

**Auditor's Concluding Remarks:** Auditors are required to obtain sufficient appropriate evidence about whether accounting estimates are reasonable. OSA obtained current and historical collection data from the Judicial Branch to evaluate OSC's estimate of the allowance for uncollectible fines and fees. Through the evaluation process, OSA determined that OSC's estimate did not factor actual collections of receivables which is essential in establishing reasonable estimates. In addition, the support provided by the Judicial Branch substantiates that significant collections are received on balances outstanding more than one year. OSC did not obtain this support from the Judicial Branch nor was it considered when establishing the estimate of the allowance for uncollectible fines and fees; therefore, OSA does not have reasonable assurance that management's estimate is reasonable.

The finding remains as stated.

**(State Number: 24-0203-01)**

**(2024-005)**

**Title:** Internal control over financial reporting of software assets needs improvement

**Prior Year Findings:** None

**State Department:** Administrative and Financial Services
**State Bureau:** Health and Human Services 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; Governmental Accounting Standards Board (GASB) Statement 51, Paragraph 15; 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 51 states that outlays associated with an internally-generated modification of computer software that is already in operation should be capitalized if the modification results in any of the following:

- An increase in the functionality of the computer software
- An increase in the efficiency of the computer software
- An extension of the estimated useful life of the software

SAAM Chapter 30 requires departments to capitalize software assets meeting a minimum dollar threshold of $1 million that will be used for more than one fiscal year. The policy requires capitalization of outlays that increase future benefits for an existing fixed asset beyond its previously assessed standard of performance, if they meet the State's capitalization policy. Increased future benefits typically include:

- an extension in the estimated useful life of the asset;
- an increase in the capacity or efficiency of an existing fixed asset; and/or
- a substantial improvement in the quality of output or a reduction in previously assessed operating costs.

**Condition:** The State's financial Service Centers and Departments, in collaboration with the Office of the State Controller (OSC), are responsible for reporting capital assets in the State's financial statements. For software, this can include:

- expenses directly related to the software development process;
- any direct materials used during development; and
- software improvement or enhancement costs, along with any costs associated with adding new functionality or significantly improving existing features.

OSC provides Departments and financial Service Centers with specific guidance which includes capitalization requirements to assist in identifying software and technology assets to be reported to OSC for capitalization. In addition, OSC reviews the State's accounting records to track and monitor potential software and technology assets to be recorded as capital assets in the State's financial statements.

During testing of capital asset expenditures, the Office of the State Auditor identified expenditures totaling $4.4 million related to software enhancements for the Comprehensive Child Welfare Information System that were expensed, but should have been capitalized and depreciated over the estimated life of the asset.

The Department of Health and Human Services' (DHHS) Service Center did not report the assets to OSC in the year-end closing package. OSC's review of accounting records identified software and technology assets for potential capitalization; however, OSC did not correspond with the DHHS Service Center to determine if capitalization was appropriate. As a result, the assets are not properly reported in the State's financial statements.

**Context:** As of June 30, 2024, $155.4 million in capitalized software assets was reported on the State's financial statements.

**Cause:**
- Lack of adequate procedures to identify software and system upgrades and enhancements to ensure they are capitalized
- Lack of supervisory oversight

**Effect:** Software improvements and enhancements totaling $4.4 million were expensed rather than capitalized. As a result, expenditures are overstated and software assets are understated.

**Recommendation:** We recommend that the DHHS Service Center collaborate with OSC to enhance and subsequently monitor procedures to identify software and system upgrades or enhancements that are required to be capitalized. This will ensure that the State's capital assets are capitalized and depreciated over estimated useful lives rather than expensed, and that the State's financial statements are accurate.

**Corrective Action Plan:** See F-7

**Management's Response:**
**DHHS Response:** The DHHS Financial Service Center agrees with this finding. We will collaborate to enhance and subsequently monitor procedures to identify software and system upgrades or enhancements that are required to be capitalized.

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

**OSC Response:** The Department agrees with this finding. The Department will review the guidance provided to agencies and make improvements or provide training if determined necessary.

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

**(State Number: 24-0600-01)**

**(2024-006)**

**Title:** Internal control over the valuations of the allowances for uncollectible Unemployment Insurance receivables needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 |
|---|---|---|---|---|
| 2023-008 | 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 (SAAM) 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. An 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, 2024, unless the report is generated in real time at year end. Without the generation of real-time, year-end reports or accurate historical account balance reports, MDOL cannot properly monitor account balances and collections activity.

Furthermore, failure to generate and retain detailed UI receivables reports results in a lack of historical data and evidence available to properly support the estimated allowances for uncollectible accounts related to UI receivables. 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 management assumption. Receivables outstanding for more than one year are automatically deemed uncollectible, rather than applying management judgments and assumptions supported by data and evidence for each classification of receivables. As a result, the estimates of the allowances for uncollectible UI receivables reported on the State's financial statements are not supported.

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 $102.1 million as of June 30, 2024, reduced by the estimated allowance for uncollectible accounts of $69 million. This results in management's presentation of $33.1 million in net ESTF UI receivables, not including interest and penalties.

UI interest and penalties receivable included in the Other Special Revenue Fund totaled $78.2 million as of June 30, 2024, reduced by the estimated allowance for uncollectible accounts of $73.6 million. This results in management's net presentation of approximately $4.6 million in net UI receivables for interest and penalties.

Federal Fund UI receivables totaled $56.8 million as of June 30, 2024, reduced by the estimated allowance for uncollectible accounts of $54.7 million. This results in management's presentation of $2.1 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 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 to 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-7

**Management's Response:** The Department disagrees with this finding. 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 judgment is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns, and is not overly subjective or susceptible to bias. Applying this methodology, 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 have agreed to OSA's recommendation that detailed receivables reports should be routinely generated and retained for purposes of determining estimates in the financial statements since 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 five-year trend analysis noted in Management's Response was not made available to the auditor to substantiate management assumptions used to estimate the allowances for uncollectible accounts, and the supporting documentation provided does not include management considerations of historical data, detailed collections activity, or current economic trends. In addition, management assumptions and related reserve percentages utilized in the calculations of estimated allowances have not been updated since the original issuance of this significant deficiency in the fiscal year 2019 audit. As a result, the estimates of the allowances for uncollectible UI receivables reported on the State's financial statements remain unsupported.

The finding remains as stated.

**(State Number: 24-0308-01)**

**(2024-007)**

**Title:** Internal control over Lottery Fund financial reporting needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 |
|---|---|---|---|
| 2023-003 | 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 for inclusion in the Annual Comprehensive Financial Report.

**Condition:** The Department contracts with a gaming vendor to administer Maine State Lottery instant ticket and draw games. The General Government Service Center (GGSC) relies on information presented in vendor reports to record Lottery Fund revenue, expenses, accounts receivable, and other accrued liabilities in the State's accounting system on a weekly and monthly basis.

On a monthly basis, GGSC conducts an accounts receivable reconciliation to ensure that activity recorded in the State's accounting records agrees to vendor reports; however, no secondary review or approval of the reconciliation is performed to ensure the information is accurate or complete.

GGSC records Lottery Fund activity in internal databases based on receipt of weekly vendor reports. A reconciliation of the weekly database entries to a monthly vendor report is performed to ensure that amounts reported by GGSC agree to vendor balances. The reconciliation and supporting documentation provide the basis for monthly journal entries to record Lottery Fund activity in the State's accounting system; however, audit procedures identified that the reconciliation was not adequately reviewed after preparation, and was also not reviewed as part of monthly journal entry approval. Therefore, existing review and approval processes are not properly designed to prevent, or detect and correct, errors in financial reporting. The Office of the State Auditor's (OSA) audit procedures identified the following errors within monthly journal entries:

- nine monthly journal entries contained monetary and account coding errors.

- twelve monthly journal entries contained variances between journal entries and supporting documentation, including inaccurate dates and game descriptions.
- eight journal entries contained inaccurate sales commissions calculations. The actual payments of sales commissions were correct and disbursed by the vendor's lottery ticket sales system; however, the State's accounting records were inaccurate and did not agree to actual payments to vendors.

In addition, OSA audit procedures identified that:

- monthly adjustments were required to correct vendor fees recorded in the State's accounting system to vendor contract terms due to inaccurate weekly recording of actual invoiced and paid vendor fees.
- one accrued liabilities account representing prize reserves has a significant negative balance and has not been reconciled since fiscal year 2023.
- GGSC created new unit codes for each game type in the State's accounting system. These new unit codes were fully implemented for revenue and expense activity; however, the old unit codes for balance sheet accounts have not been closed out and transferred to the new unit codes. As a result, there are two active unit codes in the State's accounting system for each balance sheet account.

**Context:** Lottery Fund totals reported on the State's financial statements are as follows:

- $429.1 million in service revenue
- $342.7 million in operating expenses
- $33.2 million in accounts receivable
- $27.8 million in other accrued liabilities

**Cause:**

- Lack of resources
- Lack of adequate policies and procedures, including secondary review and approval, to ensure that information recorded in the State's accounting system is accurate, complete, timely, and agrees to supporting documentation

**Effect:** Lottery Fund totals may not be accurately reported on the State's financial statements.

**Recommendation:** We recommend that GGSC enhance policies and procedures to ensure that Lottery Fund 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 partially agrees with this finding. We recognize that turnover and staffing challenges have impacted the financial reporting for this account. However, the team is now fully staffed, and we have the resources to address and correct the discrepancies identified. We understand the need for more comprehensive reconciliations across the account and are committed to completing these in SFY2025. Management has established a corrective action plan to address several key issues identified during the audit and improve the accuracy and reliability of the Lottery Fund's financial reporting. Below are our responses to the individual elements of the finding, where we agree with some points and believe others may not be material to the overall financial reporting:

- Material Impacts
  - Inaccurate Commission Calculations: Management acknowledges the error in recording sales commissions and has corrected the issue.
  - Required Monthly Adjustments for Vendor Fees: Management agrees that vendor fees were not properly aligned with the contract terms and will re-evaluate the process, potentially using a prepaid expense account to reflect expenditures more accurately.
  - Unreconciled Accrued Liabilities Account: Management acknowledges the need for more timely reconciliations and is working with the program to address this, aiming for monthly reconciliations depending on how frequently we can receive this data moving forward.
- Immaterial Financial Impacts
  - Errors in Monthly Journal Entries (Unit Codes): While we acknowledge that there were errors in the unit codes for nine monthly journal entries, the total error was less than $50k and did not affect the overall financials. This issue has already been resolved during the audit process.
  - Variances in Journal Entries and Supporting Documentation: We agree that there were inaccuracies in some journal entry descriptions, such as incorrect dates and game descriptions. However, these discrepancies did not materially impact the financial statements or result in any material financial effects.
  - Unclosed Old Unit Codes for Balance Sheet Accounts: Although the old unit codes for balance sheet accounts have not been closed, we do not believe this issue materially impacts financial reporting. Reconciliations are conducted at the fund level, not at the unit level, and due to limitations in data provided by the vendor, accurate reporting at the unit level is not feasible.

**Contact:** Albert Gorneau, Director, General Government Service Center, DFPS, DAFS, 207-649-1436

**Auditor's Concluding Remarks:** OSA has collectively identified the exceptions noted in the Condition of this finding as a significant deficiency in internal control, which is defined as a deficiency, or a combination of deficiencies, that is less severe than a material weakness. A material weakness would be issued if there is a reasonable possibility that a material misstatement of the financial statements would not be prevented, or detected and corrected, on a timely basis by the Department's internal controls. In response to the discussion of materiality in Management's Response, the deficiencies identified by OSA do not rise to the level of material weakness, nor would they result in a material impact to the financial statements; however, they are important enough to merit attention by those charged with governance.

OSA identified multiple areas where a misstatement of financial information, while immaterial, was not prevented, or detected and corrected, by existing internal control processes. More specifically, the monetary and coding errors in the nine monthly journal entries and the variances between the journal entries and supporting documentation should have been detected and corrected through the Department's review and approval process. The errors were not corrected until identified by audit procedures. Regarding account unit codes, outdated unit codes were appropriately closed out for revenue and expense accounts, and based on discussions throughout the audit, the outdated balance sheet unit codes were only remaining active until a full accounts receivable reconciliation and related adjustment was completed. This reconciliation and adjustment occurred in July 2023, yet the accounts remain active.

The finding remains as stated.

**(State Number: 24-0301-01)**

**(2024-008)**

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

**Prior Year Findings:**

| FY23 |
|---|
| 2023-004 |

**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 for inclusion in the Annual Comprehensive Financial Report.

**Condition:** The State contracts 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 to record revenue, expenses, payables, and receivables in the State's accounting system for the Alcoholic Beverages Fund.

On a monthly basis, GGSC reconciles activity detailed in daily vendor reports in order to summarize monthly revenue and expenses and the impact on payables and receivables balances; however, this monthly reconciliation process does not consider existing balances in the State's accounting system. Therefore, the 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, variances between vendor report balances and the State's accounting system existed as of June 30, 2024, and due to limited resources, GGSC has not fully reconciled the discrepancies.

The Office of the State Auditor (OSA) proposed an adjusting journal entry to correct balances on the State's financial statements. The majority of the proposed adjustment is related to discrepancies identified and not corrected in the prior year audit, with additional discrepancies noted in fiscal year 2024. The proposed adjusting journal entry for fiscal year 2024 was not recorded by OSC.

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

- $257.6 million in service revenue
- $191.6 million in operating expenses
- $7.4 million in payables
- $3.5 million in receivables

These totals do not include the effects of OSA's proposed $3 million audit adjustment to correct Alcoholic Beverages Fund revenue, expenses, payables, and receivables.

**Cause:**

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

**Effect:** OSA's proposed audit adjustment to correct the misstatement of Alcoholic Beverages Fund in the State's financial statements is as follows:

- Service revenue is understated by $1.8 million.
- Operating expenses are understated by $513 thousand.
- Payables are understated by $1.1 million.
- Receivables are understated by $2.4 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-8

**Management's Response:** The Department agrees with this finding. We recognize that turnover and staffing challenges have impacted the financial reporting for this account. However, the team is now fully staffed, and we have the resources to address and correct the discrepancies identified. We understand the need for more comprehensive reconciliations across the account and are committed to completing these in SFY2025. Management has established a corrective action plan to address issues identified during the audit and improve the accuracy and reliability of the Alcoholic Beverages Fund's financial reporting.

**Contact:** Albert Gorneau, Director, General Government Service Center, DFPS, DAFS, 207- 649-1436

**(State Number: 24-0301-02)**

**(2024-009)**

**Title:** Internal control over financial reporting of Department of Agriculture, Conservation and Forestry capital assets needs improvement

**Prior Year Findings:**

| FY23 | FY22 |
|---|---|
| 2023-007 | 2022-008 |

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

**State Bureau:** Natural Resources Service Center
Parks and Lands

**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, land, and improvements used in operations. During testing of capital asset expenditures, the Office of the State Auditor identified three improvements to capital assets totaling $1.7 million that were expensed but should have been capitalized.

**Context:** In fiscal year 2024, $102 million in capital asset improvements were reported in the State's financial statements.

**Cause:**

- Lack of adequate procedures to ensure capital asset improvements are capitalized rather than expensed

- Lack of supervisory oversight

**Effect:** Assets totaling $1.7 million were expensed rather than capitalized. As a result, expenditures are overstated and capital assets are understated in the State's financial statements.

**Recommendation:** We recommend that the Department and its financial Service Center work with the Office of the State Controller to develop procedures and enhance oversight to ensure capital assets are capitalized rather than expensed.

**Corrective Action Plan:** See F-8

**Management's Response:** The Department agrees with this finding. The condition results from misidentifying capital repairs to fixed assets as an expense rather than an improvement to a capital asset. When creating procurement documents, the choice of commodity code and identifying the procurement type as service or item impacts how it is recorded in Advantage. The correct commodity code was used; however, further identifying as a service versus an item wasn't selected and, therefore, did not trigger a fixed asset shell. As a result, these three improvements were not identified as an item and were expensed. The Natural Resource Service Center (NRSC) will work with the Department of Agriculture, Conservation and Forestry (DACF) and the Office of the State Controller to ensure that staff at the NRSC and DACF are trained to correctly identify and record improvements to capital assets in the fixed asset system.

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

**DACF**: Aimee Carlton, Business Operations Manager, DACF, 207-592-6129

**(State Number: 24-0600-02)**

**(2024-010)**

**Title:** Internal control over Bureau of Parks and Lands purchasing procedures needs improvement

**Prior Year Findings:** None

**State Department:** Agriculture, Conservation and Forestry
**State Bureau:** Parks and Lands

**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 20; Office of State Procurement Services (OSPS) Purchasing Policy & Operations Manual (PPOM); OSPS Procurement 101 (Fundamentals)

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.

The OSPS PPOM states items under $5,000, with some exclusions, may be purchased using the State Procurement Card or a Purchase Order in the State's accounting system. Departments are not allowed to use this method for items on State contract. The method for procurement products, excluding those deemed as emergency or sole source, that exceed $5,000 is the formal bidding process.

OSPS Procurement 101 guidance states that a Master Agreement (MA) is a contract for the procurement of goods or services at agreed-upon terms and policies between the State and the supplier. An MA satisfies all competitive bid requirements and must be used, if available. An agency should not use informal procurement methods for regular or repeated purchases of the same items, and an agency must not fragment or otherwise divide awards for the purpose of keeping the value of the procurement within the purchasing guidelines to avoid stacking.

**Condition:** The Bureau of Parks and Lands manages and maintains parks and land throughout the State, and is responsible for ordering supplies and products in accordance with State purchasing policies.

The Office of the State Auditor performed analytical procedures over expenditures and found:

- 39 payments to one vendor totaling approximately $84,000 that included:
    - 14 payments made on the same day totaling approximately $43,000.
    - all 39 payments falling just below the $5,000 maximum procurement threshold.
    - at least one product purchased by the Bureau was available through a current MA; however, the Bureau did not utilize the vendor under the MA.

- 5 payments to another vendor totaling approximately $22,000 that included:
  - 3 payments made on the same day that totaled approximately $15,000.
  - all 3 payments falling below the $5,000 maximum procurement threshold.
  - approximately $1,400 for shipping costs.

**Context:** In fiscal year 2024, the Bureau's expenditures totaled $14.4 million.

**Cause:**
- Lack of adequate training over State purchasing policies and procedures
- Lack of supervisory oversight

**Effect:** Without adherence to established OSPS purchasing policies and procedures:
- fraud, waste, or abuse may not be prevented or detected.
- the State may not be receiving the best value for materials and services.

**Recommendation:** We recommend that the Bureau:
- implement a training program over State purchasing policies and procedures; and
- increase oversight and monitoring over purchasing.

This will ensure that the Bureau is purchasing supplies and services in accordance with State purchasing policies and procedures.

**Corrective Action Plan:** See F-9

**Management's Response:** The Department agrees with this finding. This issue occurred due to a policy misunderstanding, where staff ordered items by location and item from a single vendor. To address this, a policy review has been conducted with staff. Additionally, we will collaborate with Procurement Services to develop master agreements for recurring items or incorporate these items into existing master agreements.

**Contact:** Aimee Carlton, Business Operations Manager, DACF, 207-592-6129

**(State Number: 24-0208-03)**

**(2024-011)**

**Title:** Internal control over Department of Corrections purchasing procedures needs improvement

**Prior Year Findings:** None

**State Department:** Corrections
**State Bureau:** Commissioner's Office

**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 20; Office of State Procurement Services (OSPS) Purchasing Policy and Operations Manual (PPOM); OSPS Procurement 101 (Fundamentals); OSPS 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.

The OSPS PPOM states items under $5,000 may be purchased using the State Procurement Card or a Purchase Order in the State's accounting system. Departments are not allowed to use this method for items on State contract. The method for procuring products, excluding those deemed as emergency or sole source, that exceed $5,000 is the formal bidding process.

OSPS Procurement 101 guidance states that a Master Agreement (MA) is a contract for the procurement of goods or services at agreed-upon terms and policies between the State and the supplier. An MA satisfies all competitive bid requirements and must be used, if available. An agency should not use informal procurement methods for regular or repeated purchases of the same items, and an agency must not fragment or otherwise divide awards for the purpose of keeping the value of the procurement within the purchasing guidelines to avoid stacking.

OSPS Procurement Card Policies & Procedures state that procurement cards (P-Card) may not be used to purchase from another vendor items that are available through an established statewide MA 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.

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

**Condition:** The Department manages and maintains correctional facilities throughout the State and is responsible for ordering supplies and services in accordance with State purchasing policies.

The Office of the State Auditor performed analytical procedures over expenditures and found:

- 48 payments to one vendor totaling $97,799 for supplies that the Department regularly uses. Many of these supplies are available through a current MA.
- five payments to another vendor totaling $24,818 for supplies that the Department regularly uses. These supplies are available through a current MA.
- P-Card purchases totaling approximately $35,000 for supplies that the Department regularly uses. These supplies are available through a current MA.

**Context:** In fiscal year 2024, the Department's expenditures totaled approximately $233 million.

**Cause:**

- Lack of adequate training over State purchasing policies and procedures
- Lack of supervisory oversight

**Effect:** Without adherence to established OSPS purchasing policies and procedures:

- fraud, waste, or abuse may not be prevented or detected.
- the State may not be receiving the best value for materials and services.

**Recommendation:** We recommend that the Department:

- implement a training program over State purchasing policies and procedures; and
- increase oversight and monitoring over purchasing.

This will ensure that the Department is purchasing needed supplies and services in accordance with State purchasing policies and procedures.

**Corrective Action Plan:** See F-9

**Management's Response:** The Department agrees with this finding related to procurement practices and is committed to addressing the issues to ensure full compliance with State purchasing policies and procedures. The audit identified three key areas of concern regarding payments made to vendors and the use of P-Cards for purchases that could have been made through existing Master Agreements. The Department takes these findings seriously and has developed a comprehensive Corrective Action Plan to rectify the issues and prevent recurrence.

To prevent future occurrences, the Department's strategy centers on three core areas: training, process improvements, and monitoring. Mandatory training sessions will be required for all procurement and P-Card users, with a focus on the proper use of Master Agreements. Additional levels of review in MainePays will be implemented to increase accountability and prevent errors before they occur. Finally, the Department will perform routine audits and oversight activities to detect and address any deviations from established procedures.

The Department's leadership is committed to resolving these issues and enhancing overall compliance with State purchasing policies. The Department will be prioritizing staff education, process enhancements, and monitoring mechanisms. The Department aims to strengthen its internal controls and avoid future audit findings of this nature.

**Contact:** Anthony Cantillo, Deputy Commissioner, Corrections, 207-624-2770

**(State Number: 24-0208-04)**

**(2024-012)**

**Title:** Internal control over Department of Transportation financial reporting needs improvement

**Prior Year Findings:** None

**State Department:** Transportation
**State Bureau:** Finance and Administration

**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 90

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).

SAAM Chapter 90 states that agencies are responsible for ensuring that assets and liabilities are properly and completely stated and that revenues and expenditures are accurately reflected and recorded in the proper period using the correct coding.

**Condition:** The Department of Transportation is responsible for providing accurate and complete information to the Office of the State Controller (OSC) for year-end financial reporting and presentation in the State's financial statements.

The Office of the State Auditor (OSA) audit procedures identified a journal entry that recorded $18 million in expenditures that were incurred in fiscal year 2024; however, the entry was incorrectly recorded in fiscal year 2025. As a result, Highway Fund expenditures and Other Special Revenue Fund expenditures were misstated in the State's financial statements.

OSA proposed an audit adjustment to properly record the expenditures in the correct period. The adjustment was recorded by OSC.

**Context:** Before OSA's proposed audit adjustment:
- Highway Fund expenditures totaled $532 million.
- Other Special Revenue Fund expenditures totaled $1.6 billion.

**Cause:** Lack of supervisory oversight to ensure the review of year-end journal entries are complete and accurate

**Effect:** Before OSA's proposed audit adjustment:

- Highway Fund expenditures were overstated by $18 million; and
- Other Special Revenue Fund expenditures were understated by $18 million.

**Recommendation:** We recommend that the Department enhance oversight procedures over the review of year-end journal entries to ensure the State's financial statements are complete and accurate.

**Corrective Action Plan:** See F-10

**Management's Response:** The Department agrees with this finding. The Department will enhance oversight procedures over the review of year-end journal entries to ensure accuracy.

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

**(State Number: 24-0208-17)**

**(2024-013)** 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:**

| FY23 | FY22 |
|---|---|
| Redacted | Redacted |

**Type of Finding:** Significant deficiency

**Corrective Action Plan:** See F-10

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

**(State Number: 24-0903-02)**

**(2024-014)** 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:**

| FY23 | FY22 | FY21 | FY20 |
|---|---|---|---|
| Redacted | Redacted | Redacted | Redacted |

**Type of Finding:** Significant deficiency

**Corrective Action Plan:** See F-11

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

**(State Number: 24-0908-01)**

**(2024-015)**

**Title:** Internal control over Office of State Procurement Services oversight procedures needs improvement

**Prior Year Findings:** None

**State Department:** Administrative and Financial Services
**State Bureau:** Office of State Procurement Services

**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 1812; 5 MRSA 1825; 5 MRSA 1973; Office of State Procurement Services (OSPS) Purchasing Policy and Operations Manual (PPOM)

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.

5 MRSA 1812 outlines that the Office of State Procurement Services' (OSPS) function is to purchase collectively all services, supplies, materials and equipment for the State or any department or agency thereof in a manner to best secure the greatest possible economy consistent with the grade or quality of the services, supplies, materials and equipment best adapted for the purposes for which they are needed. OSPS is responsible for annually updating a central database of information including, but not limited to, procurement policies, market information, technical data and demonstration project results.

5 MRSA 1825-B outlines the role of the Bureau of General Services (BGS) in purchasing, and establishing 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.

5 MRSA 1973(5)(b) states that the Chief Information Officer shall approve the Division of Purchases' standards and evaluation procedures for standard information and telecommunications technology acquisitions and contracts.

The OSPS PPOM outlines responsibilities within and requirements of the procurement process. It states that cost or price analyses must be performed in connection with every procurement action, including contract modifications, consistent with OSPS' statutory authority to purchase collectively in a manner that will best secure the greatest possible economy. It also states that Contract/Grant Specialists must maintain a contract/order monitoring system which ensures vendors perform in accordance with the terms of the agreement/contract.

In their guidance to Departments, OSPS outlines that Low-Cost Service Contracts (LCSC) are for goods or services valued less than $5,000. LCSC procedures do not require competitive bidding due to their low-dollar amount; no more than one LCSC can be open to any one vendor with any one Department within a 12-month period.

**Condition:** OSPS is responsible for overseeing the procurement of services, supplies, materials, and equipment by State agencies and departments. In accordance with 5 MRSA 1812, OSPS publishes applicable policies, procedures, and statutes related to the procurement process on its website. In addition, OSPS maintains an intranet with information, guidance, and templated forms for utilization by departments and agencies. The guidance and templated forms are intended to aid in ensuring that contracts are complete, and that required and standard terms and conditions are consistently applied.

For purchases greater than $5,000, departments and agencies must submit a Procurement Justification Form (PJF) in conjunction with a purchase request for OSPS review and approval. In accordance with 5 MRSA 1825-B, to ensure a competitive bidding process, OSPS is responsible for reviewing and approving PJFs, and for approving the agreements that have been drafted by the department. Through this oversight and centralized review of the procurement process, OSPS is directly responsible for the purchase of all services, supplies, materials and equipment for the State.

The Office of the State Auditor (OSA) tested 45 active contracts, master agreements, and purchase orders to ensure the procurement of services, supplies, materials, and equipment were in accordance with Federal and State requirements, statutes, and policies, and identified the following:

- Of the 23 Federal contracts included in the sample, 5 did not contain required Federal Award information in accordance with regulations.
- While contracts are not considered valid until fully signed, a majority of contracts and PJFs tested were signed after the start date of the contract, ranging from 3 days to 187 days later, as follows:
    - 18 of 31 PJFs tested were signed after the contract start date.
    - 24 of 45 contracts tested were signed after the contract start date.
- In the application of sole-source justification as a waiver of the State's competitive bidding process, reasonable investigation by the Director of BGS is statutorily required; however, 16 of 31 PJFs tested were designated as sole-source and there was no documentation to support reasonable investigation by the Director occurred as required.
- One contract was approved and encumbered as a sole-source contract subsequent to work being completed. As a result, an invoice was generated prior to the start of the contract.
- Documentation to support performance of a cost analysis as required by State policy could not be provided for any of the 45 procurement actions tested.
- OSPS did not review existing LCSCs prior to approval of new contracts to the same vendor. Of the 7 LCSCs tested, 4 were to vendors already engaged in more than one LCSC with the Department within the same 12-month period, which is prohibited by State policy. One Department had 7 concurrent LCSCs with the same vendor.
- OSPS did not request or review information related to vendor performance during the contract amendment process. None of the 14 amendments tested included documentation

to support a review and determination of satisfactory vendor performance in line with terms and conditions of the existing contracts.
- Of the 8 IT-related contracts tested, 2 contracts were approved through OSPS without documentation of Office of Information Technology (OIT) review or approval as required by statute.

**Context:** In fiscal year 2024, the State expended approximately $2.1 billion in contract-related payments.

**Cause:**
- Lack of supervisory oversight
- OSPS did not enforce existing policies and procedures to ensure that agreements are valid, in conformance with Federal and State requirements, and represent the best value for the State.

**Effect:**
- Contracts with incomplete or inadequate terms and conditions may not be valid.
- Noncompliance with Federal contract regulations could result in payments owed to the Federal government.
- Allowing departments to engage vendors for work prior to approved signatures on contracts creates a potential liability for the State and exposure to legal proceedings.
- Circumvention of competitive bidding could result in the need to void a contract or exposure to legal proceedings.
- Lack of cost analyses prior to contract completion does not allow OSPS to secure the best value in contracting as required by statute.
- Multiple LCSCs from a single department may allow vendors to receive State funds over $5,000 without having to participate in competitive bidding as required.
- Amendment of contracts without a review of vendor performance may allow additional or excessive payments for unsatisfactory or incomplete work.
- Lack of OIT review on IT contracts may not secure the best value, as OIT personnel posses the subject-matter expertise needed to analyze agreements with IT vendors.

**Recommendation:** We recommend that OSPS increase oversight to enforce Federal and State regulations and standards and existing policies and procedures regarding review and approval of procurement documents.

**Corrective Action Plan:** See F-11

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

The Office of State Procurement Services (OSPS) disagrees with five (5) of the eight (8) findings:

1. Federal Award Information

OSPS disagrees with the OSA's claim that federal contract management is OSPS's responsibility. Based on 2 CFR 200.1, state agencies are the recipients of federal awards, while OSPS does not receive federal funds or manage program activities. Contract management in

Maine is decentralized to the State agencies. Federal award compliance is the responsibility of the award recipient.

2. Contracts and Procurement Justification Forms (PJFs) Signed After the Contract Start Date

OSPS disagrees with these findings. The dates on the PJF are clearly labeled as "Proposed Dates," intended for internal review and not indicative of finalized timelines. Contract signing and management are the responsibilities of the contracting agency, not OSPS.

3. Sole-Source Investigation Documentation

OSPS finds this exception inaccurate as it does not consider the complete Procurement Justification Form / Notice of Intent process. Agencies justify their requests in the PJF, which OSPS reviews. PJFs are publicly posted, allowing vendors to protest claims, ensuring accountability.

4. Cost Analysis Documentation

OSPS disagrees with this finding. The auditor overlooked established processes. Relevant documents often stem from formal solicitations, with rigorous cost analyses in place. The Auditor's claims rely on outdated policies. An updated Policy Manual, due for release in 2025, will clarify current practices.

5. Vendor Performance Documentation During Contract Amendments

OSPS disagrees with this finding; it relies on outdated practices. Contract management has been decentralized, and OSPS does not sign contracts or oversee vendor performance—these responsibilities lie with the agency.

OSPS partially agrees with two (2) of the eight (8) findings identified:

1. Low-Cost Service Contracts (LCSCs):

The reference to our guidance regarding LCSCs is only partially accurate. Agencies can have multiple LCSC agreements with the same vendor under certain conditions. "Stacking" avoids proper procurement processes. We review relevant documents when stacking is suspected, and two LCSC contracts from fiscal year 2023 indicate possible stacking.

2. IT-Related Contracts and MaineIT Review:

OSPS acknowledges that one IT-related contract was not reviewed by MaineIT as required. However, the other contract was signed prior to the establishment of the formal IT procurement process for LCSCs, and approval was not required at that time. Additionally, this contract falls outside the audit scope for fiscal year 2024.

OSPS agrees with one (1) of the eight (8) findings identified:

We agree an invoice was generated prior to the start of the contract. OSPS will review relevant procedures with staff to ensure compliance in the future.

**Contact:** David Morris, Acting Chief Procurement Officer, DAFS, OSPS, 207-624-7335

**Auditor's Concluding Remarks:** While Departments do have responsibility for contract administration, OSPS, as the centralized procurement office for the State, is statutorily assigned the authority and responsibility to procure goods and services that provide the best value for the State. OSPS states that it delegates many of the procurement functions to the Departments; however, OSPS cannot delegate their responsibility to provide oversight of those processes.

Therefore, to address OSPS' disagreements in Management's Response:

1. OSPS inaccurately identifies the Federal award information exception as one of contract management rather than a lack of appropriate oversight over the procurement process.
2. The dates on the PJF may be for internal use only; however, if the purpose of the PJF is to justify the existence of a contract, then it must precede the contract, which then precedes the start of any work. In our testing, 58 percent of the PJFs and 53 percent of the contracts were approved after the start of the contract.
3. OSPS asserts that the PJFs are reviewed prior to approval; however, that review does not include verification of the vendor selection or proposed cost. 5 MRSA 1825-B requires reasonable investigation related to sole-source contracts. OSPS did not provide documentation to support that they requested or reviewed any reasonable investigation in relation to all 16 of the sole-source contracts.
4. While OSPS claims that there are often rigorous cost analyses in place, OSA requested documentation for cost analysis related to all 45 of the procurement documents selected in our test, and none were provided by OSPS.
5. While the Department is responsible for overseeing vendor performance, it is OSPS' responsibility for oversight. Review of vendor performance as consideration of past vendor performance is required for the approval of contracts, which is not only a Federal regulation, but also integral to their purpose at 5 MRSA 1812 to ensure the best value for the State.

To address OSPS' partial agreements in Management's Response:

1. OSPS claims to review documents when stacking is suspected; however, OSPS could not identify the number of LCSCs awarded to each vendor. Therefore, it negates the ability to review what cannot be identified.
2. OSPS indicates that the contract is out of scope for fiscal year 2024, but OSA has been clear in communicating that the expenditure in fiscal year 2024 is directly related to the active contract. Contracts that were valid and had expenditures within fiscal year 2024 were in the population sampled.

Additionally, the decision by OSPS to deviate from its established policies and procedures once they have determined they are outdated does not relieve them of their duty at 5 MRSA 1812 to secure the best value, or the requirement at 5 MRSA 1825-B(2)(c) to document reasonable research in relation to sole source procurement.

The finding remains as stated.

**(State Number: 24-0208-01)**

**(2024-016)**

**Title:** Internal control over Unemployment Insurance financial reporting 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
**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-77

**Compliance Area:** Reporting

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 2 CFR 200.510; Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; State Administrative and Accounting Manual (SAAM) 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 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.

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

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:** The Security and Employment Service Center (SESC) is responsible for recording accounting transactions and reconciling balances between Federal funds and the State-funded Unemployment Insurance (UI) program under the Employment Security Fund (ESF). SESC is required to periodically record transfers of revenues and expenditures between Federal and State funds, which are separately presented in the State's financial statements, but combined for SEFA reporting purposes. OSC compiles information collected from SESC in year-end closing packages for financial and SEFA reporting purposes.

The Office of the State Auditor's (OSA) audit of year-end account balances and related SEFA reporting identified a deposit of $11.6 million, representing a transfer between Federal and State UI funds, that was not accurately recorded. This resulted in the following errors:

- ESF Cash & Short-Term Investments was overstated by $11.6 million, and Restricted Deposits & Investments was understated by $11.6 million on the State's financial statements.
- SEFA expenditures were overstated by $11.6 million.

OSA proposed an audit adjustment to reclassify and correct the balances on the State's financial statements and SEFA. The adjustment was recorded by OSC.

**Context:** Before OSA's proposed audit adjustment:

- ESF Cash & Short-Term Investments and Restricted Deposits & Investments totaled $13 million and $735.2 million, respectively.
- SEFA expenditures for the UI program totaled $150.7 million.

**Cause:** Lack of supervisory oversight

**Effect:** Before OSC corrected year-end account balances and related SEFA reporting:

- ESF asset balances on the State's financial statements were misclassified.
- total expenditures reported on the SEFA were inaccurate. The SEFA is submitted to the Federal government, and errors in reporting may result in incorrect information used for programmatic, policy, or statistical purposes.

**Recommendation:** We recommend that SESC and OSC enhance supervisory oversight to ensure that balances reported on the State's financial statements and SEFA are accurate.

**Corrective Action Plan:** See F-11

**Management's Response:** The Department agrees with this finding. The department will further expand the procedures used to prepare and review the SEFA.

