# STATE OF MAINE

# SINGLE AUDIT REPORT

## Uniform Guidance

### Fiscal Year Ending June 30, 2019

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

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

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

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**State Auditor**

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


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

## Letter of Transmittal

Honorable Troy D. Jackson
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

The Honorable Janet T. Mills
Governor of Maine

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

This document contains the following reports and schedules:

- Independent Auditor's Report

- Basic Financial Statements, Management's Discussion and Analysis, Notes to Financial Statements, and Required Supplementary Information

- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*

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

- Schedule of Expenditures of Federal Awards

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- Corrective Action Plan

- Summary Schedule of Prior Audit Findings

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

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

Respectfully submitted,

Pola Buckley

Pola A. Buckley
State Auditor

March 31, 2020

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

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

# EXECUTIVE SUMMARY

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

### Independent Auditor's Report

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

### Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

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

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

*Compliance with program requirements*

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

*Internal control over compliance*

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

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

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

## Schedule of Findings and Questioned Costs

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

## Corrective Action Plan

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

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

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For the Fiscal Year Ended June 30, 2019


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**State Auditor**

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


## INDEPENDENT AUDITOR'S REPORT

Honorable Troy Jackson
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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

**Opinions**

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

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

Pola A. Buckley

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

Augusta, Maine
November 27, 2019

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

## FINANCIAL HIGHLIGHTS

**Government-wide:**

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

**Fund level:**

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

**Long-term Debt:**

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

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

## Government-wide Statements

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

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

Both government-wide statements report three activities:

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

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

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

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

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

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

## Fund Financial Statements

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

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

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

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

## Notes to the Financial Statements

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

## Required Supplementary Information

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

## Other Supplementary Information

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

# FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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

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

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

* As Restated

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

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

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

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

* As Restated

## Governmental Activities

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

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

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

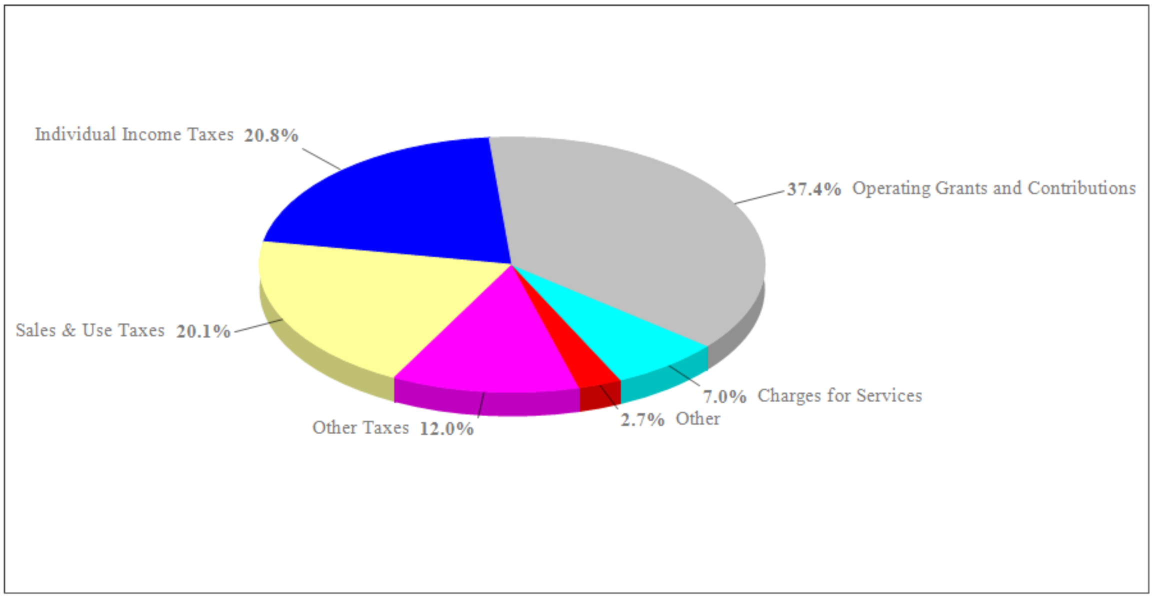
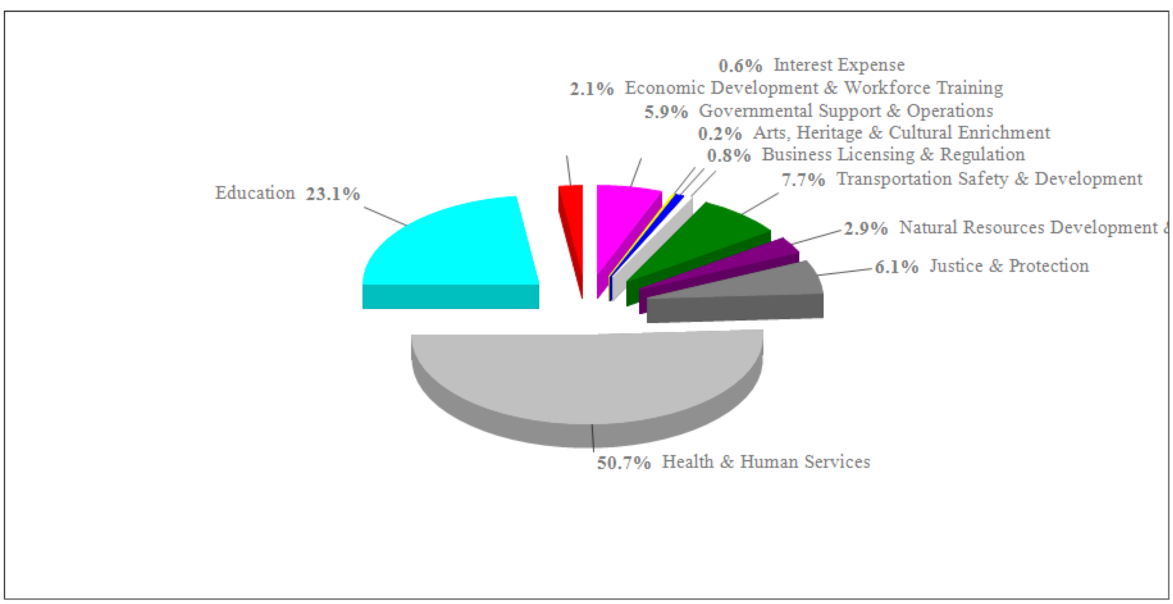



**TABLE A-4: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2019**



### Business-Type Activities

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

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

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

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

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

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

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

* As Restated

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

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

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

### Budgetary Highlights

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

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

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

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

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

### Modified Approach for Infrastructure

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

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

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

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

## Long-Term Debt

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

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

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

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

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

## Credit Ratings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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


DIRIGO
MAINE

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

June 30, 2019
(Expressed in Thousands)

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

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

# STATE OF MAINE
## STATEMENT OF ACTIVITIES

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

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

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 |
| | $ (355,864) | $ - | $ (355,864) | $ - |
| | (8,483) | - | (8,483) | - |
| | 10,332 | - | 10,332 | - |
| | (99,354) | - | (99,354) | - |
| | (1,593,559) | - | (1,593,559) | - |
| | (1,584,555) | - | (1,584,555) | - |
| | (342,381) | - | (342,381) | - |
| | (85,974) | - | (85,974) | - |
| | (241,079) | - | (241,079) | - |
| | (51,140) | - | (51,140) | - |
| | (4,352,057) | - | (4,352,057) | - |
| | - | 45,745 | 45,745 | - |
| | - | 58,330 | 58,330 | - |
| | - | 61,703 | 61,703 | - |
| | - | (8,402) | (8,402) | - |
| | - | 1,626 | 1,626 | - |
| | - | 727 | 727 | - |
| | - | 549 | 549 | - |
| | - | 160,278 | 160,278 | - |
| | (4,352,057) | 160,278 | (4,191,779) | - |
| | - | - | - | (1,031) |
| | - | - | - | (63,632) |
| | - | - | - | 1,004 |
| | - | - | - | 51,623 |
| | - | - | - | 12,763 |
| | - | - | - | 30,970 |
| | - | - | - | (232,341) |
| | - | - | - | 2,985 |
| | $ - | $ - | $ - | $ (197,659) |
| **General Revenues:** | | | | |
| Taxes: | | | | |
| Corporate Taxes | 262,459 | - | 262,459 | - |
| Individual Income Taxes | 1,712,301 | - | 1,712,301 | - |
| Fuel Taxes | 253,924 | - | 253,924 | - |
| Property Taxes | 69,902 | - | 69,902 | - |
| Sales & Use Taxes | 1,654,643 | - | 1,654,643 | - |
| Other Taxes | 398,129 | - | 398,129 | - |
| Unrestricted Investment Earnings | 46,306 | - | 46,306 | 27,439 |
| Non-Program Specific Grants, Contributions & Appropriations | - | - | - | 333,986 |
| Miscellaneous Income | 88,991 | - | 88,991 | 12,276 |
| Gain (Loss) on Sale of Assets | - | (5,613) | (5,613) | (346) |
| Tobacco Settlement | 88,261 | - | 88,261 | - |
| Special Items | - | 15,761 | 15,761 | - |
| Transfers - Internal Activities | 112,833 | (112,833) | - | - |
| Total General Revenues and Transfers | 4,687,749 | (102,685) | 4,585,064 | 373,355 |
| Change in Net Position | 335,692 | 57,593 | 393,285 | 175,696 |
| Net Position - Beginning (as restated) | 245,203 | 472,697 | 717,900 | 2,964,359 |
| Net Position - Ending | $ 580,895 | $ 530,290 | $ 1,111,185 | $ 3,140,055 |