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

**(State Number: 24-0308-02)**

**(2024-017)** 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:**

| FY23 | FY22 | FY21 | FY20 |
|---|---|---|---|
| Redacted | Redacted | Redacted | Redacted |

**Type of Finding:** Significant deficiency

**Corrective Action Plan:** See F-12

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

**(State Number: 24-0900-02)**

**(2024-018)** Confidential finding, see below for more information

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

**Prior Year Findings:** None

**Type of Finding:** Significant deficiency

**Corrective Action Plan:** See F-12

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

**(State Number: 24-0900-03)**

**(2024-019)** 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-12

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

**(State Number: 24-0902-01)**

**(2024-020)** 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:**

| FY23 | FY22 |
|---|---|
| Redacted | Redacted |

**Type of Finding:** Significant deficiency

**Corrective Action Plan:** See F-12

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

**(State Number: 24-0909-01)**

**(2024-021)** 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-13

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

**(State Number: 24-0904-01)**

# STATE OF MAINE
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE YEAR ENDED JUNE 30, 2024

## Section III - Federal Finding Indexes and Federal Award Identification Numbers

Six findings (2024-016 through 2024-021) included in Section II – Financial Statement Findings also relate to Section III – Federal Findings and Questioned Costs and will be included in the following indexes.

| Program / Finding # | Brief Summary of Finding | Finding Type/QC | Page |
|---|---|---|---|
| **Pandemic EBT Food Benefits (P-EBT)**<br>ALN 10.542 | | | |
| 2024-020 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-59 |
| 2024-027 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-96 |
| 2024-028 | ________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-97 |
| 2024-029 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-98 |
| **SNAP Cluster**<br>ALN 10.551, 10.561 | | | |
| 2024-022 | Internal control over SNAP eligibility determinations and benefit calculations needs improvement | MW<br>MNC<br>QC<br>($12,335/UN) | E-81 |
| 2024-023 | Internal control over SNAP deceased client cases needs improvement | MW<br>MNC<br>QC<br>($11,080/UN) | E-84 |
| 2024-024 | Internal control over automated SNAP eligibility certification periods needs improvement | MW<br>MNC<br>QC<br>($3,973/UN) | E-88 |
| 2024-025 | Internal control over SNAP EBT card security needs improvement | SD | E-91 |
| 2024-026 | Internal control over DHHS special reporting needs improvement | SD | E-94 |
| 2024-027 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-96 |
| 2024-028 | ________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-97 |
| 2024-029 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-98 |

| Program / Finding # | Brief Summary of Finding | Finding Type/QC | Page |
|---|---|---|---|
| **Child Nutrition Cluster (CNC)**<br>ALN 10.553, 10.555, 10.556, 10.559, 10.582 | | | |
| 2024-020 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-59 |
| 2024-030 | Internal control over CNC eligibility needs improvement | MW<br>MNC<br>QC<br>($628,924/UN) | E-99 |
| 2024-031 | Internal control over CNC claim reimbursements needs improvement | MW<br>MNC<br>QC<br>($128,399/UN) | E-103 |
| 2024-032 | Internal control over CNC subrecipient monitoring procedures needs improvement | MW<br>MNC | E-109 |
| 2024-033 | ________ over ________, ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | MW | E-113 |
| 2024-034 | Internal control over the submission of CNC Schedule of Expenditures of Federal Awards information needs improvement | SD | E-114 |
| 2024-035 | Internal control over CNC donated food inventory needs improvement | SD | E-116 |
| 2024-036 | Internal control over CNC cash management needs improvement | SD | E-119 |

| | | | |
|---|---|---|---|
| **Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**<br>ALN 10.557 | | | |
| 2024-026 | Internal control over DHHS special reporting needs improvement | SD | E-94 |
| 2024-037 | Internal control over WIC subrecipient cash management needs improvement | SD | E-122 |
| 2024-038 | Internal control over WIC cash balances needs improvement | SD | E-125 |

| | | | |
|---|---|---|---|
| **Fish and Wildlife Cluster**<br>ALN 15.605, 15.611, 15.626 | | | |
| 2024-041 | Internal control over monitoring of employee classification and compensation needs improvement | SD | E-132 |

| | | | |
|---|---|---|---|
| **Unemployment Insurance (UI)**<br>ALN 17.225 | | | |
| 2024-016 | Internal control over Unemployment Insurance financial reporting needs improvement | SD | E-54 |
| *Unemployment Insurance (UI) continued on next page* | | | |

State of Maine
Index to Federal Findings
By Federal Program and Finding Type
For the Year Ended June 30, 2024

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|---|---|---|---|
| *Unemployment Insurance (UI) continued from previous page* | | | |
| 2024-039 | Internal control over UI claim payments needs improvement | SD | E-127 |
| 2024-040 | Internal control over UI overpayments needs improvement | SD | E-130 |
| 2024-041 | Internal control over monitoring of employee classification and compensation needs improvement | SD | E-132 |
| **<u>Homeowner Assistance Fund Program (HAF)</u>**<br>ALN 21.026 | | | |
| 2024-042 | Internal control over HAF Program reporting and earmarking needs improvement | MW<br>MNC | E-137 |
| 2024-043 | Internal control over HAF Program subrecipient monitoring needs improvement | MW<br>MNC | E-140 |
| **<u>Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)</u>**<br>ALN 21.027 | | | |
| 2024-044 | Internal control over CSLFRF reporting needs improvement | SD | E-143 |
| 2024-045 | Internal control over CSLFRF subrecipient risk evaluation procedures needs improvement | SD | E-145 |
| 2024-046 | Internal control over CSLFRF subrecipient cash management needs improvement | SD | E-147 |
| **<u>Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)</u>**<br>ALN 84.010A | | | |
| 2024-020 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-59 |
| **<u>Special Education Cluster (IDEA)</u>**<br>ALN 84.027, 84.173 | | | |
| 2024-020 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-59 |
| 2024-041 | Internal control over monitoring of employee classification and compensation needs improvement | SD | E-132 |
| 2024-047 | Internal control over Special Education period of performance needs improvement | SD<br>QC<br>($7,303/ $31,768) | E-150 |
| 2024-048 | Internal control over Special Education level of effort needs improvement | SD | E-153 |

| Program / Finding # | Brief Summary of Finding | Finding Type/QC | Page |
|---|---|---|---|
| **<u>Rehabilitation Services – Vocational Rehabilitation Grants to States</u>**<br>ALN 84.126 | | | |
| 2024-041 | Internal control over monitoring of employee classification and compensation needs improvement | SD | E-132 |
| **<u>Education Stabilization Fund (ESF)</u>**<br>ALN 84.425 | | | |
| 2024-049 | Internal control over ESF subrecipient monitoring procedures needs improvement | SD | E-155 |
| **<u>Immunization Cooperative Agreements (ICA)</u>**<br>ALN 93.268 | | | |
| 2024-050 | Internal control over ICA program subrecipient cash management needs improvement | SD | E-158 |
| 2024-051 | ________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-162 |
| **<u>CCDF Cluster</u>**<br>ALN 93.489, 93.575, 93.596 | | | |
| 2024-041 | Internal control over monitoring of employee classification and compensation needs improvement | SD | E-132 |
| 2024-059 | Internal control over CCDF financial reporting needs improvement | MW<br>MNC<br>QC<br>($3.7M/$3.7M) | E-184 |
| 2024-060 | Internal control over CCDF provider health and safety requirements needs improvement | SD | E-188 |
| 2024-061 | Internal control over CCDF period of performance needs improvement | SD | E-190 |
| 2024-062 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-192 |
| **<u>Temporary Assistance for Needy Families (TANF)</u>**<br>ALN 93.558 | | | |
| 2024-027 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-96 |
| 2024-028 | ________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-97 |

*Temporary Assistance for Needy Families (TANF) continued on next page*

| Program / Finding # | Brief Summary of Finding | Finding Type/QC | Page |
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| *Temporary Assistance for Needy Families (TANF) continued from previous page* | | | |
| 2024-029 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-98 |
| 2024-052 | Internal control over payments made to TANF clients needs improvement | MW<br>MNC<br>QC<br>($1,014/ UN) | E-163 |
| 2024-053 | Internal control over Income Eligibility and Verification System procedures needs improvement | MW<br>MNC | E-166 |
| 2024-054 | Internal control over TANF client child support sanction procedures needs improvement | SD | E-169 |
| 2024-055 | Internal control over TANF program subrecipient cash management needs improvement | SD | E-172 |
| 2024-056 | Internal control over TANF subrecipient risk evaluation procedures needs improvement | SD | E-176 |
| 2024-057 | Internal control over TANF performance reporting procedures needs improvement | SD | E-179 |
| 2024-058 | Internal control over TANF work verification plan procedures needs improvement | SD | E-181 |
| **Foster Care – Title IV-E**<br>ALN 93.658 | | | |
| 2024-063 | Internal control over the Foster Care – Title IV-E and Adoption Assistance – Title IV-E eligibility and benefit determination process needs improvement | MW<br>MNC<br>QC<br>($4,647/ UN) | E-193 |
| 2024-065 | Internal control over the Foster Care – Title IV-E and Adoption Assistance – Title IV-E programs FMAP rates needs improvement | SD | E-201 |
| 2024-066 | ________ over ________, ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-204 |
| **Adoption Assistance – Title IV-E**<br>ALN 93.659 | | | |
| 2024-063 | Internal control over the Foster Care – Title IV-E and Adoption Assistance – Title IV-E eligibility and benefit determination process needs improvement | MW<br>MNC<br>QC<br>($9,367/ UN) | E-193 |
| 2024-064 | Internal control over the Adoption Assistance – Title IV-E eligibility and benefit determination process needs improvement | MW<br>MNC<br>QC<br>($10,860/ UN) | E-198 |
| *Adoption Assistance – Title IV-E continued on next page* | | | |

| Program / Finding # | Brief Summary of Finding | Finding Type/QC | Page |
|---|---|---|---|
| *Adoption Assistance – Title IV-E continued from previous page* | | | |
| 2024-065 | Internal control over the Foster Care – Title IV-E and Adoption Assistance – Title IV-E programs FMAP rates needs improvement | SD | E-201 |
| 2024-066 | ________ over ________, ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-204 |

| Program / Finding # | Brief Summary of Finding | Finding Type/QC | Page |
|---|---|---|---|
| **Medicaid Cluster**<br>ALN 93.775, 93.777, 93.778 | | | |
| 2024-017 | ________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-56 |
| 2024-018 | ________ over the ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-57 |
| 2024-019 | ________ over the ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-58 |
| 2024-021 | ________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-60 |
| 2024-029 | ________ over ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-98 |
| 2024-067 | Internal control over Medicaid Nursing Facility audits needs improvement | MW<br>MNC | E-205 |
| 2024-068 | Internal control over Medicare Part B premium payments needs improvement | SD | E-207 |
| 2024-069 | Internal control over Medicaid cost of care assessments and deductions needs improvement | SD | E-209 |
| 2024-070 | Internal control over Medicaid drug rebates needs improvement | SD | E-212 |
| 2024-071 | Internal control over Medicaid paid medical claims needs improvement | SD | E-215 |
| 2024-072 | ________ over the ________ and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | SD | E-217 |

| Program / Finding # | Brief Summary of Finding | Finding Type/QC | Page |
|---|---|---|---|
| **Opioid STR (State Opioid Response)***<br>ALN 93.788 | | | |
| 2024-026 | Internal control over DHHS special reporting needs improvement | SD | E-94 |

*This program was not audited as a major program in fiscal year 2024.

State of Maine
Index to Federal Findings
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| Program / Finding # | Brief Summary of Finding | Finding Type/QC | Page |
|---|---|---|---|
| **<u>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG-PA)</u>** ALN 97.036 | | | |
| 2024-073 | Internal control over DG – PA program special reporting needs improvement | MW MNC | E-218 |
| 2024-074 | Internal control over DG – PA program cash management needs improvement | SD | E-220 |
| 2024-075 | Internal control over DG – PA program financial reporting needs improvement | SD | E-222 |
| 2024-076 | Internal control over the submission of DG – PA program Schedule of Expenditures of Federal Awards information needs improvement | SD | E-224 |

**<u>Legend of Abbreviations:</u>**

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

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| **Department of Administrative and Financial Services** | | | | | | | | | | | | | |
| 2024-016 | Unemployment Insurance (UI) | | | | | | | | | ✓ | | | E-54 |
| 2024-017 | Medicaid Cluster | | ✓ | | | | | | | | | | E-56 |
| 2024-018 | Medicaid Cluster | | ✓ | | | | | | | | | | E-57 |
| 2024-019 | Medicaid Cluster | | ✓ | | | | | | | | | | E-58 |
| 2024-036 | Child Nutrition Cluster (CNC) | | | ✓ | | | | | | | | | E-119 |
| 2024-038 | Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) | | | ✓ | | | | | | | | | E-125 |
| 2024-041 | Fish and Wildlife Cluster, UI, Special Education Cluster (IDEA), Vocational Rehabilitation, CCDF Cluster | | ✓ | | | | | | | | | | E-132 |
| 2024-044 | Coronavirus State and Local Fiscal Recovery Funds (SLFRF) | | | | | | | | | ✓ | | | E-143 |
| 2024-047 | Special Education Cluster (IDEA) | | ✓ | | | | ✓ | | | | | | E-150 |
| 2024-059 | Child Care Disaster Relief (CCDF) Cluster | | | | | ✓ | | | | ✓ | | | E-184 |
| 2024-061 | Child Care Disaster Relief (CCDF) Cluster | | ✓ | | | | ✓ | | | | | | E-190 |
| 2024-065 | Foster Care, Adoption Assistance | | ✓ | | | ✓ | | | | | | | E-201 |
| 2024-072 | Medicaid Cluster | | ✓ | | | | | | | | | | E-217 |
| 2024-074 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) (DG - PA) | | | ✓ | | | | | | | | | E-220 |

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| **Department of Defense, Veterans and Emergency Management** | | | | | | | | | | | | | |
| 2024-073 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA) | | | | | | | | | ✓ | | | E-218 |
| 2024-074 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA) | | | ✓ | | | | | | | | | E-220 |
| 2024-075 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA) | | | | | | | | | ✓ | | | E-222 |
| 2024-076 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA) | | | | | | | | | ✓ | | | E-224 |
| **Department of Education** | | | | | | | | | | | | | |
| 2024-020 | P-EBT, Child Nutrition Cluster (CNC), Title I Grants to LEA, Special Education Cluster (IDEA) | | ✓ | | ✓ | | | | | ✓ | | | E-59 |
| 2024-030 | Child Nutrition Cluster (CNC) | | ✓ | | ✓ | | | | | | | | E-99 |
| 2024-031 | Child Nutrition Cluster (CNC) | | ✓ | | | | | | | ✓ | | | E-103 |
| 2024-032 | Child Nutrition Cluster (CNC) | | | | | | | | | | ✓ | | E-109 |
| 2024-033 | Child Nutrition Cluster (CNC) | | ✓ | | ✓ | | | | | ✓ | ✓ | ✓ | E-113 |
| 2024-034 | Child Nutrition Cluster (CNC) | | | | | | | | | ✓ | | | E-114 |
| 2024-035 | Child Nutrition Cluster (CNC) | | | | | | | | | | | ✓ | E-116 |
| 2024-036 | Child Nutrition Cluster (CNC) | | | ✓ | | | | | | | | | E-119 |
| 2024-047 | Special Education Cluster (IDEA) | | ✓ | | | | ✓ | | | | | | E-150 |
| 2024-048 | Special Education Cluster (IDEA) | | | | | ✓ | | | | | | | E-153 |

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| 2024-049 | Education Stabilization Fund (ESF) | | | | | | | | | | ✓ | | E-155 |
| **Department of Health and Human Services** | | | | | | | | | | | | | |
| 2024-021 | Medicaid Cluster | | ✓ | | | | | | | | | ✓ | E-60 |
| 2024-022 | SNAP Cluster | | ✓ | | ✓ | | | | | | | ✓ | E-81 |
| 2024-023 | SNAP Cluster | | ✓ | | ✓ | | | | | | | | E-84 |
| 2024-024 | SNAP Cluster | | ✓ | | ✓ | | | | | | | ✓ | E-88 |
| 2024-025 | SNAP Cluster | | | | | | | | | | | ✓ | E-91 |
| 2024-026 | SNAP, WIC, Opioid STR | | | | | | | | | ✓ | | | E-94 |
| 2024-027 | Pandemic EBT Food Benefits (P-EBT), SNAP Cluster, TANF | | ✓ | | | | | | | ✓ | | ✓ | E-96 |
| 2024-028 | Pandemic EBT Food Benefits (P-EBT), SNAP Cluster, TANF | | ✓ | | ✓ | | | | | | | ✓ | E-97 |
| 2024-029 | Pandemic EBT Food Benefits (P-EBT), SNAP Cluster, TANF, Medicaid Cluster | | ✓ | | ✓ | | | | | ✓ | | ✓ | E-98 |
| 2024-037 | Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) | | | ✓ | | | | | | | ✓ | | E-122 |
| 2024-038 | Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) | | | ✓ | | | | | | | | | E-125 |
| 2024-046 | Coronavirus State and Local Fiscal Recovery Funds (SLFRF) | | | ✓ | | | | | | | ✓ | | E-147 |
| 2024-050 | Immunization Cooperative Agreements | | | ✓ | | | | | | | ✓ | | E-158 |
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| 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 |
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| *Department of Health and Human Services continued from previous page* | | | | | | | | | | | | | |
| 2024-051 | Immunization Cooperative Agreements | | | | | | | | | | | ✓ | E-162 |
| 2024-052 | Temporary Assistance for Needy Families (TANF) | ✓ | ✓ | | | | | | | | | | E-163 |
| 2024-053 | Temporary Assistance for Needy Families (TANF) | | | | ✓ | | | | | | | ✓ | E-166 |
| 2024-054 | Temporary Assistance for Needy Families (TANF) | | | | | | | | | | | ✓ | E-169 |
| 2024-055 | Temporary Assistance for Needy Families (TANF) | | | ✓ | | | | | | | ✓ | | E-172 |
| 2024-056 | Temporary Assistance for Needy Families (TANF) | | | | | | | | | | ✓ | | E-176 |
| 2024-057 | Temporary Assistance for Needy Families (TANF) | | | | | | | | | ✓ | | | E-179 |
| 2024-058 | Temporary Assistance for Needy Families (TANF) | | | | | | | | | | | ✓ | E-181 |
| 2024-059 | Child Care Disaster Relief (CCDF) Cluster | | | | | ✓ | | | | ✓ | | | E-184 |
| 2024-060 | Child Care Disaster Relief (CCDF) Cluster | | | | | | | | | | | ✓ | E-188 |
| 2024-061 | Child Care Disaster Relief (CCDF) Cluster | | ✓ | | | | ✓ | | | | | | E-190 |
| 2024-062 | Child Care Disaster Relief (CCDF) Cluster | | ✓ | | ✓ | | | | | | | | E-192 |
| 2024-063 | Foster Care, Adoption Assistance | | ✓ | | ✓ | | | | | | | | E-193 |
| 2024-064 | Adoption Assistance | | ✓ | | ✓ | | | | | | | | E-198 |
| *Department of Health and Human Services continued on next page* | | | | | | | | | | | | | |

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| *Department of Health and Human Services continued from previous page* | | | | | | | | | | | | | |
| 2024-065 | Foster Care, Adoption Assistance | | ✓ | | | ✓ | | | | | | | E-201 |
| 2024-066 | Foster Care, Adoption Assistance | | ✓ | | ✓ | | | | | | | | E-204 |
| 2024-067 | Medicaid Cluster | | | | | | | | | | | ✓ | E-205 |
| 2024-068 | Medicaid Cluster | | ✓ | | | | | | | | | | E-207 |
| 2024-069 | Medicaid Cluster | | ✓ | | | | | | | | | | E-209 |
| 2024-070 | Medicaid Cluster | | ✓ | | | | | | | | | | E-212 |
| 2024-071 | Medicaid Cluster | | ✓ | | | | | | | | | | E-215 |
| **Department of Labor** | | | | | | | | | | | | | |
| 2024-016 | Unemployment Insurance (UI) | | | | | | | | | ✓ | | | E-54 |
| 2024-039 | Unemployment Insurance (UI) | | | | ✓ | | | | | | | | E-127 |
| 2024-040 | Unemployment Insurance (UI) | | | | | | | | | | | ✓ | E-130 |
| 2024-045 | Coronavirus State and Local Fiscal Recovery Funds (SLFRF) | | | | | | | | | | ✓ | | E-145 |
| **Department of Professional and Financial Regulation** | | | | | | | | | | | | | |
| 2024-042 | Homeowner Assistance Fund | | | | | ✓ | | | | ✓ | | | E-137 |
| 2024-043 | Homeowner Assistance Fund | | | | | | | | | | ✓ | | E-140 |

State of Maine
Schedule of Findings and Questioned Costs
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**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 (10.551, 10.561):**

| **Award Number** | | | |
|---|---|---|---|
| SNAP Benefits, Maine | 234ME401S2514 | 234ME401S2519 | 234ME401S2520 |
| 234ME401S8036 | 234ME401S8069 | 234ME442Q7503 | 244ME401S2514 |
| 244ME401S2519 | 244ME401S2520 | 244ME442Q7503 | |

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

| **Award Number** | | | |
|---|---|---|---|
| 234ME300L1603 | 234ME301N1199 | 244ME300L1603 | 244ME301N1199 |

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

| **Award Number** | | | |
|---|---|---|---|
| 224ME052M2005 | 228ME000M2003 | 234ME082M2008 | 234ME701W1003 |
| 234ME701W1006 | 234ME743W5003 | 244ME701W1003 | 244ME701W1006 |
| 244ME743W5003 | | | |

**Fish and Wildlife Cluster (15.605, 15.611, 15.626):**

| **Award Number** | | | |
|---|---|---|---|
| F15AF01135 | F16AF01107 | F20AF12055 | F20AF12145 |
| F21AF00016 | F21AF03688 | F21AF03906 | F21AF04044 |
| F21AF04060 | F22AF00807 | F22AF00857 | F22AF01084 |
| F22AF03353 | F22AF03523 | F22AF03592 | F23AF00363 |
| F23AF00600 | F23AF01174 | F23AF02764 | F23AF02795 |
| F23AF02961 | F23AF02962 | F23AF03217 | F24AF01132 |

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

| **Award Number** | | | |
|---|---|---|---|
| Unemployment Insurance Trust Fund, Maine | | UB000017SB0 | UB000025SB0 |
| UB000082SB0 | UD000024UE0 | UD000024UQ0 | UD000026UE0 |
| UD000026UQ0 | UI000060YT0 | UI34719C80 | UI34719CI0 |
| UI34719KD0 | UI34719MV0 | UI34719NJ0 | UI34719SJ0 |
| UI37068KI0 | UI37983PW0 | UI37983PW1 | UI38586MO0 |
| UI39326OB0 | UI39326OB1 | UR000025SU0 | |

**Homeowner Assistance Fund Program – COVID-19 (21.026):**

| **Award Number** | | | |
|---|---|---|---|
| HAF0103 | | | |

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

| **Award Number** | | | |
|---|---|---|---|
| SLFRP0144 | | | |

**Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA) (84.010A):**

| **Award Number** | | | |
|---|---|---|---|
| S010A210019 | S010A210019-21A | S010A220019 | S010A220019-22A |
| S010A230019 | S010A230019-23A | | |

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

| **Award Number** | | | |
|---|---|---|---|
| H027A210109 | H027A210109-21A | H027A220109 | H027A220109-22A |
| H027A230109 | H027A230109-23A | H173A210115 | H173A220115 |
| H173A230115 | | | |

State of Maine
Schedule of Findings and Questioned Costs
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**Name of Federal Program or Cluster (Assistance Listing Number):**

**Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126):**

| **Award Number** | | | |
|---|---|---|---|
| H126A220026 | H126A220085 | H126A230026 | H126A230085 |
| H126A240026 | H126A240085 | | |

**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 | 84.425V - S425V210044 |
| 84.425W - S425W210020 | |

**Immunization Cooperative Agreements – COVID-19 (93.268):**

| **Award Number** |
|---|
| NH23IP922604 |

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

| **Award Number** | | | |
|---|---|---|---|
| 2101MECCDF | 2101MECDC6 | 2101MECSC6 | 2201MECCDD |
| 2301MECCDD | 2301MECCDF | 2401MECCDD | |

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

| **Award Number** | | |
|---|---|---|
| 2201METANF | 2301METANF | 2401METANF |

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

| **Award Number** | |
|---|---|
| 2301MEFOST | 2401MEFOST |

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

| **Award Number** | |
|---|---|
| 2301MEADPT | 2401MEADPT |

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

| **Award Number** | |
|---|---|
| 2305ME5MAP | 2405ME5MAP |

**Opioid STR (93.788)** *this program was not audited as a major program in fiscal year 2024***:**

| **Award Number** |
|---|
| H79TI085771 |

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

| **Award Number** | | | |
|---|---|---|---|
| 3598EMMEP1SME500 | 4354DRMEP1SME500 | 4367DRMEP1SME500 | 4522DRMEP1SME500 |
| 4647DRMEP1SME500 | 4696DRMEP1SME500 | 4719DRMEP1SME500 | 4736DREMP1SME500 |
| 4737DREMP1SME500 | 4754DRMEP1SME500 | 4764DRMEP1SME500 | |

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, 2024

## Section III – Federal Findings and Questioned Costs

**(2024-022)**

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

**Prior Year Findings:**

| FY23 | FY22 |
|---|---|
| 2023-031 | 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
**Assistance Listing Number:** 10.551, 10.561
**Federal Award Identification Number:** See E-77 to E-78

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

**Type of Finding:** Material weakness
Material noncompliance
Questioned costs

**Known Questioned Costs:** ALN 10.551 $12,335
**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 273.2

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.

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

A SNAP application form must be signed to establish a filing date and to determine the State agency's deadline for acting on the form. The State agency shall not certify a household without a signed form.

**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 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 results 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:

- Nine overpayments of monthly SNAP benefits, including:
    - four benefit overpayments totaling \$5,806; the Department was unable to provide documentation to support the maximum income limit requirement.
    - two benefit overpayments totaling \$2,714 where the clients' application for benefit renewal did not include SNAP; however, the households were open to SNAP benefits.
    - two benefit overpayments totaling \$2,349 due to manual processing errors.
    - one benefit overpayment totaling \$1,041; the client's signature on their application was missing, which makes them ineligible for SNAP benefits.
- One \$395 underpayment of a monthly SNAP benefit due to manual processing errors
- One household with an overpayment of \$425 and an underpayment of \$69 due to manual processing errors
- Three households received accurate monthly benefit payments; however, asset and expense information were not accurately reflected within ACES.

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 2024, the State provided approximately 129,000 SNAP clients with \$371.4 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-13

**Management's Response:** The Department partially agrees with this finding. Of the 60 cases reviewed, 13 (21.67%) had errors in calculations or documentation. The Department is confident that the staff followed correct procedures in providing the TANF funded resource guide in the first four cases cited. The errors in these cases were merely a lack of documentation. The Department agrees with the calculation errors in the following 7 cases (11.67% of the 60 reviewed). The Department has developed a corrective action plan to ensure compliance moving forward.

**Contact:** Michael E. Downs, Senior Program Manager, SNAP, DHHS, 207-592-4850

**Auditor's Concluding Remarks:** The Department states that they are "confident that the staff followed correct procedures" for the four benefit overpayments totaling $5,806 and that "errors in these cases were merely a lack of documentation;" however, the Department cannot substantiate that staff followed established procedures if there is a lack of documentation to support adherence to procedures.

The finding remains as stated.

**(State Number: 24-1108-04)**

**(2024-023)**

**Title:** Internal control over SNAP deceased client cases needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 |
|---|---|---|---|---|
| 2023-032 | 2022-026 | 2021-015 | 2020-019 | 2019-013 |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Agriculture
**Assistance Listing Title:** SNAP Cluster
**Assistance Listing Number:** 10.551, 10.561
**Federal Award Identification Number:** See E-77 to E-78

**Compliance Area:** Allowable costs/cost principles
Eligibility

**Type of Finding:** Material weakness
Material noncompliance
Questioned costs

**Known Questioned Costs:** ALN 10.551 $11,080
**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.

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

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, which includes Social Security Administration data. 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.

OSA obtained DOD information from MeCDC Vital Records and compared it to clients who received SNAP benefits during fiscal year 2024.

OSA identified 214 cases where SNAP benefits were issued more than 75 days following the client's DOD; this benchmark was applied to denote the 45-day Federal program regulation related to monthly receipt of DOD information. OSA tested 43 of these SNAP cases and identified the following:

- 16 single member household clients had EBT card purchase activity after DOD. Of these 16 clients:
    - 14 clients had transaction activity after DOD that occurred in fiscal year 2024, resulting in unallowable costs totaling $11,080. Additional issues were noted for six of the 14 clients, as follows:
        - Two 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.
        - One client's EBT card was not deactivated upon receipt of DOD information.
        - Two 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.
        - One client's case remained open 91 days after OFI was notified of the client's DOD, resulting in three months of unauthorized SNAP benefit issuances.
    - two clients had transaction activity that occurred subsequent to fiscal year 2024. Of the two clients, one client was not identified as potential fraud in the ACES case file. As a result, they were not referred for investigation as required by OFI policies.
- Eight clients with no EBT card purchase activity after DOD had additional issues noted, as follows:
    - For six clients, the EBT card was never deactivated; therefore, benefits remained open and available for use 83 to 112 days after DOD.

- One client's 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.
- One client's EBT card was never deactivated and benefits were not expunged upon receipt of DOD information as required by OFI policies.

OSA selected a non-statistical random sample.

**Context:** In fiscal year 2024, the State provided approximately 129,000 SNAP clients with $371.4 million in Federal benefits. Of the 129,000 SNAP clients, 1,789 had a DOD in fiscal year 2024.

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

**Effect:**
- Benefits issued to deceased clients may result in unauthorized EBT card purchase activity.
- 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 DOD information is received, reviewed, and updated in ACES on a more frequent basis to prevent 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-13

**Management's Response:** The Department partially agrees with this finding. In most cases cited the Department took appropriate action within the 45 days required by federal regulation related to IEVS information or within the 10-12-10 standard required for community complaints depending on the source of the information. The Department recognizes that some actions were lacking or could have been taken more quickly. A dedicated MaineCare Program Integrity Team is now working on the IEVS reports related to deceased members and has detailed SOPs for death matches. Based on the data improvements, this finding may continue to a small degree in the SFY 2025 audit and should be cleaned up in the SFY 2026 audit.

**Contact:** Michael E. Downs, Senior Program Manager, SNAP, DHHS, 207-592-4850

**Auditor's Concluding Remarks:** The exceptions noted in the Condition were identified within a sample of SNAP cases where benefits were issued more than 75 days following the client's DOD. The 75-day benchmark was applied to include considerations of the monthly (30 day) receipt and the Federal program regulation (45 day). These cases demonstrate that the Department did not take appropriate action as required by Federal regulations in all exceptions identified.

The finding remains as stated.

**(State Number: 24-1108-03)**

**(2024-024)**

**Title:** Internal control over automated SNAP eligibility certification periods needs improvement

**Prior Year Findings:**

| FY23 |
|---|
| 2023-033 |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Agriculture
**Assistance Listing Title:** SNAP Cluster
**Assistance Listing Number:** 10.551, 10.561
**Federal Award Identification Number:** See E-77 to E-78

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

**Type of Finding:** Material weakness
Material noncompliance
Questioned costs

**Known Questioned Costs:** ALN 10.551 $3,973
**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 20 cases automatically suspended for failure to complete a required review in fiscal year 2024 to verify the accuracy of automated SNAP operations utilizing ACES. In 14 of the 20 cases tested, OSA identified that ACES incorrectly suspended benefits, as follows:

- One case was suspended four months after the 6-month reporting requirement, resulting in a known overpayment of $92.
- One case was suspended one month after the annual redetermination requirement, resulting in a known overpayment of $535.
- Six cases were underpaid SNAP benefits totaling $4,424 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 $4,206 because of incorrect benefit suspensions, ranging from five to ten months prior to the annual redetermination requirement.
- One case was never required to submit 6-month reports or annual redeterminations since commencement of SNAP benefits in July 2022. This resulted in overpayments for the entirety of fiscal year 2024 totaling $3,346. The Department identified the overpayment in July 2024 but has not recouped it yet, thus OSA is questioning costs totaling $3,346.

OSA selected a non-statistical random sample.

**Context:** In fiscal year 2024, the State provided approximately 129,000 SNAP clients with $371.4 million in Federal benefits. 213 clients were automatically suspended by ACES during fiscal year 2024 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-14

**Management's Response:** The Department agrees with the factual conclusions and calculations. The Department believes the necessary corrective action has been taken and will be reflected in the SFY25 audit.

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

**(State Number: 24-1108-02)**

**(2024-025)**

**Title:** Internal control over SNAP EBT card security needs improvement

**Prior Year Findings:**

| FY23 | FY22 |
|---|---|
| 2023-035 | 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
**Assistance Listing Number:** 10.551, 10.561
**Federal Award Identification Number:** See E-77 to E-78

**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 where processing activity was not documented in a case note;
- one returned EBT card where the disabled card status was not applied in the EPPIC system until nine months after it was destroyed;
- one returned EBT card where the action documented in ACES did not match the action taken in the EPPIC system; and
- two returned EBT cards were recorded on the tracking spreadsheet as retransmitted to an updated address, but no documentation was maintained in ACES 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 that one returned EBT card was processed utilizing client information which erroneously included two unrelated client names tied to the same client identification number.

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 2024, the State provided approximately 129,000 SNAP clients with $371.4 million in Federal benefits. The Department processed 2,469 returned EBT cards; 853 were recorded as retransmitted and 1,616 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-14

**Management's Response:** The Department agrees with this finding. During the audit period, the process for handling returned EBT cards was assigned to one (1) individual. In response to a prior year finding, the Department implemented corrective actions effective July 1, 2024.

The current process has the duties separated into 3 roles. First, an Accounting Associate I receives the returned EBT cards at OFI's Central Office. The Accounting Associate scans the card and envelope to an Office Associate II in a separate office. The Office Associate II enters the cards into a spreadsheet (returned card log) and researches the cases to determine what to do with the card. The Office Associate records the necessary information into the returned card log and makes an ACES case note to reflect any action taken. Then a response is sent back to the Accounting Associate to advise which EBT cards should be shredded and which cards should be resent. Finally, the EBT Manager conducts a periodic review of the returned card log to ensure the cards are being handled appropriately. The Department will also be hiring a new Office Associate II (Supervisor) to assist in this process.

Because these procedures were implemented effective 7/1/2024, they were not captured during this single audit. No corrective action is required due to our current procedures meeting state and Federal card security requirements.

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

**(State Number: 24-1108-01)**

**(2024-026)**

**Title:** Internal control over DHHS special reporting needs improvement

**Prior Year Findings:** None

**State Department:** Health and Human Services
**State Bureau:** Division of Contract Management
**Federal Agency:** U.S. Department of Agriculture
U.S. Department of Health and Human Services
**Assistance Listing Title:** SNAP Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (COVID-19)
Opioid STR
**Assistance Listing Number:** 10.551, 10.561; 10.557; 93.788
**Federal Award Identification Number:** See E-77 to E-78

**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 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 Office of the State Auditor (OSA) tested nine first-tier subawards totaling $1,515,620 that exceeded the first-tier subaward threshold. Federal regulations require the following information for identified noncompliance to be included in FFATA findings:

- three WIC subawards totaling approximately $746,000 were not reported and thus, not reported timely;
- one Supplemental Nutrition Assistance Program (SNAP) subaward totaling approximately $95,000 was not reported and thus, not reported timely;
- one Opioid State Targeted Response (STR) subaward totaling approximately $68,000 was not reported and thus, not reported timely;
- no subaward amounts were reported incorrectly; and
- no subawards reported incorrect key data elements.

The unreported Opioid STR subaward was a contract modification that included multiple sources of grant funds including the Temporary Assistance for Needy Families program. Upon OSA's inquiry, the Department stated that the Opioid STR subaward was not reported because the Federal Award Identification Number (FAIN) was missing. The Department provided a verification workbook that serves as a working log for subawards that may require FFATA reporting but have not been reported in FSRS for various reasons. Review of the log revealed additional grant programs, including WIC and SNAP, with unreported subawards due to missing FAINs. OSA was able to locate the missing FAINs by contacting the grant program administrators listed on the encumbered contract.

OSA selected a non-statistical random sample.

**Context:** During fiscal year 2024, the Department disbursed:

- $5.9 million to subrecipients from WIC grant funds of $22.8 million.
- $5.2 million to subrecipients from SNAP administrative grant funds of $19.1 million.
- $4.9 million to subrecipients from Opioid STR grant funds of $5.9 million.

**Cause:**

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

**Effect:**

- Noncompliance with Federal regulations
- Accurate first-tier subaward information for the WIC, SNAP, and Opioid STR programs was not 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 oversight procedures to ensure that all first-tier subawards are reported accurately, timely, and in accordance with Federal regulations.

**Corrective Action Plan:** See F-14

**Management's Response:** The Department agrees with this finding. The Division of Contract Management has developed and will implement a corrective action plan to address the issues identified.