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, 2019
(Expressed in Thousands)

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

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

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

June 30, 2019
(Expressed in Thousands)

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

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

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

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

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

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

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

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

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ 357,990 |
| Amounts reported for governmental activities in the Statement of Net Activities are different because: | | |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. | | |
| Capital Outlay | 101,508 | |
| Depreciation Expense | (48,228) | |
| The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position. | (2,054) | |
| | | 51,226 |
| Refunded Bond Deferred Outflows | | (797) |
| Pollution Remediation Receivable | | 10 |
| The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Position. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Position. This is the amount that proceeds exceed repayments: | | |
| Bond Proceeds | (302,640) | |
| Premium on Bonds Issued | (34,440) | |
| Proceeds from Other Financing Arrangements | (2,100) | |
| Loan Proceeds from Component Unit | (50,000) | |
| Repayment of Bond Principal | 107,015 | |
| Repayment of Other Financing Debt | 19,653 | |
| Repayment of Pledged Revenue Principal | 53,101 | |
| Repayment of Capitalized Lease Principal | 529 | |
| Accrued Interest | 263 | |
| Amortization of Bond Premiums | 5,693 | |
| | | (202,926) |
| Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Position and have been eliminated from the Statement of Position as follows: | | |
| Compensated Absences | (1,651) | |
| Pension Liabilities and Deferrals | 36,077 | |
| Other Post-employment Benefit Liabilities and Deferrals | (564) | |
| Pollution Remediation and Landfill Obligations | 1,483 | |
| | | 35,345 |
| Certain revenues are earned but not available and therefore are not reported in the governmental fund statements. | | 25,090 |
| 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. | | 69,754 |
| Changes in net position of governmental activities | | $ 335,692 |

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


DIRIGO
MAINE

# PROPRIETARY FUND FINANCIAL STATEMENTS

## MAJOR FUNDS

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

## NON-MAJOR FUNDS

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

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

June 30, 2019
(Expressed in Thousands)

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

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

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

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

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

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

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

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

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

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

# FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

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

June 30, 2019
(Expressed in Thousands)

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

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

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

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

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

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, 2019
(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 | $ 17,427 | $ 12,585 | $ 4,028 | $ - |
| Cash & Short-Term Investments | 3,591 | 10,843 | 1,631 | 793 |
| Investments | 68,000 | 59,372 | 16,584 | 25,159 |
| Restricted Assets: | | | | |
| Restricted Deposits & Investments | - | - | 19,058 | 341,274 |
| Inventories | - | - | - | - |
| Receivables, Net of Allowance for Uncollectibles: | | | | |
| Loans Receivable | 31,495 | - | 32,100 | - |
| Other Receivable | 3,157 | 6,190 | 114 | 1,712 |
| Due from Other Governments | - | - | - | 151,220 |
| Due from Primary Government | - | 1,339 | - | 21,825 |
| Loans Receivable from Primary Government | - | - | - | 54,971 |
| Other Assets | 635 | 1,935 | 748 | 24,381 |
| Total Current Assets | 124,305 | 92,264 | 74,263 | 621,335 |
| Noncurrent Assets: | | | | |
| Equity in Treasurer's Cash Pool | 5,631 | 4,066 | 1,302 | - |
| Restricted Assets: | | | | |
| Restricted Assets | 23,035 | 1,131 | 59,914 | 201,346 |
| Investments | - | 14,974 | 26,166 | - |
| Receivables, Net of Current Portion: | | | | |
| Loans & Notes Receivable | 61,421 | - | 384,504 | - |
| Other Receivables | - | - | - | - |
| Due from Other Governments | - | - | - | 1,531,946 |
| Due from Primary Government | - | - | - | - |
| Loans Receivable from Primary Government | - | - | - | 320,192 |
| Capital Assets - Net of Depreciation | 1,364 | 179,521 | - | 282 |
| Other Non-Current Assets | - | - | - | - |
| Total Noncurrent Assets | 91,451 | 199,692 | 471,886 | 2,053,766 |
| Total Assets | 215,756 | 291,956 | 546,149 | 2,675,101 |
| **Deferred Outflows of Resources** | $ 1,757 | $ 11,818 | $ - | $ 26,579 |
| **Liabilities** | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | $ 5,738 | $ 4,940 | $ 47 | $ 503 |
| Accrued Payroll | - | - | - | - |
| Compensated Absences | - | 2,535 | - | - |
| Due to Other Governments | - | - | - | 539 |
| Due to Primary Government | - | - | - | 107,552 |
| Amounts Held Under State & Federal Loan Programs | - | - | - | 21,203 |
| Bonds & Notes Payable | 3,060 | 765 | 34,790 | 168,517 |
| Obligations under Capital Leases | - | - | - | - |
| Accrued Interest Payable | 314 | - | 11,097 | 13,975 |
| Unearned Revenue | 1,320 | 2,968 | 133 | 4,943 |
| Other Accrued Liabilities | 17,695 | 7,207 | - | - |
| Total Current Liabilities | 28,127 | 18,415 | 46,067 | 317,232 |
| Long-Term Liabilities | | | | |
| Due to Other Governments | 2,756 | - | - | 885 |
| Amounts Held Under State & Federal Loan Programs | 49,994 | - | - | - |
| Bonds & Notes Payable | 88,625 | 17,453 | 440,905 | 1,606,762 |
| Obligations under Capital Leases | - | - | - | - |
| Net Pension Liability | - | 49,280 | - | 545 |
| Net Other Post-Employment Benefit Liability | - | 3,090 | - | 852 |
| Other Noncurrent Liabilities | - | - | - | - |
| Total Long-Term Liabilities | 141,375 | 69,823 | 440,905 | 1,609,044 |
| Total Liabilities | 169,502 | 88,238 | 486,972 | 1,926,276 |
| **Deferred Inflows of Resources** | - | 17,823 | - | 237 |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 1,364 | 162,433 | - | 282 |
| Restricted | 19,611 | 43,995 | - | 698,464 |
| Unrestricted | 27,036 | (8,715) | 59,177 | 76,421 |
| Total Net Position | $ 48,011 | $ 197,713 | $ 59,177 | $ 775,167 |

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

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

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

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

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

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


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# NOTES TO THE FINANCIAL STATEMENTS

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### A. Reporting Entity

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| | | | |
|---|---|---|---|
| Finance Authority of Maine<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>89 State House Station<br>353 Water Street<br>Augusta, ME 04330 | University of Maine<br>System<br>5703 Alumni Hall, Suite 101<br>Orono, ME 04469 |

**Related Organizations**

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

## B. Government-Wide and Fund Financial Statements

### Government-Wide Financial Statements

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

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

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

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

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

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

### Fund Financial Statements

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

## C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

### Measurement Focus and Basis of Accounting

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

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

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

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

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

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

**Financial Statement Presentation**
The State reports the following major governmental funds:

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

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

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

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

The State reports the following major enterprise fund:

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

Additionally, the State reports the following fund types:

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

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

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

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

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

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

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

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

**D. FISCAL YEAR-ENDS**

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

**E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The State reported the following fund balance restrictions:

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

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

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

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

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

### F. REVENUES AND EXPENDITURES/EXPENSES

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

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

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

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

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

**Appropriation Limits**

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

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

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

**Budget Stabilization Fund**

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

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

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

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

| | | |
|---|---|---|
| Balance, beginning of year | $ | 272,861 |
| Increase in fund balance | | 24,349 |
| Balance, end of year | $ | 297,210 |

**Budget and Budgetary Expenditures**

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

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

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

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

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

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

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

## Governmental Fund Balances
(Expressed in Thousands)

| | NSIF | Restricted | Committed | Assigned |
|---|---|---|---|---|
| **Federal Fund:** | | | | |
| Governmental Support & Operations | $ - | $ 3,315 | $ - | $ - |
| Health & Human Services | $ - | $ 1,903 | $ - | $ - |
| Justice & Protection | - | 1,458 | - | - |
| Public Safety | - | 2,354 | - | - |
| Transportation - Highway & Bridge Construction | - | 2,546 | - | - |
| All Other | 3,757 | 34 | - | - |
| Total | $ 3,757 | $ 11,610 | $ - | $ - |
| **Other Special Revenue Fund:** | | | | |
| Business Licensing & Regulation | $ - | $ 1,889 | $ - | $ - |
| Workers Compensation Board | - | 19,288 | - | - |
| Professional & Financial Regulation | - | 57,093 | - | 1,037 |
| Public Utilities Commission | - | 12,895 | - | 6,285 |
| Economic & Community Development | - | 32,956 | 8,422 | - |
| Governmental Support & Operations | - | 42,559 | 25,184 | 2,626 |
| Liquor Bond | - | 21,599 | - | - |
| Bonds for Highway & Bridge Construction | - | 143,137 | - | - |
| Health & Human Services | - | 1,263 | - | - |
| Aging & Disability Services | - | - | - | 1,321 |
| Fund for Healthy Maine | - | - | 49,416 | - |
| Office of Family Independence | - | 4,958 | - | - |
| Office of the Commissioner | - | - | - | 1,192 |
| Substance Abuse & Mental Health | - | - | 10,231 | - |
| Centers for Disease Control & Prevention | - | 1,958 | 3,050 | - |
| MaineCare | - | - | - | 51,642 |
| Defense, Veterans & Emergency Management | - | 2,113 | - | 1,695 |
| Justice & Protection | - | 85,775 | - | 5,783 |
| Public Safety | - | 10,527 | - | 1,781 |
| Natural Resources Development & Protection | - | 1,055 | - | - |
| Agriculture & Conservation | - | 5,476 | 3,457 | 15,471 |
| Environmental Protection | - | 24,371 | 2,425 | - |
| Inland Fisheries & Wildlife | - | 12,168 | - | - |
| Marine Resources | - | 4,394 | - | 4,876 |
| Transportation Safety & Development | - | 5,112 | 1,732 | 1,974 |
| Transportation - Highway & Bridge Construction | - | 38,940 | - | - |
| Motor Vehicles | - | 7,909 | - | - |
| Multimodal Transportation | - | - | 18,482 | - |
| Transcap | - | - | 18,000 | - |
| All Other | - | 1,341 | - | - |
| Total | $ - | $ 538,776 | $ 140,399 | $ 95,683 |

| **Other Governmental Funds:** | NSIF | Restricted | Permanent |
|---|---|---|---|
| Capital Projects - Agriculture & Conservation | $ - | $ 13,004 | $ - |
| Capital Projects - Higher Education | - | 3,994 | - |
| Capital Projects - Justice & Protection | - | 1,981 | - |
| Capital Projects - Multimodal Transportation | - | 84,714 | - |
| Capital Projects - Economic & Community Development | - | 1,170 | - |
| Capital Projects - Environmental Protection | - | 3,634 | - |
| Capital Project - Treasury | - | 10,413 | - |
| Capital Projects - Other | - | 235 | - |
| Permanent Funds - Baxter Park | - | - | 8,610 |
| Permanent Funds - Baxter Park Wilderness Trust | - | - | 23,812 |
| Permanent Funds - All Others | - | - | 23,464 |
| Special Revenue Funds - Baxter Park | - | 87,700 | - |
| Special Revenue Funds - Baxter Park Wilderness Trust | - | 530 | - |
| Special Revenue Funds - All Other | - | 387 | - |
| Total | $ - | $ 207,762 | $ 55,886 |

## NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

### ACCOUNTING CHANGES

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

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

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

### Change in Accounting Estimate

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

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

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

See Note 19 – Special Items for additional discussion.

### Restatements - Primary Government

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

### GASB 75 Restatement – Component Unit

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

## NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

### PROPRIETARY FUNDS

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

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

## NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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

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

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

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

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

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

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

**COMPONENT UNITS**

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

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

**NOTE 6 - RECEIVABLES**

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

## Primary Government - Receivables
(Expressed in Thousands)

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

## Component Units - Receivables
(Expressed in Thousands)

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

**NOTE 7 - INTERFUND TRANSACTIONS**

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

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

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

**Interfund Receivables**
(Expressed in Thousands)

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

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

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

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

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

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

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

**Interfund Transfers**
(Expressed in Thousands)

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

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

## NOTE 8 - CAPITAL ASSETS

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

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

| | Beginning Balance | Increases and Other Additions | Decreases and Deletions | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| **Capital assets not being depreciated** | | | | |
| Land | $ 641,049 | $ 5,520 | $ 2,085 | $ 644,484 |
| Construction in progress | 58,946 | 42,951 | 43,809 | 58,088 |
| Infrastructure | 2,901,466 | 30,260 | - | 2,931,726 |
| Total capital assets not being depreciated | 3,601,461 | 78,731 | 45,894 | 3,634,298 |
| **Capital assets being depreciated** | | | | |
| Buildings | 845,476 | 24,744 | 4,059 | 866,161 |
| Equipment | 307,118 | 16,390 | 11,760 | 311,748 |
| Improvements other than buildings | 113,492 | 148 | 50 | 113,590 |
| Software | 76,243 | 42,534 | - | 118,777 |
| Total capital assets being depreciated | 1,342,329 | 83,816 | 15,869 | 1,410,276 |
| **Less accumulated depreciation for** | | | | |
| Buildings | 343,303 | 28,106 | 5,742 | 365,667 |
| Equipment | 209,029 | 25,536 | 10,550 | 224,015 |
| Improvements other than buildings | 60,052 | 3,876 | 50 | 63,878 |
| Software | 53,408 | 15,410 | - | 68,818 |
| Total accumulated depreciation | 665,792 | 72,928 | 16,342 | 722,378 |
| Total capital assets being depreciated, net | 676,537 | 10,888 | (473) | 687,898 |
| Governmental Activities Capital Assets, net | $ 4,277,998 | $ 89,619 | $ 45,421 | $ 4,322,196 |

| | Beginning Balance | Net Additions | Net Deletions | Ending Balance |
|---|---|---|---|---|
| **Business-Type Activities:** | | | | |
| **Capital assets not being depreciated** | | | | |
| Land | $ 2,389 | $ - | $ - | $ 2,389 |
| Construction in progress | 971 | 4,703 | - | 5,674 |
| Total capital assets not being depreciated | 3,360 | 4,703 | - | 8,063 |
| **Capital assets being depreciated** | | | | |
| Buildings | 4,655 | - | - | 4,655 |
| Equipment | 32,701 | 12 | 8,047 | 24,666 |
| Improvements other than buildings | 42,757 | - | - | 42,757 |
| Total capital assets being depreciated | 80,113 | 12 | 8,047 | 72,078 |
| **Less accumulated depreciation for** | | | | |
| Buildings | 2,909 | 135 | - | 3,044 |
| Equipment | 15,609 | 1,249 | 5,382 | 11,476 |
| Improvements other than buildings | 31,434 | 1,497 | - | 32,931 |
| Total accumulated depreciation | 49,952 | 2,881 | 5,382 | 47,451 |
| Total capital assets being depreciated, net | 30,161 | (2,869) | 2,665 | 24,627 |
| Business-Type Activities Capital Assets, net | $ 33,521 | $ 1,834 | $ 2,665 | $ 32,690 |

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

**Governmental Activities - Depreciation Expense**
(Expressed in Thousands)

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

## NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

### OVERVIEW OF THE SYSTEM

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

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

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

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

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

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

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

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

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### PENSIONS

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

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

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

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

### MEMBERSHIP

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

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

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

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

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

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

**STATE EMPLOYEES AND TEACHERS PENSION PLAN BENEFITS**

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

**PARTICIPATING LOCAL DISTRICTS PLAN BENEFITS**

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

**CONTRIBUTION INFORMATION**

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

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

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

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

### CONTRIBUTION RATES - DEFINED BENEFIT PENSION PLANS

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

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

Contribution rates[1] in effect for the fiscal years ended June 30, 2019 and June 30, 2018 are as follows:

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

[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, 2019, the contributions recognized as part of pension expense (grant expense for Teacher Members) for each plan were as follows:

(Expressed in Thousands)

| | | |
|---|---|---|
| **State Employee and Teacher Pension Plan:** | | |
| State & Component Unit Members | | |
| State Employees | $ | 148,237 |
| 1 Major and Non-major Component Unit and 1 formerly reported component unit. | | 8,368 |
| Subtotal State & Component Unit Members | $ | 156,605 |
| Teacher Members (Non-employer contribution) | $ | 129,422 |

**NET PENSION LIABILITY - SINGLE EMPLOYER**

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

(Expressed in Thousands)

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

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

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

(Expressed in Thousands)

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

[1] Percentage of State Employees in the SETP
[2] Percentage of employer and non-employer contributors to the SETP - Teachers

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

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

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

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

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

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

[1]Includes combined totals for one major component unit, one non-major component unit, and 1 formerly reported component unit.