**Contact:** Jeanne Garza, Deputy Director, Division of Contract Management, DHHS, 207-287-1848

**(State Number: 24-1100-02)**

**(2024-027)** 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:**

| FY23 | FY22 |
|---|---|
| Redacted | Redacted |

**Type of Finding:** Significant deficiency

**Corrective Action Plan:** See F-15

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

**(State Number: 24-0905-01)**

**(2024-028)** 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:**

| FY23 | FY22 | FY21 | FY20 | FY19 |
|---|---|---|---|---|
| Redacted | Redacted | Redacted | Redacted | Redacted |

**Type of Finding:** Significant deficiency

**Corrective Action Plan:** See F-15

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

**(State Number: 24-0905-03)**

**(2024-029)** 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:**

| FY23 | FY22 | FY21 | FY20 |
|---|---|---|---|
| Redacted | Redacted | Redacted | Redacted |

**Type of Finding:** Significant deficiency

**Corrective Action Plan:** See F-15

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

**(State Number: 24-0905-02)**

**(2024-030)**

**Title:** Internal control over CNC eligibility needs improvement

**Prior Year Findings:** None

**State Department:** Education
**State Bureau:** Child Nutrition Services
**Federal Agency:** U.S. Department of Agriculture
**Assistance Listing Title:** Child Nutrition Cluster
**Assistance Listing Number:** 10.553, 10.555, 10.556, 10.559, 10.582
**Federal Award Identification Number:** See E-77 to E-78

**Compliance Area:** Allowable costs/cost principles
Eligibility

**Type of Finding:** Material weakness
Material noncompliance
Questioned costs

**Known Questioned Costs:** ALN 10.559 $628,924
**Likely Questioned Costs:** Undeterminable; there is insufficient information on the application to identify programs that may be operating under an incorrect classification.

**Criteria:** 2 CFR 200.303; 7 CFR 210.7 and .9; 7 CFR 225.6, .14, and .16; 7 CFR 245.12

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.

7 CFR 210 outlines the application requirements for participation in the National School Lunch Program (NSLP), and specifies that applications shall provide the State agency with sufficient information to determine eligibility.

7 CFR 225 requirements include:

- the type of information that must be required in sponsor applications for participation;
- sites that serve an area in which poor economic conditions exist or is approved for reimbursement only for meals served free to enrolled children who meet the program's income standards;
- the proposed site is not or will not be served in whole or in part by another site**;**
- State agency requirements related to the approval of applications and determinations of eligibility; and
- the process and requirements for claims for reimbursement (CFRs).

7 CFR 245 describes the action taken by State agencies related to the eligibility determination of individuals and special eligibility determinations of schools including Provision II and Community

Eligible Provision (CEP) schools. These regulations outline how the School Food Authority (SFA) and State agency should collect and report eligibility information in the schools, and how that information should be used in establishing rates and percentages in CFRs.

**Condition:** The Child Nutrition Cluster (CNC) includes the School Breakfast Program, NSLP, Special Milk Program for Children, Summer Food Service Program (SFSP) and the Fresh Fruit and Vegetable Program. 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 applications for participation in CNC programs and DOE is required to review every application and site information sheet to ensure that only eligible SFAs or sponsors participate in the programs.

The Office of the State Auditor (OSA) tested 48 applications and found instances that did not align with program regulations for NSLP and SFSP, as follows:

<u>National School Lunch Program</u>
Applications to participate in child nutrition programs must include attestations and written agreement to the regulations set forth in 7 CFR 210 and 7 CFR 245. Agreements must be signed and returned to Child Nutrition Services (CNS) prior to meal service and the submission of a CFR by the SFA.

OSA tested 32 applications from SFAs and sponsors for participation in NSLP and identified six applications that were not complete or were approved prior to participation in the program, as follows:

- Three applications were approved for participation with missing information, including:
    - one application missing an agreement for participation in CEP;
    - one application not indicating the year of operation; and
    - one application missing the signature of the SFA superintendent.
- Two applications were submitted after participation in the program had begun.
- One application was missing the meal pattern agreement attestation that made them eligible for the eight-cent performance-based reimbursement for every lunch served and was also submitted after participation in the program had begun.

OSA selected a non-statistical random sample.

<u>Summer Food Service Program</u>
While SFAs may operate SFSP, residential and non-residential day camps, units of local, municipal, county or State governments, and private nonprofit organizations may also participate in the program; these providers are called sponsors. Sponsors must submit a written application to CNS by June 15 to participate in the program. Sponsors operate individual sites, and sponsor applications must include site sheets for each site.

OSA tested 16 applications from sponsors for participation in SFSP and found:

- four applications were revised and the revisions were erroneously applied to prior months, resulting in questioned costs totaling $1,767 for meals served prior to approved revisions; and
- eleven applications, including two with more than one error, that were approved with sites that did not meet the eligibility criteria, as follows:
  - Four sponsors had sites where CNS incorrectly categorized non-residential day camps as open sites, which allowed the site to use the area eligibility determination instead of using individual eligibility determinations, resulting in questioned costs totaling $68,342 for meals served without eligibility information provided.
  - Two sponsors of camps did not provide the number of eligible children for each session at their sites prior to submitting a CFR, resulting in questioned costs totaling $63,493 for meals served without eligibility information provided.
  - Three sponsors had four sites that used incorrect school or census data to demonstrate eligibility, resulting in one site that was ineligible for participation, and questioned costs totaling $33,682 for the operation of an ineligible site.
  - One application was approved with a breakfast time of 11:30 a.m.; there was no documentation to support that this meal was served near the site's opening time as required by regulations, resulting in questioned costs totaling $8,635 for meals that do meet meal time requirements.
  - Three applications were approved for non-congregate sites that did not include procedures to ensure duplicate meals would not be distributed. One sponsor had seven open sites with overlapping meal times within a quarter-mile radius.

OSA selected a non-statistical random sample.

In addition, OSA performed analytical procedures over SFSP site classifications and found:

- 58 sites from 32 sponsors did not apply eligibility criteria for camp participation, as follows:
  - 29 sites were classified as open sites or closed enrolled sites when additional information on the application or publicly available information indicated that the program met the definition of camps provided at 7 CFR 225; these sites used area eligibility to claim reimbursement for all meals served instead of only the meals served to eligible children, resulting in questioned costs totaling $208,142.
  - 9 sites indicated they were camps; however, they were classified as open sites or closed enrolled sites that used area eligibility to claim reimbursement for all meals served instead of only the meals served to eligible children, resulting in questioned costs totaling $100,379.
  - 13 sites indicated they were camps; however, their applications were not revised to include actual eligibility counts for each session prior to submission of CFRs, resulting in questioned costs totaling $82,567.
  - 7 sites described camp activities in their description of operations, but classified themselves as open sites or closed enrolled sites that used area eligibility to claim reimbursement for all meals served instead of only the meals served to eligible campers, resulting in questioned costs totaling $48,224.

- 16 sponsors had site revisions approved by CNS that added operating days, increased capacities, changed meal types, added meals, or added non-congregate operations to a prior month. CNS permitted sponsors to include those revisions in the prior month's CFR which were not in accordance with the agreement in place at the time of service, resulting in questioned costs totaling $13,693.

**Context:** CNS processed $55.8 million in CFRs for NSLP, and $2.8 million in CFRs for SFSP in fiscal year 2024.

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

**Effect:**
- CNC participation by ineligible SFAs or sponsors
- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

**Recommendation:** We recommend that CNS revise policies and procedures to ensure:
- SFSP site information sheet revisions prohibit the sponsor from using the revised information in a claim for a prior month;
- site classifications appropriately identify camps, consistent with Federal regulations; and
- site information sheets contain non-congregate plans that include required information.

Additionally, we recommend that CNS enhance oversight to ensure:
- all required documents for applications are complete and signed prior to meal service;
- session-specific eligibility information is available on the site information sheets for camps; and
- the eligibility of the locations of non-congregate sites is properly supported.

**Corrective Action Plan:** See F-15

**Management's Response:** The Department agrees with this finding. Procedures for "Application Approvals" will be delineated regarding application and claim revisions, Site classification, non-congregate plan requirements, Eligibility criteria and back up documentation, and all requirement documents will be adequately reviewed.

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

**(State Number: 24-1203-05)**

**(2024-031)**

**Title:** Internal control over CNC claim reimbursements needs improvement

**Prior Year Findings:**

| FY23 | FY22 |
|---|---|
| 2023-038 | 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-77 to E-78

**Compliance Area:** Allowable costs/cost principles
Reporting

**Type of Finding:** Material weakness
Material noncompliance
Questioned costs

**Known Questioned Costs:** ALN 10.555 $1,605
ALN 10.582 $9,535
ALN 10.559 $117,259
**Likely Questioned Costs:** Undeterminable; due to the variety of site types in the test population and varied meal claim counts, 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 210.7 and .8; 7 CFR 225.6, .9, and .16; Richard B. Russell National School Lunch Act, Section 19; U.S. Department of Agriculture Fresh Fruit and Vegetable Handbook

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.

7 CFR 210.7 National School Lunch Program (NSLP) claims for reimbursement (CFRs) must be based on lunch counts taken daily at the point of service (POS), which correctly identify the number of free, reduced price, and paid lunches served to eligible children.

7 CFR 210.8 (NSLP) on a monthly basis, the State agency shall, at a minimum, compare the number of free and reduced price lunches claimed to the number of children approved for free and

reduced price lunches enrolled in the School Food Authority (SFA) for the month of October, and multiply that number by the days of operation and the attendance factor employed by the SFA. At its discretion, the State agency may conduct this comparison against data which reflects the number of children approved for free and reduced price lunches for a more current month(s).

7 CFR 225.6 Summer Food Service Program (SFSP) required information must be on a site information sheet that the State agency must provide to the sponsor for approval by the State agency prior to participation in SFSP, including estimated meal counts, types of meals, meal service times, and procedures to ensure duplicate meals are not distributed at non-congregate sites. In order to approve a site, the area where the site proposes to serve is not or will not be served in whole or in part by another site.

7 CFR 225.9 (SFSP) outlines that payments to a sponsor must equal the amount derived by multiplying the number of eligible meals, by type, actually served under the sponsor's program to eligible children by the current applicable reimbursement rate for each meal type. Sponsors must be eligible to receive additional reimbursement for each meal served to participating children at rural or self-preparation sites.

7 CFR 225.16 (SFSP) meals served outside of the meal time listed on the sponsor’s application are not eligible for reimbursement. Sponsors agree in writing to claim reimbursement only for the types of meals specified in the agreement that are served.

Section 19 of the Richard B. Russell National School Lunch Act (NSLA) states that the per-pupil grant provided to a school under the Fresh Fruit and Vegetable Program (FFVP) shall be not less than $50, nor more than $75.

U.S. Department of Agriculture’s (USDA) FFVP Handbook, referenced as guidance in Policy Memo SP 17-2023, states that all nonfood costs must be carefully reviewed and deemed reasonable.

**Condition:** The Child Nutrition Cluster (CNC) includes the School Breakfast 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’s or sponsor’s CFR 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 CFRs for the CNC and found instances that did not align with program regulations for NSLP, FFVP, and SFSP, as follows:

<u>National School Lunch Program</u>
CNS must perform procedures as outlined in Federal regulations, including a review of CFRs on a monthly basis through analysis utilizing a product of the enrollment information from the month of October multiplied by the days of operation and the attendance factor employed by the SFA. OSA procedures identified that CNS did not review or perform analysis on CFRs on a monthly basis as required.

OSA tested 60 CFRs and identified nine CFRs from five SFAs where eligibility information entered on the CFR varied significantly from the information provided and verified by the SFA in October 2023. In order to verify the allowability of the claims identified, OSA requested supporting documentation from those five SFAs.

OSA compared the eligibility counts from the CFR, the SFA's POS reports, the SFA's October data provided to CNS, and the SFA's master list of eligible students for the month of the CFR and found:

- five POS reports with eligibility counts that conflicted with the master eligibility list provided by the SFA for that month, and with the number of eligible children reported on the CFR, resulting in questioned costs totaling $897;
- one POS report from October with eligibility counts that matched the site CFR, but did not match the master eligibility list provided by the SFA, or the data reported to CNS by the SFA for the same month, resulting in questioned costs totaling $708; and
- documentation for three CFRs could not be provided.

OSA selected a non-statistical random sample.

<u>Fresh Fruit and Vegetable Program</u>
CNS ensures compliance with Federal regulations through the annual administrative review process. OSA tested 17 FFVP CFRs from the nine SFAs who had an administrative review in fiscal year 2024 and found:

- nine claims from five SFAs had sites with nonfood costs that were not reviewed during the administrative review process.
- for six of the nine SFAs, portions of the administrative review process were erroneously omitted; therefore, CNS did not review or examine the allowability for any FFVP CFRs for those six SFAs.

OSA selected a non-statistical random sample.

The FFVP fiscal year is October 1 to September 30; therefore, though schools may begin the school year with unspent funds from the prior school year, these funds must be spent by September 30. OSA tested 19 FFVP SFAs that participated in both fiscal year 2023 and 2024 and found that three SFAs exceeded their fiscal year 2023 allocation in September 2023. CNS did not detect or correct this allocation issue until OSA inquired in September 2024.

OSA selected a non-statistical random sample.

Section 19 of the Richard B. Russell NSLA requires that FFVP allocations made by CNS result in a per-pupil grant not less than $50, nor more than $75 to participating SFAs.

OSA tested 19 SFAs that participated in FFVP in fiscal year 2024 and found that 14 SFAs had manual allocation adjustments which resulted in ten per-pupil allocations that were not between $50 and $75 per pupil, ranging from $24 per pupil to $109 per pupil. The allocation of funds over $75 per pupil resulted in questioned costs of $9,535.

OSA selected a non-statistical random sample.

<u>Summer Food Service Program</u>
CNS requires applications from sponsors that include individual site sheets. The information on the sheet must include the estimated number of meals, types of meals to be served, and meal service times. Meal service times must align with the approved application at the time the meals are served. Non-congregate sites must provide enough detail to ensure the area where the site proposes to serve meets certain criteria, including verification that the site:

- is rural;
- is not or will not be served in whole or in part by another site;
- serves an area in which poor economic conditions exist or is approved for reimbursement only for meals served free to enrolled children who meet income standards; and
- has procedures to ensure that duplicate meals are not served to any child.

Residential and non-residential camps must include in their site sheets the number of children enrolled in each session who meet income standards prior to filing the camp's CFR for each session.

OSA tested 39 SFSP CFRs and found:

- nine residential or non-residential camp CFRs that did not include the number of children enrolled in each session who met income standards prior to filing their CFR, resulting in questioned costs totaling $95,902.
- two CFRs to non-congregate sites not located in an area where poor economic conditions exist per USDA data. The ineligible sites resulted in questioned costs totaling $15,536.
- four CFRs included revised information from the site sheet that did not reflect the conditions at the time the meals were served. The revisions submitted between the meal service and submission of the CFR included an increase in capacity, an addition of meal types, and an addition of operating days, resulting in questioned costs totaling $5,821.
- five CFRs to non-congregate sites that did not have documented procedures to prevent duplicate meal service on the site sheet.

OSA selected a non-statistical random sample.

Additionally, SFSP has two tiers of administrative rates for reimbursement, self-prep and vended. Sites classified as rural are all reimbursed at the highest rate, but sites classified as urban can either be reimbursed at the higher rate if they serve self-prep meals, or at the lower rate if their meals are vended. CNS previously determined that the field on the application for the sponsor to select whether the meal served is vended or self-prep is not required in the CNPWeb system. At that time, CNS submitted a ticket to request a change to the CNPWeb system to require the sponsor to select a meal type in that field on future applications; however, because that information was not required previously, CNS does not have assurance that urban sites that did not select self-prep or vended are being reimbursed at the correct rate.

Furthermore, for each month of operation, CNS must report the number of meals served by meal type and sponsor type to USDA Food Nutrition Services (FNS) on the FNS-418 report. CNS does not have assurance that their default classification of urban sites as self-prep when the field was left blank is accurate for FNS-418 reporting.

**Context:** In fiscal year 2024, CNS processed CFRs totaling:

- $55.8 million under NSLP;
- $2.8 million under FFVP; and
- $2.8 million under SFSP.

**Cause:**

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

**Effect:**

- Noncompliance with Federal regulations
- Known questioned costs
- Potential future questioned costs and disallowances
- Potential incorrect rates of reimbursement paid to SFAs and sponsors
- Inaccurate FNS-418 reports submitted to FNS

**Recommendation:** We recommend that CNS enhance policies and procedures to:

- require a review of CFRs on a monthly basis in accordance with Federal regulations;
- ensure all required information is included in the applications and approved prior to participation;
- review and approve area eligibility for non-congregate sites;
- require inclusion of self-prep or vended meal types and non-congregate plans on site information sheets that document procedures to prevent duplicate meal service;
- ensure session-specific eligibility information is received prior to claim approval for camp sites; and
- ensure that site information sheet revisions prohibit the sponsor from using the revised information in a claim for the prior month.

In addition, we recommend that CNS enhance oversight over FFVP to ensure:

- claims with nonfood costs are reasonable;
- allocation amounts remain within $50 to $75 per pupil; and
- administrative reviews conducted by CNS include FFVP allowability reviews.

**Corrective Action Plan:** See F-16

**Management's Response:** The Department partially agrees with this finding. These findings come from various programs and are correctly outlined in the Condition.

However, the Department disagrees with the first bullet in the Recommendation regarding the review of CFRs monthly and has contacted the Northeast Regional Office of the USDA for clarification. Additionally, we disagree with the first bullet point regarding non-food costs in the FFVP program, as it's addressed in the Administrative Review process.

The Department has developed a corrective action plan to address the remaining recommendations.

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

**Auditor's Concluding Remarks:** 7 CFR 210.8(b)(2) provides detailed requirements outlining the minimum CFR monthly claim review procedures that CNS must perform. CNS has not implemented required procedures, and erroneous CFRs are not detected or corrected, resulting in questioned costs and potential disallowances.

In addition, CNS asserts that FFVP nonfood costs are addressed as part of the Administrative Review process; however, OSA identified a material weakness and material noncompliance as issued in finding 2024-032 Internal control over CNC subrecipient monitoring procedures needs improvement. The finding reports that six of the nine Administrative Reviews tested for FFVP inappropriately omitted Federally required steps and that a cost analysis over nonfood costs was not performed.

The finding remains as stated.

**(State Number: 24-1203-02)**

**(2024-032)**

**Title:** Internal control over CNC subrecipient monitoring procedures needs improvement

**Prior Year Findings:**

| FY23 |
|---|
| 2023-043 |

**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-77 to E-78

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Material weakness
Material noncompliance

**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). Documented corrective action is required for any degree of violation of general or critical areas identified in an administrative review. Corrective action may be provided at the time of the review; however, it must be postmarked or submitted to the State agency electronically no later than 30 days from the deadline for completion of each required corrective action. The State agency must maintain any documented corrective action on file for review by the Food and Nutrition Service (FNS).

The Department must withhold all program payments to a SFA if:

- documented corrective action for critical area violations is not provided with deadlines specified; or
- corrective action for critical area violations was not completed.

FNS may suspend or withhold program payments, in whole or in part, to those states failing to withhold payments in accordance with regulations and may withhold administrative funds.

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, 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 and sponsors 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; however, regulations also specify that high-risk SFAs must receive targeted follow-up within two years. CNS utilizes a spreadsheet to track and facilitate the reviews, and a USDA questionnaire to document the completion of the review. CNS does not have a mechanism to centrally track the high-risk SFAs to ensure follow-up occurs. CNS is required to retain documentation to support all elements of the administrative reviews and to demonstrate the SFA's compliance with the program, even if corrective action occurs onsite during the review.

The Office of the State Auditor (OSA) tested 29 administrative reviews completed by CNS and found:

- Performance Standard 1 findings, deemed critical findings by USDA, were identified in four reviews, but were not tracked for follow-up. In addition, corrective action was not provided within 30 days for one review.
- Performance Standard 2 findings, also deemed critical by USDA, were identified in three reviews, but were not tracked for follow-up. In addition, corrective action was not provided within 30 days for two reviews.

- corrective action completed onsite was indicated in five reviews; however, CNS could not provide documentation to support the corrective action.
- corrective action for three reviews did not fully address the deficiencies noted.
- corrective action for two reviews was received more than 30 days late.
- 12 reviews were closed; however, corrective action remained outstanding.
- one sponsor submitted corrective action in October 2023, but as of audit testing in March 2025, CNS had not notified the sponsor of the approval and had not closed the sponsor's review.
- corrective action submitted from two SFAs was not approved, and the SFAs were not notified until nine months after their submission.
- the review tracking spreadsheet was not fully completed or conflicted with information obtained from the administrative review for 16 reviews.
- questionnaires were not fully completed for seven reviews.
- USDA questionnaire sections related to FFVP and SMP were erroneously excluded for eight reviews.
- the date for required corrective action to be provided was omitted for seven reviews.
- one review was erroneously excluded from the review tracking spreadsheet.

In addition to administrative reviews, CNS must perform base year reviews for all SFAs that have applied to participate in USDA Special Provision 2. These base year reviews provide the required information necessary to determine the level of claims the SFA may submit in the subsequent three years. 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 2024, CNS identified 17 SFAs that required a base year review. OSA tested four base year reviews and identified three SFAs that did not properly revise claims and enrollment data, and CNS did not verify the accuracy of the revisions completed by the SFAs. In addition, one SFA had an eligibility determination that was not supported by the application. The income amount included in the application exceeded income requirements for reduced-price eligibility, but the SFA categorized the applicant as eligible for reduced-price meals. In the base year review, the application was not recategorized by CNS, and claims were not revised to match the eligibility determination.

OSA cannot determine if unallowable costs exist through the audit of subrecipient monitoring activities, as required information was not collected. OSA has questioned costs through the audit of allowable costs/costs principles and eligibility, see findings 2024-031 Internal control over CNC reimbursements needs improvement and 2024-030 Internal control over CNC eligibility needs improvement, respectively.

OSA selected non-statistical random samples.

**Context:** In fiscal year 2024, CNC expenditures totaled approximately \$68 million, of which \$67.6 million was provided to 241 SFAs and sponsors.

**Cause:**

- Lack of 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.
- 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;
- high-risk SFAs are tracked and considered in planning follow-up reviews;
- SFAs revise claims appropriately after a base year review; and
- CNS verifies that claim adjustments occur as necessary.

**Corrective Action Plan:** See F-17

**Management's Response:** The Department agrees with this finding. The Department will improve tracking and create procedures to evaluate the Administrative Review Processes for the team.

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

**(State Number: 24-1203-06)**

**(2024-033)** 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:**

| **FY23** | **FY22** |
|---|---|
| Redacted | Redacted |

**Type of Finding:** Material weakness

**Corrective Action Plan:** See F-17

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

**(State Number: 24-0909-02)**

**(2024-034)**

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

**Prior Year Findings:**

| FY23 | FY22 |
|---|---|
| 2023-041 | 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-77 to E-78

**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 the Child Nutrition Cluster (CNC) 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 $1.2 million of fresh food distributed to subrecipients and additional commodity items received.
- incorrectly reported $4,481 of non-cash food assistance under ALN 10.555 National School Lunch Program that should have been reported under ALN 10.559 Summer Food Service Program.
- incorrectly excluded $256 of expenditures under ALN 10.556 Special Milk Program.
- incorrectly categorized $98,963 in expenditures related to the State's juvenile correctional facility as subrecipient expenditures instead of direct expenditures.

**Context:** In fiscal year 2024:

- CNC expenditures totaled approximately $68 million.
- noncash assistance totaling $1.2 million was not reported to OSC by the Department for inclusion on the SEFA. Noncash assistance for CNC totaled $6.2 million.

**Cause:**

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

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

**Recommendation:** We recommend that the Department implement policies and procedures that require a comprehensive review of SEFA schedules prior to submission to OSC. In addition, we recommend enhanced oversight of policies and procedures to ensure they are consistently applied and the SEFA is accurate and complete.

**Corrective Action Plan:** See F-17

**Management's Response:** The Department agrees with this finding. The SEFA Review Procedure has been updated to include more specific information regarding the calculation of amounts reported for the Special Milk Program and noncash assistance and the classification of payments made to a school as direct payments rather than subrecipient expenditures.

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

**(State Number: 24-1203-01)**

**(2024-035)**

**Title:** Internal control over CNC donated food inventory needs improvement

**Prior Year Findings:**

| FY23 | FY22 |
|---|---|
| 2023-042 | 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-77 to E-78

**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, and the Fresh Fruits 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) and sponsors participating in the National School Lunch Program or the Summer Food Service Program. In fiscal year 2022, the Department implemented a new inventory system for tracking donated foods.

In March 2024, the Department identified that inventory tracking within the Child Nutrition Program system (CNPWeb) was not functioning correctly and order quantities were duplicated. As a result, accurate inventory records were not maintained during fiscal year 2024. The Department submitted a ticket to remediate the system error, and the USDA Food Coordinator manually adjusted inventory records to reflect the duplicated items.

The Office of the State Auditor (OSA) tested 11 donated food items to ensure that the Department had properly tracked the items. OSA reviewed the manually-adjusted USDA food requests, inventory receipts, and distributions made to SFAs and sponsors and to verify that the documentation corresponded to information in the inventory system and physical inventory counts, and found four instances where the adjusted records did not agree, as follows:

- Manually-adjusted system inventory records for:
    - one food item identified 26 cases less than OSA calculated, and the physical inventory count indicated 27 cases less than the manually-adjusted system inventory records.
    - one food item requested through CNPWeb exceeded the number of cases available due to the system edit check for ordering in excess of items available was not implemented.
    - one food item identified three cases less than OSA calculated, and the physical inventory documentation indicated one less case than the manually-adjusted system inventory records.
- Physical inventory documentation for one food item identified two cases more than OSA calculated and two cases more than manually-adjusted system inventory records.

OSA selected a non-statistical random sample.

OSA performed a physical inventory inspection and identified that discrepancies existed between the manually-adjusted system inventory items and the physical items on hand for 36 of the 41 food items tested. The Department did not document justification for the inventory discrepancies.

**Context:** In fiscal year 2024, the Department distributed $6.3 million of USDA donated foods to SFAs and sponsors.

**Cause:** Lack of oversight to ensure that:

- the newly implemented inventory tracking 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 tracking 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-17

**Management's Response:** The Department agrees with this finding. CNPWeb is still not working correctly, and there were too many errors during the physical inventory.

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

**(State Number: 24-1203-03)**

**(2024-036)**

**Title:** Internal control over CNC cash management needs improvement

**Prior Year Findings:** None

**State Department:** Education
Administrative and Financial Services
**State Bureau:** Child Nutrition Services
General Government Service Center
**Federal Agency:** U.S. Department of Agriculture
**Assistance Listing Title:** Child Nutrition Cluster
**Assistance Listing Number:** 10.553, 10.555, 10.556, 10.559, 10.582
**Federal Award Identification Number:** See E-77 to E-78

**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:** Child Nutrition Services (CNS) is responsible for approving monthly Claims For Reimbursement (CFRs) submitted by School Food Authorities (SFAs). The Department of Administrative and Financial Services' General Government Service Center (GGSC) is responsible for the drawdown of Federal funds to pay for Child Nutrition Cluster (CNC) program expenditures. GGSC utilizes a batch report of CFR amounts approved through the Child Nutrition Program system (CNPWeb) for the drawdown.

The Office of the State Auditor (OSA) performed analytical procedures over CFRs and identified two reimbursements that exceeded average CFRs. Further procedures found:

- one payment was the result of the SFA erroneously claiming all meals served as free meals, and therefore, paid entirely with Federal funds. The SFA subsequently modified the CFR and claimed only 16 percent of meals served as free, resulting in an overpayment of approximately $113,000. To recover the overpayment, CNS subtracted a portion from subsequent monthly claims with the final recoupment occurring in April 2024. As a result, the SFA had excess cash on hand from November 2023 through April 2024.

- the other payment was the result of a rejected payment. The November 2023 payment intended for September and October CFRs was rejected by the State's accounting system. As a result, the December payment to the SFA included CFRs from September through November. The drawdown of Federal funds for the September and October CFRs occurred in November; however, the SFA was not paid until December. GGSC and CNS did not have controls in place to monitor and ensure that batch payments were processed timely. As a result, the State had excess cash on hand for one month.

**Context:** CNS processed $61.8 million in CFRs in fiscal year 2024.

**Cause:**

- Lack of supervisory oversight
- Lack of adequate policies and procedures
- A revision to a CFR within 60 days that does not increase total reimbursement does not trigger an edit check in the CNPWeb system for manual review. The edit check function is designed to only check overall increases or decreases in the total CFR; therefore, the overpayment of Federal funds went undetected because CNS supplements the Federal meal reimbursement with State funds.

**Effect:**

- The Federal government may impose more stringent program-specific cash management requirements based on noncompliance.
- Noncompliance with Federal regulations

**Recommendation:** We recommend that CNS:

- continue to work with GGSC to ensure that batch payments approved for processing are paid timely; and
- adjust edit checks in the CNPWeb system to identify changes in Federal and State funding rather than using the total claim amount in order to prevent overpayments.

**Corrective Action Plan:** See F-18

**Management's Response:** The Department partially agrees with this finding. The Department acknowledges that improvements could be made over the controls to ensure the timely processing of batch payments. As a result, new procedures have been developed and implemented to confirm that batch payments are processed without delay.

However, the Department disagrees with the characterization of noncompliance with cash management requirement regarding the overpayment recoupment and believes the current controls effectively addressed the issue. The CNPWeb system already includes edit checks that track, offset, and reconcile adjustments between state and federal payments within the federal fiscal year, ensuring compliance with both 7 CFR 210.9 and 2 CFR 200.302.

The $113,000 overpayment was fully recouped within the same fiscal year through systematic monthly offsets. These offsets occurred within the fund account (school lunch), and the balance was fully corrected through the current claims without any risk of misallocation. All actions were taken within CNPWeb, with no need for intervention outside of the system.

7 CFR 210.9 provides guidance on maintaining appropriate balances for school-level accounts and is not intended to govern isolated errors that were promptly detected and resolved through established program procedures. The Department does not believe that a three-month excess threshold applies in this case, as the error was corrected in accordance with program requirements, and the funds were reconciled in a timely manner.

The Department maintains that the existing internal controls, along with the newly implemented procedures, adequately address the identified issues.

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

**Auditor's Concluding Remarks**: The Department's Management Response incorrectly cites 7 CFR 210.9 which outlines requirements for the SFA, not the State. The applicable criteria for the compliance exceptions is 31 CFR 205.33 which is referenced in the finding Criteria.

The Department did not return excess funds to the Federal government, nor gain approval to retain the funds when the overpayment was identified. This resulted in excess cash on hand at the Department level and thus, noncompliance with 31 CFR 205.33. The Department is misinterpreting that the return of Federal funds at the State level is only required when the funds are returned to the Department from the SFA.

Therefore, the Department does not have adequate controls over cash management requirements.

The finding remains as stated.

**(State Number: 24-1203-07)**

**(2024-037)**

**Title:** Internal control over WIC subrecipient cash management needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 | FY18 | FY17 |
|---|---|---|---|---|---|---|
| 2023-077 | 2022-069 | 2021-042 | 2020-042 | 2019-035 | 2018-026 | 2017-009 |

**State Department:** Health and Human Services
**State Bureau:** Division of Contract Management
Maine Center for Disease Control & Prevention
**Federal Agency:** U.S. Department of Agriculture
**Assistance Listing Title:** Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (COVID-19)
**Assistance Listing Number:** 10.557
**Federal Award Identification Number:** See E-77 to E-78

**Compliance Area:** Cash management
Subrecipient monitoring

**Type of Finding:** Significant deficiency

**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.

- 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.
- For "cost-settled by invoice" (reimbursement) subawards, DCM procedures do not require subrecipients to include supporting documentation with monthly requests for reimbursement nor do they request supporting documentation at a subsequent date. 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.
- Cash management requirements are not applicable for fee-for-service subawards.

Maine Center for Disease Control & Prevention (MeCDC) is responsible for ensuring the WIC program's subrecipients comply with Federal requirements; however, MeCDC's subrecipient monitoring procedures do not include review of subrecipient compliance with cash management requirements. All of WIC's subawards are cost-settled.

Therefore, DCM and MeCDC procedures do not support that subrecipient cash management is properly monitored as required by Federal regulations.

**Context:** In fiscal year 2024, the Department provided $5.9 million to subrecipients from WIC grant funds totaling $22.8 million.

**Cause:**
- Lack of adequate subrecipient monitoring procedures
- Lack of centralized oversight of subrecipient monitoring

**Effect:**
- Noncompliance with Federal regulations
- 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 MeCDC collaborate with DCM to implement monitoring procedures over subrecipient cash management requirements 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 the WIC program.

**Corrective Action Plan:** See F-18

**Management's Response:** The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of the funds. Payments are made as close as administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1)...that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.

**Contact:** Anthony Madden, Deputy Director, Division of Audit, DHHS, 207-287-2834

**Auditor's Concluding Remarks:** The Department's interpretation of the applicable Federal regulation selectively emphasizes a single sentence from the broader paragraph, omitting critical context that informs the regulation's full intent.

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

According to the 2024 Compliance Supplement, pass-through entities must monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and their disbursement for program purposes is minimized as required by the applicable cash management requirements in the Federal award to the recipient (2 CFR section 200.305(b)(1)).

2 CFR section 200.305(b)(1) states that the recipient or subrecipient must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient or subrecipient, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a recipient or subrecipient must be limited to the minimum amounts needed and be timed with actual, immediate cash requirements of the recipient or subrecipient in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the recipient or subrecipient for direct program or project costs and the proportionate share of any allowable indirect costs. The recipient or subrecipient must make timely payments to contractors in accordance with the contract provisions.

The Department references the phrase "as close as is administratively feasible" to justify their current process; however, this phrase is part of a broader requirement that establishes specific conditions for advance payments. The regulation requires that the timing between when the subrecipient receives Federal funds from the State and when the subrecipient disburses those funds is closely monitored to ensure that disbursements align with actual, immediate cash needs. A full reading of the provision indicates that "administratively feasible" does not negate the obligation to implement effective controls that minimize this gap, nor does it permit delays or inadequate oversight in Federal cash management. The Department could not provide evidence to demonstrate that they adequately monitored subrecipient cash drawdowns to ensure alignment with actual, immediate cash needs. Additionally, the Department does not require subrecipients to submit invoice documentation to substantiate the timing, amount, or nature of expenditures included in the request of Federal funds. As a result, the Department cannot demonstrate an adequate level of monitoring, as there is no evidence that they collect the necessary information to ensure compliance with Federal cash management requirements.

The finding remains as stated.

**(State Number: 24-1113-03)**

**(2024-038)**

**Title:** Internal control over WIC cash balances needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 |
|---|---|---|---|---|
| 2023-045 | 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-77 to E-78

**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 continues to be repeated as the Department has not returned the funds to the Federal awarding agency and the excess cash balance remains.

**Context:** The Department calculated a $1,055,104 residual cash balance from the 2013 WIC Food grant and a $4,100 residual cash balance from the 2018 WIC Food grant.

**Cause:** Lack of adequate recordkeeping and account reconciliation in prior years. The Department has made efforts to seek disposition from the Federal awarding agency; however, the issue has not been resolved.

**Effect:** The State may be required to return $1,059,204 to the Federal awarding agency.

**Recommendation:** We recommend that the Department continue efforts to resolve this matter with the Federal awarding agency.

**Corrective Action Plan:** See F-18

**Management's Response:** The Department and the 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: 24-1113-01)**

**(2024-039)** Confidential finding, see below for more information

**Title:** Internal control over UI claim payments needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 | FY18 | FY17 |
|---|---|---|---|---|---|---|
| 2023-048 | 2022-045 | 2021-021 | 2020-026 | 2019-027 | 2018-023 | 2017-006 |

**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-77 to E-78

**Compliance Area:** Eligibility

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 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.

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.*

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.

The Office of the State Auditor performed data analytic procedures surrounding continuing eligibility requirements for weekly claim submission and work search activity entered by claimants and identified the following indications of claimant program abuse:

- 21 claimants reported repetitive work search activities for all fiscal year 2024 claims, ranging from 7 to 14 consecutive benefit weeks.
- 24 claimants reported the same work search contact for all fiscal year 2024 claims, ranging from 17 to 34 consecutive benefit weeks.
- Six claimants reported new return to work dates ranging from 7 to 11 consecutive benefit weeks, which generated new temporary unemployment waivers allowing claimants to file weekly claims without reporting work search activities.
- Five claimants reported part-time work totaling less than 10 hours per week ranging from 8 to 21 consecutive benefit weeks, generating new weekly unemployment waivers allowing the claimant to file weekly claims without reporting work search activities.

**Context:** In fiscal year 2024, the UI program provided approximately $119 million in State UI benefits and $800 thousand in Federal UI benefits.

**Cause:**

- Lack of adequate policies and procedures over 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:

- 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 eligibility requirements are met and adequately supported, and that payments to ineligible claimants are prevented, or detected and corrected, in a timely manner.

**Corrective Action Plan:** See F-18

**Management's Response:** The Department partially agrees with this finding. The Department acknowledges these audit findings and uses them to refine its system controls to enhance compliance and accuracy in processing claims. Regarding work search waivers for individuals with a return-to-work date, the Department agrees with the finding and implemented a system update in January 2025 to more effectively administer return to work, work search waivers.

Based on specifics of the selected cases, management disagrees with the characterization of some work search activities as repetitive. Work search assistance through the Department's CareerCenters may appear repetitive on a weekly claim but work search assistance from Department staff is both varied and productive. Additionally, job openings during the covered period were frequent, even with the same employer.