**Actuarial Assumptions**

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

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

**ANNUAL PENSION COST AND NET PENSION LIABILITY**

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

(Expressed in Thousands)

| | SETP State of Maine | | 1 Major Component Unit and 2 Formerly Reported Component Units | | Total State of Maine Employees SETP | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience demographic and economic | $ 12,580 | $ - | $ 710 | $ - | $ 13,290 | $ - |
| Changes of assumptions | 40,811 | - | 2,305 | - | 43,116 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 84,319 | - | 4,764 | - | 89,083 |
| Changes in proportion and differences between State contributions and proportionate share of contributions | 1,230 | 1,301 | 1,411 | 1,341 | 2,641 | 2,642 |
| State and component unit contributions subsequent to the measurement date | 152,815 | - | 8,494 | - | 161,309 | - |
| Total | $ 207,436 | $ 85,620 | $ 12,920 | $ 6,105 | $ 220,356 | $ 91,725 |
| **For the Year Ended** | | | | | | |
| 2020 | 47,194 | | 2,058 | | 49,252 | |
| 2021 | 3,212 | | 863 | | 4,075 | |
| 2022 | (59,043) | | (3,336) | | (62,379) | |
| 2023 | (22,359) | | (1,264) | | (23,623) | |
| 2024 | - | | - | | - | |

| | SETP Teachers | | Legislative | | Judicial | |
|---|---|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience demographic and economic | $ 39,277 | $ - | $ - | $ - | $ 234 | $ - |
| Changes of assumptions | 80,892 | - | - | - | 349 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 167,180 | - | 290 | - | 1,885 |
| Changes in proportion and differences between State contributions and proportionate share of contributions | 2,764 | - | - | - | - | - |
| State and component unit contributions subsequent to the measurement date | 132,564 | - | 10 | - | 1,213 | - |
| Total | $ 255,497 | $ 167,180 | $ 10 | $ 290 | $ 1,796 | $ 1,885 |
| **For the Year Ended** | | | | | | |
| 2020 | 104,390 | | 53 | | 739 | |
| 2021 | 15,289 | | (63) | | (435) | |
| 2022 | (119,014) | | (203) | | (1,171) | |
| 2023 | (44,912) | | (77) | | (435) | |
| 2024 | - | | - | | - | |

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

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

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

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

(Expressed in Thousands)

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

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

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

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

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

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

**COMPONENT UNIT PARTICIPANTS**

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

## NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

### POST RETIREMENT HEALTHCARE PLANS AND BENEFITS

**State Employees**

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

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

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

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

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

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

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

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2019 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349 or on-line at www.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 | 12,076 | 27,056 | 628 | 10,814 | 14,592 |
| Retirees | 8,568 | 10,473 | 102 | 8,345 | 7,437 |
| Inactives Vested | 182 | 449 | - | - | - |
| Total | 20,826 | 37,978 | 730 | 19,159 | 22,029 |

**STATE EMPLOYEE HEALTHCARE FUNDING POLICY**

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

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

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

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

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

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

**CHANGES IN THE TOTAL OPEB LIABILITY**
The changes in total OPEB liabilities are as follows:

(Expressed in Thousands)

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

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

## CHANGES IN NET OPEB LIABILITY

Changes in net OPEB liabilities are as follows:

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

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

**ACTUARIAL METHODS AND ASSUMPTIONS**

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

**State Health Insurance**

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

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

**Group Life Insurance**

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

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

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

**Teachers Health Insurance**

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

**First Responders Health Insurance**

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

**OPEB EXPENSE AND DEFERRALS**

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

**Healthcare**
(Expressed in Thousands)

| | 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 | $ 12,380 | $ - | $ 31,456 | $ 4,478 | $ - | $ 2,284 |
| Changes of assumptions | - | - | - | 177,670 | - | 4,946 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 12,033 | - | - | - | - |
| State and component unit contributions subsequent to the measurement date | 90,829 | - | 33,032 | - | 548 | - |
| Total | $ 103,209 | $ 12,033 | $ 64,488 | $ 182,148 | $ 548 | $ 7,230 |
| **For the Year Ended** | | | | | | |
| 2020 | (212) | | (26,274) | | (1,330) | |
| 2021 | (212) | | (26,274) | | (1,330) | |
| 2022 | (213) | | (26,274) | | (1,330) | |
| 2023 | 742 | | (26,274) | | (1,330) | |
| 2024 | 242 | | (26,274) | | (1,330) | |
| Thereafter | - | | (19,322) | | (580) | |

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

| | 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 | $ 1,087 | $ - | $ 556 | $ - |
| Changes of assumptions | 1,258 | - | 1,473 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 1,528 | - | 2,705 |
| Changes in proportion and differences between State contributions and proportionate share of contributions | 234 | 5 | - | - |
| State and component unit contributions subsequent to the measurement date | 4,039 | - | 3,547 | - |
| Total | $ 6,618 | $ 1,533 | $ 5,576 | $ 2,705 |
| **For the Year Ended** | | | | |
| 2020 | (30) | | (566) | |
| 2021 | (30) | | (566) | |
| 2022 | (30) | | (566) | |
| 2023 | 296 | | 7 | |
| 2024 | 432 | | 254 | |
| Thereafter | 408 | | 761 | |

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

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

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

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

**SENSITIVITY ANALYSIS**

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

**Discount Rate**
(Expressed in Thousands)

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

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

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

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

**Plan Information**

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

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

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

(Expressed in Thousands)

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

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

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

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

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

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

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

(Expressed in Thousands)

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

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

(Expressed in Thousands)

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|---|---|---|
| State Employee Healthcare Plan | $ 793,436 | $ 948,408 | $ 1,137,062 |

## NOTE 11 - LONG-TERM OBLIGATIONS

### PRIMARY GOVERNMENT

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

### GENERAL OBLIGATIONS BONDS

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

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

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

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

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

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

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

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

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

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

**AUTHORIZED UNISSUED BONDS**

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

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

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

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

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

### CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

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

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

### SHORT-TERM OBLIGATIONS

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

### OTHER LONG-TERM OBLIGATIONS

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

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

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

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

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

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

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

**LOANS PAYABLE TO COMPONENT UNIT**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### OBLIGATIONS UNDER CAPITAL LEASES

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

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

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

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

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

**OBLIGATIONS UNDER OPERATING LEASES**

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

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

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

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

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

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

**CLAIMS PAYABLE**

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

**COMPENSATED ABSENCES**

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

**COMPONENT UNITS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## NOTE 12 - SELF - INSURANCE

### A. Risk Management

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

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

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

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

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

*These lines of insurance have commercial excess insurance covering losses above the risk retention amount up to the per occurrence amount listed. All other insurance programs are wholly self-insured.
[1] 10 million is the maximum limit for per occurrence coverage. Some agencies have chosen $400 thousand.
[2] Excess insurance is only for out of state travel.
[3] $3 million is the maximum limit for per occurrence coverage. Some agencies have chosen $500 thousand.

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

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

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

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

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

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

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

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

**C. WORKERS' COMPENSATION**

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

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

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

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

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

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

**D. EMPLOYEE HEALTH INSURANCE**

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

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

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

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

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

(Expressed in Thousands)

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

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

## NOTE 13 - JOINT VENTURES

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

### TRI-STATE LOTTO COMMISSION

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

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

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

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

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

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

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

**Multi-State Lottery Association**

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

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

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

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

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

## NOTE 14 - RELATED PARTY TRANSACTIONS

### PRIMARY GOVERNMENT

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

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

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

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

### COMPONENT UNITS

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

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

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

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

## NOTE 15 - DEFERRED OUTFLOWS AND DEFERRED INFLOWS

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

(Expressed in Thousands)

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

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 | $ 246,741 | $ 532 | $ 44 | $ 36,719 | $ - | $ 284,036 |
| Total Deferred Inflows of Resources | $ 246,741 | $ 532 | $ 44 | $ 36,719 | $ - | $ 284,036 |

## NOTE 16 - TAX ABATEMENTS

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

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

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

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

## NOTE 17 - COMMITMENTS AND CONTINGENCIES

### PRIMARY GOVERNMENT

#### LITIGATION

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

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

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

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

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

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

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

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

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

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

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

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

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

**ENCUMBRANCES**

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

**FEDERAL GRANTS**

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

**POLLUTION REMEDIATION**

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

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

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

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

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

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

The State has the knowledge and expertise to estimate the remediation obligation based on prior experience in identifying and funding similar remediation activities. The standard requires the liability to be measured using the expected cash flow technique. The remediation obligation estimates are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to 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 of phase of a multi-year plan to cap approximately 100 acres at the facility was completed. The State allocated $6 million of current bond funds and anticipates another $6 million in bonds funds to complete the closure of the facility. In addition to the closure of the facility, the State anticipates additional post-closure maintenance and monitoring costs of approximately $15 million over the next 30 years. Actual costs may be higher due to inflation, changes in technology or changes in applicable laws or regulations. The State's total obligation related to the Dolby Landfill as of June 30, 2019 is $21.9 million.

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

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

### SAND AND SALT STORAGE PROGRAM

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

### POLLUTION ABATEMENT PROGRAM

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

### GROUND WATER OIL CLEAN-UP FUND

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

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

| | Completed | Remaining |
|---|---|---|
| 2018 | 91 | 540 |
| 2017 | 117 | 519 |
| 2016 | 126 | 525 |
| 2015 | 151 | 524 |
| 2014 | 144 | 500 |

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

**CONSTRUCTION COMMITMENTS**

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

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

**TOBACCO SETTLEMENTS**

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

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

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

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

**ESCHEAT PROPERTY**

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

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

**CONSTITUTIONAL OBLIGATIONS**

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

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

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

**MORAL OBLIGATIONS**

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

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

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

The following summarizes information regarding outstanding moral obligations:

**Moral Obligation Bonds**

(Expressed in Thousands)

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

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

## COMPONENT UNITS

### CONSTRUCTION CONTRACTS

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

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

### MORTGAGE COMMITMENTS

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

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

### INSURED LOAN COMMITMENTS

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

### FEDERAL STUDENT LOAN RESERVE FUND

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

## NOTE 18 - SUBSEQUENT EVENTS

### PRIMARY GOVERNMENT

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

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

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

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

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

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

### COMPONENT UNITS

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

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

## NOTE 19 - SPECIAL ITEMS

### Change in Accounting Estimate

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

# REQUIRED SUPPLEMENTARY INFORMATION


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

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

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

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


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

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

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

**Statutory/Budgetary Presentation**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Last Five Fiscal Years
(Expressed in Thousands)

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

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

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

Last Five Fiscal Years
(Expressed in Thousands)

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

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

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

Last Six Fiscal Years
(Expressed in Thousands)

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

(continued)

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

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

Notes to Schedule

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

**Former actuarial assumptions:**

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

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

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

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

Last Five Fiscal Years
(Expressed in Thousands)

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

Notes to Schedule:

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

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

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

| 2016 | 2015 |
|---|---|
| 92.825250 % | 92.853946 % |
| $ 950,597 | $ 837,743 |
| $ 520,115 | $ 525,765 |
| 182.77 % | 159.34 % |
| 76.80 % | 79.21 % |
| 6.640831 % | 6.618303 % |
| $ 68,007 | $ 59,710 |
| $ 32,008 | $ 31,679 |
| 212.47 % | 188.48 % |
| 76.80 % | 79.21 % |
| 0.533919 % | 0.527751 % |
| $ 5,468 | $ 4,760 |
| $ 3,927 | $ 3,776 |
| 139.24 % | 126.06 % |
| 76.80 % | 79.21 % |
| 100.000000 % | 100.000000 % |
| $ 1,024,072 | $ 902,213 |
| $ 556,050 | $ 561,220 |
| 184.17 % | 160.76 % |
| 76.80 % | 79.21 % |

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

Last Six Fiscal Years
(Expressed in Thousands)

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

(continued)

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

Notes to Schedule:

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

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

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

**Former actuarial assumptions:**

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

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

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

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

Last Five Fiscal Years
(Expressed in Thousands)

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

Notes to Schedule:

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

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

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

Last Six Fiscal Years
(Expressed in Thousands)

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

(continued)

| 2015 | 2014 |
|---|---|
| $ 147,048 | $ 146,362 |
| (147,048) | (146,362) |
| $ - | $ - |
| $ 38,404 | $ 36,931 |
| (38,404) | (36,931) |
| $ - | $ - |
| $ 185,452 | $ 183,293 |
| (185,452) | (183,293) |
| $ - | $ - |

Notes to Schedule:

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

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

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

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

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

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

Last Three Fiscal Years
(Expressed in Thousands)

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

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

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

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

Last Three Fiscal Years
(Expressed in Thousands)

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

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

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

Last Three Fiscal Years
(Expressed in Thousands)

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

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

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

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

Last Three Fiscal Years
(Expressed in Thousands)

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

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

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

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

Last Three Fiscal Years
(Expressed in Thousands)

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| **State Employee Healthcare** | | | |
| Actuarially Determined Contribution | $ 71,363 | $ 71,179 | $ 69,000 |
| Contributions in Relation to the Actuarially Determined Employer Contribution | 92,829 | 80,612 | 74,000 |
| Contribution Deficiency (Excess) | $ (21,466) | $ (9,433) | $ (5,000) |
| Covered Payroll | $ 626,384 | $ 612,195 | $ 582,934 |
| Contributions as a Percentage of Covered Payroll | 14.82 % | 13.17 % | 12.69 % |
| **State Employee and Teacher Group Life Insurance Benefit Plan** | | | |
| Actuarially Determined Contribution | $ 9,040 | $ 8,806 | $ 8,240 |
| Contributions in Relation to the Actuarially Determined Employer Contribution | 7,756 | 7,638 | (6,921) |
| Contribution Deficiency (Excess) | $ 1,284 | $ 1,168 | $ 15,161 |
| Covered Payroll | $ 1,380,619 | $ 1,343,669 | $ 1,277,009 |
| Contributions as a Percentage of Covered Payroll | 0.56 % | 0.57 % | 0.54 % |

Notes to Schedule:

Pay-as-you-go plans do not require an actuarially determined contribution.

State Health Insurance The valuation date is June 30, 2017. Costs are developed using the entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 95 percent of active participants currently enrolled. Actuarial assumptions used in the June 30, 2019 and June 30, 2018 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2019 and June 30, 2018 include: a 6.75 percent investment rate of return, a 6.875 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. The unfunded liability will be fully recognized by June 30, 2037. Assumption changes, plan changes and experience gains are amortized over a 20 year fixed period. Experience losses are amortized over a 10 year fixed period. The medical trend rate had been 6.80 at June 30, 2016, 6.60 percent at June 30, 2017, 6.40 percent at June 30, 2018 and 6.20 percent at June 30, 2019. The ultimate medical trend rate for both years is 4.29 percent reached at 2075. The State actively manages premium increases within the statutory cap, so healthcare cost increases are limited to no more than inflation plus 3 percent in any year. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. Changes in assumptions for 2019 included decreasing the medical trend rate from 6.40 percent to 6.20 percent. Both years used the ultimate medical trend rate at 4.29 percent. The year the ultimate trend rate is 2075 in both 2019 and 2018.

Group Life Insurance The valuation date is June 30, 2016 for State Employees and June 30, 2014 for Teachers. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 100 percent of those currently enrolled. Actuarial assumptions were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2019 include: a 6.75 percent investment rate of return, a 6.875 percent discount rate, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2019, there were 18 years remaining in the amortization schedule for state employees and teachers. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. Teachers rates are based on 99 percent for both genders. One assumption changed in 2018. The discount rate assumption was lowered from 6.875 percent to 6.750 percent.