When work search or other issues are detected on a claim, the Department schedules a fact-finding interview and requests additional documentation. State law requires the Department to continue an individual's benefits pending a fact-finding review, for which the individual must be given at least seven days' notice. In addition to conducting fact-finding interviews on issues detected on the weekly claim, the Department randomly audits 3% of claims each week to verify the information provided. Using information obtained through fact-finding interview, a claims adjudicator may uphold the payment of benefits or require the benefits to be repaid.

While our policies and procedures align with existing regulations and are functioning as intended, the Department is committed to continuously improving our systems and processes in order to better serve claimants and uphold program integrity. The identified cases will be used to further refine our procedures.

**Contact:** Suzan McKechnie, Director, Bureau of Unemployment Compensation, DOL, 207-621-5126

**Auditor's Concluding Remarks:** The Department is required to establish and maintain effective internal control over compliance with eligibility requirements. While the Department does have controls in place to perform fact-finding interviews and work search audits, those procedures are carried out after UI benefits have been paid. The data analytics procedures noted in the Condition identified potential instances of program abuse and claimant activity with a high risk of noncompliance that was not detected by the Department's existing internal controls. Implementation of additional information system application controls and incorporation of data analytics and data cross-matching procedures will provide further assurance that eligibility requirements are met and adequately supported, and that payments to ineligible claimants are prevented, or detected and corrected, in a timely manner.

The finding remains as stated.

**(State Number: 24-1302-02)**

**(2024-040)**

**Title:** Internal control over UI overpayments needs improvement

**Prior Year Findings:** None

**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-77 to E-78

**Compliance Area:** Special tests and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; Public Law Nos. 112-40 and 113-67

The Department must establish and maintain effective internal controls 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 properly identify and establish overpayments, track repayments, and process them regularly to ensure recovered payments are returned to the original funding source.

The Department must sufficiently automate Unemployment Insurance (UI) operations and appropriately handle overpayment information to obtain, correspond, maintain, and transmit information concerning UI benefits.

**Condition:** The Maine Department of Labor (MDOL) promotes and maintains the integrity of the UI program through the prevention, detection, and recovery of UI overpayments made to claimants. An UI overpayment may be established if a claimant is ultimately deemed ineligible for UI benefits after already receiving payment. MDOL must properly identify and establish overpayments to ensure that appropriate follow up action is initiated based on the classification of the overpayment. Once an overpayment is established and classified, a Demand for Payment Notice is generated within the ReEmployME system and transmitted to the claimant to initiate recoupment. The ReEmployME information system stores all claimant overpayment information including data on specific overpayment classifications, causes, and decisions; history logs; and correspondence with claimants.

The Office of the State Auditor (OSA) tested 60 claimant overpayments to determine whether MDOL properly established, classified, and monitored overpayments and collections, and found that:

- the ReEmployME system established a duplicate overpayment for one claimant for the same claim week. Because of the duplication, one record of overpayment totaling $520 remained active within the system after the overpayment was liquidated.
- One Demand for Payment Notice was not communicated to the claimant. The overpayment totaling $9,668 remained active and uncollected from August 2023 to the time of audit testing in February 2025.

OSA selected a non-statistical random sample.

**Context:** In fiscal year 2024, the UI program provided $119 million in State UI benefits and $800,000 in Federal UI benefits, and the Department identified $6.5 million in claimant overpayments.

**Cause:**

- ReEmployME system error
- Lack of supervisory oversight
- Lack of adequate policies and procedures

**Effect:**

- Inaccurate UI claimant and overpayment information within the ReEmployME system
- Potential untimely or ineffective recoupment of UI benefit overpayments
- Noncompliance with Federal regulations

**Recommendation:** We recommend that the Department enhance policies and procedures, including increased supervisory oversight, to ensure that claimant overpayments are accurately recorded in the ReEmployME system, properly monitored, and collected timely.

**Corrective Action Plan:** See F-19

**Management's Response:** The Department agrees with this finding. Remediation efforts are already underway for both issues. Several parameters have been established based on prior findings, and manual monitoring is in place to ensure overpayments are correctly identified. Additionally, federal compliance with the Benefit Accuracy Measurement (BAM) program provides an additional layer of oversight to verify the accuracy of unemployment claims. BAM audits are completed by a unit within the Bureau of Unemployment Compensation. Audits include a comprehensive review of claims and payments. To further enhance oversight, system parameters will be implemented to ensure functionality aligns with MDOL's agreed-upon standards.

The agency remains committed to ensuring compliance, improving system functionality, and reinforcing procedural accuracy to mitigate future occurrences of these issues.

**Contact:** Suzan McKechnie Director, Bureau of Unemployment Compensation, MDOL, 207-621-5126

**(State Number: 24-1302-01)**

**(2024-041)**

**Title:** Internal control over monitoring of employee classification and compensation needs improvement

**Prior Year Findings:**

| FY23 | FY22 |
|---|---|
| 2023-050 | 2022-046 |

**State Department:** Administrative and Financial Services
**State Bureau:** Human Resources
**Federal Agency:** U.S. Department of the Interior
U.S. Department of Labor
U.S. Department of Education
U.S. Department of Health and Human Services
**Assistance Listing Title:** Fish and Wildlife Cluster
Unemployment Insurance (UI) (COVID-19)
Special Education Cluster (IDEA) (COVID-19)
Rehabilitation Services – Vocational Rehabilitation Grants to States
CCDF Cluster (COVID-19)
**Assistance Listing Number:** 15.605, 15.611, 15.626; 17.225; 84.027, 84.173; 84.126;
93.489, 93.575, 93.596
**Federal Award Identification Number:** See E-77 to E-78

**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 must provide for periodic updating of job descriptions at least every five years to accurately reflect current duties and responsibilities of each job classification. The Office of the State Auditor (OSA) tested 19 job classification specifications for compliance with 5 MRSA 7061. BHR could not provide documentation for 14 of the 19 job classification specifications tested to support that they were updated within five years as required by 5 MRSA 7061.

Additionally, BHR's current tracking mechanism does not 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 2024, approximately $139 million in payroll expenditures were charged to Federal grants. This represents approximately ten percent of fiscal year 2024 Statewide payroll expenditures, which totaled $1.3 billion.
- BHR was responsible for managing approximately 1,200 job classification specifications in fiscal year 2024.

**Cause:**

- Lack of resources
- Lack of adequate policies and procedures
- Lack of supervisory oversight

**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:

- enhance oversight regarding the maintenance of the State classification and compensation plan in accordance with State statute;
- implement policies and procedures to ensure updates or reviews of the State classification and compensation plan at the job classification specification level 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-19

**Management's Response:** The Department disagrees with this finding. The procedure referenced in 5 M.R.S. Sec. 7061(4) is laid out in 18-389 C.M.R. Ch. 4. The Department complies with these written policies and procedures as required by federal and state law. Section 7061(4) was last updated in 2023, with an effective date in October 2023. Pursuant to the JSC on Appropriations, Section 7061(4)(A) requires a review every five years of the state compensation plan for each class or position in the classified service. The FJA process is not related to the compensation plan, however, it is administered under a separate internal control structure that is in place and operating effectively and ensures that the compensation for individual employees is reasonable for the services rendered. The requirement for review of each classification through the FJA process is covered under Section 7061(4)(C) and is required to be reviewed every 10 years. It is also important to note that the Department has conferred with the OAG, who determined that Section 7061(4)(C) is not retroactive, meaning the Department has another 8.5 years to complete a review of all classifications. Additionally, salary studies conducted on State employee wages have shown that the salary and wages of job classifications paid by the State are consistently lower than industry averages, removing the risk that the utilization of these salary schedules as a component of payroll costs will cause overcharges to Federal grants.

**Contact:** Michael J. Dunn, Acting State Human Resources Officer, Bureau of Human Resources, DAFS, 207-287-4651

**Auditor's Concluding Remarks:** OSA acknowledges BHR's reference to 5 MRSA 7061(4), as amended in October 2023, and the procedures for the classification maintenance outlined in 18-389 C.M.R. Ch. 4. We also recognize the distinction BHR draws between the five-year statutory requirement under 5 MRSA 7061(4)(A) for updating job descriptions and compensation plan components, and the ten-year classification plan review introduced under 5 MRSA 7061(4)(C).

OSA's review focused on BHR's compliance with the five-year update requirement under 5 MRSA 7061(4)(A). While the statute was amended in 2023, the requirement that job descriptions be updated at least every five years has been in place since 1987. The recent amendment did not create this requirement; it expanded BHR's obligation by tying the update process to the compensation plan and introducing a separate ten-year comprehensive classification review under 5 MRSA 7061(4)(C). These changes reflect an intent to strengthen oversight and modernize the State's personnel system, not to delay or diminish BHR's statutory responsibilities.

To distinguish between BHR's statutory responsibilities under 5 MRSA 7061(4)(A) and 5 MRSA 7061(4)(C), subsection (4)(A) requires periodic updating of job descriptions and the compensation plan at least every five years; this ensures that individual job classification specifications remain current and accurately reflect the duties and responsibilities of State positions. In contrast, subsection (4)(C), introduced in 2023, requires a broader, ten-year comprehensive review of the classification plan as a whole. The two requirements serve different purposes and operate on separate cycles. The five-year review of individual classifications under subsection (4)(A) remains an ongoing statutory obligation, regardless of the addition of subsection (4)(C).

While BHR references its internal procedures under 18-389 C.M.R. Ch. 4 as evidence of compliance, those procedures do not incorporate or reflect the statutory five-year update requirement in subsection (4)(A) or the ten-year update in subsection (4)(C). Furthermore, BHR could not provide documentation to support that 14 of the 19 job classifications tested by OSA had been reviewed or updated within the required timeframe. BHR does not have a comprehensive system to track classification review dates across the classification plan, making it difficult to demonstrate compliance with the statute or proactively manage updates. Internal policy may guide operations, but compliance is ultimately measured against the statutory requirements that govern those operations.

The issues identified in audit testing also have implications for the compensation system. Under 5 MRSA 7065, the State's compensation plan is developed based on the classification plan, with salary grades assigned to specific job classes according to documented duties and responsibilities. The classification plan is the foundational structure upon which compensation decisions are made. If job descriptions are outdated, or not periodically reviewed as required, positions may be misaligned with inappropriate salary grades, which may lead to pay that does not accurately reflect the nature or complexity of the work, including Federally-funded positions. Without a properly maintained classification system, the State cannot ensure that compensation, whether paid with State or Federal funds, is supported by a valid and compliant classification system.

Under 2 CFR 200.430(a)(2), compensation for personal services is allowable under Federal awards only when it follows "an appointment made in accordance with the recipient's…laws, rules, or written policies." This Federal regulation places the burden of compliance on the State's adherence to its own legal framework. The Federal government allows flexibility, but that flexibility hinges on the condition that the State follows its own laws; it is the minimum threshold for allowability requirements over personnel costs. Compliance with this law is not discretionary; it is a legal obligation and direct reflection of the expectations placed on the State by the Legislature and the Federal government.

BHR asserts that State employee compensation is consistently below market rates and therefore poses no risk of overcharging Federal programs. Even if BHR's current assertion that State salaries are below market is accepted, Federal guidance provides that reasonableness in amount is only one factor in determining allowability. Compensation must also follow lawful appointment processes and reflect compliance with State personnel laws. A claim of underpayment is not a compensating control to prevent noncompliance with required classification updates.

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

The following statutes only serve to emphasize the responsibility placed upon BHR and the State Human Resources Officer. Under 5 MRSA 7036, the State Human Resources Officer is explicitly responsible for adopting rules for both classification and compensation plans (7036(I) and (J)), enforcing the Civil Service Law (7036(21)), and conducting both short-term and long-term planning for the State's personnel system (7036(10)). The Officer is also responsible for responding to reclassification requests (7036(5)) and working closely with agencies on their personnel needs (7036(7)). These statutory responsibilities further confirm that maintaining accurate, up-to-date classification specifications is not discretionary. Moreover, failure to fulfill these legal duties has implications that underscore the purpose of a centralized human resources function. These conditions present a risk to the accessibility to public service employment, including potential delayed hiring decisions and diminished ability to attract and retain a skilled workforce. When classification structures are outdated and statutory mandates are not followed, BHR cannot deliver on its mission.

We acknowledge BHR's consultation with the Office of the Attorney General and its efforts to clarify its interpretation of the law; however, the condition observed during the audit period reflects a neutralization of internal controls and subsequent risk of noncompliance with statutory requirements that directly affect both classification and the allowability of personnel costs under Federal awards.

The finding remains as stated.

**(State Number: 24-0111-01)**

**(2024-042)**

**Title:** Internal control over HAF Program reporting and earmarking needs improvement

**Prior Year Findings:** None

**State Department:** Professional and Financial Regulation
**State Bureau:** Consumer Credit Protection
**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-77 to E-78

**Compliance Area:** Matching, level of effort, earmarking
Reporting

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; American Rescue Plan Act of 2021, Section 3206; 15 USC 9058d(c)(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.

The Department must submit quarterly reports providing financial and performance data regarding administration of the Homeowner Assistance Fund (HAF) Program that include financial data, targeting data, and other information. The Department is also required to submit an annual report to the U.S. Department of the Treasury regarding the impact of the HAF Program.

The HAF Program's earmarking requirements include:

- counseling or educational efforts targeted to households eligible to be served related to foreclosure prevention or displacement, in an aggregate amount up to five percent of the funding received by the HAF participant.
- planning, community engagement, needs assessment, and administrative expenses for qualified expenses, in an aggregate amount not to exceed 15 percent of the funding received by the HAF participant. If the HAF participant has only received the initial ten percent of its allocation, no more than 50 percent of the initial payment is permitted to be used for the expenses mentioned.
- participants providing not less than 60 percent of funds to homeowners with income less than 100 percent Area Median Income (AMI) or 100 percent of U.S. median income.
- participants should target homeowners that are classified as Socially Disadvantaged Individuals and 100 percent AMI or less.

**Condition:** The Department contracts with a subrecipient to administer the HAF Program. A Memorandum of Understanding (MOU) between the Department and the subrecipient outlines the following:

- The subrecipient is responsible for preparation of all required reporting under the HAF Program.
- The Department is responsible for certification and submission of all reports prepared by the subrecipient.

During fiscal year 2024, four quarterly financial reports and one annual performance report for the HAF Program were required to be submitted to the Federal government. The MOU requires Department certification and submission of all HAF Program reports; however, the subrecipient prepared and certified all required reports during fiscal year 2024 with no oversight from the Department.

In addition, the Department did not maintain records of any fiscal year 2024 HAF Program financial or performance reports or supporting documentation. The Department solicited the reports from the subrecipient only after the Office of the State Auditor's (OSA) request for audit documentation. The Department subsequently provided OSA with all reports in response to the audit request; however, the Department could not provide documentation to support:

- the Department's review of each financial and performance report prepared by the subrecipient, as it did not occur prior to certification and submission by the subrecipient.
- amounts reported on the State's fiscal year 2024 HAF Program financial and performance reports.
- amounts reported on key line items for HAF Program earmarking requirements and related obligation and expenditure totals.

The Department has no assurance that HAF Program reports prepared by the subrecipient and submitted to the Federal government on behalf of the State are accurate or properly supported. In addition, the Department has no assurance that the HAF Program was in compliance with Federal requirements for earmarking, as supporting documentation for such compliance is part of the subrecipient's reporting process. Furthermore, OSA was unable to verify the accuracy of submitted reports or compliance with earmarking requirements, as supporting documentation was not maintained.

**Context:** In fiscal year 2024, the Department expended $29.4 million in HAF 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
- HAF Program reports, including earmarking requirements, submitted to the Federal government are not properly supported and may not be accurate as documentation is not reviewed or maintained by the Department.

- Incomplete or inaccurate HAF Program reports may result in incorrect information used by the Federal government for programmatic, policy, or statistical purposes.

**Recommendation:** We recommend that the Department establish and implement policies and procedures to require a documented review and approval of all HAF Program reports and related earmarking requirements prepared by the subrecipient, prior to certification and submission by the Department as required by the established MOU. This will ensure that information reported to the Federal government is accurate, complete, and properly supported, and that earmarking requirements have been met.

**Corrective Action Plan:** See F-20

**Management's Response:** The Department agrees with this finding. The Department will establish and implement additional policies and procedures for this program. The Department will require that the subrecipient submit the required program and financial reports to the department for review prior to submission to the federal agency starting with the reporting period ending March 2025 reporting period.

**Contact:** Rachel Hendsbee, Director, Administrative Services Division, Department of Professional and Financial Regulation, 207-624-8500

**(State Number: 24-1698-01)**

**(2024-043)**

**Title:** Internal control over HAF Program subrecipient monitoring needs improvement

**Prior Year Findings:** None

**State Department:** Professional and Financial Regulation
**State Bureau:** Consumer Credit Protection
**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-77 to E-78

**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:

- 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.

**Condition:** The Homeowner Assistance Fund (HAF) Program provides funding to mitigate financial hardships associated with the pandemic, including preventing homeowner mortgage delinquencies, defaults, foreclosures, and loss of utilities or home energy services and displacements of homeowners experiencing financial hardships. In fiscal year 2024, the Department passed through HAF Program funds to one subrecipient responsible for administering the program.

The Department contracted with a vendor to perform all subrecipient monitoring for the HAF Program; however, only one monitoring report for the first quarter of fiscal year 2024 had been received by the Department at the time of audit testing in February 2025. No subrecipient monitoring information was received by the Department during the actual use of the grant award in fiscal year 2024. As a result, the Department had no assurance in fiscal year 2024 that:

- the subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward was evaluated for purposes of determining the appropriate subrecipient monitoring procedures.
- the subrecipient received a Single Audit as required. The Office of the State Auditor reviewed the quarterly monitoring report received from the vendor and noted that the subrecipient's Single Audit requirement and related monitoring was not addressed.
- the activities of the subrecipient were monitored as necessary to ensure that the subaward was used for authorized purposes and in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals were achieved.

In addition to untimely vendor subrecipient monitoring reports, the Department's review and approval of subrecipient reimbursement requests was not adequately designed, as submission of detailed expenditure information with the subrecipient's requests for reimbursement of HAF Program funds was not required. A summary spreadsheet outlining actual and projected expenditures for the second-tier subrecipient was the only support provided to the Department with each reimbursement request, which does not provide adequate detail to ensure that the subaward was used for authorized purposes.

**Context:** In fiscal year 2024, the Department expended $29.4 million in HAF 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 or adequate subrecipient monitoring procedures could result in subrecipient noncompliance that would go undetected during the award term.

**Recommendation: 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.

**Corrective Action Plan:** See F-20

**Management's Response:** The Department agrees with this finding. The Department has contracted with a vendor to perform subrecipient monitoring of the HAF program. The Department will ensure that subrecipient reports adequately detail expenditures.

**Contact:** Rachel Hendsbee, Director, Administrative Services Division, Department of Professional and Financial Regulation, 207-624-8500

**(State Number: 24-1698-02)**

**(2024-044)**

**Title:** Internal control over CSLFRF reporting needs improvement

**Prior Year Findings:**

| FY23 |
|---|
| 2023-061 |

**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-77 to E-78

**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 $9.7 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 \$9.7 million of the \$209.6 million in fiscal year 2024 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-20

**Management's Response:** The Department agrees with this finding. The Security and Employment Service 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. In this case, the contracts ended in July 2023 and the contracting agency did not amend the contracts to change the classification.

**Contact:** Marilyn Leimbach, Director, SESC, DAFS, 207-248-2556

**(State Number: 24-1699-03)**

**(2024-045)**

**Title:** Internal control over CSLFRF subrecipient risk evaluation procedures needs improvement

**Prior Year Findings:**

| FY23 |
|---|
| 2023-060 |

**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-77 to E-78

**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 approximately $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 44 subrecipients paid by various State agencies under CSLFRF, including five 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 five MDOL subrecipients tested.

OSA selected a nonstatistical random sample.

**Context:** During fiscal year 2024, the Department provided $5.8 million to 39 MDOL subrecipients, from a total of $137.9 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.

**Recommendation:** We recommend that the Department enhance oversight over 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-20

**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:** Kimberley Moore, Director, Bureau of Employment Services, MDOL, 207-620-0183

**(State Number: 24-1699-04)**

**(2024-046)**

**Title:** Internal control over CSLFRF subrecipient cash management needs improvement

**Prior Year Findings:** None

**State Department:** Health and Human Services
**State Bureau:** Division of Contract Management
Office of Aging and Disability Services
**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-77 to E-78

**Compliance Area:** Cash management
Subrecipient monitoring

**Type of Finding:** Significant deficiency

**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.

- 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.
- For "cost-settled by invoice" (reimbursement) subawards, DCM procedures do not require subrecipients to include supporting documentation with monthly requests for reimbursement nor do they request supporting documentation at a subsequent date. 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.
- Cash management requirements are not applicable for fee-for-service subawards.

The Office of Aging and Disability Services (OADS) is responsible for ensuring its subrecipients that received Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) comply with Federal requirements; however, OADS' subrecipient monitoring procedures do not include review of subrecipient compliance with cash management requirements. All of the CSLFRF subawards from OADS are cost-settled.

Therefore, DCM and OADS procedures do not support that subrecipient cash management is properly monitored as required by Federal regulations.

**Context:** In fiscal year 2024, the Department provided $1.5 million to OADS subrecipients from CSLFRF grant funds totaling $209.6 million.

**Cause:**

- Lack of adequate subrecipient monitoring procedures
- Lack of centralized oversight of subrecipient monitoring

**Effect:**

- Noncompliance with Federal regulations
- 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 OADS collaborate with DCM to implement monitoring procedures over subrecipient cash management requirements 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 the CSLFRF program.

**Corrective Action Plan:** See F-20

**Management's Response:** The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of funds. Payments are made as close as administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1)...that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.

**Contact:** Anthony Madden, Deputy Director, Division of Audit, DHHS, 207-287-2834

**Auditor's Concluding Remarks:** The Department's interpretation of the applicable Federal regulation selectively emphasizes a single sentence from the broader paragraph, omitting critical context that informs the regulation's full intent.

According to the 2024 Compliance Supplement, pass-through entities must monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and their disbursement for program purposes is minimized as required by the applicable cash management requirements in the Federal award to the recipient (2 CFR section 200.305(b)(1)).

2 CFR section 200.305(b)(1) states that the recipient or subrecipient must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient or subrecipient, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a recipient or subrecipient must be limited to the minimum amounts needed and be timed with actual, immediate cash requirements of the recipient or subrecipient in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the recipient or subrecipient for direct program or project costs and the proportionate share of any allowable indirect costs. The recipient or subrecipient must make timely payments to contractors in accordance with the contract provisions.

The Department references the phrase "as close as is administratively feasible" to justify their current process; however, this phrase is part of a broader requirement that establishes specific conditions for advance payments. The regulation requires that the timing between when the subrecipient receives Federal funds from the State and when the subrecipient disburses those funds is closely monitored to ensure that disbursements align with actual, immediate cash needs. A full reading of the provision indicates that "administratively feasible" does not negate the obligation to implement effective controls that minimize this gap, nor does it permit delays or inadequate oversight in Federal cash management. The Department could not provide evidence to demonstrate that they adequately monitored subrecipient cash drawdowns to ensure alignment with actual, immediate cash needs. Additionally, the Department does not require subrecipients to submit invoice documentation to substantiate the timing, amount, or nature of expenditures included in the request of Federal funds. As a result, the Department cannot demonstrate an adequate level of monitoring, as there is no evidence that they collect the necessary information to ensure compliance with Federal cash management requirements.

The finding remains as stated.

**(State Number: 24-1699-05)**

**(2024-047)**

**Title:** Internal control over Special Education period of performance needs improvement

**Prior Year Findings:**

| FY23 |
|---|
| 2023-062 |

**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-77 to E-78

**Compliance Area:** Allowable costs/cost principles
Period of performance

**Type of Finding:** Significant deficiency
Questioned costs

**Known Questioned Costs:** ALN 84.027 $7,303
**Likely Questioned Costs:** ALN 84.027 $31,768; likely questioned costs were projected by dividing the known questioned costs identified in the sample by total Federal fiscal year 2022 grant award expenditures tested to establish an error rate, then applying that error rate to total Federal fiscal year 2022 grant award expenditures paid in fiscal year 2024.

**Criteria:** 2 CFR 200.303; 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.

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 procedures include review and approval of requests for reimbursement from LEAs and other programmatic 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 Federal regulations applicable to the SEC program in fiscal year 2024 relate to the Federal fiscal year 2022 grant award. The award's obligation period ended September 30, 2023, and the liquidation period ended 120 calendar days following, on January 28, 2024.

The Office of the State Auditor (OSA) tested 60 expenditure transactions that occurred during the Federal fiscal year 2022 grant award's liquidation period to ensure that the expenditures were obligated and liquidated in accordance with Federal regulations. OSA identified five transactions totaling $7,303 where obligations occurred after September 30, 2023. Therefore, these transactions did not meet Federal fiscal year 2022 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 $7,303.

OSA selected a non-statistical random sample.

**Context:** In fiscal year 2024, the Department expended $68.2 million in SEC program funds. Of this total, $5.8 million of Federal fiscal year 2022 grant funds was expended during the award's liquidation period which occurred during fiscal year 2024.

**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 enhance procedures and increase oversight to ensure that obligation of grant funds is made within period of performance requirements established in the terms and conditions of Federal grant awards.

**Corrective Action Plan:** See F-21

**Management's Response:** The Department agrees with this finding. The Office of Special Services & Inclusive Education has developed and will implement a corrective action plan to address the issue identified.

**Contact:** Barbara McGowen, Director of Financial Management, Office of Special Services & Inclusive Education, DOE, 207-624-6645

**(State Number: 24-1201-01)**

**(2024-048)**

**Title:** Internal control over Special Education level of effort 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-77 to E-78

**Compliance Area:** Matching, level of effort, earmarking

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 34 CFR 300.163

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.

As part of the Special Education program's level of effort, referred to as maintenance of effort (MOE) requirements, a State must not reduce the amount of State financial support for special education and related services for children with disabilities, or otherwise made available because of the excess costs of educating those children, below the amount of that support for the preceding fiscal year. This is referred to as the State's Maintenance of State Financial Support (MSFS).

**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 gathering, preparing, and compiling the State's MSFS data. The MSFS data includes State funds spent on Special Education as well as a calculation of per pupil State support for Special Education. This data, accumulated in a spreadsheet by DOE personnel, is included on DOE's annual application under Part B of the Individuals with Disabilities Education Act (IDEA). DOE's application review procedures include the Commissioner certifying that the State has met the MSFS for grant funds made available for Special Education and related services for children with disabilities prior to submission to the Federal government.

The Office of the State Auditor (OSA) tested the fiscal year 2024 MSFS calculation and identified that outdated data was used in three formulas in the spreadsheet. While the State's MSFS was calculated incorrectly, OSA was able to verify that the Department met MOE requirements for fiscal year 2024, which was the greater of:

- $481,309,366 for total State financial support made available to Special Education and related services for children with disabilities; or
- $13,470 for per capita amount of State financial support.

**Context:** On the fiscal year 2024 IDEA Part B application, the Department reported $484,482,061 for the MSFS; however, $496,227,407 should have been reported.

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

**Effect:**
- The Department is required to maintain a certain level of State financial support. An inaccurate MSFS calculation could result in the Department not meeting MOE requirements.
- Inaccurate information reported to the Federal government may be used for programmatic, policy or statistical purposes.

**Recommendation:** We recommend that the Department enhance procedures to ensure that the MSFS data reported to the Federal government is accurate and complete prior to submission.

**Corrective Action Plan:** See F-21

**Management's Response:** The Department agrees with this finding. The Office of Special Services & Inclusive Education has developed and will implement a corrective action plan to address the issue identified.

**Contact:** Barbara McGowen, Director of Financial Management, Office of Special Services & Inclusive Education, DOE, 207-624-6645

**(State Number: 24-1201-02)**

**(2024-049)**

**Title:** Internal control over ESF subrecipient monitoring procedures needs improvement

**Prior Year Findings:**

| FY23 | FY22 |
|---|---|
| 2023-067 | 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-77 to E-78

**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. 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. In the fiscal year 2022 and 2023 audits, the Office of the State Auditor identified that the Department did not have procedures in place to track SAU equipment purchases reimbursed with ESF.

During fiscal year 2024, the Department developed policies and procedures to track SAU equipment purchases reimbursed with ESF. These procedures outline documentation to be obtained from SAUs during the next subrecipient monitoring activity. Because the Department has not completed the subrecipient monitoring to obtain the necessary documentation, the Department does not have assurance that:

- a complete and accurate record of all equipment purchased with ESF was maintained by each SAU.
- subrecipients are in compliance with Federal regulations for equipment and real property management.

**Context:** In fiscal year 2024, ESF expenditures totaled $194.1 million, of which $175.1 million was paid to subrecipient SAUs. Because a complete and accurate record of equipment purchased with ESF is not maintained, the amount of equipment purchased in fiscal year 2024 is unknown.

**Cause:**

- Newly developed policies and procedures have not been fully implemented.
- Lack of supervisory oversight

**Effect:**

- Noncompliance with Federal regulations
- SAUs may not be in compliance with equipment and real property management requirements.
- Recordkeeping for assets purchased with ESF is not adequate, and as a result, the assets may not be properly safeguarded.

**Recommendation:** We recommend that the Department conduct necessary subrecipient monitoring activities to ensure that a complete and accurate record of all equipment purchased with ESF is maintained by the Department and by each SAU. This record should be documented and maintained in order to verify ongoing compliance with Federal regulations for equipment and real property management.

**Corrective Action Plan:** See F-21

**Management's Response:** The Department agrees with this finding. The former Office of Federal Emergency Relief Programs will incorporate the collection of this information in the fiscal year 2024 and 2025 annual performance report. All equipment purchased with ESF will be self-reported by each individual School Administrative Unit.

**Contact:** Shelly Chasse-Johndro, Director, ESEA, DOE, 207-458-3180

**(State Number: 24-1235-01)**

**(2024-050)**

**Title:** Internal control over ICA program subrecipient cash management needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 | FY18 | FY17 |
|---|---|---|---|---|---|---|
| 2023-077 | 2022-069 | 2021-042 | 2020-042 | 2019-035 | 2018-026 | 2017-009 |

**State Department:** Health and Human Services
**State Bureau:** Division of Contract Management
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-77 to E-78

**Compliance Area:** Cash management
Subrecipient monitoring

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 2 CFR 200.305; 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 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.

The Department must monitor the activities of the subrecipient as necessary to ensure that subawards are used for authorized purposes and in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

**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.

- 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.

- For “cost-settled by invoice” (reimbursement) subawards, DCM procedures do not require subrecipients to include supporting documentation with monthly requests for reimbursement nor do they request supporting documentation at a subsequent date. 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.
- Cash management requirements are not applicable for fee-for-service subawards.

Maine Center for Disease Control & Prevention (MeCDC) is responsible for ensuring the Immunization Cooperative Agreement (ICA) program’s subrecipients comply with Federal requirements; however, MeCDC’s subrecipient monitoring procedures do not include review of subrecipient compliance with cash management requirements. The ICA program’s subawards are either cost-settled or cost-settled by invoice.

Therefore, DCM and MeCDC procedures do not support that subrecipient cash management is properly monitored as required by Federal regulations.

Additionally, MeCDC’s monitoring procedures do not include review of subrecipient invoices to ensure ICA grant funds are used for allowable purposes.

**Context:** In fiscal year 2024, the Department provided \$1.9 million to subrecipients from ICA grant funds totaling \$31.1 million.

**Cause:**

- Lack of adequate subrecipient monitoring procedures
- Lack of centralized oversight of subrecipient monitoring

**Effect:**

- Noncompliance with Federal regulations
- 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 MeCDC:

- collaborate with DCM to implement monitoring procedures over subrecipient cash management requirements 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 the ICA program.
- implement monitoring procedures over ICA program subrecipients to ensure that grant funds are used for allowable purposes.

**Corrective Action Plan:** See F-22

**Management’s Response:** The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of funds. Payments are made as close as administratively feasible. The

Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1)...that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.

**Contact:** Anthony Madden, Deputy Director, Division of Audit, DHHS, 207-287-2834

**Auditor's Concluding Remarks:** The Department's interpretation of the applicable Federal regulation selectively emphasizes a single sentence from the broader paragraph, omitting critical context that informs the regulation's full intent.

According to the 2024 Compliance Supplement, pass-through entities must monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and their disbursement for program purposes is minimized as required by the applicable cash management requirements in the Federal award to the recipient (2 CFR section 200.305(b)(1)).

2 CFR section 200.305(b)(1) states that the recipient or subrecipient must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient or subrecipient, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a recipient or subrecipient must be limited to the minimum amounts needed and be timed with actual, immediate cash requirements of the recipient or subrecipient in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the recipient or subrecipient for direct program or project costs and the proportionate share of any allowable indirect costs. The recipient or subrecipient must make timely payments to contractors in accordance with the contract provisions.

The Department references the phrase "as close as is administratively feasible" to justify their current process; however, this phrase is part of a broader requirement that establishes specific conditions for advance payments. The regulation requires that the timing between when the subrecipient receives Federal funds from the State and when the subrecipient disburses those funds is closely monitored to ensure that disbursements align with actual, immediate cash needs. A full reading of the provision indicates that "administratively feasible" does not negate the obligation to implement effective controls that minimize this gap, nor does it permit delays or inadequate oversight in Federal cash management. The Department could not provide evidence to demonstrate that they adequately monitored subrecipient cash drawdowns to ensure alignment with actual, immediate cash needs. Additionally, the Department does not require subrecipients to submit invoice documentation to substantiate the timing, amount, or nature of expenditures included in the request of Federal funds. As a result, the Department cannot demonstrate an adequate level of monitoring, as there is no evidence that they collect the necessary information to ensure compliance with Federal cash management requirements.

Furthermore, the Department did not comment on the lack of monitoring procedures over subrecipient invoices to ensure Federal grant funds are used for allowable purposes.

The finding remains as stated.

**(State Number: 24-1118-01)**

**(2024-051)** 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:**

| FY23 | FY22 | FY21 | FY20 | FY19 |
|---|---|---|---|---|
| Redacted | Redacted | Redacted | Redacted | Redacted |

**Type of Finding:** Significant deficiency

**Corrective Action Plan:** See F-22

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

**(State Number: 24-0906-01)**

**(2024-052)**

**Title:** Internal control over payments made to TANF clients needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 | FY18 |
|---|---|---|---|---|---|
| 2023-075 | 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-77 to E-78

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

**Type of Finding:** Material weakness
Material noncompliance
Questioned costs

**Known Questioned Costs:** ALN 93.558 $1,014
**Likely Questioned Costs:** Undeterminable; incorrectly calculating Temporary Assistance for Needy Families (TANF) 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; 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 TANF clients for various items and services, and 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 July 2023 overpaid a TANF client a total of $200 for clothing. An advance allowance of $200 was issued to the TANF client; however, the TANF client did not submit a receipt substantiating the purchase as required. OSA is questioning costs totaling $200.

- four payments issued for transportation were calculated by the Department using a distance other than the most direct route as required. The payments include:
  - one payment issued in August 2023 that overpaid a TANF client a total of $87. Upon further review, OSA found an additional $524 that was overpaid to the client during fiscal year 2024. OSA is questioning costs totaling $611.
  - one payment issued in August 2023 that overpaid a TANF client a total of $8. Upon further review, OSA found an additional $107 was overpaid to the client during fiscal year 2024. OSA is questioning costs totaling $115.
  - one payment issued in March 2024 that overpaid a TANF client a total of $1. Upon further review, OSA found an additional $15 that was overpaid to the client during fiscal year 2024. OSA is questioning costs totaling $16.
  - one payment issued in October 2023 that underpaid a TANF client a total of $2. Upon further review, OSA found an additional $17 that was underpaid to the client during fiscal year 2024.
- two payments issued in June 2024 overpaid a TANF household a total of $72 for transportation. Two $36 bus passes were paid for two clients in the same household, prior to determining program eligibility. OSA is questioning costs totaling $72.

OSA selected a non-statistical random sample.

**Context:** In fiscal year 2024, payments to TANF clients for services other than direct cash benefits totaled $2.3 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 are accurate, allowable, and adequately documented;
- increase monitoring procedures over these payments; and
- establish recoupments for the identified overpayments.

**Corrective Action Plan:** See F-22

**Management's Response:** The Department partially agrees with this finding. The Department agrees with and acknowledges both the Condition Statement and the first two Recommendations contained in this finding as reflected in the Departments corrective action plan.

The third Recommendation, establish recoupments for the identified overpayments, is already a business process within the OFI Overpayments Team. For clarity, the TANF team ‘refers’ as per policies established in Rule and the Overpayments Team ‘establishes recoupments’.

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

**Auditor’s Concluding Remarks:** OSA acknowledges the Department’s assertion that the establishment of recoupments for identified overpayments is an existing business process; however, current procedures are not adequate. This is evidenced by the six overpayments identified in the Condition for which recoupments had not yet been established as of audit testing.

The finding remains as stated.

**(State Number: 24-1111-05)**

**(2024-053)**

**Title:** Internal control over Income Eligibility and Verification System procedures needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 |
|---|---|---|---|---|
| 2023-076 | 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-77 to E-78

**Compliance Area:** Eligibility
Special tests and provisions

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 45 CFR 205.55 and .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 request through IEVS:

- wage information from the State Wage Information Collection Agency (SWICA) for all applicants at the first opportunity following receipt of the application and for all recipients on a quarterly basis;
- unemployment compensation information from the agency administering the State's unemployment compensation program;
- all available information maintained by the Social Security Administration;
- unearned income information from the Internal Revenue Service; and
- any income or other information affecting eligibility available from agencies in the State or other states.