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

# STATE OF MAINE
## SCHEDULE OF INVESTMENT RETURNS
## STATE FUNDED HEALTHCARE AND GROUP LIFE INSURANCE OPEB PLANS

Last Three Fiscal Years

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Annual money-weighted rate of return, net of investment expense | 6.60 % | 9.00 % | 12.88 % |

Notes to Schedule:

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to those assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,808 highway miles or 17,891 lane miles of roads and 2,971 bridges having a total deck area of 12.3 million square feet that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved at, or above, the established condition level.

Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

### HIGHWAYS

**Measurement Scale for Highways**
The Maine Department of Transportation (MDOT) uses six indicators to determine the condition of highway adequacy. The six indicators and their relative point weighting are listed in the table below.

| 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% to represent an entirely insufficient or deficient bridge, and 100% to represent an entirely sufficient bridge. The four indicators and their relative point weighting are listed in the table below. The composite numeric value is based on the sufficiency rating formula in the Recording and Coding Guide for Structure Inventory and Appraisal of the Nation's Bridges.

| 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 |
|---|---|---|
| 2019 | 70.0 | 74.0 |
| 2018 | 71.8 | 74.0 |
| 2017 | 72.3 | 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)**

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Highways | $ 119.6 | $ 124.8 | $ 123.3 | $ 110.7 | $ 110.2 |
| Bridges | 13.2 | 16.4 | 18.8 | 4.9 | 5.5 |
| Total | $ 132.8 | $ 141.2 | $ 142.1 | $ 115.6 | $ 115.7 |

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

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Highways | $ 112.0 | $ 133.0 | $ 142.2 | $ 113.4 | $ 71.9 |
| Bridges | 13.5 | 21.0 | 23.7 | 8.8 | 3.9 |
| Total | $ 125.5 | $ 154.0 | $ 165.9 | $ 122.2 | $ 75.8 |

**Transportation Bonds**

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 467, PL 2017, $40 million in General Fund bonds were spent during FY2019. Of the amount authorized by Chapter 299, PL 2017, $70 million in General Fund bonds were spent during FY2019.


DIRIGO
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# STATE OF MAINE
# INDEPENDENT AUDITOR'S REPORTS
# ON INTERNAL CONTROL AND COMPLIANCE
# FOR THE YEAR ENDED JUNE 30, 2019

# STATE OF MAINE
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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Troy Jackson
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State of Maine's basic financial statements, and have issued our report thereon dated November 27, 2019. Our report includes a reference to other auditors who audited the financial statements of the following component units: Child Development Services, Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, and the University of Maine System, as described in our report on the State of Maine's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Maine's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant* *deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 to 2019-010, that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**State of Maine's Response to Findings**

The State of Maine's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pola A. Buckley

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

Augusta, Maine
November 27, 2019

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

Honorable Troy D. Jackson
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

## Report on Compliance for Each Major Federal Program

We have audited the State of Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of Maine's major Federal programs for the year ended June 30, 2019. The State of Maine's major Federal programs are identified in the Summary of Auditor's Results (E-3 to E-4) of the accompanying Schedule of Findings and Questioned Costs (E-21 to E-176).

The State of Maine's basic financial statements included the operations of the following component units: Child Development Services, Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, and the University of Maine System. The Federal awards that these component units received are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of these component units because the component units engaged other auditors to perform an audit in accordance with the Uniform Guidance, if required.

### *Management's Responsibility*

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the State of Maine's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State of Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for each major Federal program. However, our audit does not provide a legal determination of the State of Maine's compliance.

***Basis for Qualified Opinion on the Continuum of Care Program***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Continuum of Care Program (CFDA #14.267) as described in finding number 2019-025 for Subrecipient Monitoring and finding number 2019-026 for Reporting. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Continuum of Care Program***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Continuum of Care Program for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Medicaid Cluster***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Medicaid Cluster (CFDA #93.775, #93.777, #93.778) as described in finding number 2019-037 for Eligibility and Special Tests and Provisions, finding number 2019-045 for Allowable Costs/Cost Principles, finding number 2019-046 for Eligibility, and finding numbers 2019-047 through 2019-049 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Medicaid Cluster***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Children's Health Insurance Program***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Children's Health Insurance Program (CFDA #93.767) as described in finding number 2019-037 for Eligibility and Special Tests and Provisions, finding number 2019-046 for Eligibility, and finding number 2019-049 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Children's Health Insurance Program***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Children's Health Insurance Program for the year ended June 30, 2019.

***Basis for Qualified Opinion on the SNAP Cluster***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the SNAP Cluster (CFDA #10.551, 10.561) as described in finding number 2019-011 for Cash Management and finding number 2019-037 for Eligibility and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the SNAP Cluster***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the SNAP Cluster for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Special Supplemental Nutrition Program for Women Infants, and Children (WIC) (CFDA #10.557) as described in finding numbers 2019-019 and 2019-020 for Subrecipient Monitoring, finding number 2019-021 for Cash Management, and finding number 2019-035 for Cash Management and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Supplemental Nutrition Program for Women Infants, and Children (WIC) for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Immunization Cooperative Agreements***
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Immunization Cooperative Agreements (CFDA #93.268) as described in finding number 2019-032 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Immunization Cooperative Agreements***
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Immunization Cooperative Agreements for the year ended June 30, 2019.

***Basis for Qualified Opinion on the TANF Cluster***
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the TANF Cluster (CFDA #93.558) as described in finding number 2019-035 for Cash Management and Subrecipient Monitoring, finding numbers 2019-036 and 2019-038 for Subrecipient Monitoring, finding number 2019-037 for Eligibility and Special Tests and Provisions, and finding number 2019-039 for Reporting and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the TANF Cluster***
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TANF Cluster for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Unemployment Insurance (UI)***
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Unemployment Insurance (UI) (CFDA #17.225) as described in finding number 2019-027 for Allowable Costs/Cost Principles and Eligibility. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Unemployment Insurance (UI)***
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Unemployment Insurance (UI) for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Rehabilitation Services – Vocational Rehabilitation Grants to States***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Rehabilitation Services – Vocational Grants to States (CFDA #84.126) as described in finding number 2019-029 for Matching, Level of Effort, Earmarking and finding number 2019-030 for Program Income. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Rehabilitation Services – Vocational Rehabilitation Grants to States***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Rehabilitation Services – Vocational Grants to States for the year ended June 30, 2019.

***Basis for Qualified Opinion on the Disaster Grants – Public Assistance (Presidentially Declared Disasters)***

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036) as described in finding number 2019-061 for Cash Management and finding numbers 2019-062 and 2019-063 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

***Qualified Opinion on the Disaster Grants – Public Assistance (Presidentially Declared Disasters)***

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Disaster Grants – Public Assistance (Presidentially Declared Disasters) for the year ended June 30, 2019.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2019.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-012, 2019-040, 2019-050, 2019-053, 2019-054. Our opinion on each major Federal program is not modified with respect to these matters.

The State of Maine's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

**Report on Internal Control over Compliance**

Management of the State of Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Maine's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-011, 2019-012, 2019-019 through 2019-021, 2019-025 through 2019-027, 2019-029, 2019-030, 2019-032, 2019-035 through 2019-040, 2019-045 through 2019-052, and 2019-061 through 2019-063 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-008 through 2019-010, 2019-013 through 2019-018, 2019-022 through 2019-024, 2019-028, 2019-031, 2019-033, 2019-034, 2019-041 through 2019-044, and 2019-053 through 2019-060 to be significant deficiencies.