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 within 45 days of receipt and document the resolution in ACES.

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 2024. The reports provided by the Department contained TANF, SNAP, and Medicaid/Medicare cases and did not have specific Federal program indicators for the entirety of fiscal year 2024. The Department began adding specific Federal program indicators in October 2023; therefore, without a population of TANF-specific cases for July through September 2023, OSA is unable to verify that the program is in compliance with Federal IEVS requirements.

For the remaining reports provided for fiscal year 2024 where the Federal program indicator was noted, OSA tested 70 TANF-specific IEVS discrepancies and found:

- one resolution was not documented in ACES.
- four discrepancies were resolved between 26 and 125 days past the 45-day requirement.

OSA selected a non-statistical random sample.

In addition, the Department disclosed that no reviews of the Quarterly Income Discrepancy Reports were completed during fiscal year 2024. As a result, wage information from SWICA was not utilized to ensure eligibility determinations were made based on current information.

**Context:** 224 IEVS reports are required to be generated annually. Of the 224 reports generated, OSA tested 126 reports and was unable to test 98 reports to ensure compliance with Federal IEVS requirements. The number of TANF discrepancies on each report can vary.

**Cause:**

- Lack of resources
- Lack of supervisory oversight

**Effect:**

- IEVS information may not be updated timely in ACES, which could result in incorrect eligibility determinations.
- Failure to maintain documentation to support compliance with required TANF exchange rules may result in the U.S. Department of Health and Human Services penalizing the State up to two percent of the grant award.

**Recommendation:** We recommend that the Department increase oversight to ensure that all discrepancies identified through IEVS are resolved within 45 days of receipt and documented in ACES.

**Corrective Action Plan:** See F-23

**Management's Response:** The Department agrees resources need to be dedicated to complete the review of the SWICA reports. Implementation of program indicators on IEVS reports began in October of 2023 for the purpose of assisting OSA in their testing. OSA had received all reports, containing all data necessary to conduct testing.

It should be noted this requirement has no utility in current eligibility determinations due to the age of the data.

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

**Auditor's Concluding Remarks:** As stated in the Condition, program indicators on IEVS reports began in October 2023; therefore, OFI could not provide a population of TANF-specific cases for July through September 2023. As a result, OSA is unable to verify that the program is in compliance with Federal IEVS requirements. Additionally, while the Department agrees "resources need to be dedicated to complete the review of the SWICA reports," the Department did not comment on the noncompliance identified by OSA in testing the Federal IEVS requirements.

45 CFR 205.56 requires the Department to review and compare information obtained from each data exchange against information contained in case records to determine whether the applicant or recipient's eligibility or the amount of assistance is affected. If the information is received during the application period, the Department shall use such information, to the extent possible, in making the eligibility determination. Therefore, the extent to which the utility of this requirement is affected by "the age of the data" has a direct correlation to the Department's ability to process the information contained in each data exchange in a timely manner.

The finding remains as stated.

**(State Number: 24-1111-02)**

**(2024-054)**

**Title:** Internal control over TANF client child support sanction procedures needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 |
|---|---|---|---|
| 2023-080 | 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-77 to E-78

**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 Division of Support Enforcement and Recovery (DSER) is responsible for enforcing child support requirements for clients receiving benefits from the TANF program, which is administered by the Office for Family Independence (OFI). When individuals not cooperating with child support enforcement requirements are identified, DSER personnel initiate a sanction memo in the Child Support Enforcement of Maine (CSEME) system indicating the date of noncooperation with child support requirements. A sanction request is then emailed, with the memo attached, to TANF personnel. After receiving the emailed sanction request, TANF personnel review the individual's case and determine if a sanction should be applied. The child support sanction process is documented in DSER policy, which specifies that failing to generate and attach the sanction memo to the emailed request will deem the referral invalid. TANF procedures, however, include processing sanction requests with or without an attached sanction memo.

Federal guidance requires the Office of the State Auditor (OSA) to develop audit procedures in order to test a sample of individual sanction requests referred to TANF by DSER. For this reason, OSA requested a list of all fiscal year 2024 sanction requests referred to TANF by DSER. In response, DSER provided a report of all sanction memos initiated in the CSEME system with dates of noncooperation during fiscal year 2024; however, this report does not represent an accurate and complete population for audit testing, as the referral action occurs subsequent to the initiation of a sanction memo and outside of the CSEME system, through email. Additional documentation representative of a complete population could not be provided, as TANF does not have policies and procedures in place to ensure that documentation of all individual sanction requests referred to TANF by DSER is properly maintained. As a result, OSA is unable to test to ensure OFI is in compliance with child support sanction requirements.

**Context:** DSER provided a report of 469 sanction memos initiated for fiscal year 2024. The number of sanction requests that were made but omitted from the DSER list 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 up to five percent of the grant award.

**Recommendation:** We recommend that OFI 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 OFI increase oversight to ensure compliance with Federal requirements.

**Corrective Action Plan:** See F-23

**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 (including active sanction activity within the fiscal year as provided by OFI) 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.

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

**Auditor's Concluding Remarks:** The Department is required to establish and maintain effective internal control over Federal awards**.** The significant deficiency identified within the Condition is not the result of disagreements over the interpretation of Federal regulations or related audit objectives and testing procedures, it is related to internal control. A significant deficiency in internal control over compliance 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, noncompliance with requirements of a Federal program on a timely basis. The Department does not have adequate controls in place in order to provide a complete and accurate report of sanction requests referred to TANF by DSER. This report should not only be available for audit testing purposes, but also as documentation to monitor and attest to the Department's compliance with TANF program sanction requirements.

OSA acknowledges that multiple information sources and reports were provided in response to audit requests; however, the suggestion that OSA can perform testing "with the DSER-provided report of referrals" is not valid, as it is a CSEME system report that shows what should have been referred, and not actual referrals. Furthermore, the suggestion that OSA can perform testing "with [the DSER-provided report] in conjunction with the additional material" would result in OSA violating auditor independence as defined in Government Auditing Standards, as auditors cannot create the population subject to testing.

Evidenced by the inability to provide a complete and accurate report, the Department is not properly tracking referrals to ensure that they are not "lost, ignored, or misapplied," and therefore, is not properly overseeing compliance with 45 CFR 264.30. As a result, OSA cannot test that the Department is in compliance with the requirement to sanction individuals not cooperating with child support enforcement.

The finding remains as stated.

**(State Number: 24-1111-01)**

**(2024-055)**

**Title:** Internal control over TANF program subrecipient cash management needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 | FY18 | FY17 |
|---|---|---|---|---|---|---|
| 2023-077 | 2022-069 | 2021-042 | 2020-042 | 2019-035 | 2018-026 | 2017-009 |

**State Department:** Health and Human Services
**State Bureau:** Division of Contract Management
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-77 to E-78

**Compliance Area:** Cash management
Subrecipient monitoring

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 2 CFR 200.305; 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 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.

The Department must monitor the activities of the subrecipient as necessary to ensure that subawards are used for authorized purposes and in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

**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.

- 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.

- For "cost-settled by invoice" (reimbursement) subawards, DCM procedures do not require subrecipients to include supporting documentation with monthly requests for reimbursement nor do they request supporting documentation at a subsequent date. 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.
- Cash management requirements are not applicable for fee-for-service subawards.

The Office for Family Independence (OFI) is responsible for ensuring the Temporary Assistance for Needy Families (TANF) program's subrecipients comply with Federal requirements; however, OFI's subrecipient monitoring procedures do not include review of subrecipient compliance with cash management requirements. The TANF program's subawards are cost-settled, cost-settled by invoice, or fee-for-service.

Therefore, DCM and OFI procedures do not support that subrecipient cash management is properly monitored as required by Federal regulations.

Additionally, OFI's monitoring procedures do not include review of subrecipient invoices to ensure TANF grant funds are used for allowable purposes.

**Context:** In fiscal year 2024, the Department provided $34.2 million to subrecipients from TANF grant funds totaling $92.4 million.

**Cause:**

- Lack of adequate subrecipient monitoring procedures
- Lack of centralized oversight of subrecipient monitoring

**Effect:**

- Noncompliance with Federal regulations
- 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 OFI:

- collaborate with DCM to implement monitoring procedures over subrecipient cash management requirements 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 the TANF program.
- implement monitoring procedures over TANF program subrecipients to ensure that grant funds are used for allowable purposes.

**Corrective Action Plan:** See F-23

**Management's Response:** The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of the funds. Payments are made as close as administratively feasible. The

Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1)...that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.

**Contact:** Anthony Madden, Deputy Director, Division of Audit, DHHS, 207-287-2834

**Auditor's Concluding Remarks:** The Department's interpretation of the applicable Federal regulation selectively emphasizes a single sentence from the broader paragraph, omitting critical context that informs the regulation's full intent.

According to the 2024 Compliance Supplement, pass-through entities must monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and their disbursement for program purposes is minimized as required by the applicable cash management requirements in the Federal award to the recipient (2 CFR section 200.305(b)(1)).

2 CFR section 200.305(b)(1) states that the recipient or subrecipient must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient or subrecipient, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a recipient or subrecipient must be limited to the minimum amounts needed and be timed with actual, immediate cash requirements of the recipient or subrecipient in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the recipient or subrecipient for direct program or project costs and the proportionate share of any allowable indirect costs. The recipient or subrecipient must make timely payments to contractors in accordance with the contract provisions.

The Department references the phrase "as close as is administratively feasible" to justify their current process; however, this phrase is part of a broader requirement that establishes specific conditions for advance payments. The regulation requires that the timing between when the subrecipient receives Federal funds from the State and when the subrecipient disburses those funds is closely monitored to ensure that disbursements align with actual, immediate cash needs. A full reading of the provision indicates that "administratively feasible" does not negate the obligation to implement effective controls that minimize this gap, nor does it permit delays or inadequate oversight in Federal cash management. The Department could not provide evidence to demonstrate that they adequately monitored subrecipient cash drawdowns to ensure alignment with actual, immediate cash needs. Additionally, the Department does not require subrecipients to submit invoice documentation to substantiate the timing, amount, or nature of expenditures included in the request of Federal funds. As a result, the Department cannot demonstrate an adequate level of monitoring, as there is no evidence that they collect the necessary information to ensure compliance with Federal cash management requirements.

Furthermore, the Department did not comment on the lack of monitoring procedures over subrecipient invoices to ensure Federal grant funds are used for allowable purposes.

The finding remains as stated.

**(State Number: 24-1111-04)**

**(2024-056)**

**Title:** Internal control over TANF subrecipient risk evaluation procedures needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 | FY18 | FY17 |
|---|---|---|---|---|---|---|
| 2023-078 | 2022-071 | 2021-048 | 2020-044 | 2019-038 | 2018-030<br>2018-032 | 2017-013 |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
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-77 to E-78

**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:** The Department determines subrecipient monitoring procedures based on the justification for the selection of the subrecipient and the services provided.

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. However, for both competitively bid and non-competitively bid subawards, the level of subrecipient monitoring that the Department performs is based on the services provided and not based on the specific subrecipient.

The Office of the State Auditor (OSA) selected six TANF subrecipients, which included 11 subawards that were competitively bid and eight subawards that were not competitively bid and found that for:

- seven 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 performed based on a risk evaluation.
- 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 performed based on a risk evaluation.
- eight non-competitively bid subawards, evidence could not be provided to support the level of subrecipient monitoring that was performed based on a risk evaluation.

OSA selected a non-statistical random sample.

**Context:** The Department provided $34.2 million from a total of $92.4 million to TANF subrecipients during fiscal year 2024.

**Cause:**

- Lack of policies and procedures
- Lack of supervisory oversight

**Effect:**

- Noncompliance with Federal regulations
- Subrecipients that are deemed higher risk may not be monitored on a more frequent basis. Conversely, subrecipients that are deemed lower risk may not be monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.

**Recommendation:** We recommend that the Department 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-24

**Management's Response:** The Department disagrees with this finding. The Department evaluates risk on its subrecipients for the purpose of determining the appropriate subrecipient monitoring in multiple ways. The first assessment of risk is when a subaward is competitively bid. The second assessment of risk is built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which higher risk subrecipients undergo a higher level of testing by Independent Public Accountants. 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.

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

**Auditor's Concluding Remarks:** 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.

The Department has indicated in Management's Response that the criteria set forth in 2 CFR 200.332(b) have been met; however, the following rebuttals illustrate that the Department's assessments are inconsistent with Federal regulation requirements:

- The Department identifies the first assessment of risk: when a subaward is competitively bid.
    - While OSA acknowledges this does occur, not all subawards are competitively bid. As stated in the Condition, for both competitively bid and non-competitively bid subawards, the level of subrecipient monitoring that the Department performs is based on the services provided, rather than on an evaluation of risk assessed for specific subrecipients.
- The Department identifies the second assessment of risk: built into MAAP in which higher risk subrecipients undergo a higher level of testing by independent public accountants.
    - The Department did not provide documentation to support that the level of subrecipient monitoring performed correlates to MAAP; and
    - A subrecipient deemed higher risk as the result of a risk evaluation in accordance with 2 CFR 200.332 may not be deemed higher risk in accordance with MAAP standards.
- The Department identifies the third assessment of risk: 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 did not provide documentation to demonstrate that these procedures are performed as a result of a risk evaluation.

The Department's existing policies and procedures do not require nor provide support for the evaluation of each subrecipient's risk of noncompliance specifically for the purpose of determining the appropriate subrecipient monitoring to be performed.

The finding remains as stated.

**(State Number: 24-1111-07)**

**(2024-057)**

**Title:** Internal control over TANF performance reporting procedures needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 | FY18 | FY17 |
|---|---|---|---|---|---|---|
| 2023-081 | 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-77 to E-78

**Compliance Area:** Reporting

**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* and ACF-209 *SSP-MOE Data Report* on a quarterly basis. These reports are required by the Federal government.

**Condition:** The Department must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of information reported to the Federal government and used to calculate work participation rates.

The Department utilizes a vendor for case management services and development of individualized training and employment plans for Additional Support for People in Retraining and Employment (ASPIRE) clients. These services directly impact and enforce client work participation requirements. Vendor data is exchanged with the Department on a monthly basis and is utilized in conjunction with client data in the Automated Client Eligibility System (ACES) to comprise client work participation data that is reported on the ACF-199 and ACF-209 reports to the Federal government.

The Department reported incorrect work participation information on the ACF-199 and ACF-209 reports. Of the 60 clients tested, 24 inaccurate work participation data elements were reported for 19 clients, including inaccurate:

- countable months towards the Federal time limit of 60 months for nine cases;
- work participation status for three cases;
- unsubsidized employment and vocational education training hours for nine cases;
- Federal time limit provision status for one case;
- family affiliation status for one case; and
- work eligible individual indicator for one case.

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

**Context:** In fiscal year 2024, the number of families reported on the ACF-199 report ranged from 10,000 to 11,000 per quarter, and the number of clients reported on the ACF-209 report ranged from 29,000 to 31,000 per quarter.

**Cause:**

- Lack of adequate procedures to ensure accurate reporting
- 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.

**Recommendation:** We recommend that the Department enhance existing procedures to ensure that the information reported on the ACF-199 and ACF-209 reports is accurate and complete prior to submission to the Federal government.

**Corrective Action Plan:** See F-24

**Management's Response:** The Department agrees with and acknowledges both the Condition Statement and Recommendation sections contained in this finding. The Department has developed and will implement a corrective action plan to address the Condition.

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

**(State Number: 24-1111-03)**

**(2024-058)**

**Title:** Internal control over TANF work verification plan procedures needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 | FY18 | FY17 |
|---|---|---|---|---|---|---|
| 2023-081 | 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-77 to E-78

**Compliance Area:** Special tests and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 45 CFR 261.60 through .65; Work Verification Plan for the State of 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.

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 Work Verification Plan for the State of Maine requires Additional Support for People in Retraining and Employment (ASPIRE) supervisors to review a minimum of five random cases per regional office per month. ASPIRE Case Review Tool (ACRT) reviews are intended to validate all case data to include (but not limited to) work assessment, appropriateness of the individual work plan, work verification data consistency, documentation and work plan outcomes. Accuracy of all aspects of the individual cases is assessed as part of these reviews, including participation activity/hours documentation.

**Condition:** The ASPIRE program helps TANF recipients move towards financial independence through case management, job training, education, support, and employment services. The Department contracts with a subrecipient service provider to perform outreach and case management services for the ASPIRE program. ASPIRE supervisors perform ACRT reviews of client case activity recorded by its subrecipient service provider to ensure that all case data including, but not limited to, work participation rate data is documented, verified, and reported in accordance with work verification plan requirements. The Office of the State Auditor (OSA) tested 60 ACRT reviews performed during fiscal year 2024 and found:

- two reviews did not indicate the date that the review was performed; and
- seven reviews did not document that follow up occurred for identified actions required by the subrecipient service provider, or dates that actions were taken and reported.

OSA selected a non-statistical random sample.

Additionally, a component of work verification plan requirements states that work participation data is required to be accurately reported on the ACF-199 *TANF Data Report* and ACF-209 *SSP-MOE Data Report* to the Federal government. OSA identified a significant deficiency as issued in finding 2024-057 for inaccurate work participation data reported on the ACF-199 and ACF-209 reports.

Therefore, since work participation rate data was not documented, verified, or reported in accordance with the State's work verification plan, the Department is not in compliance with Federal work verification plan requirements.

**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.

**Cause:**

- Lack of adequate procedures to ensure that ACRT reviews are accurate and complete and work verification plan requirements are met
- Lack of supervisory oversight

**Effect:** 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 and oversight to ensure that work verification plan requirements are met. This should include confirming that ACRT reviews are accurate and complete which will ensure the reliability of client data used to calculate work participation rates and reported to the Federal government.

**Corrective Action Plan:** See F-24

**Management's Response:** The Department agrees with this finding. The Department acknowledges the exceptions found as a result of the non-statistical random sample correctly identified improperly completed reviews: two reviews did not indicate the date that the review was performed; and seven reviews did not document that follow up occurred for identified actions required by the subrecipient service provider, or dates that actions were taken and reported. The

Department has developed a Corrective Action Plan to mitigate the risk of such errors from recurring.

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

**(State Number: 24-1111-06)**

**(2024-059)**

**Title:** Internal control over CCDF financial reporting needs improvement

**Prior Year Findings:** None

**State Department:** Health and Human Services
Administrative and Financial Services
**State Bureau:** Office of Child and Family Services
Health and Human Services Service Center
**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-77 to E-78

**Compliance Area:** Matching, level of effort, earmarking
Reporting

**Type of Finding:** Material weakness
Material noncompliance
Questioned costs

**Known Questioned Costs:** ALN 93.575 $3.7 million
**Likely Questioned Costs:** ALN 93.575 $3.7 million

**Criteria:** 2 CFR 200.303; 45 CFR 98.50 and .65; OMB-0970-0510 ACF-696 Report Instructions

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 submit financial reports to the Administration for Children & Families (ACF) quarterly for each fiscal year until funds are expended. At a minimum, a State's quarterly report shall include the following information on expenditures under Child Care and Development Fund (CCDF) grant funds:

- Childcare administration;
- Quality activities, including any sub-categories of quality activities as required by ACF;
- Direct services for both grant or contracted slots and certificates;
- Non-direct services, including establishment and maintenance of computerized childcare information systems; certificate program cost/eligibility determination; all other non-direct services; and
- Such other information as specified.

Pursuant to CCDF regulations at 45 CFR 98.65(g), and as part of the terms and conditions of the grant award, states and territories are required to complete and submit a quarterly financial status report (ACF-696). The direct services category consists solely of expenditures for childcare subsidies to eligible children. The costs of eligibility determination and re-determination are considered a non-direct service activity and should be reported separately. Non-direct services are the costs of providing childcare subsidies or other activities not considered administrative costs.

From discretionary amounts provided for a fiscal year, the Department must spend at a minimum 70 percent for direct services after reserving the minimum amount required for quality activities and for administrative costs.

**Condition:** The CCDF program is administered by the Office of Child and Family Services (OCFS) and provides funding to increase the availability, affordability, and quality of childcare services in the State. The program had four ongoing Federal grant award years during fiscal year 2024, for grant years 2021, 2022, 2023, and 2024. For each grant award:

- quarterly CCDF ACF-696 financial status reports are required, and
- applicable earmarking requirements for direct childcare subsidies, quality activities, and administrative costs must be met.

The Department of Health and Human Services' Service Center (DHHS SC) prepares and submits quarterly ACF-696 reports on behalf of OCFS. DHHS SC utilizes a spreadsheet designed by OCFS to track and summarize expenditure information and related earmarking requirements, and to prepare the ACF-696 reports. DHHS SC also monitors CCDF program earmarking requirements as part of this quarterly reporting process.

The Office of the State Auditor (OSA) reviewed three quarterly ACF-696 reports and found that:

- in all reports reviewed, the amount reported as direct expenditures included amounts that were not for childcare subsidies. Reported direct expenditures erroneously included non-direct costs related to the establishment of a new computerized childcare information system, costs of eligibility determinations, and costs associated with error rate reporting requirements.
- the State did not report any non-direct expenditures during fiscal year 2024.

The spreadsheet utilized by DHHS SC during the reporting process did not include detailed expenditure information in order to separately report direct and non-direct expenditures.

In addition, although administrative and quality earmarking requirements were tracked on DHHS SC's spreadsheet and during the reporting process, the direct childcare subsidy earmarking requirement was not tracked. Because expenditures were not accurately tracked and therefore reported inaccurately on the ACF-696 reports, calculations of the administrative and direct spending limits were also not accurate. As a result, the requirement that a minimum of 70 percent of expenditures be used for direct childcare subsidies, after administrative and quality earmarking requirements, was not met for the grant year 2021 and 2022 expenditures, as follows:

- For grant year 2021, the Department was required to spend a minimum of $13.4 million in direct childcare expenditures, and thus a maximum of $5.8 million in all other expenditures after administrative and quality earmarking requirements; however, the Department only spent $11.9 million in direct childcare expenditures. Since grant year 2021 funds were fully expended, the direct childcare earmarking requirement was not met by $1.5 million, and all other expenditures were overspent by $1.5 million. Therefore, OSA is reporting $1.5 million in questioned costs.

- For grant year 2022, the Department was required to spend a minimum of $9.7 million in direct childcare expenditures, and thus a maximum of $4.2 million in all other expenditures after administrative and quality earmarking requirements; however, the Department only spent $7.5 million. Since grant year 2022 funds were fully expended, the direct childcare earmarking requirement was not met by $2.2 million, and all other expenditures were overspent by $2.2 million. Therefore, OSA is reporting $2.2 million in questioned costs.

As a result, OSA is reporting a total of $3.7 million in questioned costs, representative of the direct childcare earmarking discrepancies and resulting amount of all other costs overspent for the 2021 and 2022 grant years.

**Context:** CCDF expenditures reported for:
- grant year 2021 totaled $186.5 million, of which $19.2 million was subject to the 70 percent direct childcare spending requirement of $13.4 million.
- grant year 2022 totaled $30.9 million, of which $13.9 million was subject to the 70 percent direct childcare spending requirement of $9.7 million.

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

**Effect:**
- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations for reporting and earmarking

**Recommendation:** We recommend that the Departments enhance existing procedures, including corrections to expenditure tracking processes, and increase supervisory oversight to ensure that all the information reported on quarterly ACF-696 reports is accurate and complete prior to submission to the Federal government. This will also ensure that CCDF earmarking requirements are met.

**Corrective Action Plan:** See F-24

**Management's Response:** The Department partially agrees with this finding. The Department and the DHHS Financial Service Center agrees that it could enhance its policies and procedures. The Department disagrees with the questioned costs. The DHHS Financial Service Center will enhance policies and procedures for the CCDF grant by modifying the FSR Reviewer Checklist and add an additional layer of FSR reviewer by April 30, 2025. The DHHS Financial Service Center will collaborate with OCFS to make reporting line determinations by September 1, 2025.

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

**Auditor's Concluding Remarks**: The Department agrees to the internal control deficiencies and to the noncompliance with Federal reporting and earmarking requirements identified in the Condition, yet does not agree to the resulting questioned costs. Furthermore, the Department does not provide a basis for this disagreement. The total of $3.7 million in questioned costs is representative of the direct childcare earmarking discrepancies and resulting amount of all other costs overspent for the 2021 and 2022 grant years**.** The overspending on all other costs is deemed unallowable in accordance with the terms of the grant awards, as the funds were required to be spent on direct childcare.

The finding remains as stated.

**(State Number: 24-1114-01)**

**(2024-060)**

**Title:** Internal control over CCDF provider health and safety requirements needs improvement

**Prior Year Findings:**

| FY23 |
|---|
| 2023-085 |

**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-77 to E-78

**Compliance Area:** Special test and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 45 CFR 98.33, .41, .42, 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.

The Department is required to disseminate to the general public, through a consumer-friendly and easily accessible website, results of monitoring and inspection reports for all eligible and licensed childcare providers. Full monitoring and inspection reports must be posted timely.

The Department is required to design, implement, and enforce health and safety requirements for the protection of children.

Unannounced inspections of childcare providers and facilities, performed by licensing inspectors, are required not less than annually to ensure compliance with all childcare licensing and health and safety standards.

In the Child Care and Development Fund (CCDF) State Plan, the Department is 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 funding 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 personnel review Federal program health and safety requirements using a provider compliance checklist. Any deficiencies are noted, 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 (OSA) tested 40 providers subject to health and safety site visits or licensing inspections and identified:

- two provider facilities' annual unannounced site visits did not occur within 12 months as required, and were one month and two months late.
- two provider facility inspections were noted in the provider file as complete; however, documentation of completed inspection reports was not maintained in the provider file or posted publicly.

OSA selected a non-statistical random sample.

**Context:** The Department provided approximately $29 million to CCDF program childcare providers in fiscal year 2024.

**Cause:**

- Lack of resources
- Lack of supervisory oversight

**Effect:**

- Noncompliance with Federal regulations
- Providers not meeting CCDF program regulations for health and safety may go undetected.

**Recommendation:** We recommend that OCFS enhance oversight to ensure that required annual childcare provider site visits and licensing inspections, and any resulting corrective action, are documented, monitored, and completed.

**Corrective Action Plan:** See F-25

**Management's Response:** The Department agrees with this finding. The Department acknowledges that two facilities annual unannounced inspections did not occur within 12 months. This was related to an unplanned staff resignation and an emergency staff leave of absence. The CLIS management team diligently and conscientiously tracks workloads, engages in regular supervision, team meetings, and has developed tracking systems outside of the antiquated data management system (Macwis) to ensure expectations are met. The Department also agrees with the finding that two facility inspections were not filed properly and were therefore not posted publicly. One staff person was covering two large geographic areas as she transitioned territory and OCFS hired/ trained a new employee. The current process of using paper inspection sheets that are sent to central office for review, scanning, and upload to the consumer education website is cumbersome and presents an opportunity for error.

**Contact:** Janet Whitten, Manager - Children's Licensing & Investigation, OCFS, DHHS, 207-441-2259

**(State Number: 24-1114-02)**

**(2024-061)**

**Title:** Internal control over CCDF period of performance needs improvement

**Prior Year Findings:** None

**State Department:** Health and Human Services
Administrative and Financial Services
**State Bureau:** Office of Child and Family Services
Health and Human Services Service Center
**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-77 to E-78

**Compliance Area:** Allowable costs/cost principles
Period of performance

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 2 CFR 200.403; 45 CFR 98.60; American Rescue Plan (ARP) Act, Section 2201(a)

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.

Child Care and Development Fund (CCDF) Discretionary liquidation period regulations require the Department to liquidate grant funds within one year of the required obligation date.

Section 2201(a) of the ARP Act requires CCDF Discretionary supplemental funds to be obligated in Federal fiscal year 2021 or the succeeding two fiscal years. The Department must obligate supplemental funds by September 30, 2023.

**Condition:** The CCDF program is administered by the Office of Child and Family Services (OCFS) and provides funding to increase the availability, affordability, and quality of childcare services in the State. OCFS utilizes the Department of Health and Human Services' (DHHS) Service Center to collaboratively process CCDF expenditures, which includes dual review and approval of program grant coding and periods of performance. The Departments are required to ensure expenditures are obligated and liquidated within the required timeframes for each grant.

The Office of the State Auditor (OSA) identified 11 significant CCDF expenditure transactions for grants that had obligation and liquidation periods ending during fiscal year 2024. OSA found four payroll transactions charged to CCDF ARP Discretionary supplemental funds totaling $5,321, for payroll costs incurred, and thus obligated, subsequent to the required obligation date; therefore, the costs are deemed unallowable.

OSA tested 37 CCDF expenditure adjustments in fiscal year 2024 and found two adjustments totaling $2,952, charged to CCDF ARP Discretionary supplemental funds during the liquidation period that represented expenditures incurred subsequent to the required obligation date; therefore, the costs are deemed unallowable.

OSA selected a non-statistical random sample.

OSA performed analytical procedures over all fiscal year 2024 expenditure adjustments and found 14 additional adjustments totaling $4,492, all allocated to CCDF ARP Discretionary supplemental funds, for expenditures that were incurred subsequent to the required obligation date; therefore, the costs are deemed unallowable.

OCFS' and DHHS Service Center's existing review and approval procedures are not adequate, as unallowable costs totaling $12,765 for expenditures outside of the required period of performance were charged to CCDF ARP Discretionary supplemental funds.

**Context**: In fiscal year 2024, the Department expended approximately $52 million in CCDF program funds. Approximately $6 million of total CCDF program expenditures were CCDF ARP Discretionary supplemental funds with a required obligation date of September 30, 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 Departments enhance policies and procedures and increase supervisory oversight to ensure that obligations 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-25

**Management's Response:** The Department and the DHHS Financial Service Center agree with this finding. The DHHS Financial Service Center will enhance policies and procedures for the CCDF grant by modifying the FSR Reviewer Checklist by April 30, 2025.

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

**(State Number: 24-1114-03)**

**(2024-062)** 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:**

| FY23 | FY22 |
|---|---|
| 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: 24-0906-02)**

**(2024-063)**

**Title:** Internal control over the Foster Care – Title IV-E and Adoption Assistance – Title IV-E eligibility and benefit determination process needs improvement

**Prior Year Findings:**

| FY23 |
| --- |
| 2023-086 |

**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)
Adoption Assistance – Title IV-E (COVID-19)
**Assistance Listing Number:** 93.658; 93.659
**Federal Award Identification Number:** See E-77 to E-78

**Compliance Area:** Allowable costs/cost principles
Eligibility

**Type of Finding:** Material weakness
Material noncompliance
Questioned costs

**Known Questioned Costs:** ALN 93.658 $4,647
ALN 93.659 $9,367
**Likely Questioned Costs:** Undeterminable; the Office of the State Auditor (OSA) selected a sample of clients who received Title IV-E benefits during the fiscal year and identified known questioned costs associated with seven clients based on various eligibility attributes. Since each exception is unique to the client, a projection of questioned costs cannot be reasonably estimated.

**Criteria:** 2 CFR 200.303; 2 CFR 200.403; 45 CFR 1356.21 and .40; 42 USC 671

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.

45 CFR 1356.21 outlines eligibility criteria which, if met, allows the State to pay 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 childcare agencies.

45 CFR 1356.40 outlines eligibility criteria which, if met, allows the State to pay a portion of the Federal Adoption Assistance maintenance payments and claim Federal financial participation for the payment.

42 USC 671 requires that prospective foster parents and any other adult living in the home who has resided in the provider home in the preceding five years satisfactorily meet a child abuse and neglect registry check. The requirement applies to foster care maintenance payments made on behalf of the foster child.

**Condition:** The Office of Child and Family Services (OCFS) administers the Foster Care – Title IV-E (Foster Care) and Adoption Assistance – Title IV-E (Adoption Assistance) programs for the State, outlined below:

- The Foster Care 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 Adoption Assistance 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.

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.

OSA tested 60 client eligibility determinations and found:

- three determination checklists did not include a certification decision;
- three determination checklists were signed by a FRS who did not perform the eligibility determination; and
- one determination checklist did not initially include a certification decision. The determination checklist was signed subsequent to OSA's request for review by a FRS who did not perform the eligibility determination.

Additionally, one client's prospective foster parent did not satisfactorily meet a child abuse and neglect registry check in accordance with 42 USC 671. A second family was residing in the Resource Family Home (RFH), and child abuse and neglect registry checks were not completed or satisfactorily met for the additional adults. Additionally, the Home Study to evaluate the home and safety environment related to the RFH license for the family was completed without disclosing all individuals residing in the home. Upon further review, OSA determined two additional clients were in custody of the RFH and receiving Foster Care or Adoption Assistance benefits during fiscal year 2024. The RFH received $10,701 in benefits from both Federal programs on behalf of three clients, resulting in questioned costs of the entire amount.

OSA tested 60 clients and 60 benefit payments and found:

- one client received Foster Care childcare benefits after the date the client was adopted, resulting in questioned costs of $1,338.
- one client received Foster Care benefit payments while in an unlicensed placement for one month, resulting in questioned costs of $783.
- one client determined to be ineligible continued to receive Foster Care benefit payments during the fiscal year, resulting in questioned costs of $594.
- one client changed placements during the fiscal year and two separate Foster Family Homes received benefit payments for the same time period on behalf of the client, resulting in questioned costs of $529. The Department recorded the overpayments in the child welfare information system but did not recoup the funds during the fiscal year.
- one client received Foster Care benefit payments during the same time period that they received Adoption Assistance benefit payments, resulting in questioned costs of $69 to the RFH.
- benefits for one client were paid with State funds and should have been paid with Federal funds for five months of the fiscal year.
- one client's eligibility record included an incorrect end date for benefits within the child welfare information system, resulting in the client being paid with State funds instead of claiming Federal funds for three months of the fiscal year.

OSA selected non-statistical random samples.

**Context:** In fiscal year 2024, the State provided approximately:

- 900 Foster Care clients with $5.4 million in Federal benefits; and
- 4,200 Adoption Assistance clients with $24.7 million in Federal benefits.

**Cause:**

- Lack of appropriate oversight over eligibility and benefit determinations
- Lack of adequate policies and procedures and supervisory oversight of 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
- Benefits were provided to ineligible clients.
- Noncompliance with Federal regulations

**Recommendation:** We recommend that the Department:

- enhance policies and procedures to ensure that eligibility determination checklists include certification decisions by the FRS completing the determination;

- implement additional procedures to ensure that payments made on behalf of clients are accurate and allowable in accordance with program regulations;
- establish recoupments for the overpayments identified; and
- strengthen licensing practices for background screening of potential and current RFHs.

**Corrective Action Plan:** See F-26

**Management's Response:** The Department partially agrees with this finding. OCFS agrees with the finding in that the checklist was not appropriately signed at the time of completion. OCFS would like to note that the checklist is not part of any state or federal policy or requirement. It is our own internal process and was only added to our FRS manual as a plan of correction (POC) because of last year's finding re: some checklists not being signed. When an FRS worker completes an Initial determination in the system, the determination is printed out for our files and the document includes a timestamp when it was completed as well as the FRS assigned. Due to this POC just being added last year, this would be expected to be an ongoing finding for the foreseeable future since we cannot retroactively sign the completed checklists in the past.

OCFS agrees there is a need to formalize the overpayment collection process. We believe that there are both programmatic and technical solutions to be explored. OCFS will develop a workgroup of subject matter experts to explore and understand the challenges of managing overpayments and develop a solution for implementation over the next year.

OCFS disagrees with the finding that OCFS needs to strengthen its licensing practices for background screening of Resource Families. The finding is based on additional occupants in the home that were not subject to background checks and were not listed in the renewal home study completed in 2023. The home study referenced above described the home and all occupants as presented by the family. The Community Care Worker completed a safety inspection/walk through of the home and found no evidence of additional occupants. OCFS conducts background checks on the adults in the home in accordance with policy and rules, at initial licensure as well as renewal of licensure every two years. OCFS does not conduct unannounced licensing visits and relies on resource families to report changes in family composition and occupancy. In the event there are not any children in the custody of the state in the home, OCFS would not have reason or cause to inspect who is residing in the home or conduct face-to-face visits with resource families. Because this specific finding does not describe a failure to adhere to policy and rules, no correction action plan will be identified.

**Contact:** Robert Blanchard, Associate Director, OCFS, DHHS, 207-624-7955

**Auditor's Concluding Remarks:** For the exceptions identified over the eligibility determination checklists, the use of the checklist was identified to OSA by the Department as the established control to ensure compliance over determinations of Title IV-E eligibility for all clients entering Foster Care. While there is no Federal requirement for a checklist, the Department is required to establish and maintain internal controls over Federal awards in accordance with 2 CFR 200.303. OSA performed testing over the Department's established internal control.

Regarding the need to strengthen its licensing practices for background screening of Resource Families, the child welfare information system listed the additional occupants residing in the home as early as 2020, including within several family investigations and reports of alleged abuse occurring in the home. While OSA recognizes that OCFS does not conduct unannounced licensing visits, the information surrounding resource families is obtainable through review of the child welfare information system. A cross-check of associated intakes, cases, family investigations, or reports of alleged abuse within the child welfare information system would have identified the second family residing in the home. The adults residing in the home did not satisfactorily meet a child abuse and neglect registry check in accordance with 42 USC 671, and the RFH remained licensed and continued to inappropriately receive Title IV-E benefits. Therefore, this finding does describe a failure to adhere to policy and rules, and a corrective action plan is necessary.