The State of Maine's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Augusta, Maine
March 31, 2020

# STATE OF MAINE
# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
# FOR THE YEAR ENDED JUNE 30, 2019


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**STATE OF MAINE**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2019**

**Federal Agency**

| CFDA# | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | CFDA Total | |
|---|---|---|---|---|---|
| **Department of Agriculture** | | | | | |
| 10.025 | Plant and Animal Disease, Pest Control, and Animal Care | 61,745 | 327,156 | 388,901 | |
| 10.156 | Federal-State Marketing Improvement Program | - | 616,792 | 616,792 | |
| 10.162 | Inspection Grading and Standardization | - | 375,986 | 375,986 | |
| 10.163 | Market Protection and Promotion | 362,749 | - | 362,749 | |
| 10.170 | Specialty Crop Block Grant Program - Farm Bill | 406,928 | 44,638 | 451,566 | |
| 10.178 | Storage and Distribution Trade Mitigation Program Foods | 68,000 | - | 68,000 | |
| 10.475 | Cooperative Agreements with States for Intrastate Meat and Poultry Inspection | - | 353,443 | 353,443 | |
| 10.546 | Supplemental Nutrition Assistance Program (SNAP) Recipient Integrity Information Technology Grants | - | 1,685 | 1,685 | |
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children | 4,096,404 | 10,905,219 | 15,001,623 | * |
| 10.558 | Child and Adult Care Food Program | 9,468,652 | 61,107 | 9,529,759 | |
| 10.560 | State Administrative Expenses for Child Nutrition | 100 | 1,432,084 | 1,432,184 | |
| 10.572 | WIC Farmers' Market Nutrition Program (FMNP) | 72,301 | - | 72,301 | |
| 10.576 | Senior Farmers Market Nutrition Program | 858,138 | 107,737 | 965,874 | |
| 10.578 | WIC Grants To States (WGS) | - | 214,178 | 214,178 | |
| 10.579 | Child Nutrition Discretionary Grants Limited Availability | 85,710 | - | 85,710 | |
| 10.582 | Fresh Fruit and Vegetable Program | 1,869,720 | 93,263 | 1,962,983 | |
| 10.652 | Forestry Research | - | 629,907 | 629,907 | |
| 10.664 | Cooperative Forestry Assistance | 217,675 | 1,262,907 | 1,480,582 | |
| 10.674 | Wood Utilization Assistance | - | 49,904 | 49,904 | |
| 10.676 | Forest Legacy Program | - | 32,830 | 32,830 | |
| 10.680 | Forest Health Protection | - | 24,685 | 24,685 | |
| 10.691 | Good Neighbor Authority | - | 19,509 | 19,509 | |
| 10.902 | Soil and Water Conservation | 4,000 | 151,584 | 155,584 | |
| 10.912 | Environmental Quality Incentives Program | 792 | 6,000 | 6,792 | |
| SNAP Cluster | | | | | |
| 10.551 | Supplemental Nutrition Assistance Program | - | 205,842,969 | 205,842,969 | * |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 3,563,038 | 12,702,113 | 16,265,151 | * |
| SNAP Cluster Total | | 3,563,038 | 218,545,082 | 222,108,120 | |
| Food Distribution Cluster | | | | | |
| 10.565 | Commodity Supplemental Food Program | 3,387,894 | 45,235 | 3,433,129 | |
| 10.568 | Emergency Food Assistance Program (Administrative Costs) | 131,000 | 75,177 | 206,177 | |
| 10.569 | Emergency Food Assistance Program (Food Commodities) | 3,189,416 | - | 3,189,416 | |
| Food Distribution Cluster Total | | 6,708,310 | 120,411 | 6,828,722 | |
| Child Nutrition Cluster | | | | | |
| 10.555 | National School Lunch Program | 52,202,401 | 89,929 | 52,292,330 | * |
| 10.559 | Summer Food Service Program for Children | 2,374,690 | 79,663 | 2,454,353 | * |
| Child Nutrition Cluster Total | | 54,577,091 | 169,592 | 54,746,683 | |
| **Department of Agriculture Total** | | 82,421,353 | 235,545,699 | 317,967,052 | |

| CFDA# | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | CFDA Total |
|---|---|---|---|---|
| **Department of Commerce** | | | | |
| 11.407 | Interjurisdictional Fisheries Act of 1986 | - | 148,493 | 148,493 |
| 11.419 | Coastal Zone Management Administration Awards | 325,902 | 2,476,572 | 2,802,474 |
| [3] 11.427 | Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program | - | 12,237 | 12,237 |
| 11.454 | Unallied Management Projects | - | 54,334 | 54,334 |
| 11.472 | Unallied Science Program | 248,725 | 923,063 | 1,171,788 |
| [4] 11.473 | Office for Coastal Management | 28,574 | 9,545 | 38,120 |
| [5] 11.474 | Atlantic Coastal Fisheries Cooperative Management Act | - | 843,229 | 843,229 |
| 11.549 | State and Local Implementation Grant Program | - | 285,237 | 285,237 |
| **Department of Commerce Total** | | 603,201 | 4,752,710 | 5,355,911 |

**STATE OF MAINE**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2019**

**Federal Agency**

| CFDA# | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | CFDA Total | |
|---|---|---|---|---|---|
| **Department of Defense** | | | | | |
| 12.113 | State Memorandum of Agreement Program for the Reimbursement of Technical Services | - | 450,572 | 450,572 | |
| 12.400 | Military Construction, National Guard | - | 4,029,754 | 4,029,754 | |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects | - | 22,087,940 | 22,087,940 | * |
| 12.617 | Economic Adjustment Assistance for State Governments | 735,472 | 49,296 | 784,768 | |
| **Department of Defense Total** | | 735,472 | 26,617,561 | 27,353,033 | |
| **Department of Housing And Urban Development** | | | | | |
| 14.171 | Manufactured Home Dispute Resolution | - | 16,711 | 16,711 | |
| 14.228 | Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 12,441,223 | 310,101 | 12,751,324 | * |
| 14.267 | Continuum of Care Program | 8,585,783 | - | 8,585,783 | * |
| 14.401 | Fair Housing Assistance Program State and Local | - | 188,949 | 188,949 | |
| **Department of Housing And Urban Development Total** | | 21,027,006 | 515,760 | 21,542,766 | |
| **Department of the Interior** | | | | | |
| 15.423 | Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES) | - | 79,153 | 79,153 | |
| 15.608 | Fish and Wildlife Management Assistance | 53,633 | - | 53,633 | |
| 15.614 | Coastal Wetlands Planning, Protection and Restoration | 1,101,982 | - | 1,101,982 | |
| 15.615 | Cooperative Endangered Species Conservation Fund | - | 26,740 | 26,740 | |
| 15.616 | Clean Vessel Act | 270,568 | 70,374 | 340,942 | |
| 15.622 | Sportfishing and Boating Safety Act | - | 278,962 | 278,962 | |
| 15.634 | State Wildlife Grants | 18,709 | 603,756 | 622,465 | |
| 15.637 | Migratory Bird Joint Ventures | - | 2,078 | 2,078 | |
| 15.649 | Service Training and Technical Assistance (Generic Training) | - | 12,906 | 12,906 | |
| 15.650 | Research Grants (Generic) | - | 1,916 | 1,916 | |
| 15.657 | Endangered Species Conservation – Recovery Implementation Funds | - | 60,800 | 60,800 | |
| 15.810 | National Cooperative Geologic Mapping | - | 112,054 | 112,054 | |
| 15.814 | National Geological and Geophysical Data Preservation | - | 27,462 | 27,462 | |
| 15.817 | National Geospatial Program: Building The National Map | - | 269,668 | 269,668 | |
| 15.904 | Historic Preservation Fund Grants-In-Aid | 96,731 | 548,909 | 645,641 | |
| 15.916 | Outdoor Recreation Acquisition, Development and Planning | 1,003,684 | - | 1,003,684 | |
| 15.925 | National Maritime Heritage Grants | 106,143 | - | 106,143 | |
| [1] 15.931 | Conservation Activities by Youth Service Organizations | - | 69,360 | 69,360 | |
| 15.980 | National Ground-Water Monitoring Network | - | 37,106 | 37,106 | |
| 15.981 | Water Use and Data Research | - | 27,823 | 27,823 | |
| Fish and Wildlife Cluster | | | | | |
| 15.605 | Sport Fish Restoration | - | 3,712,505 | 3,712,505 | |
| 15.611 | Wildlife Restoration and Basic Hunter Education | 176,568 | 8,873,751 | 9,050,319 | |
| Fish and Wildlife Cluster Total | | 176,568 | 12,586,256 | 12,762,824 | |
| **Department of the Interior Total** | | 2,828,019 | 14,815,321 | 17,643,340 | |
| **Department of Justice** | | | | | |
| 16.017 | Sexual Assault Services Formula Program | 268,084 | - | 268,084 | |
| 16.540 | Juvenile Justice and Delinquency Prevention | - | 287,794 | 287,794 | |
| 16.543 | Missing Children's Assistance | - | 180,514 | 180,514 | |
| 16.550 | State Justice Statistics Program for Statistical Analysis Centers | - | 40,345 | 40,345 | |
| 16.554 | National Criminal History Improvement Program (NCHIP) | - | 1,075,339 | 1,075,339 | |
| 16.560 | National Institute of Justice Research, Evaluation, and Development Project Grants | - | 17,932 | 17,932 | |