The finding remains as stated.

**(State Number: 24-1109-01)**

**(2024-064)**

**Title:** Internal control over the Adoption Assistance – Title IV-E eligibility and benefit determination process needs improvement

**Prior Year Findings:**

| FY23 |
|---|
| 2023-088 |

**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-77 to E-78

**Compliance Area:** Allowable costs/cost principles
Eligibility

**Type of Finding:** Material weakness
Material noncompliance
Questioned costs

**Known Questioned Costs:** ALN 93.659 $10,860
**Likely Questioned Costs:** Undeterminable; the Office of the State Auditor (OSA) selected a sample of clients who received Title IV-E benefits during fiscal year 2024 and identified known questioned costs for three clients based on review of Adoption Agreements signed in 2008, 2012, and 2016. Since each Adoption Agreement is unique to the client, a projection of questioned costs cannot be reasonably estimated.

**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 (Adoption Assistance) 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 program for the State.

OCFS financial resource specialists (FRS) are responsible for determining program eligibility and initiating benefits. The FRS uses the Adoption Assistance Checklist to ensure that program eligibility factors, required supporting information, and final determination for Federal Adoption Assistance benefits are obtained and documented.

Once the client is determined eligible in the child welfare information system, a daily rate is negotiated by OCFS and the adoptive parents at a rate that does not exceed what the client would qualify for under the Foster Care – Title IV-E program.

OSA tested 60 client benefit payments and identified that:

- one client received Social Security Administration benefits, and therefore, was not eligible for Adoption Assistance benefits. The client received a daily Adoption Assistance rate of $16.50, resulting in questioned costs of $6,023 during fiscal year 2024.
- one client received a higher daily Adoption Assistance rate than what they qualified for under the Foster Care – Title IV-E program. The client received a $26.25 daily rate instead of $16.50, resulting in questioned costs of $3,559 during fiscal year 2024.
- one client received a higher daily Adoption Assistance rate than what they qualified for under the Foster Care – Title IV-E program. The client received a $20 daily rate instead of $16.50, resulting in questioned costs of $1,278 during fiscal year 2024.

OSA selected a non-statistical random sample.

**Context:** In fiscal year 2024, the State provided approximately 4,200 Adoption Assistance clients with $24.7 million in Federal benefits.

**Cause:** Lack of adequate policies and procedures over verification and accuracy of benefit determinations and associated Adoption Assistance payments

**Effect:**

- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations
- Individuals not eligible for services could receive benefits.

**Recommendation:** We recommend that the Department enhance policies and procedures to ensure the accuracy of eligibility and benefit determinations, and verify that benefit payments are made in accordance with Federal regulations.

**Corrective Action Plan:** See F-26

**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.

**Contact:** Karen Benson, Adoption Program Manager, OCFS, DHHS, 207-561-4208

**(State Number: 24-1110-01)**

**(2024-065)**

**Title:** Internal control over the Foster Care – Title IV-E and Adoption Assistance – Title IV-E programs FMAP rates needs improvement

**Prior Year Findings:** None

**State Department:** Health and Human Services
Administrative and Financial Services
**State Bureau:** Office of Child and Family Services
Health and Human Services Service Center
**Federal Agency:** U.S. Department of Health and Human Services
**Assistance Listing Title:** Foster Care – Title IV-E (COVID-19)
Adoption Assistance – Title IV-E (COVID-19)
**Assistance Listing Number:** 93.658; 93.659
**Federal Award Identification Number:** See E-77 to E-78

**Compliance Area:** Allowable costs/cost principles
Matching, level of effort, earmarking

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 2 CFR 200.403; 45 CFR 1356.21, .40, and .60; Public Law No. 117-328, Section 5131 of Division FF of the Consolidated Appropriations Act, 2023

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.

45 CFR 1356.21 outlines eligible criteria which, if met, allows the State to pay 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 childcare agencies.

45 CFR 1356.40 outlines eligibility criteria which, if met, allows the State to pay a portion of the Federal Adoption Assistance maintenance payments and claim Federal financial participation for the payment.

45 CFR 1356.60 outlines the matching percentage of Title IV-E funding in Adoption Assistance subsidy payments and is based on the Federal Medical Assistance Program (FMAP) percentage.

As a result of the COVID-19 public health emergency, the U.S. Department of Health and Human Services granted a temporary increase to the FMAP rate that is used in determining the Federal share of expenditures for assistance payments under the Title IV-E Foster Care and Adoption Assistance programs. This was permitted for each calendar quarter occurring during the period beginning on January 1, 2020. Under the Consolidated Appropriations Act enacted on December 29, 2022, the enhanced FMAP rate was required to be phased out and end completely on December 31, 2023.

**Condition:** The Office of Child and Family Services (OCFS) administers the Foster Care – Title IV-E (Foster Care) and Adoption Assistance – Title IV-E (Adoption Assistance) programs for the State, outlined below:

- The Foster Care 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 Adoption Assistance 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 State is allowed to pay a portion of the Foster Care and Adoption Assistance maintenance payments and claim Federal financial participation for eligible clients. The FMAP rate is programmed into the child welfare information system by OCFS to apply the correct allocation between Federal and State funds to each transaction for eligible Foster Care and Adoption Assistance eligible clients. The Department of Health and Human Services' Service Center (DHHS SC) submits quarterly financial reports that detail the allocation between Federal and State funds, based on the FMAP programmed into the report template obtained from the Federal agency. When discrepancies are identified, DHHS SC will correct the fund allocation in the State's accounting system and report the benefit amounts using the correct FMAP rates.

The Office of the State Auditor (OSA) tested 60 Foster Care benefit payments and 60 Adoption Assistance benefit payments and found that OCFS program personnel did not reduce the FMAP rate from January 1, 2024, through May 3, 2024. For 17 Foster Care and 29 Adoption Assistance benefit payments, OCFS continued to claim the enhanced rate of 64.15 percent for both programs, instead of the required 62.65 percent rate. While the incorrect rate was applied to individual client benefit payments, DHHS SC reported the correct FMAP rate and Federal participation amounts in the quarterly financial reports and drew Federal funds based on the correct FMAP rate for that period. DHHS SC and OCFS did not confirm that the correct rates were applied within the child welfare information system.

OSA selected non-statistical random samples.

**Context:** In fiscal year 2024, the State provided approximately:

- 900 Foster Care clients with \$5.4 million in Federal benefits; and
- 4,200 Adoption Assistance clients with \$24.7 million in Federal benefits.

**Cause:** Lack of central oversight over communication of FMAP rate changes between DHHS SC and OCFS personnel

**Effect:**

- Inaccurate Federal and State allocation for client benefit payments within the child welfare information system, resulting in discrepancies between the State's accounting system and the child welfare information system.
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

**Recommendation:** We recommend that the Departments enhance policies and procedures to ensure the appropriate FMAP rates are communicated and entered into the child welfare information system accurately and timely. This will ensure that client benefit information is accurately reflected in the child welfare information system and agrees to the client benefit amounts in the State's accounting system.

**Corrective Action Plan:** See F-27

**Management's Response:** The Department agrees with this finding. OCFS agrees there was a failure in the timely communication process of the step down FMAP rate to OCFS. OCFS has developed and will implement a corrective action plan to address the issue identified.

**Contact:** Robert Blanchard, Associate Director, OCFS, DHHS, 207-624-7955

**(State Number: 24-1110-02)**

**(2024-066)** 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:**

| **FY23** |
|---|
| Redacted |

**Type of Finding:** Significant deficiency

**Corrective Action Plan:** See F-27

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

**(State Number: 24-0906-03)**

**(2024-067)**

**Title:** Internal control over Medicaid Nursing Facility audits needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 | FY18 | FY17 |
|---|---|---|---|---|---|---|
| 2023-091 | 2022-080 | 2021-050 | 2020-048 | 2019-047 | 2018-049 | 2017-025 |

**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-77 to E-78

**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 2024 was 89. Of those 89 uniform desk reviews, none were completed at the time of audit testing in September 2024.

**Context: The Department:**

- provided $262.6 million in Federal Medicaid funding and $107.6 million in State Medicaid funding to NFs during fiscal year 2024.
- completed 69 NF uniform desk reviews related to prior fiscal years in fiscal year 2024.

**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-27

**Management's Response:** The Department agrees with this finding and cause. The lack of resources is the result of high vacancy rates (30%) for the Division of Audit and staff working on reviews of COVID funding. The Division of Audit has completed the reviews required for COVID funding and will be redirecting staff to work on the Medicaid audits. The Division of Audit is working to fill all vacant positions, so resources are available for these audits. Lastly, the Department has implemented a new reimbursement methodology for Nursing Facilities which will reduce the amount of audit testing required.

**Contact:** Herb Downs, Director, Division of Audit, DHHS, 207-287-2778

**(State Number: 24-1106-01)**

**(2024-068)**

**Title:** Internal control over Medicare Part B premium payments needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 | FY20 | FY19 |
|---|---|---|---|---|
| 2023-092 | 2022-084 | 2021-053 | 2020-053 | 2019-050 |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Health and Human Services
**Assistance Listing Title:** Medicaid Cluster (COVID-19)
**Assistance Listing Number:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** See E-77 to E-78

**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 transactions relating to the status of Medicaid clients' Medicare Part B (Buy-In) eligibility that the Office for Family Independence (OFI) Data Team utilizes to produce the Monthly Buy-In Report. OFI eligibility personnel use the Monthly Buy-In Report to reconcile Buy-In actions taken by and between CMS and ACES to ensure Medicare Part B payments are made only to those deemed eligible.

The OFI Data Team produced 12 Monthly Buy-In Reports throughout fiscal year 2024. The Department could not provide documentation that reports were reviewed or corrective action was taken for seven months of potential discrepancies.

**Context:** In fiscal year 2024, approximately $123 million in Federal funds and $70 million in State funds were paid to CMS for Medicare Part B premiums.

**Cause:**
- Lack of resources
- Lack of supervisory oversight

**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 that Monthly Buy-In Reports are reviewed, corrective action is implemented if required, and documentation is retained.

**Corrective Action Plan:** See F-28

**Management's Response:** The Department agrees with this finding. There has been marked improvement in our results reviewing and acting on these reports since our MaineCare Program Integrity team became fully staffed in March 2024. We intend to review our processes further and regularly to ensure satisfaction of the requirement. The Department provided documentation to support that review and corrective actions were completed for five of the twelve months. Documentation could not be provided to support full review for seven months.

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

**(State Number: 24-1106-03)**

**(2024-069)**

**Title:** Internal control over Medicaid cost of care assessments and deductions needs improvement

**Prior Year Findings:**

| FY23 |
| --- |
| 2023-093 |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
Office of MaineCare Services
**Federal Agency:** U.S. Department of Health and Human Services
**Assistance Listing Title:** Medicaid Cluster (COVID-19)
**Assistance Listing Number:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** See E-77 to E-78

**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; MaineCare Eligibility Manual, Part 14, Section 6

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

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 assessment was not calculated correctly or retroactively adjusted. The COC was higher than it should have been by $10. The assessment was $1,099 and should have been $1,089 for six months during the fiscal year. This member had six claims where the incorrect COC was applied.
- one COC deduction was not deducted correctly from the paid claim. The COC deducted was lower than it should have been by $22. The assessment was $1,713 for two months during the fiscal year and the amount that was deducted was $1,691. This member had two claims where the incorrect COC deduction was applied.

OSA selected a non-statistical random sample.

**Context:** In fiscal year 2024, approximately:

- 18,000 COC assessments were calculated by OFI;
- 8,500 members had COC assessments; and
- $627 million was paid to LTCFs.

**Cause:**

- Lack of supervisory oversight
- Lack of adequate procedures to ensure COC assessments are calculated correctly
- Lack of adequate procedures to ensure system exception reports are complete and accurate

**Effect:**

- Inaccurate COC assessments, deductions, and retroactive changes may result in overpayments or underpayments for members or the State.
- Potential questioned costs and disallowances

**Recommendation:** We recommend that:

- OFI enhance oversight procedures to ensure that COC assessments are calculated and deducted correctly.
- OMS collaborate with OFI to ensure that system exception reports capture all COC-related claims which require adjustments.

**Corrective Action Plan:** See F-28

**Management's Response:** The Department partially agrees with this finding. The Department agrees with the two exceptions found by the Office of the State Auditor. However, we believe that the Department has reasonable assurance with the controls in place that results in a 97% compliance with the COC calculations, which has not decreased from previous findings. No corrective action is necessary as a result of an error rate of only 3%. The Department will continue to actively manage and monitor the Cost of Care system in compliance with federal regulations.

In response to the first of two errors identified by OSA, OMS will request an update to an existing Cost of Care report supplied by a third-party vendor. Changes to cost of care are contained in the Retroactive Cost of Care Report, however if there is a second determination of cost of care in a month and the result is identical to the first change in the month, neither is included in the report. This is an error in the report logic that must be corrected. A Change Request will be created to modify and correct the report so that the latest change in the month will be reported to be acted on by OMS.

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

**Auditor's Concluding Remarks:** The Department agrees with the exceptions identified in the Condition. The Department's disagreement is derived from the three percent sample payment error rate. The Department asserts that the error rate is acceptable and thus, no corrective action is necessary; however, for the two exceptions OSA identified, existing control procedures resulted in inaccurate claim payments. While OSA recognizes that achieving 100 percent accuracy in calculating COC assessments and applying COC deductions would likely not be feasible, the identified control deficiencies indicate that a review of operating procedures and implementation of improvements is necessary.

The finding remains as stated.

**(State Number: 24-1106-05)**

**(2024-070)**

**Title:** Internal control over Medicaid drug rebates needs improvement

**Prior Year Findings:**

| FY23 |
|---|
| 2023-094 |

**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-77 to E-78

**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 (NDC), 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.

The Office of the State Auditor (OSA) 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. Though the Department validates that only rebatable drugs are invoiced and all rebatable drugs are included for invoicing, this review is performed after the invoicing cycle. In addition, the Department does not compare drug utilization data to the number of dispensed units invoiced, or corroborate that the correct URA is applied to each NDC to ensure that the vendor has calculated the rebate correctly.

**Context:** In fiscal year 2024, the State invoiced approximately $300 million for rebatable drugs and received approximately $216 million in rebates. Of the $216 million in rebates, approximately $144 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, including:

- validating that only rebatable drugs are invoiced and all rebatable drugs are included for invoicing;
- comparing drug utilization data to the number of dispensed units invoiced; and
- corroborating the correct URA is applied to each NDC.

This will ensure that correct drug rebate amounts are returned to the State and Federal government.

**Corrective Action Plan:** See F-28

**Management's Response:** The Department disagrees with this finding. PRIMS (Pharmacy Rebate Information Management System), provided to the State of Maine by a third-party vendor, is a proven system in production in many locations and PRIMS has passed a wide variety of Federal and State audits. The drug rebate program is complex and there are numerous steps in the process which have already been demonstrated and/or provided to the Office of State Auditor.

The controls described to the State Auditor previously (Pre-invoicing controls, pharmacy claims controls and medical claims controls) address all three of the Auditors' Recommendations.

**Contact:** Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

**Auditor's Concluding Remarks:** 2 CFR 200.303 requires the State to establish and maintain effective internal controls. The Department's Management Response stating that the vendor's drug rebate information system "is a proven system in production in many locations" that "has

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

passed a wide variety of Federal and State audits" only further validates that the Department is fully relying on the vendor to ensure the accuracy and completeness of drug rebate invoices. As stated in Management's Response "the drug rebate program is complex" which further emphasizes the need for proper oversight. Existing reliance on the vendor demonstrates that the Department does not have adequate oversight procedures in place.

In addition, the Department asserts controls are in place to address OSA's Recommendation; however, the controls referenced in Management's Response do not adequately address the risk associated with the issues noted in the Condition. The pre-invoicing controls referenced by the Department are performed at a summary level and the pharmacy and medical claims controls are not directly tied to the drug rebate invoicing process.

The finding remains as stated.

**(State Number: 24-1106-07)**

**(2024-071)**

**Title:** Internal control over Medicaid paid medical claims 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-77 to E-78

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 2 CFR 200.403; MaineCare Benefits Manual, Chapter 101, Section 90

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 MaineCare Benefits Manual states that the Medicaid program will reimburse at the lowest applicable rate for covered physician services.

**Condition:** The Department's Office of MaineCare Services (OMS) is billed by medical providers for services provided to Medicaid members. Provider reimbursement rates for certain medical services increased January 1, 2024; however, providers continued to bill OMS utilizing outdated rates until a retroactive adjustment was processed by OMS in March 2024 for certain medical services reimbursed in January and February.

The Office of the State Auditor (OSA) tested 60 paid medical claims and identified one claim that was reimbursed at a higher than authorized rate. As a result, OMS overpaid the provider by $5. To determine the pervasiveness of the error, OSA reviewed all claims for the same medical service paid between January 1 and the March 2024 retroactive adjustment and found 510 claims that were never retroactively adjusted. A total of $3,300 was identified as overpaid to providers.

OSA selected a non-statistical random sample.

**Context:** In fiscal year 2024, $2.2 billion was paid to providers for medical claims.

**Cause:**
- Lack of supervisory oversight
- Lack of adequate procedures to ensure all medical claims are paid correctly

**Effect:**
- Inaccurate paid claims resulted in overpayments and may also result in underpayments to providers.
- Potential questioned costs and disallowances

**Recommendation:** We recommend that the Department enhance oversight procedures to ensure that authorized provider reimbursement rates are utilized, and any retroactive adjustments are applied to all affected paid claims accurately and completely. This will ensure that Medicaid claims are not overpaid or underpaid to providers.

**Corrective Action Plan:** See F-29

**Management's Response:** The Department agrees with this finding. OMS has determined that there is an issue with the manual intervention taken by the third-party vendor to prepare this report. This caused some claims that required adjustment to be excluded from the report. Through discussion with the vendor, OMS has determined that the vendor does not have a standardized procedure to prepare this report for OMS. Maine will require the vendor to prepare a Desk Level Procedure (DLP) for the preparation of this report. This DLP will be reviewed by the State and the report will go through testing and validation, as necessary, before the report is used again.

**Contact:** Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

**(State Number: 24-1106-06)**

**(2024-072)** Confidential finding, see below for more information

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

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

**Prior Year Findings:** None

**Type of Finding:** Significant deficiency

**Corrective Action Plan:** See F-29

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

**(State Number: 24-0902-04)**

**(2024-073)**

**Title:** Internal control over DG – PA program special reporting needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 |
|---|---|---|
| 2023-096 | 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-77 to E-78

**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) Subawards Reporting System (FSRS).

**Condition:** When an amount exceeding the first-tier subaward threshold is awarded to a subrecipient of the Disaster Grants – Public Assistance (DG – PA) program, Maine Emergency Management Agency (MEMA) must collect and enter data into FSRS.

The Office of the State Auditor (OSA) tested 33 DG – PA subawards totaling $8,864,828 that exceeded the first-tier subaward threshold. Federal regulations require the following information for identified noncompliance to be included in FFATA findings:

- two subawards totaling $364,133 were not reported;
- 27 subawards totaling $8,246,776 were not reported timely;
- no subaward amounts were reported incorrectly; and
- 21 subawards reported incorrect key data elements.

OSA selected a non-statistical random sample.

**Context:** In fiscal year 2024, MEMA was required to report 280 first-tier subawards totaling approximately $57 million under the DG – PA program. First-tier subawards account for 83 percent of the program's fiscal year 2024 expenditures.

**Cause:**

- Lack of adequate policies and procedures
- 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 timely and included inaccurate or incomplete information. This information may be used for programmatic, policy, or statistical purposes.

**Recommendation:** We recommend that the Department enhance policies and procedures to ensure that first-tier subawards 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.

MEMA's procedure for Federal Financial Reporting already includes a standardized workbook template to compile Federal and State financial data for each grant award and facilitate accurate completion of the SF-425 form. The workbook is prepared by one MEMA staff member, and the resulting draft SF-425 form is reviewed by another MEMA staff member prior to finalization and signature by MEMA's Authorized Representative.

MEMA engaged with Federal funding partners in FY2024 to understand the appropriate data validation processes for financial reporting within the Public Assistance Grants Portal and Payment Management System (PMS), including participation in a training workshop and receiving data validation feedback from reviewers at the Federal level.

These reporting process refinements will be reflected in updates to the existing SOP, and an additional review tab will be incorporated into the existing SF-425 preparatory workbooks to document review and data validation steps in detail.

**Contact:** Sunny Cyr, Business Office Director, MEMA, DVEM, 207-707-2507

**(State Number: 24-1502-03)**

**(2024-074)**

**Title:** Internal control over DG – PA program cash management needs improvement

**Prior Year Findings:**

| FY23 | FY22 | FY21 |
|---|---|---|
| 2023-097 | 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-77 to E-78

**Compliance Area:** Cash management

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 31 CFR 205(A); 2024 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 the 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 "actual drawdown – weekly" method. This method specifies that the State shall make weekly drawdowns based on actual expenditures which occurred in the past weekly period.

**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 invoices and processes the authorized payment once Federal funds are received.

SESC completed 69 Federal grant drawdowns for the DG – PA program in fiscal year 2024, which is not consistent with the TSA requirements that only allow for weekly drawdowns.

The Office of the State Auditor (OSA) performed analytical procedures and identified a drawdown that was drawn in advance of actual disbursement. OSA reviewed additional drawdowns and identified other drawdowns during fiscal year 2024 that were also drawn in advance of actual disbursement. This process is not consistent with TSA requirements. As a result, MEMA had excess cash on hand during fiscal year 2024 and is not in compliance with cash management requirements.

**Context:** In fiscal year 2024, there were 69 Federal grant drawdowns totaling approximately $69 million for the DG – PA program.

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

**Effect:**
- Noncompliance with Federal regulations
- The Federal government may improve 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-29

**Management's Response:** The Department agrees with this finding. Corrective action was already implemented mid-way through State Fiscal Year 2024 as polices and procedures were updated, and a weekly draw process has been since been used. The Security and Employment Service Center began reconciling draw requests as part of these updated procedures.

A majority of the cash on hand was due to contract modifications as the cash was drawn but the payments could not be made until the contract modifications were completed in the accounting system. MEMA made subsequent updates to the cash management process to avoid drawing for payments that might be impacted by unanticipated delays in the final two weeks of each quarter.

In addition, the department discussed modifying the Treasury-State Agreement (TSA) with the Office of the State Treasurer. The 2025 TSA lists a Weekly Drawdown - Actual & Estimate funding technique for this major program as some of these payments are too substantial for the State to process and have to wait for reimbursement.

**Contact:** Sunny Cyr, Business Office Director, MEMA, DVEM, 207-707-2507

**(State Number: 24-1502-04)**

**(2024-075)**

**Title:** Internal control over DG – PA program financial reporting needs improvement

**Prior Year Findings:** None

**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-77 to E-78

**Compliance Area:** Reporting

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 2 CFR 200.302

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

The Department must maintain accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with reporting requirements.

**Condition:** The Maine Emergency Management Agency (MEMA) administers the Disaster Grants – Public Assistance (DG – PA) program for the State. MEMA is required to submit quarterly DG – PA Federal Financial Reports (FFRs) to the Federal Emergency Management Agency (FEMA) Regional Office. FFRs provide FEMA with the status of funds for the award, Federal expenditures, and cost-sharing requirements.

The Office of the State Auditor (OSA) tested four FFRs due in fiscal year 2024 and found:

- one FFR inaccurately reported total Federal funds authorized as $889,510 when the correct total was $617,318;
- one FFR inaccurately reported the recipient share of expenditures as $712,412 when the correct share was $159,382; and
- one FFR inaccurately reported total Federal funds authorized as $640,654 when the correct total was $1,469,390, and the recipient share of expenditures as $842,604 when the correct share was $434,484.

OSA selected a non-statistical random sample.

**Context:** During fiscal year 2024, 33 FFRs were required to be filed by MEMA for the DG – PA program.

**Cause:**

- Lack of adequate policies and procedures to ensure data used for financial reporting is complete and accurate
- Lack of supervisory oversight

**Effect:**

- Noncompliance with Federal reporting requirements
- Inaccurate tracking of subawards may result in noncompliance with Federal matching requirements.

**Recommendation:** We recommend that MEMA enhance policies and procedures to ensure that FFRs are accurate and include all required information for compliance with Federal reporting requirements.

**Corrective Action Plan:** See F-30

**Management's Response:** The Department agrees with this finding. Corrective action was implemented at the end of State Fiscal Year 2024.

Untimely reports were primarily due to a backlog of required reporting that was brought up to date over the fiscal year as a corrective action to the prior year finding. In the current monthly reporting process, award data is provided by grant program experts to avoid incorrect data elements, and reporting is reviewed for completeness by a staff member not involved in report submission.

In the third quarter of FY2025, the FFATA reporting system was retired from FSRS.gov and transferred to SAM.gov, further minimizing the possibility of incorrect data elements being reported. MEMA will update the existing SOP for FFATA reporting to address specifics related to the new reporting process within SAM.gov

**Contact:** Sunny Cyr, Business Office Director, MEMA, DVEM, 207-707-2507

**(State Number: 24-1502-02)**

**(2024-076)**

**Title:** Internal control over the submission of DG – PA program Schedule of Expenditures of Federal Awards information needs improvement

**Prior Year Findings:** None

**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-77 to E-78

**Compliance Area:** Reporting

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; 2 CFR 200.510

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

The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements which must include the total Federal awards expended. At a minimum, the SEFA must include the total amount provided to subrecipients from each Federal program.

**Condition:** The Maine Emergency Management Agency (MEMA) 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.

MEMA submitted schedules to OSC that incorrectly reported $91,471 of expenditures under ALN 97.050 Presidential Declared Disaster Assistance to Individuals and Households – Other Needs that should have been reported under ALN 97.036 Disaster Grants – Public Assistance (DG – PA) (Presidentially Declared Disasters). MEMA procedures do not require review of schedules prior to submission to OSC.

**Context:** In fiscal year 2024, DG – PA expenditures totaled approximately $68 million.

**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 MEMA implement policies and procedures that require a comprehensive review of SEFA schedules prior to submission to OSC.

**Corrective Action Plan:** See F-30

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

MEMA will work with Defense, Veterans and Emergency Management staff to develop an agency-specific procedure for comprehensive review of the agency's Federal expenditures at an appropriate point in the department's annual SEFA reporting process.

**Contact:** Sunny Cyr, Business Office Director, MEMA, DVEM, 207-707-2507

**(State Number: 24-1502-01)**

# STATE OF MAINE
# CORRECTIVE ACTION PLAN
# FOR THE YEAR ENDED JUNE 30, 2024

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, 2024*

## Corrective Action Plan

The *Corrective Action Plan* (CAP) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of this report is to document the corrective action steps that will be completed in response to each Single Audit Report finding, identify the individual(s) responsible for ensuring that corrective action is completed, and to provide an anticipated date for complete implementation of corrective action. The CAP complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up, (c) Corrective Action Plan.

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| Finding Number | Corrective Action Plan | |
|---|---|---|
| 2024-001 | Department: | Administrative and Financial Services |
| | Title: | Internal control over procurement card procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | All procurement card limit increase requests and approvals are now logged in the Office of State Procurement (OSPS) Procurement Card Limit Request Log. These increases are still completed only by OSPS Procurement Card Administrators within the vendor's administrative dashboard. Each audit exception occurred before the implementation of the OSPS Procurement Card Limit Request Log. |
| | Completion Date: | February 1, 2024 |
| | Agency Contact: | David Morris, Acting Chief Procurement Officer, DPS, 207-624-7335 |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| 2024-002 | Department: | Administrative and Financial Services |
| | Title: | Internal control over financial reporting procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department agrees that subsequent adjustments were necessary; however, we have compensating controls in our review process that we believe would have identified many of these discrepancies for remediation prior to final issuance. Much of this is due to the timing of when draft financials and internal reference documents are provided to the auditor due to statutory deadlines. This timing necessitates that we provide this information prior to OSC's final review, which was still yet to be conducted. |
| | Completion Date: | N/A |
| | Agency Contact: | Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451 |
| 2024-003 | 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 review our procedures and meet with Procurement and MaineIT to collaborate on a solution.<br><br>The Department will develop additional guidance for agencies and service centers.<br><br>The Department will collaborate with agencies and service centers to develop procedures to obtain adequate detail for determination of the existence and value of SBITAs. |
| | Completion Date: | April 30, 2025 (first item) and May 31, 2025 (second and third item) |
| | Agency Contact: | Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451 |
| 2024-004 | Department: | 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 Office of the State Controller (OSC) is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective as well as objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is conservative, not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC accumulates relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. The OSC will continue to reserve 100% of all fines over 360 days old, which has been the acceptable method for many years. |
| | Completion Date: | N/A |
| | Agency Contact: | Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451 |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| 2024-005 | Department: | Administrative and Financial Services |
| | Title: | Internal control over financial reporting of software assets needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | *DHHS Service Center:* The Department will collaborate to enhance and subsequently monitor procedures to identify software and system upgrades or enhancements that are required to be capitalized.<br><br>*OSC:* The Department will review the guidance provided to agencies and make improvements or provide training if determined necessary. |
| | Completion Date: | June 30, 2025 |
| | Agency Contact: | *DHHS Service Center:* Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626<br>*OSC:* Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451 |
| 2024-006 | Department: | Labor<br>Administrative and Financial Services |
| | Title: | Internal control over the valuations of the allowances for uncollectible Unemployment Insurance receivables needs improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Office of the State Controller (OSC) is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, the OSC and the Department of Labor (DOL) accumulate relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. 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: | N/A |
| | Agency Contact: | Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431 |
| 2024-007 | Department: | Administrative and Financial Services |
| | Title: | Internal control over Lottery Fund financial reporting needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Corrective Action: | The Department adjusted the Heritage commissions calculations in the journal template to prevent additional discrepancies and completed an adjusting journal that corrects the prior journals that were processed with the wrong percentage.<br><br>The Department posted a correcting journal to the unit codes for nine monthly journals and made adjustments to the journal template to prevent future errors from occurring.<br><br>The Department has made adjusting journal entries to correct inaccurate accounting line descriptions and ensure accuracy moving forward. Additionally, all prior journal entries must be reuploaded into DocuWare with the correct information, while retaining the original journals for audit purposes.<br><br>The Maine Bureau of Alcoholic Beverages and Lottery Operations (BABLO) and General Government Service Center (GGSC) need to coordinate how to receive a regular report for Unclaimed Property so they can properly reconcile that liability on a monthly basis. If this report can be received frequently, there is a procedure in place to properly reconcile this account.<br><br>BABLO and GGSC will re-evaluate the contract to determine if the payment terms create a liability (Accrued Payables) or an asset (Prepaid Expenses) or whether it would fluctuate on a monthly basis and adjust procedures accordingly.<br><br>BABLO and GGSC will discuss the merits of tracking balance sheet information at the unit level compared to at the Appropriation level. If it is determined that this should be done at the unit level additional work will need to be completed with our vendors to ensure we have the information to do this at that level.<br><br>Based on the determinations in Steps 5 and 6, processes and procedures will be adjusted to align with the direction that properly reflects the decisions. |
| | Completion Date: | October 31, 2024 (first, second and third item), January 31, 2025 (fourth item), February 28, 2025 (fifth item), March 31, 2025 (Sixth and seventh items) |
| | Agency Contact: | Albert Gorneau, Director, General Government Service Center, DFPS, DAFS, 207- 649-1436 |
| 2024-008 | 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 complete a reconciliation of the vendor reports and complete all necessary adjusting entries. |
| | Completion Date: | April 30, 2025 |
| | Agency Contact: | Albert Gorneau, Director, General Government Service Center, DFPS, DAFS, 207-649-1436 |
| 2024-009 | Department: | Administrative and Financial Services<br>Agriculture, Conservation and Forestry |
| | Title: | Internal control over financial reporting of Department of Agriculture, Conservation and Forestry capital assets needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Corrective Action: | The Natural Resource Service Center (NRSC) will produce a quarterly report of all capital line-item expenditures (object codes beginning with 7) and share this report with the Department of Agriculture, Conservation and Forestry. The NRSC and the Department will review this report to determine that all fixed assets are appropriately recorded as such in the system of record.<br><br>The NRSC will work with the Office of the State Controller and Division of State Procurement Services to ensure clear direction is provided on the use of appropriate commodity codes and service type codes. The NRSC will share this direction with the Department of Agriculture, Conservation and Forestry.<br><br>The NRSC will provide the Department of Agriculture, Conservation and Forestry with a complete list of available commodity codes and training on their appropriate use to ensure a fixed asset shell is created when appropriate. |
| | Completion Date: | March 31, 2025 |
| | Agency Contact: | DAFS: Gilbert M. Bilodeau, Director, Natural Resources Service Center, NRSC, 207-624-6363<br><br>DACF: Aimee Carlton, Business Operations Manager, DACF, 207-592-6129 |
| 2024-010 | Department: | Agriculture, Conservation and Forestry |
| | Title: | Internal control over Bureau of Parks and Lands purchasing procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will establish annual notifications of Procurement policy, including limitations and master agreements.<br><br>The Department will work with Procurement Services on recurring items to build or expand on master agreements. |
| | Completion Date: | December 12, 2024, and June 1, 2025, respectively |
| | Agency Contact: | Aimee Carlton, Business Operations Manager, DACF, 207-592-6129 |
| 2024-011 | Department: | Corrections |
| | Title: | Internal control over Department of Corrections purchasing procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department Manager of Correctional Operations and the Manager of Fiscal Operations will conduct regular internal audits of the Department's purchase requests in collaboration with Corrections Service Center.<br><br>The Department has denied all outstanding Purchase Requests for orders not made against a Master Agreement if a Master Agreement is available.<br><br>The Department will develop a comprehensive training program on State purchasing policies and procedures for all staff involved in procurement. Topics will cover Master Agreements, the mini-bid process, and formal bidding (RFQs). Training delivery will occur at the completion of the program and will include ongoing staff development of this key topic area. |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | | The Department will ensure all staff who are responsible for the procurement of goods and services complete training within 30 days of the training program launch. Staff will sign the policies and training guide to certify their understanding of the policies and Department expectations. All training will be documented.<br><br>The Department will implement second-level manager approval process for all purchase requests in MainePays to improve management and oversight of purchasing.<br><br>The Department will identify recurring purchases which are not currently covered by an existing Master Agreement and publish an RFP/RFQ to procure those goods/services.<br><br>The Department will remove all non-essential Purchase Cards from staff immediately. P-Card users will undergo OSPS P-Card training again, followed by additional training from Department staff. One time and cycle transaction limits will be lowered until extensive monitoring indicates compliance with P-Card usage.<br><br>The Maine Department of Corrections has taken steps over the last calendar year to create positions supporting key functions related to business practices, purchasing, procurement, and Departmental operations using existing legislative headcount. |
| | Completion Date: | December 12, 2024 (first and second items), December 31, 2024 (third item), January 31, 2025 (fourth and fifth items), February 14, 2025 (sixth item), February 28, 2025 (seventh item), and June 30, 2024 (eighth item), December 31, 2024 (ninth item) |
| | Agency Contact: | Anthony Cantillo, Deputy Commissioner, Corrections, 207-624-2770 |
| 2024-012 | Department: | Transportation |
| | Title: | Internal control over Department of Transportation financial reporting needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will enhance the review of year-end journal entries to ensure accuracy and proper reporting. |
| | Completion Date: | June 30, 2025 |
| | Agency Contact: | Kathleen Malcolm, Financial Processing Director, DOT, 207-624-3292 |
| 2024-013 | Department: | Redacted |
| | Title: | ________ over the ________ needs improvement |
| | Questioned Costs: | None |
| | 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 (first item), June 14, 2024 (second item) and December 4, 2024 (third item) |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| 2024-014 | Department: | Redacted |
| | Title: | over and needs improvement |
| | Questioned Costs: | None |
| | 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, 2025 |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-015 | Department: | Administrative and Financial Services |
| | Title: | Internal control over Office of State Procurement Services oversight procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will revise the Standard Operating Procedure and Policy Manual.<br><br>The Department will publish the Standard Operating Procedure and Policy Manual on the intranet site.<br><br>The Department will notify Agencies of the updated Standard Operating Procedure and Policy Manual via a newsletter.<br><br>The Department will review the revised Standard Operating Procedure and Policy Manual with staff during a meeting in January 2026.<br><br>The Department will revisit 'stacking' review of LCSCs during internal training meetings with all procurement staff in January of 2025.<br><br>The Department will address the appropriate staff and revisit the requirements regarding IT review and approval, including the step-by-step process.<br><br>The Department will address the appropriate staff and revisit policy and protocols regarding restitution payments associated with unauthorized vendor engagement. |
| | Completion Date: | December 31, 2025 (first, second, and third item) January 31, 2026 (fourth item), January 31, 2025 (fifth, sixth, and seventh item) |
| | Agency Contact: | David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335 |
| 2024-016 | Department: | Labor<br>Administrative and Financial Services |
| | Title: | Internal control over Unemployment Insurance financial reporting needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Security and Employment Service Center will further expand the procedures used to prepare and review the SEFA. |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Completion Date: | August 1, 2025 |
| | Agency Contact: | Marilyn Leimbach, Director, Security and Employment Service Center, DFPS, DAFS, 207-248-2556 |
| 2024-017 | Department: | Redacted |
| | Title: | over the needs improvement |
| | Questioned Costs: | None |
| | 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 30, 2025 (first item), April 30, 2025 (second item), June 30, 2025 (third item), July 31, 2025 (fourth and fifth items), November 30, 2025 (sixth item) and August 30, 2026 (seventh item) |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-018 | Department: | Redacted |
| | Title: | ________ over the ________ needs improvement |
| | Questioned Costs: | None |
| | 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 and second items), April 30, 2025 (third item) and June 30, 2025 (fourth item) |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-019 | Department: | Redacted |
| | Title: | ________ over the ________ needs improvement |
| | Questioned Costs: | None |
| | 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: | January 1, 2025 |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-020 | Department: | Redacted |
| | Title: | ________ over ________ and ________ needs improvement |
| | Questioned Costs: | None |
| | 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: | September 1, 2024 |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-021 | Department: | Redacted |
| | Title: | over needs improvement |
| | Questioned Costs: | None |
| | 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, 2025 |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-022 | Department: | Health and Human Services |
| | Title: | Internal control over SNAP eligibility determinations and benefit calculations needs improvement |
| | Questioned Costs: | Known: ALN 10.551 $12,335<br>Likely: Undeterminable |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will automate the issuance of the TANF funded resource guide at Application and Recertification (existing ticket AO-4039). (Business Technology Lead)<br><br>The Department will keep SNAP applications from being opened in batch runs such as mid-month and end-of-month mass change. (Business Technology Lead)<br><br>The Department will provide updated training/reminders about start and end dating records including income records to retain the information used for benefit runs. (Training Team and Senior SNAP Program Manager) |
| | Completion Date: | August 31, 2025, first item, and September 30, 2025, second and third items |
| | Agency Contact: | Michael E. Downs, Senior Program Manager — SNAP, DHHS, 207-592- 4850 |
| 2024-023 | Department: | Health and Human Services |
| | Title: | Internal control over SNAP deceased client cases needs improvement |
| | Questioned Costs: | Known: ALN 10.551 $11,080<br>Likely: Undeterminable |
| | Status: | Corrective action in progress |
| | Corrective Action: | The MaineCare Program Manager will assign Death Match work to their team.<br><br>The MaineCare Program Manager and their team will develop a Standard Operating Procedure for matches with vital statistics at Maine CDC. |
| | Completion Date: | July 16, 2025 |
| | Agency Contact: | Michael E. Downs, Senior Program Manager — SNAP, DHHS, 207-592- 4850 |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| 2024-024 | Department: | Health and Human Services |
| | Title: | Internal control over automated SNAP eligibility certification periods needs improvement |
| | Questioned Costs: | Known: ALN 10.551 $3,973<br>Likely: Undeterminable |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department believes the necessary corrective action has been taken and will be reflected in the SFY25 audit. The Department implemented the following corrective action steps:<br><br>1) Returned to normal batch processing following the suspension of closures and pushing out of renewal dates related to the PHE and unwinding period.<br>2) Enhanced renewal appointment functionality in ACES to allow each program to be processed independently.<br>3) Runs monthly queries to identify cases that had their periodic reports withdrawn in error and reestablish them. |
| | Completion Date: | October 1, 2024, first and second item, and June 30, 2024, third item |
| | Agency Contact: | Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481 |
| 2024-025 | 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: | The Department agrees with this finding. During the audit period, the process for handling returned EBT cards was assigned to one (1) individual. In response to a prior year finding, the Department implemented corrective actions effective July 1, 2024.<br><br>The current process has the duties separated into 3 roles. First, an Accounting Associate I receives the returned EBT cards at OFI's Central Office. The Accounting Associate scans the card and envelope to an Office Associate II in a separate office. The Office Associate II enters the cards into a spreadsheet (returned card log) and researches the cases to determine what to do with the card. The Office Associate records the necessary information into the returned card log and makes an ACES case note to reflect any action taken. Then a response is sent back to the Accounting Associate to advise which EBT cards should be shredded and which cards should be resent. Finally, the EBT Manager conducts a periodic review of the returned card log to ensure the cards are being handled appropriately. The Department will also be hiring a new Office Associate II (Supervisor) to assist in this process.<br><br>Because these procedures were implemented effective 7/1/2024, they were not captured during this single audit. No corrective action is required due to our current procedures meeting state and Federal card security requirements. |
| | Completion Date: | N/A |
| | Agency Contact: | Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481 |
| 2024-026 | Department: | Health and Human Services |
| | Title: | Internal control over DHHS special reporting needs improvement |
| | Questioned Costs: | None |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Status: | Corrective action in progress |
| | Corrective Action: | The Division of Contract Management will work with program staff and the Service Center Grants Team to ensure grant information is captured and recorded timely and accurately.<br><br>The Department will establish meetings to ensure DCM, Service Center and Program staff establish policies to ensure accuracy in FFATA reporting process. |
| | Completion Date: | September 30, 2025 and May 31, 2025, respectively |
| | Agency Contact: | Jeanne Garza, Deputy Director, DCM, DHHS, 207-287-1848 |
| 2024-027 | Department: | Redacted |
| | Title: | ________ over ________ and ________ needs improvement |
| | Questioned Costs: | None |
| | 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, 2025 |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-028 | Department: | Redacted |
| | Title: | ________ over the ________ needs improvement |
| | Questioned Costs: | None |
| | 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, 2025 |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-029 | Department: | Redacted |
| | Title: | ________ over ________ and ________ needs improvement |
| | Questioned Costs: | None |
| | 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: | September 17, 2024, and June 30, 2025, respectively |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-030 | Department: | Education |
| | Title: | Internal control over CNC eligibility needs improvement |
| | Questioned Costs: | Known: ALN 10.559 $628,924<br>Likely: Undeterminable |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will create procedures for Application Approvals with site classification, eligibility and non-congregate plan requirements.<br><br>The Department will develop procedures for Revisions on Claims and Applications.<br><br>For the Summer Food Service Program, the Department will request an edit check enhancement in CNPWeb to add actual enrollment be added to claims. |
| | Completion Date: | May 1, 2025, first and second item, and May 1, 2026, third item |
| | Agency Contact: | Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880 |
| 2024-031 | Department: | Education |
| | Title: | Internal control over CNC claim reimbursements needs improvement |
| | Questioned Costs: | Known: ALN 10.555 $1,605<br>ALN 10.582 $9,535<br>ALN 10.559 $117,259<br>Likely: Undeterminable |
| | Status: | Corrective action in progress |
| | Corrective Action: | Child Nutrition Services will create a procedure for reviewing applications and making sure they are approved prior to participation.<br><br>For the Summer Food Service Program (SFSP), the Child Nutrition Services will create an additional application, outside of CNPWeb to further assess non-congregate operations and eligibility to prevent duplicative services.<br><br>Child Nutrition Services has submitted a ticket to create an edit check on the SFSP Application to ensure that all specific eligibility information is submitted.<br><br>Child Nutrition Services will create a procedure to address that session specific information is received prior to claim approval for sites.<br><br>Child Nutrition Services will require a site sheet for SFSP applications for each location and each enrollment period.<br><br>Child Nutrition Services will submit a ticket to CNPWeb to allow for documentation to be added to the site information sheet when revisions are made to the system.<br><br>Child Nutrition Services will add documentation to the activities tab, while we wait for the enhancement to be completed.<br><br>Child Nutrition Services will create a procedure to ensure that allocations to schools fall between $50.00 - $75.00.<br><br>Child Nutrition Services has provided training to the National School Lunch Program reviewers on the Fresh Fruit and Vegetable Program questions within the Administrative Review process to ensure that those questions are asked during the Administrative Review. |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Completion Date: | May 1, 2025, first and fourth items, April 1, 2025, second, fifth, sixth, and seventh items, June 1, 2025, third item, March 1, 2025, eight item, and February 10, 2025, for nineth item |
| | Agency Contact: | Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880 |
| 2024-032 | Department: | Education |
| | Title: | Internal control over CNC subrecipient monitoring procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will implement a monthly status check of the current tracking tool to ensure compliance with the review<br><br>The Department will update the current high-risk procedure.<br><br>The Department will develop a procedure for evaluating base year reviews and add a procedure for timelines for adjustments to the claims. |
| | Completion Date: | July 1, 2025, September 1, 2025, and June 1, 2025, respectively |
| | Agency Contact: | Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880 |
| 2024-033 | Department: | Redacted |
| | Title: | ________ over ________, ________, and ________ needs improvement |
| | Questioned Costs: | None |
| | 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: | September 30, 2025 and June 30, 2025, respectively |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-034 | 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 |
| | Corrective Action: | The Department has updated the SEFA Review Procedure to include more specific information regarding the calculation of amounts reported for the Special Milk Program and noncash assistance and the classification of payments made to a school as direct payments rather than subrecipient expenditures. |
| | Completion Date: | March 10, 2025 |
| | Agency Contact: | Nicole Denis, Director of Finance, DOE, 207-530-2161 |
| 2024-035 | Department: | Education |
| | Title: | Internal control over CNC donated food inventory needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will follow up on open CNPWeb tickets for completion. |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | | The Department will work with the vendor to create a new computerized system to receive tickets and print them automatically to remove the manual process of writing tickets.<br><br>The Department will initiate meetings each month to compare inventory numbers, if they do not match.<br><br>The Department will work with the vendor to replace any missing item from their inventory with an equal product each month. |
| | Completion Date: | March 31, 2025 first item, December 1, 2025 second item and April 30, 2025 third and fourth item |
| | Agency Contact: | Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880 |
| 2024-036 | Department: | Education<br>Administrative and Financial Services |
| | Title: | Internal control over CNC cash management needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department has developed and implemented new procedures to confirm that batch payments are paid on time. |
| | Completion Date: | March 15, 2025 |
| | Agency Contact: | Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880 |
| 2024-037 | Department: | Health and Human Services |
| | Title: | Internal control over WIC 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 is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of the funds. Payments are made as close as administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1). That same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible. |
| | Completion Date: | N/A |
| | Agency Contact: | Anthony Madden, Deputy Director of Audit, DHHS, 207-287-2834 |
| 2024-038 | Department: | Health and Human Services<br>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 the cash discrepancy. |
| | Completion Date: | September 30, 2025 |
| | Agency Contact: | Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626 |
| 2024-039 | Department: | Labor |
| | Title: | Internal control over UI claim payments needs improvement |
| | Questioned Costs: | None |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department concluded a system build in January 2025 to implement controls to prevent repetitive waivers. |
| | Completion Date: | March 30, 2025 |
| | Agency Contact: | Suzan McKechnie, Director, Bureau of Unemployment Compensation, DOL, 207-621-5126 |
| 2024-040 | Department: | Labor |
| | Title: | Internal control over UI overpayments needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department has filed a defect ticket with the helpdesk. In the process of finalizing scope, analyzing solution. System changes anticipated to be resolved.<br><br>The Department will monitor parameters to confirm overpayments are set up correctly. An SOP documenting these monitoring parameters is in process.<br><br>The Department will add system parameters to run an extract once a quarter for review and validate overpayment system functionality. Test that rules are functioning per the MDOL solution.<br><br>The Department has notified the Division of Administrative Hearings and staff training will be completed. |
| | Completion Date: | December 21, 2025, June 30, 2025, September 30, 2025, and March 31, 2025, respectively |
| | Agency Contact: | Suzan McKechnie Director, Bureau of Unemployment Compensation, DOL, 207-621-5126 |
| 2024-041 | Department: | Administrative and Financial Services |
| | Title: | Internal control over monitoring of employee classification and compensation 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 procedure referenced in 5 M.R.S. Sec. 7061(4) is laid out in 18-389 C.M.R. Ch. 4. The Department complies with these written policies and procedures as required by federal and state law. Section 7061(4) was last updated in 2023, with an effective date in October 2023. Pursuant to the JSC on Appropriations, Section 7061(4)(A) requires a review every five years of the state compensation plan for each class or position in the classified service. The FJA process is not related to the compensation plan, however, it is administered under a separate internal control structure that is in place and operating effectively and ensures that the compensation for individual employees is reasonable for the services rendered. The requirement for review of each classification through the FJA process is covered under Section 7061(4)(C) and is required to be reviewed every 10 years. It is also important to note that the Department has conferred with the OAG, who determined that Section 7061(4)(C) is not retroactive, meaning the Department has another 8.5 years to complete a review of all classifications. Additionally, salary studies conducted on State employee wages have shown that the salary and wages of job classifications paid by the State are consistently lower than industry averages, removing the risk that the utilization of these salary schedules as a component of payroll costs will cause overcharges to Federal grants. |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Completion Date: | N/A |
| | Agency Contact: | Michael J. Dunn, Acting State Human Resources Officer, Bureau of Human Resources, DAFS, 207-287-4651 |
| 2024-042 | Department: | Professional and Financial Regulation |
| | Title: | Internal control over HAF Program reporting and earmarking needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will require subrecipients to submit program and financial reports starting with the March 2025 reporting period.<br><br>The Department will document their review of the subrecipient reports. |
| | Completion Date: | April 30, 2025, and May 15, 2025, respectively |
| | Agency Contact: | Rachel Hendsbee, Director Administrative Services Division, PFR, 207-624-8500 |
| 2024-043 | Department: | Professional and Financial Regulation |
| | Title: | Internal control over HAF Program subrecipient monitoring needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will continue to engage the services of a third-party vendor for subrecipient monitoring. |
| | Completion Date: | March 6, 2025 |
| | Agency Contact: | Rachel Hendsbee, Director Administrative Services Division, PFR, 207-624-8500 |
| 2024-044 | Department: | Administrative and Financial Services |
| | Title: | Internal control over CSLFRF reporting needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Security and Employment Service Center will review contracts with the agencies to verify the classifications. |
| | Completion Date: | June 30, 2025 |
| | Agency Contact: | Marilyn Leimbach, Director, Security and Employment Service Center, DFPS, DAFS, 207-248-2556 |
| 2024-045 | 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 evaluate and establish procedures to assess risk at the appropriate level for subrecipients. |
| | Completion Date: | June 30, 2025 |
| | Agency Contact: | Kimberley Moore, Director, Bureau of Employment Services, DOL, 207-620-0183 |
| 2024-046 | Department: | Health and Human Services |
| | Title: | Internal control over CSLFRF subrecipient cash management needs improvement |
| | Questioned Costs: | None |
| | Status: | Management’s opinion is that corrective action is not required |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Corrective Action: | The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of funds. Payments are made as close as administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1). That same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible. |
| | Completion Date: | N/A |
| | Agency Contact: | Anthony Madden, Deputy Director of Audit, DHHS, 207-287-2834 |
| 2024-047 | Department: | Education<br>Administrative and Financial Services |
| | Title: | Internal control over Special Education period of performance needs improvement |
| | Questioned Costs: | Known: ALN 84.027 $7,303<br>Likely: ALN 84.027 $31,678 |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Office of Special Services & Inclusive Education (OSSIE) fiscal team will perform a detailed review of all expenses charged to the closing grant during the 120-day liquidation period beginning October 1 of each year.<br><br>The OSSIE fiscal team will notify GGSC to no longer allocate expenses to the closed grant period as of the review date.<br><br>Any expenditure identified that do not fall within the period of performance of the grant will be journaled to the appropriate account. |
| | Completion Date: | January 28, 2026 |
| | Agency Contact: | Barbara McGowen, Director of Financial Management for the Office of Special Services & Inclusive Education Birth to 22, DOE, 207-624-6645 |
| 2024-048 | Department: | Education |
| | Title: | Internal control over Special Education level of effort needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Office of Special Services & Inclusive Education (OSSIE) will assume responsibility and oversight of the State's Maintenance of State Financial Support (MSFS). This will allow for reporting to be centralized with OSSIE.<br><br>OSSIE will develop and implement written procedures with the support of the School Finance team to include timelines for completion, processes including internal control checks, and assigned positions. |
| | Completion Date: | March 17, 2025, and April 30, 2025, respectively |
| | Agency Contact: | Barbara McGowen, Director of Financial Management, OSSIE, DOE, 207-624-6645 |
| 2024-049 | Department: | Education |
| | Title: | Internal control over ESF subrecipient monitoring procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will work with the GEMS software developer to create the collection tool that will be integrated into the FY24 and FY25 ESSER performance report. |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | | The School Administrative Unit reports will be due on May 5, 2025 and reviewed by the individuals who continue to support the work of the Emergency Relief Funds.<br><br>The equipment inventories and real property lists will be maintained in the Department files. |
| | Completion Date: | April 15, 2025, May 5, 2025, and July 1, 2025, respectively |
| | Agency Contact: | Shelly Chasse-Johndro, Director, ESEA, DOE, 207-458- 3180 |
| 2024-050 | Department: | Health and Human Services |
| | Title: | Internal control over ICA program 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 is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of funds. Payments are made as close as administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1. That same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible. |
| | Completion Date: | N/A |
| | Agency Contact: | Anthony Madden, Deputy Director of Audit, DHHS, 207-287-2834 |
| 2024-051 | Department: | Redacted |
| | Title: | ________ over the ________ needs improvement |
| | Questioned Costs: | None |
| | 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, 2025 |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-052 | Department: | Health and Human Services |
| | Title: | Internal control over payments made to TANF clients needs improvement |
| | Questioned Costs: | Known: $1,014<br>Likely: Undeterminable |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will increase monitoring procedures over payments, specifically the tracking of required receipts, by the ASPIRE Team.<br><br>The Department will review and update Standard Operating Procedures to ensure that payments made to TANF clients are accurate, allowable, and adequately documented. |
| | Completion Date: | June 30, 2025 |
| | Agency Contact: | Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481 |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| 2024-053 | Department: | Health and Human Services |
| | Title: | Internal control over Income Eligibility and Verification System procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will develop a standard operating procedure to include processing of State Wage Information Collection Agency reports beginning July of 2024. This work will be assigned to a TANF team member. |
| | Completion Date: | June 30, 2025 |
| | Agency Contact: | Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481 |
| 2024-054 | Department: | Health and Human Services |
| | Title: | Internal control over TANF client child support sanction procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with this finding. The 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 (including active sanction activity within the fiscal year as provided by OFI) 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. |
| | Completion Date: | N/A |
| | Agency Contact: | Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481 |
| 2024-055 | Department: | Health and Human Services |
| | Title: | Internal control over TANF program 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 is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of funds. Payments are made as close as administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1). That same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible. |
| | Completion Date: | N/A |
| | Agency Contact: | Anthony Madden, Deputy Director of Audit, DHHS, 207-287-2834 |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| 2024-056 | Department: | Health and Human Services |
| | Title: | Internal control over TANF subrecipient risk evaluation procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with the finding. The Department evaluates risk on its subrecipients for the purpose of determining the appropriate subrecipient monitoring in multiple ways. The first assessment of risk is when a subaward is competitively bid. The second assessment of risk is built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which higher risk subrecipients undergo a higher level of testing by Independent Public Accountants. 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. |
| | Completion Date: | N/A |
| | Agency Contact: | Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075 |
| 2024-057 | Department: | Health and Human Services |
| | Title: | Internal control over TANF performance reporting procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will review and update ACF 199/209 system processes within Office for Family Independence to enhance existing procedures to ensure that the information reported on the ACF-199 and ACF-209 reports is accurate and complete prior to submission to the Federal government. This will include modifying the existing Standard Operating Procedure as necessary. |
| | Completion Date: | June 30, 2025 |
| | Agency Contact: | Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481 |
| 2024-058 | Department: | Health and Human Services |
| | Title: | Internal control over TANF work verification plan procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The TANF Program Manager will review and update ACF 199/209 system processes within OFI to enhance existing procedures to ensure that the information reported on the ACF-199 and ACF-209 reports is accurate and complete prior to submission to the Federal government. This will include modifying existing Standard Operating Procedures as necessary.<br><br>The TANF Senior Program Manager will enhance existing procedures and follow-up processes of the ACRT reviews to ensure that the reviews include information regarding the date the review was conducted and the dates on which any outstanding issues are resolved. |
| | Completion Date: | June 30, 2025 |
| | Agency Contact: | Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481 |
| 2024-059 | Department: | Health and Human Services<br>Administrative and Financial Services |
| | Title: | Internal control over CCDF financial reporting needs improvement |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Questioned Costs: | Known: ALN 93.575 $3.7 million<br>Likely: ALN 93.575 $3.7 million |
| | Status: | Corrective action in progress |
| | Corrective Action: | The DHHS Financial Service Center will enhance policies and procedures for the CCDF grant by modifying the FSR Reviewer Checklist and add an additional layer of FSR reviewer<br><br>The DHHS Financial Service Center will collaborate with the Office of Child and Family Services to make reporting line determinations. |
| | Completion Date: | April 30, 2025, and September 1, 2025, respectively |
| | Agency Contact: | Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626 |
| 2024-060 | 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 Office of Child and Family Services (OCFS) will launch a new data management system (Baxter) that includes mobile technology (eliminating paper inspections), has extensive reporting, data, tracking technology and system alerts to inform Licensing Specialists and Supervisors of inspection due dates. Enhanced technology will mitigate the risk associated w/ current manual procedures.<br><br>OCFS will include an agenda item on the next Child Care Licensing Staff meeting regarding annual inspection completion.<br><br>OCFS will update Standard Operating Procedures to reflect changes in workflow and processes because of the new data management system. |
| | Completion Date: | May 19, 2025, April 1, 2025, and June 1, 2025 |
| | Agency Contact: | Janet Whitten, OCFS, CLIS Program Manager, DHHS, 207-441-2259 |
| 2024-061 | Department: | Health and Human Services<br>Administrative and Financial Services |
| | Title: | Internal control over CCDF period of performance needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The DHHS Financial Service Center will enhance policies and procedures for the CCDF grant by modifying the FSR Reviewer Checklist. |
| | Completion Date: | April 30, 2025 |
| | Agency Contact: | Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626 |
| 2024-062 | Department: | Redacted |
| | Title: | ________ over ________ and ________ needs improvement |
| | Questioned Costs: | None |
| | 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. |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Completion Date: | June 1, 2025 |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-063 | Department: | Health and Human Services |
| | Title: | Internal control over the Foster Care – Title IV-E and Adoption Assistance – Title IV-E eligibility and benefit determination process needs improvement |
| | Questioned Costs: | Known: ALN 93.658 $4,647<br>ALN 93.659 $9,367<br>Likely: Undeterminable |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Title IV-E Program Manager will continue to educate and train the FRS on the proper completion of the Title IV-E initial determination checklists for their FRS files, including the importance of signing off on those checklists for the initial determinations that they have completed.<br><br>The Title IV-E Program Manager will conduct quarterly quality assurance (QA) reviews in the District that this issue was found, randomly pulling 10 cases to ensure compliance. When FRS staff conduct QA reviews, they will continue to be advised to monitor if signatures are present on the Title IV-E initial determination checklist. Reviewing if a checklist is signed is an existing question within our internal QA review document.<br><br>The Department will establish a work group to identify the challenges of managing overpayments made to foster parents and to develop a process to minimize this problem.<br><br>The Department will finalize and receive approval of the protocol/process form managing overpayments.<br><br>The Department will implement the new overpayments management procedures. |
| | Completion Date: | March 26, 2025, March 31, 2025, July 1, 2025, September 1, 2025, and November 1, 2025 respectively |
| | Agency Contact: | Robert Blanchard, Associate Director, OCFS, DHHS, 207-624-7955 |
| 2024-064 | Department: | Health and Human Services |
| | Title: | Internal control over the Adoption Assistance – Title IV-E eligibility and benefit determination process needs improvement |
| | Questioned Costs: | Known: ALN 93.659 $10,860<br>Likely: Undeterminable |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Adoption Program Manager will continue to review the final Adoption Assistance Packet for completeness before approval.<br><br>The Adoption Manager will review the most current Level of Care in foster care in the Child Welfare System to verify proper subsidy rates prior to approval.<br><br>The Adoption Manager will work with the OCFS team on implementing and training on the updated Adoption Policy.<br><br>The Office of Child and Family Services will organize a workgroup to evaluate how to improve the financial review process and define any changes needed to be |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | | implemented in Katahdin to support validating payments are processed appropriately.<br><br>All children entering adoption must have a completed determination by the District FRS for verification of third-party benefits/Social Security. Effective date of last audit 2024, the documentation procedure was changed to clearly shows any determination. This is documented within the adoption application for all cases. This verification is used to determine an appropriate adoption assistant rate. |
| | Completion Date: | March 1, 2025, first, second and fifth items, September 1, 2025, third item, and November 1, 2025, fourth item |
| | Agency Contact: | Karen Benson, Adoption Program Manager, OCFS, DHHS, 207-561-4208 |
| 2024-065 | Department: | Health and Human Services<br>Administrative and Financial Services |
| | Title: | Internal control over the Foster Care – Title IV-E and Adoption Assistance – Title IV-E programs FMAP rates needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Information Services Unit Manager will organize an annual meeting to include the OCFS COO, the OCFS PFO and appropriate representatives from DAFS, on or about August 1st to formally discuss the FMAP and agree on its implementation. Meeting will be set as an auto reoccurring meeting updated annually to include the appropriate staff to attend.<br><br>A Placeholder for the Annual FMAP update will be entered annually into Katahdin's life cycle management system (Octane) to allow the FMAP update activity to be formally tracked.<br><br>A screenshot of the entered FMAP rate from Katahdin will be sent out to the same group after the meeting when the rate is entered into the Katahdin system. |
| | Completion Date: | April 1, 2025, first and second item, and August 15, 2025, third item |
| | Agency Contact: | Robert Blanchard, Associate Director, OCFS, DHHS, 207-624-7955 |
| 2024-066 | Department: | Redacted |
| | Title: | ________ over ________, ________, and ________ needs improvement |
| | Questioned Costs: | None |
| | 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, 2025 |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-067 | Department: | Health and Human Services |
| | Title: | Internal control over Medicaid Nursing Facility audits needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Corrective Action: | The Department is working to hire staff for the Medicaid Audit unit.<br><br>The Deputy Director will assign Nursing Facility audits to auditors who have been working on COVID fund audits.<br><br>The Department will hold monthly meetings with the Director, Deputy Director and Senior auditors to discuss strategies for completing the Nursing Facility audits timely. |
| | Completion Date: | Ongoing, July 1, 2025 and February 1, 2025 respectively |
| | Agency Contact: | Herb Downs, Director, Division of Audit, DHHS, 207-287-2778 |
| 2024-068 | Department: | Health and Human Services |
| | Title: | Internal control over Medicare Part B premium payments needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The MaineCare Program management team will work with the Data Team to explore opportunities to improve the report to reduce duplication of effort and improve overall efficiency and effectiveness of the review.<br><br>The MaineCare Program management team will review relevant guidance material, clarify expectations and adjust standard operating procedures for further efficiency and oversight improvements. |
| | Completion Date: | June 30, 2025 |
| | Agency Contact: | Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481 |
| 2024-069 | Department: | Health and Human Services |
| | Title: | Internal control over Medicaid cost of care assessments and deductions needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Office of MaineCare Services will request an update to the Retroactive Cost of Care report to correct the logic that resulted in a missed cost of care change. |
| | Completion Date: | June 1, 2025 |
| | Agency Contact: | Ian Yaffe, Director, Office for Family Independence, DHHS, 207- 592-1481 |
| 2024-070 | Department: | Health and Human Services |
| | Title: | Internal control over Medicaid drug rebates needs improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | PRIMS (Pharmacy Rebate Information Management System), provided to the State of Maine by a third-party vendor, is a proven system in production in many locations and PRIMS has passed a wide variety of Federal and State audits. The drug rebate program is complex and there are numerous steps in the process which have already been demonstrated and/or provided to the Office of State Auditor.<br><br>The controls described to the State Auditor previously (Pre-invoicing controls, pharmacy claims controls and medical claims controls) address all three of the Auditors' Recommendations. |
| | Completion Date: | N/A |
| | Agency Contact: | Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093 |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| 2024-071 | Department: | Health and Human Services |
| | Title: | Internal control over Medicaid paid medical claims needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will require the vendor to create a procedure to be used to prepare this report which will be tested and validated by the vendor and the Office of MaineCare Services. |
| | Completion Date: | June 1, 2025 |
| | Agency Contact: | Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093 |
| 2024-072 | Department: | Redacted |
| | Title: | ________ over the ________ and ________ needs improvement |
| | Questioned Costs: | None |
| | 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: | December 1, 2025 |
| | Agency Contact: | Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423 |
| 2024-073 | Department: | Defense, Veteran 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 update procedures to address specifics of the new Federal reporting system.<br><br>The Department will increase report monitoring frequency from quarterly to monthly. |
| | Completion Date: | May 15, 2025, and June 30, 2025, respectively |
| | Agency Contact: | Sunny Cyr, MEMA Business Office Director, DVEM, 207-707-2507 |
| 2024-074 | Department: | Defense, Veterans and Emergency Management<br>Administrative and Financial Services |
| | Title: | Internal control over DG – PA program cash management needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Departments collaboratively developed cash management procedures to address prior year finding 2023-097.<br><br>The Departments implemented a new cash management process, including weekly reconciliation of draw requests<br><br>The Departments modified the Treasury-State Agreement with the Office of the State Treasurer to list a Weekly Drawdown - Actual & Estimate funding technique for FY2025. |

| Finding Number | Corrective Action Plan | |
|---|---|---|
| | Completion Date: | December 13, 2023, December 18, 2023, and June 25, 2024, respectively |
| | Agency Contact: | Sunny Cyr, MEMA Business Office Director, DVEM, 207-707-2507 |
| 2024-075 | Department: | Defense, Veterans and Emergency Management |
| | Title: | Internal control over DG – PA program financial reporting needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Maine Emergency Management Agency (MEMA) Management Analyst participated in training on use of Public Assistance Federal grant management system, the Payment Management System.<br><br>MEMA received ongoing feedback from Federal reviewers of submitted SF-425 reports.<br><br>MEMA will revise the existing SOP for Federal Financial Reporting.<br><br>MEMA will incorporate detailed review tabs to SF-425 Workbooks.<br><br>MEMA staff involved in preparation and review of SF-425 reports will participate in further training on the process. |
| | Completion Date: | June 11, 2025, first item, July 31, 2025, second item, April 30, 2025, third and fourth items, and June 30, 2025, fifth item |
| | Agency Contact: | Sunny Cyr, MEMA Business Office Director, DVEM, 207-707-2507 |
| 2024-076 | Department: | Defense, Veterans and Emergency Management |
| | Title: | Internal control over the submission of DG – PA program Schedule of Expenditures of Federal Awards information needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Maine Emergency Management Agency (MEMA) and Department of Defense, Veterans and Emergency Management will collaborate on a SEFA reporting process that allows for comprehensive review of SEFA details by MEMA and/or Security and Employment Service Center (SESC) subject matter experts prior to submission to OSC.<br><br>MEMA will distribute copies of the corrected reporting SOP to subject matter experts within MEMA/DVEM and SESC.<br><br>MEMA/SESC subject matter experts will perform a comprehensive review of SEFA details for FY2025 reporting. |
| | Completion Date: | May 1, 2025, May 15, 2025, and June 15, 2025, respectively |
| | Agency Contact: | Sunny Cyr, MEMA Business Office Director, DVEM, 207-707-2507 |

# STATE OF MAINE
# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
# FOR THE YEAR ENDED JUNE 30, 2024

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 2024*

**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** | |
| 2023-008*<br>2022-021*<br>2021-009** | Finding Title: | Internal control over valuing estimates for the allowances for uncollectible Unemployment insurance receivables needs improvement |
| | State Department: | Labor<br>Administrative and Financial Services |
| | ALN: | Financial Statement Finding; 17.225 |
| | Initial Finding FY: | 2019 |
| | Questioned Costs: | None |
| | FY24 Status: | *Management disagrees with this finding and does not believe that corrective action is required<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | The Department disagrees with this finding. 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 judgment is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | | 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.<br><br>Corrective action is significantly different from corrective action previously reported. |
| | FY 2024 Finding: | 2024-006 |
| 2023-024*<br>2022-012*<br>2021-010** | Finding Title: | ________ over ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2019 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** 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 2024 Finding: | 2024-014 |
| 2023-053*<br>2022-012*<br>2021-010** | Finding Title: | ________ over ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2019 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** 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 2024 Finding: | 2024-014 |
| 2023-018*<br>2022-010*<br>2021-005** | Finding Title: | ________ over ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | Explanation: | The Department is taking steps to address and remediate this condition |
| | FY 2024 Finding: | No finding was issued for FY 2024 |
| 2023-031<br>2022-025 | Finding Title: | Internal control over SNAP eligibility determinations and benefit calculations needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 10.551, 10.561 |
| | Initial Finding FY: | 2022 |
| | Questioned Costs 2023-031: | Known questioned costs totaling $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. |
| | 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. |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department partially agrees with this finding. Of the 60 cases reviewed, 13 (21.67%) had errors in calculations or documentation. The Department is confident that the staff followed correct procedures in providing the TANF funded resource guide in the first four cases cited. The errors in these cases were merely a lack of documentation. The Department agrees with the calculation errors in the following 7 cases (11.67% of the 60 reviewed). The Department has developed a corrective action plan to ensure compliance moving forward. |
| | FY 2024 Finding: | 2024-022 |
| 2023-032*<br>2022-026*<br>2021-015** | Finding Title: | Internal control over Medicaid and SNAP deceased client cases needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 10.551, 10.561 |
| | Initial Finding FY: | 2019 |
| | Questioned Costs 2023-032: | 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. |
| | Questioned Costs 2022-026: | None |
| | Questioned Costs 2021-015: | None |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | Explanation: | The Department partially agrees with this finding. In most cases cited the Department took appropriate action within the 45 days required by federal regulation related to IEVS information or within the 10-12-10 standard required for community complaints depending on the source of the information. The Department recognizes that some actions were lacking or could have been taken more quickly. A dedicated MaineCare Program Integrity Team is now working on the IEVS reports related to deceased members and has detailed SOPs for death matches. Based on the data improvements, this finding may continue to a small degree in the SFY 2025 audit and should be cleaned up in the SFY 2026 audit. |
| | FY 2024 Finding: | 2024-023 |
| 2023-036*<br>2022-029*<br>2021-012**<br>2021-017** | Finding Title: | ________ over the ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2019 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** 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 2024 Finding: | 2024-028 |
| 2023-044*<br>2022-039*<br>2021-019** | 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 |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** 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 2024 Finding: | No finding was issued for FY 2024 and this program was audited as a major program. |
| 2023-045*<br>2022-040*<br>2021-018** | Finding Title: | Internal control over WIC cash balances needs improvement |
| | State Department: | Health and Human Services<br>Administrative and Financial Services |
| | ALN: | 10.557 |
| | Initial Finding FY: | 2019 |
| | Questioned Costs: | None |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | Explanation: | The Department and the 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 2024 Finding: | 2024-038 |
| 2023-048*<br>2022-045*<br>2021-021** | Finding Title: | ________ over ________, ________, and ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2011 |
| | Questioned Costs 2023-048: | Redacted |
| | Questioned Costs 2022-045: | Redacted |
| | Questioned Costs 2021-021: | Redacted |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** 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 2024 Finding: | 2024-039 |
| 2023-023<br>2022-014<br>2021-011 | Finding Title: | ________ over the ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2019 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2020-032<br>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 |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-072*<br>2022-062*<br>2021-036** | Finding Title: | over the needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2019 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** 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 2024 Finding: | 2024-051 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| 2023-077*<br>2022-069*<br>2021-042** | Finding Title: | Internal control over subrecipient cash management needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 10.557; 93.268; 93.558 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY24 Status: | *Management disagrees with this finding and does not believe that corrective action is required<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | 2024-050: The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of funds. Payments are made as close as administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1)...that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.<br><br>2024-037: The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of the funds. Payments are made as close as administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1)...that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.<br><br>2024-055: The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of the funds. Payments are made as close as administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1)...that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible. |
| | FY 2024 Finding: | 2024-050, 2024-037, 2024-055 |
| 2023-076*<br>2022-068*<br>2021-043** | Finding Title: | Internal control over Income Eligibility and Verification System procedures needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.558; 10.551, 10.561 |
| | Initial Finding FY: | 2019 |
| | Questioned Costs: | None |
| | FY24 Status: | * Corrective action was not completed in FY 2024<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | The Department agrees resources need to be dedicated to complete the review of the SWICA reports. Implementation of program indicators on IEVS reports began in October of 2023 for the purpose of assisting |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | | OSA in their testing. OSA had received all reports, containing all data necessary to conduct testing.<br><br>It should be noted this requirement has no utility in current eligibility determinations due to the age of the data.<br><br>Corrective action is significantly different from corrective action previously reported. |
| | FY 2024 Finding: | 2024-053 |
| 2023-078*<br>2022-071*<br>2021-048** | 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 |
| | FY24 Status: | *Management disagrees with this finding and does not believe that corrective action is required<br>** 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 evaluates risk on its subrecipients for the purpose of determining the appropriate subrecipient monitoring in multiple ways. The first assessment of risk is when a subaward is competitively bid. The second assessment of risk is built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which higher risk subrecipients undergo a higher level of testing by Independent Public Accountants. 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. |
| | FY 2024 Finding: | 2024-056 |
| 2023-081*<br>2022-075*<br>2021-047** | 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 |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | 2024-057: The Department agrees with and acknowledges both the Condition Statement and Recommendation sections contained in this finding. The Department has developed and will implement a corrective action plan to address the Condition.<br><br>2024-058: The Department agrees with this finding. The Department acknowledges the exceptions found as a result of the non-statistical random sample correctly identified improperly completed reviews: two reviews did not indicate the date that the review was performed; and seven reviews did not document that follow up occurred for identified |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | | actions required by the subrecipient service provider, or dates that actions were taken and reported. The Department has developed a Corrective Action Plan to mitigate the risk of such errors from recurring. |
| | FY 2024 Finding: | 2024-057 & 2024-058 |
| 2023-075*<br>2022-067*<br>2021-040** | 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 |
| | Questioned Costs 2023-075: | Known questioned costs $4,721. Likely questioned costs totaling $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. |
| | Questioned Costs 2022-067: | 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. |
| | Questioned Costs 2021-040: | 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. |
| | FY24 Status: | * Corrective action was not completed in FY 2024<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | The Department partially agrees with this finding. The Department agrees with and acknowledges both the Condition Statement and the first two Recommendations contained in this finding as reflected in the Departments corrective action plan.<br><br>The third Recommendation, establish recoupments for the identified overpayments, is already a business process within the OFI Overpayments Team. For clarity, the TANF team 'refers' as per policies established in Rule and the Overpayments Team 'establishes recoupments'.<br><br>Corrective action is significantly different from corrective action previously reported. |
| | FY 2024 Finding: | 2024-052 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| 2023-079<br>2022-074<br>2021-044 | Finding Title: | ________ over the ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-082<br>2022-078 | Finding Title: | ________ over ________ and ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2022 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department is taking steps to address and remediate this condition |
| | FY 2024 Finding: | 2024-062 |
| 2023-091*<br>2022-080*<br>2021-050** | Finding Title: | Internal control over Medicaid Nursing Facility audits needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2010 |
| | Questioned Costs: | None |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | The Department agrees with this finding and cause. The lack of resources is the result of high vacancy rates (30%) for the Division of Audit and staff working on reviews of COVID funding. The Division of Audit has completed the reviews required for COVID funding and will be redirecting staff to work on the Medicaid audits. The Division of Audit is working to fill all vacant positions, so resources are available for these audits. Lastly, the Department has implemented a new reimbursement methodology for Nursing Facilities which will reduce the amount of audit testing required. |
| | FY 2024 Finding: | 2024-067 |
| 2023-092*<br>2022-084*<br>2021-053** | Finding Title: | Internal control over Medicare Part B premium payments needs improvement |
| | State Department: | Health and Human Services<br>Administrative and Financial Services |
| | ALN: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2019 |
| | Questioned Costs: | None |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | The Department agrees with this finding. There has been marked improvement in our results reviewing and acting on these reports since our MaineCare Program Integrity team became fully staffed in March |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | | 2024. We intend to review our processes further and regularly to ensure satisfaction of the requirement. The Department provided documentation to support that review and corrective actions were completed for five of the twelve months. Documentation could not be provided to support full review for seven months. |
| | FY 2024 Finding: | 2024-068 |
| 2022-082*<br>2021-054** | Finding Title: | Internal control over the eligibility determination process needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558 |
| | Initial Finding FY: | 2019 |
| | Questioned Costs: | None |
| | FY24 Status: | *Management disagrees with this finding and does not believe that corrective action is required<br>** 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.<br><br>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.<br><br>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 2024 Finding: | No finding was issued for FY 2024 and this program was audited as a major program. |

**Summary Schedule of Prior Audit Findings**

| Finding Number | Prior Audit Finding Status | |
|---|---|---|
| 2023-027<br>2022-017<br>2021-014 | Finding Title: | ________ over ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-097*<br>2022-090*<br>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: | 2021 |
| | Questioned Costs: | None |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | The Department agrees with this finding. Corrective action was already implemented mid-way through State Fiscal Year 2024 as polices and procedures were updated, and a weekly draw process has been since been used. The Security and Employment Service Center began reconciling draw requests as part of these updated procedures.<br><br>A majority of the cash on hand was due to contract modifications as the cash was drawn but the payments could not be made until the contract modifications were completed in the accounting system. MEMA made subsequent updates to the cash management process to avoid drawing for payments that might be impacted by unanticipated delays in the final two weeks of each quarter.<br><br>In addition, the department discussed modifying the Treasury-State Agreement (TSA) with the Office of the State Treasurer. The 2025 TSA lists a Weekly Drawdown - Actual & Estimate funding technique for this major program as some of these payments are too substantial for the State to process and have to wait for reimbursement. |
| | FY 2024 Finding: | 2024-074 |
| 2023-003*<br>2022-006*<br>2021-001** | 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 |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | The Department partially agrees with this finding. We recognize that turnover and staffing challenges have impacted the financial reporting for this account. However, the team is now fully staffed, and we have the resources to address and correct the discrepancies identified. We understand the need for more comprehensive reconciliations across the |

<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>account and are committed to completing these in SFY2025. Management has established a corrective action plan to address several key issues identified during the audit and improve the accuracy and reliability of the Lottery Fund’s financial reporting. Below are our responses to the individual elements of the finding, where we agree with some points and believe others may not be material to the overall financial reporting:<br><br>
<ul>
<li>Material Impacts
<ul>
<li>Inaccurate Commission Calculations: Management acknowledges the error in recording sales commissions and has corrected the issue.</li>
<li>Required Monthly Adjustments for Vendor Fees: Management agrees that vendor fees were not properly aligned with the contract terms and will re-evaluate the process, potentially using a prepaid expense account to reflect expenditures more accurately.</li>
<li>Unreconciled Accrued Liabilities Account: Management acknowledges the need for more timely reconciliations and is working with the program to address this, aiming for monthly reconciliations depending on how frequently we can receive this data moving forward.</li>
</ul>
</li>
<li>Immaterial Financial Impacts
<ul>
<li>Errors in Monthly Journal Entries (Unit Codes): While we acknowledge that there were errors in the unit codes for nine monthly journal entries, the total error was less than $50k and did not affect the overall financials. This issue has already been resolved during the audit process.</li>
<li>Variances in Journal Entries and Supporting Documentation: We agree that there were inaccuracies in some journal entry descriptions, such as incorrect dates and game descriptions. However, these discrepancies did not materially impact the financial statements or result in any material financial effects.</li>
<li>Unclosed Old Unit Codes for Balance Sheet Accounts: Although the old unit codes for balance sheet accounts have not been closed, we do not believe this issue materially impacts financial reporting. Reconciliations are conducted at the fund level, not at the unit level, and due to limitations in data provided by the vendor, accurate reporting at the unit level is not feasible.</li>
</ul>
</li>
</ul></td></tr>
<tr><td>FY 2024 Finding:</td><td>2024-007</td></tr>
<tr><td rowspan="4">2021-007</td><td>Finding Title:</td><td>________ over the ________ and ________ system needs improvement</td></tr>
<tr><td>State Department:</td><td>Redacted</td></tr>
<tr><td>ALN:</td><td>Redacted</td></tr>
<tr><td>Initial Finding FY:</td><td>2020</td></tr>
</table>

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | Questioned Costs: | Redacted |
| | FY24 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;<br>2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and<br>3. A management decision was not issued on this finding |
| | FY 2024 Finding: | No finding was issued for FY 2024 |
| 2023-015*<br>2022-011*<br>2021-008** | 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<br>Administrative and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2020 |
| | Questioned Costs: | None |
| | FY24 Status: | *Management disagrees with this finding and does not believe that corrective action is required<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | OSC agrees 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 2024 Finding: | 2024-004 |
| 2023-070<br>2022-059<br>2021-037 | Finding Title: | ________ over ________ and ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2020 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-080*<br>2022-070*<br>2021-046** | 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 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | Questioned Costs: | None |
| | FY24 Status: | *Management disagrees with this finding and does not believe that corrective action is required<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | 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 (including active sanction activity within the fiscal year as provided by OFI) 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. |
| | FY 2024 Finding: | 2024-054 |
| 2023-032*<br>2022-086*<br>2021-056** | Finding Title: | Internal control over Medicaid and SNAP deceased client cases needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2019 |
| | Questioned Costs 2023-032: | 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. |
| | Questioned Costs 2022-086: | None |
| | Questioned Costs 2021-056: | None |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | The Department partially agrees with this finding. In most cases cited the Department took appropriate action within the 45 days required by federal regulation related to IEVS information or within the 10-12-10 standard required for community complaints depending on the source of the information. The Department recognizes that some actions were lacking or could have been taken more quickly. A dedicated |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | | MaineCare Program Integrity Team is now working on the IEVS reports related to deceased members and has detailed SOPs for death matches. Based on the data improvements, this finding may continue to a small degree in the SFY 2025 audit and should be cleaned up in the SFY 2026 audit. |
| | FY 2024 Finding: | 2024-023 |
| 2022-087<br>2021-057 | 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 |
| | FY24 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 2024 Finding: | No finding was issued for FY 2024 and this program was audited as a major program. |
| 2023-028*<br>2022-018*<br>2021-013** | Finding Title: | ________ over the ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2020 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>** 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 2024 Finding: | 2024-017 |
| 2023-020<br>2022-016 | Finding Title: | ________ over the ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2022 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-025<br>2022-016 | Finding Title: | ________ over the ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2022 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-021<br>2022-016 | Finding Title: | ________ over the ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2022 |
| | Questioned Costs: | Redacted |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department is taking steps to address and remediate this condition |
| | FY 2024 Finding: | 2024-013 |
| 2023-029<br>2022-083<br>2021-058<br>2020-065 | Finding Title: | ________ over ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2020 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department is taking steps to address and remediate this condition |
| | FY 2024 Finding: | 2024-029 |
| 2023-034<br>2022-083<br>2021-058<br>2020-065 | Finding Title: | ________ over ________ and ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2020 |
| | Questioned Costs 2023-034: | Redacted |
| | Questioned Costs 2022-083: | Redacted |
| | Questioned Costs 2021-058: | Redacted |
| | Questioned Costs 2020-065: | Redacted |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department is taking steps to address and remediate this condition |
| | FY 2024 Finding: | 2024-029 |
| 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. |
| | FY24 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;<br>2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and<br>3. A management decision was not issued on this finding. |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | FY 2024 Finding: | No finding was issued for FY 2024; 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. |
| | FY24 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;<br>2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and<br>3. A management decision was not issued on this finding. |
| | FY 2024 Finding: | No finding was issued for FY 2024; 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 |
| | FY24 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;<br>2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and<br>3. A management decision was not issued on this finding. |
| | FY 2024 Finding: | No finding was issued for FY 2024; however, this was not audited as a major program |
| 2023-051<br>2022-047<br>2021-026 | Finding Title: | ________ over ________ and ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2021 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | This audit finding does not warrant further action |
| | Explanation: | The Department is taking steps to address and remediate this condition |
| | FY 2024 Finding: | ML 24-0900-05 |

**Summary Schedule of Prior Audit Findings**

| Finding Number | Prior Audit Finding Status | |
|---|---|---|
| 2023-065<br>2022-055<br>2021-028 | Finding Title: | ________ over the ________ and ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2021 |
| | Questioned Costs: | Redacted |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 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 |
| | FY24 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;<br>2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and<br>3. A management decision was not issued on this finding. |
| | FY 2024 Finding: | No finding was issued for FY 2024 and this program was audited as a major program. |
| 2023-066<br>2022-056<br>2021-032 | Finding Title: | Internal control over ESF special reporting needs improvement |
| | State Department: | Education |
| | ALN: | 84.425C, 84.425D, 84.425U; 84.010 |
| | Initial Finding FY: | 2021 |
| | Questioned Costs: | None |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-073*<br>2022-063*<br>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 |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>**Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | 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. |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | | 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. |
| | FY 2024 Finding: | No finding was issued for FY 2024; however, this was not audited as a major program |
| 2021-045 | Finding Title: | Internal control over cash benefits paid to TANF clients needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.558 |
| | Initial Finding FY: | 2021 |
| | Questioned Costs: | The Office of the State Auditor (OSA) tested a sample of payments issued to TANF clients as direct cash benefits. OSA identified known questioned costs totaling $224. Likely questioned costs totaling $112,657 were 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. |
| | FY24 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;<br>2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and<br>3. A management decision was not issued on this finding. |
| | FY 2024 Finding: | No finding was issued for FY 2024 and this program was audited as a major program. |
| 2023-096*<br>2022-091*<br>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 |
| | FY24 Status: | *Corrective action was not completed in FY 2024<br>**Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3) |
| | Explanation: | The Department agrees with this finding. Corrective action was implemented at the end of State Fiscal Year 2024. |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | | Untimely reports were primarily due to a backlog of required reporting that was brought up to date over the fiscal year as a corrective action to the prior year finding. In the current monthly reporting process, award data is provided by grant program experts to avoid incorrect data elements, and reporting is reviewed for completeness by a staff member not involved in report submission.<br><br>In the third quarter of FY2025, the FFATA reporting system was retired from FSRS.gov and transferred to SAM.gov, further minimizing the possibility of incorrect data elements being reported. MEMA will update the existing SOP for FFATA reporting to address specifics related to the new reporting process within SAM.gov. |
| | FY 2024 Finding: | 2024-073 |
| 2023-001<br>2022-001 | Finding Title: | Internal control over Department of Corrections procurement card procedures needs improvement |
| | State Department: | Corrections<br>Department of Administrative and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2022 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-011<br>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 |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-007<br>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 |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department agrees with this finding. The condition results from misidentifying capital repairs to fixed assets as an expense rather than an improvement to a capital asset. When creating procurement documents, the choice of commodity code and identifying the procurement type as service or item impacts how it is recorded in Advantage. The correct commodity code was used; however, further identifying as a service versus an item wasn't selected and, therefore, did not trigger a fixed asset shell. As a result, these three improvements were not identified as an item and were expensed. The Natural Resource Service Center (NRSC) will work with the Department of Agriculture, Conservation and Forestry (DACF) and the Office of the State Controller to ensure that staff at the NRSC and |

| Summary Schedule of Prior Audit Findings | | |
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| **Finding Number** | **Prior Audit Finding Status** | |
| | | DACF are trained to correctly identify and record improvements to capital assets in the fixed asset system.<br><br>Corrective action is significantly different from corrective action previously reported. |
| | FY 2024 Finding: | 2024-009 |
| 2023-030<br>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 2023-030: | 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. |
| | Questioned Cost 2022-022: | 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. |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department partially agrees with this finding.<br><br>The Department agrees three students that received summer P-EBT benefits were overpaid $391 each.<br><br>The Department disagrees with the following Conditions:<br><br>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. |

| Summary Schedule of Prior Audit Findings | | |
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| **Finding Number** | **Prior Audit Finding Status** | |
| | | 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.<br><br>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.<br><br>The Department disagrees with the Context and Likely Questioned Costs:<br><br>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.<br>The Department disagrees with the Causes:<br><br>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.<br><br>The Department disagrees with the Recommendations:<br>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.<br>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 2024 Finding: | ML 24-1119-01 |
| 2023-022<br>2022-024 | Finding Title: | ________ over ________ and ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2022 |

| Summary Schedule of Prior Audit Findings | | |
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| **Finding Number** | **Prior Audit Finding Status** | |
| | Questioned Cost: | Redacted |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department is taking steps to address and remediate this condition |
| | FY 2024 Finding: | 2024-027 |
| 2023-035<br>2022-028 | Finding Title: | Internal control over SNAP EBT card security needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 10.551, 10.561 |
| | Initial Finding FY: | 2022 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department agrees with this finding. During the audit period, the process for handling returned EBT cards was assigned to one (1) individual. In response to a prior year finding, the Department implemented corrective actions effective July 1, 2024.<br><br>The current process has the duties separated into 3 roles. First, an Accounting Associate I receives the returned EBT cards at OFI's Central Office. The Accounting Associate scans the card and envelope to an Office Associate II in a separate office. The Office Associate II enters the cards into a spreadsheet (returned card log) and researches the cases to determine what to do with the card. The Office Associate records the necessary information into the returned card log and makes an ACES case note to reflect any action taken. Then a response is sent back to the Accounting Associate to advise which EBT cards should be shredded and which cards should be resent. Finally, the EBT Manager conducts a periodic review of the returned card log to ensure the cards are being handled appropriately. The Department will also be hiring a new Office Associate II (Supervisor) to assist in this process.<br><br>Because these procedures were implemented effective 7/1/2024, they were not captured during this single audit. No corrective action is required due to our current procedures meeting state and Federal card security requirements.<br><br>Corrective action is significantly different from corrective action previously reported. |
| | FY 2024 Finding: | 2024-025 |
| 2023-037<br>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 |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-038<br>2022-031 | Finding Title: | Internal control over CNC claim reimbursements needs improvement |
| | State Department: | Education |
| | ALN: | 10.553, 10.555, 10.556, 10.559, 10.582 |
| | Initial Finding FY: | 2022 |

| Summary Schedule of Prior Audit Findings | | |
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| **Finding Number** | **Prior Audit Finding Status** | |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department partially agrees with this finding. These findings come from various programs and are correctly outlined in the Condition.<br><br>However, the Department disagrees with the first bullet in the Recommendation regarding the review of CFRs monthly and has contacted the Northeast Regional Office of the USDA for clarification. Additionally, we disagree with the first bullet point regarding non-food costs in the FFVP program, as it's addressed in the Administrative Review process.<br><br>The Department has developed a corrective action plan to address the remaining recommendations. |
| | FY 2024 Finding: | 2024-031 |
| 2023-039<br>2022-033<br>2022-037 | Finding Title: | ________ over ________, ________, and ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2022 |
| | Questioned Cost: | Redacted |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department is taking steps to address and remediate this condition |
| | FY 2024 Finding: | 2024-033 |
| 2023-041<br>2022-034 | Finding Title: | Internal control over the submission of CNC Schedule of Expenditures of Federal Awards information needs improvement |
| | State Department: | Education |
| | ALN: | 10.553, 10.555, 10.556, 10.559, 10.582 |
| | Initial Finding FY: | 2022 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department agrees with this finding. The SEFA Review Procedure has been updated to include more specific information regarding the calculation of amounts reported for the Special Milk Program and noncash assistance and the classification of payments made to the Arthur Gould school (Long Creek) as direct payments rather than subrecipient expenditures. |
| | FY 2024 Finding: | 2024-034 |
| 2023-042<br>2022-036 | Finding Title: | Internal control over CNC 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 |
| | FY24 Status: | Corrective action was not completed in FY 2024 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | Explanation: | The Department agrees with this finding. CNPWeb is still not working correctly, and there were too many errors during the physical inventory. |
| | FY 2024 Finding: | 2024-035 |
| 2023-040<br>2022-038 | Finding Title: | ________ over ________ and ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2022 |
| | Questioned Cost: | Redacted |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department is taking steps to address and remediate this condition |
| | FY 2024 Finding: | 2024-020 |
| 2023-046<br>2022-041<br>2022-043 | Finding Title: | Internal control over CACFP eligibility determination and claim reimbursement procedures needs improvement |
| | State Department: | Education |
| | ALN: | 10.558 |
| | Initial Finding FY: | 2022 |
| | Questioned Cost 2023-046: | Known questioned costs totaling $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. |
| | Questioned Cost 2022-043: | Known questioned costs totaling $50,275. Likely question costs undeterminable. Likely questioned costs cannot be determined as the projection of questioned costs utilizing the error rate is not tested by dollar amount, but instead is based on eligibility. |
| | Questioned Cost 2022-041: | 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. |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | 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.<br><br>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 2024 Finding: | No finding was issued for FY 2024; however, this was not audited as a major program |
| 2023-047<br>2022-042 | Finding Title: | Internal control over CACFP subrecipient monitoring procedures needs improvement |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| 2022-044 | State Department: | Education |
| | ALN: | 10.558 |
| | Initial Finding FY: | 2022 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | 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 2024 Finding: | No finding was issued for FY 2024; however, this was not audited as a major program |
| 2023-050<br>2022-046 | Finding Title: | Internal control over monitoring of employee classification and compensation needs improvement |
| | State Department: | Administrative and Financial Services |
| | ALN: | 12.401; 17.225; 20.205; 84.027, 84.173; 93.268; 93.563 |
| | Initial Finding FY: | 2022 |
| | Questioned Cost: | None |
| | FY24 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | The Department disagrees with this finding. The procedure referenced in 5 M.R.S. Sec. 7061(4) is laid out in 18-389 C.M.R. Ch. 4. The Department complies with these written policies and procedures as required by federal and state law. Section 7061(4) was last updated in 2023, with an effective date in October 2023. Pursuant to the JSC on Appropriations, Section 7061(4)(A) requires a review every five years of the state compensation plan for each class or position in the classified service. The FJA process is not related to the compensation plan, however, it is administered under a separate internal control structure that is in place and operating effectively and ensures that the compensation for individual employees is reasonable for the services rendered. The requirement for review of each classification through the FJA process is covered under Section 7061(4)(C) and is required to be reviewed every 10 years. It is also important to note that the Department has conferred with the OAG, who determined that Section 7061(4)(C) is not retroactive, meaning the Department has another 8.5 years to complete a review of all classifications. Additionally, salary studies conducted on State employee wages have shown that the salary and wages of job classifications paid by the State are consistently lower than industry averages, removing the risk that the utilization of these salary schedules as a component of payroll costs will cause overcharges to Federal grants. |
| | FY 2024 Finding: | 2024-041 |
| 2023-055<br>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 |

| Summary Schedule of Prior Audit Findings | | |
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| **Finding Number** | **Prior Audit Finding Status** | |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | 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 2024 Finding: | No finding was issued for FY 2024; however, this was not audited as a major program |
| 2023-056<br>2022-050 | Finding Title: | Internal control over ERA Program performance reporting needs improvement |
| | State Department: | Economic and Community Development |
| | ALN: | 21.023 |
| | Initial Finding FY: | 2022 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | 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 2024 Finding: | No finding was issued for FY 2024; however, this was not audited as a major program |
| 2022-051 | Finding Title: | Internal control over CSLFRF expenditures needs improvement |
| | State Department: | Labor<br>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. |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-064<br>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 2023-064: | Known questioned costs totaling $161,468. Likely questioned costs totaling $7,308,277 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. |
| | Questioned Cost 2022-052: | Known questioned costs totaling $620,676. Likely questioned costs totaling $6,364,627 were projected by dividing the known questioned |

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| **Finding Number** | **Prior Audit Finding Status** | |
| | | 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. |
| | FY24 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 2024 Finding: | No finding was issued for FY 2024 and this program was audited as a major program. |
| 2023-067<br>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 |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department agrees with this finding. The former Office of Federal Emergency Relief Programs will incorporate the collection of this information in the fiscal year 2024 and 2025 annual performance report. All equipment purchased with ESF will be self-reported by each individual School Administrative Unit. |
| | FY 2024 Finding: | 2024-049 |
| 2023-069<br>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 |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-071<br>2022-061 | Finding Title: | Internal control over ICA program cash management needs improvement |
| | State Department: | Administrative and Financial Services |

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| **Finding Number** | **Prior Audit Finding Status** | |
| | ALN: | 93.268 |
| | Initial Finding FY: | 2022 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-074<br>2022-065 | Finding Title: | Internal control over ELC program cash management needs improvement |
| | State Department: | Health and Human Services<br>Administrative and Financial Services |
| | ALN: | 93.323 |
| | Initial Finding FY: | 2022 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | 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 2024 Finding: | No finding was issued for FY 2024; however, this was not audited as a major program |
| 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 |
| | FY24 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 required collection of certifications that the next lower tier persons are not suspended or debarred. The SAM is utilized |

| Summary Schedule of Prior Audit Findings | | |
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| **Finding Number** | **Prior Audit Finding Status** | |
| | | as time and resources permit and is not intended to replace the certifications. |
| | FY 2024 Finding: | No finding was issued for FY 2024; however, this program was not 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 |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | 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 2024 Finding: | No finding was issued for FY 2024; 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 |
| | FY24 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).<br><br>DHHS believes the current internal controls that are in place provide reasonable assurance that DHHS is managing federal funds in compliance with all regulations. Although “reasonable” is not defined, DHHS believes it is effectively meeting the Administration for Children and Families’ (ACF) expectations, as the funding source, as well as meeting the Child Care Development Fund (CCDF) grant goals and objectives.<br>ACF approved Maine’s FFY22-24 CCDF State Plan which includes a description of OCFS’ internal control activities.<br><br>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. |

| Summary Schedule of Prior Audit Findings | | |
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| **Finding Number** | **Prior Audit Finding Status** | |
| | FY 2024 Finding: | No finding was issued for FY 2024 and this program was audited as a major program |
| 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 under ALN 97.067, Homeland Security Grant Program. 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. |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-002 | Finding Title: | Internal control over procurement card procedures needs improvement |
| | State Department: | Administrative and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | 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 3 transactions identified, we were unable to produce written, explicit documentation of the source of the approval. These exceptions occurred prior to the creation of our new tracking log. The previous system to document information about approvals was 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 Service's new tracking log has addressed this concern by logging both the request and the approval in one repository.<br><br>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. |
| | FY 2024 Finding: | 2024-001 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| 2023-004 | Finding Title: | Internal control over Alcoholic Beverages Fund financial reporting needs improvement |
| | State Department: | Administrative and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department agrees with this finding. We recognize that turnover and staffing challenges have impacted the financial reporting for this account. However, the team is now fully staffed, and we have the resources to address and correct the discrepancies identified. We understand the need for more comprehensive reconciliations across the account and are committed to completing these in SFY2025. Management has established a corrective action plan to address issues identified during the audit and improve the accuracy and reliability of the Alcoholic Beverages Fund's financial reporting. |
| | FY 2024 Finding: | 2024-008 |
| 2023-005 | Finding Title: | Internal control over the calculation and recording of monthly accrued liabilities needs improvement |
| | State Department: | Administrative and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-006 | Finding Title: | Internal control over Medicaid receivables needs improvement |
| | State Department: | Administrative and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-009 | Finding Title: | Internal control over Department of Defense, Veterans and Emergency Management procurement related expenditures needs improvement |
| | State Department: | Defense, Veterans and Emergency Management<br>Administrative and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | 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.<br><br>MEMA Response: MEMA agrees with the portion of the finding related to the agency. |
| | FY 2024 Finding: | No finding was issued for FY 2024 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| 2023-010 | Finding Title: | Internal control over expenditures processed by the Secretary of State needs improvement |
| | State Department: | Secretary of State<br>Administration and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | 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.<br><br>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. |
| | FY 2024 Finding: | ML 24-0208-16 |
| 2023-012 | Finding Title: | Internal control over year-end adjusting journal entry procedures needs improvement |
| | State Department: | Administration and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Management does not believe that corrective action is required |
| | Explanation: | Management's opinion is that corrective action is not required. In an attempt to meet the deadline for completing the journal entries, an error occurred in the process. This error would have been identified during our analytical review, prior to the issuance of the statements. OSA communicated the issue before the analytical review was completed. |
| | FY 2024 Finding: | No finding was issued for FY 2024 |
| 2023-013 | Finding Title: | Internal control over financial reporting of subscription-based information technology arrangements needs improvement |
| | State Department: | Administration and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department agrees with this finding. The Department will review procedures and meet with the Office of State Procurement Services and MaineIT to collaborate on a solution. |
| | FY 2024 Finding: | 2024-003 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| 2023-014 | Finding Title: | Internal control over financial reporting of MRS taxes receivable and the allowance for uncollectible taxes receivable needs improvement |
| | State Department: | Administration and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-016 | Finding Title: | Internal control over Division of Procurement Services procurement related expenditures needs improvement |
| | State Department: | Administration and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | 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.<br><br>We disagree with four of the five findings identified. E-53 -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. |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | FY 2024 Finding: | No finding was issued for FY 2024 |
| 2023-017 | Finding Title: | Internal control over Division of Contract Management procurement related expenditures needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Management disagrees with this finding and does not believe that corrective action is required. |
| | Explanation: | 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.<br>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.<br><br>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.<br><br>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.<br><br>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. |
| | FY 2024 Finding: | No finding was issued for FY 2024 |
| 2023-019 | Finding Title: | Internal control over financial reporting of interest and penalties related to Unemployment Insurance receivables needs improvement |
| | State Department: | Labor<br>Administrative and Financial Services |
| | ALN: | Financial Statement Finding |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was taken during FY 2024 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| 2023-026 | Finding Title: | ________ over the ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | Redacted |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-033 | Finding Title: | Internal control over automated SNAP eligibility certification periods needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 10.551, 10.561 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | Known questioned costs $18,090. Likely questioned costs underminable. 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. |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department agrees with the factual conclusions and calculations. The Department believes the necessary corrective action has been taken and will be reflected in the SFY25 audit. |
| | FY 2024 Finding: | 2024-024 |
| 2023-043 | Finding Title: | Internal control over CNC subrecipient monitoring procedures needs improvement |
| | State Department: | Education |
| | ALN: | 10.553, 10.555, 10.556, 10.559, 10.582 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department agrees with this finding. The Department will improve tracking and create procedures to evaluate the Administrative Review Processes for the team. |
| | FY 2024 Finding: | 2024-032 |
| 2023-049 | Finding Title: | ________ over ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | Redacted |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-052 | Finding Title: | ________ over the ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | Redacted |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department is taking steps to address and remediate this condition |
| | FY 2024 Finding: | ML 24-0900-05 |
| 2023-054 | Finding Title: | Internal control over DOT subrecipient and contractor determinations needs improvement |
| | State Department: | Transportation |
| | ALN: | 20.509 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | 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. |
| | FY 2024 Finding: | No finding was issued for FY 2024; however, this was not audited as a major program |
| 2023-057 | Finding Title: | Internal control over the submission of HAF Program Schedule of Expenditures of Federal Awards reporting needs improvement |
| | State Department: | Administrative and Financial Services |
| | ALN: | 21.026 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department agrees with this finding. The expenditure data was not correctly classified as sub-recipient expenditures. |
| | FY 2024 Finding: | No finding was issued for FY 2024; however, this was not audited as a major program |
| 2023-058 | Finding Title: | Internal control over CSLFRF expenditures needs improvement |
| | State Department: | Economic and Community Development |
| | ALN: | 21.027 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | Known questioned costs $591,845. Likely questioned costs $591,845 |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-059 | Finding Title: | Internal control over CSLFRF subrecipient audit procedures needs improvement |
| | State Department: | Economic and Community Development |
| | ALN: | 21.027 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-060 | Finding Title: | Internal control over CSLFRF subrecipient risk evaluation procedures needs improvement |
| | State Department: | Labor |
| | ALN: | 21.027 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | 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. |
| | FY 2024 Finding: | 2024-045 |
| 2023-061 | Finding Title: | Internal control over CSLFRF reporting needs improvement |
| | State Department: | Administrative and Financial Services |
| | ALN: | 21.027 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department agrees with this finding. The Security and Employment Service 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. In this case, the contracts ended in July 2023 and the contracting agency did not amend the contracts to change the classification. |
| | FY 2024 Finding: | 2024-044 |
| 2023-062 | Finding Title: | Internal control over Special Education period of performance needs improvement |
| | State Department: | Education<br>Administrative and Financial Services |
| | ALN: | 84.027, 84.173 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | 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. |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department agrees with this finding. The Office of Special Services & Inclusive Education has developed and will implement a corrective action plan to address the issue identified. |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | FY 2024 Finding: | 2024-047 |
| 2023-063 | Finding Title: | Internal control over Special Education subrecipient audit procedures needs improvement |
| | State Department: | Education |
| | ALN: | 84.027, 84.173 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-068 | Finding Title: | ________ over the ______ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | Redacted |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department is taking steps to address and remediate this condition |
| | FY 2024 Finding: | ML 24-0900-05 |
| 2023-083 | Finding Title: | Internal control over CCDF provider payments needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.489, 93.575, 93.596 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | 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. |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-084 | Finding Title: | Internal control over CCDF provider application and payment approvals needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.489, 93.575, 93.596 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-085 | Finding Title: | Internal control over CCDF provider health and safety requirements needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.489, 93.575, 93.596 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department agrees with this finding. The Department acknowledges that two facilities annual unannounced inspections did not occur within 12 months. This was related to an unplanned staff resignation and an emergency staff leave of absence. The CLIS |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | | management team diligently and conscientiously tracks workloads, engages in regular supervision, team meetings, and has developed tracking systems outside of the antiquated data management system (Macwis) to ensure expectations are met. The Department also agrees with the finding that two facility inspections were not filed properly and were therefore not posted publicly. One staff person was covering two large geographic areas as she transitioned territory and OCFS hired/ trained a new employee. The current process of using paper inspection sheets that are sent to central office for review, scanning, and upload to the consumer education website is cumbersome and presents an opportunity for error. |
| | FY 2024 Finding: | 2024-060 |
| 2023-086 | Finding Title: | Internal control over the Foster Care – Title IV-E eligibility and benefit determination process needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.658 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | 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. |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department partially agrees with this finding. OCFS agrees with the finding in that the checklist was not appropriately signed at the time of completion. OCFS would like to note that the checklist is not part of any state or federal policy or requirement. It is our own internal process and was only added to our FRS manual as a plan of correction (POC) because of last year's finding re: some checklists not being signed. When an FRS worker completes an Initial determination in the system, the determination is printed out for our files and the document includes a timestamp when it was completed as well as the FRS assigned. Due to this POC just being added last year, this would be expected to be an ongoing finding for the foreseeable future since we cannot retroactively sign the completed checklists in the past.<br><br>OCFS agrees there is a need to formalize the overpayment collection process. We believe that there are both programmatic and technical solutions to be explored. OCFS will develop a workgroup of subject matter experts to explore and understand the challenges of managing overpayments and develop a solution for implementation over the next year.<br><br>OCFS disagrees with the finding that OCFS needs to strengthen its licensing practices for background screening of Resource Families. The finding is based on additional occupants in the home that were not subject to background checks and were not listed in the renewal home study completed in 2023. The home study referenced above described the home and all occupants as presented by the family. The Community Care Worker completed a safety inspection/walk through of the home and found no evidence of additional occupants. OCFS conducts background checks on the adults in the home in accordance |

**Summary Schedule of Prior Audit Findings**

| Finding Number | Prior Audit Finding Status | |
|---|---|---|
| | | with policy and rules, at initial licensure as well as renewal of licensure every two years. OCFS does not conduct unannounced licensing visits and relies on resource families to report changes in family composition and occupancy. In the event there are not any children in the custody of the state in the home, OCFS would not have reason or cause to inspect who is residing in the home or conduct face-to-face visits with resource families. Because this specific finding does not describe a failure to adhere to policy and rules, no correction action plan will be identified. |
| | FY 2024 Finding: | 2024-063 |
| 2023-087 | Finding Title: | Internal control over DHHS allocated costs needs improvement |
| | State Department: | Administrative and Financial Services<br>Health and Human Services |
| | ALN: | 93.472; 93.658 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | 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. |
| | FY 2024 Finding: | No finding was issued for FY 2024; however, this was not audited as a major program |
| 2023-088 | Finding Title: | Internal control over the Adoption Assistance – Title IV-E eligibility and benefit determination process needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.659 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | 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. |
| | FY 2024 Finding: | 2024-064 |
| 2023-089 | Finding Title: | ________ over ________ and ________ needs improvement |
| | State Department: | Redacted |
| | ALN: | Redacted |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | Redacted |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department is taking steps to address and remediate this condition |
| | FY 2024 Finding: | 2024-066 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| 2023-090 | Finding Title: | Internal control over Adoption Assistance – Title IV-E level of effort needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.659 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was taken during FY 2024 |
| 2023-093 | Finding Title: | Internal control over Medicaid cost of care deductions needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | The Department partially agrees with this finding. The Department agrees with the two exceptions found by the Office of the State Auditor. However, we believe that the Department has reasonable assurance with the controls in place that results in a 97% compliance with the COC calculations, which has not decreased from previous findings. No corrective action is necessary as a result of an error rate of only 3%. The Department will continue to actively manage and monitor the Cost of Care system in compliance with federal regulations.<br><br>In response to the first of two errors identified by OSA, OMS will request an update to an existing Cost of Care report supplied by a third-party vendor. Changes to cost of care are contained in the Retroactive Cost of Care Report, however if there is a second determination of cost of care in a month and the result is identical to the first change in the month, neither is included in the report. This is an error in the report logic that must be corrected. A Change Request will be created to modify and correct the report so that the latest change in the month will be reported to be acted on by OMS. |
| | FY 2024 Finding: | 2024-069 |
| 2023-094 | Finding Title: | Internal control over Medicaid drug rebates needs improvement |
| | State Department: | Health and Human Services |
| | ALN: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | The Department disagrees with this finding. PRIMS (Pharmacy Rebate Information Management System), provided to the State of Maine by a third-party vendor, is a proven system in production in many locations and PRIMS has passed a wide variety of Federal and State audits. The drug rebate program is complex and there are numerous steps in the process which have already been demonstrated and/or provided to the Office of State Auditor. |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | | The controls described to the State Auditor previously (Pre-invoicing controls, pharmacy claims controls and medical claims controls) address all three of the Auditors' Recommendations.<br><br>Corrective action is significantly different from corrective action previously reported. |
| | FY 2024 Finding: | 2024-070 |
| 2023-095 | Finding Title: | Internal control over conflict of interest requirements needs improvement |
| | State Department: | Administrative and Financial Services |
| | ALN: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2023 |
| | Questioned Cost: | None |
| | FY24 Status: | Corrective action was not completed in FY 2024 |
| | Explanation: | 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. |
| | FY 2024 Finding: | No finding was issued for FY 2024; however, this was not audited as a major program |

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