**STATE OF MAINE**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2019**

**Federal Agency**

| CFDA# | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | CFDA Total | |
|---|---|---|---|---|---|
| 16.575 | Crime Victim Assistance | 7,885,946 | 688,017 | 8,573,963 | |
| 16.576 | Crime Victim Compensation | - | 222,428 | 222,428 | |
| 16.582 | Crime Victim Assistance/Discretionary Grants | - | 6,191 | 6,191 | |
| 16.588 | Violence Against Women Formula Grants | - | 911,751 | 911,751 | |
| [2] 16.590 | Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program | - | 1,477 | 1,477 | |
| 16.593 | Residential Substance Abuse Treatment for State Prisoners | - | 3,058 | 3,058 | |
| 16.606 | State Criminal Alien Assistance Program | - | 125,296 | 125,296 | |
| 16.609 | Project Safe Neighborhoods | - | 827 | 827 | |
| 16.710 | Public Safety Partnership and Community Policing Grants | - | 89,146 | 89,146 | |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | - | 692,827 | 692,827 | |
| 16.741 | DNA Backlog Reduction Program | - | 542,711 | 542,711 | |
| 16.742 | Paul Coverdell Forensic Sciences Improvement Grant Program | - | 103,375 | 103,375 | |
| 16.751 | Edward Byrne Memorial Competitive Grant Program | - | 8,057 | 8,057 | |
| 16.812 | Second Chance Act Reentry Initiative | - | 37,352 | 37,352 | |
| 16.816 | John R. Justice Prosecutors and Defenders Incentive Act | - | 29,679 | 29,679 | |
| 16.922 | Equitable Sharing Program | - | 477,683 | 477,683 | |
| **Department of Justice Total** | | 8,154,030 | 5,541,799 | 13,695,828 | |
| | | | | | |
| **Department of Labor** | | | | | |
| 17.002 | Labor Force Statistics | - | 1,007,650 | 1,007,650 | |
| 17.005 | Compensation and Working Conditions | - | 161,969 | 161,969 | |
| 17.225 | Unemployment Insurance | 1,374,346 | 99,898,245 | 101,272,591 | * |
| 17.245 | Trade Adjustment Assistance | - | 1,049,612 | 1,049,612 | |
| 17.261 | WIA/WIOA Pilots, Demonstrations, and Research Projects | - | 298,352 | 298,352 | |
| 17.271 | Work Opportunity Tax Credit Program (WOTC) | - | 77,422 | 77,422 | |
| 17.273 | Temporary Labor Certification for Foreign Workers | - | 276,991 | 276,991 | |
| 17.277 | WIOA National Dislocated Worker Grants / WIA National Emergency Grants | 46,174 | 157,887 | 204,062 | |
| 17.281 | WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training | - | 4,238 | 4,238 | |
| 17.285 | Apprenticeship USA Grants | - | 134,118 | 134,118 | |
| 17.503 | Occupational Safety and Health State Program | - | 514,270 | 514,270 | |
| 17.504 | Consultation Agreements | - | 647,009 | 647,009 | |
| 17.600 | Mine Health and Safety Grants | - | 103,447 | 103,447 | |
| WIOA Cluster | | | | | |
| 17.258 | WIA/WIOA Adult Program | 2,015,647 | 338,020 | 2,353,667 | |
| 17.259 | WIA/WIOA Youth Activities | 1,758,754 | 421,408 | 2,180,162 | |
| 17.278 | WIA/WIOA Dislocated Worker Formula Grants | 1,465,365 | 1,007,842 | 2,473,207 | |
| WIOA Cluster Total | | 5,239,766 | 1,767,271 | 7,007,037 | |
| Employment Service Cluster | | | | | |
| 17.207 | Employment Service/Wagner-Peyser Funded Activities | - | 3,829,727 | 3,829,727 | |
| 17.801 | Disabled Veterans' Outreach Program (DVOP) | - | 539,549 | 539,549 | |
| 17.804 | Local Veterans' Employment Representative Program | - | 464,368 | 464,368 | |
| Employment Service Cluster Total | | - | 4,833,645 | 4,833,645 | |
| **Department of Labor Total** | | 6,660,287 | 110,932,125 | 117,592,412 | |
| | | | | | |
| **Department of Transportation** | | | | | |
| 20.106 | Airport Improvement Program | - | 176,931 | 176,931 | |
| 20.218 | Motor Carrier Safety Assistance | - | 1,229,275 | 1,229,275 | |
| 20.237 | Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements | - | 562,210 | 562,210 | |
| 20.505 | Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | - | 98,565 | 98,565 | |
| 20.509 | Formula Grants for Rural Areas | - | 7,969,895 | 7,969,895 | |

**STATE OF MAINE**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2019**

**Federal Agency**

| CFDA# | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | CFDA Total |
|---|---|---|---|---|
| 20.520 | Paul S. Sarbanes Transit in the Parks | - | 62 | 62 |
| 20.614 | National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants | - | 33,705 | 33,705 |
| 20.700 | Pipeline Safety Program State Base Grant | - | 449,473 | 449,473 |
| 20.703 | Interagency Hazardous Materials Public Sector Training and Planning Grants | 163,821 | - | 163,821 |
| 20.721 | PHMSA Pipeline Safety Program One Call Grant | - | 44,634 | 44,634 |
| 20.933 | National Infrastructure Investments | - | 2,890,445 | 2,890,445 |
| 20.934 | Nationally Significant Freight and Highway Projects | - | 123,007 | 123,007 |
| Transit Services Programs Cluster | | | | |
| 20.513 | Enhanced Mobility of Seniors and Individuals with Disabilities | - | 584,232 | 584,232 |
| Transit Services Programs Cluster Total | | - | 584,232 | 584,232 |
| Highway Safety Cluster | | | | |
| 20.600 | State and Community Highway Safety | 18,273 | 1,745,928 | 1,764,202 |
| 20.616 | National Priority Safety Programs | 164,396 | 3,571,318 | 3,735,714 |
| Highway Safety Cluster Total | | 182,669 | 5,317,246 | 5,499,915 |
| Highway Planning and Construction Cluster | | | | |
| 20.205 | Highway Planning and Construction | - | 186,940,185 | 186,940,185 |
| 20.219 | Recreational Trails Program | 806,955 | 105,585 | 912,539 |
| Highway Planning and Construction Cluster Total | | 806,955 | 187,045,770 | 187,852,725 |
| Federal Transit Cluster | | | | |
| 20.500 | Federal Transit Capital Investment Grants | - | 12,301 | 12,301 |
| 20.507 | Federal Transit Formula Grants | - | 538,187 | 538,187 |
| 20.526 | Bus and Bus Facilities Formula Program | - | 4,690,998 | 4,690,998 |
| Federal Transit Cluster Total | | - | 5,241,486 | 5,241,486 |
| **Department of Transportation Total** | | 1,153,445 | 211,766,935 | 212,920,380 |

| CFDA# | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | CFDA Total |
|---|---|---|---|---|
| **Department of the Treasury** | | | | |
| 21.U01 | NAEP Grant | - | 110,980 | 110,980 |
| **Department of the Treasury Total** | | - | 110,980 | 110,980 |
| **Equal Employment Opportunity Commission** | | | | |
| 30.001 | Employment Discrimination Title VII of the Civil Rights Act of 1964 | - | 192,196 | 192,196 |
| **Equal Employment Opportunity Commission Total** | | - | 192,196 | 192,196 |
| **Institute Of Museum And Library Services** | | | | |
| 45.310 | Grants to States | 25,100 | 1,392,499 | 1,417,599 |
| **Institute Of Museum And Library Services Total** | | 25,100 | 1,392,499 | 1,417,599 |
| **National Endowment For The Arts** | | | | |
| 45.025 | Promotion of the Arts Partnership Agreements | 348,025 | 397,048 | 745,073 |
| **National Endowment For The Arts Total** | | 348,025 | 397,048 | 745,073 |
| **National Endowment For The Humanities** | | | | |
| 45.149 | Promotion of the Humanities Division of Preservation and Access | - | 115,143 | 115,143 |
| **National Endowment For The Humanities Total** | | - | 115,143 | 115,143 |

**STATE OF MAINE**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2019**

| Federal Agency CFDA# | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | CFDA Total | |
|---|---|---|---|---|---|
| **National Science Foundation** | | | | | |
| 47.076 | Education and Human Resources | - | 75,055 | 75,055 | |
| **National Science Foundation Total** | | - | 75,055 | 75,055 | |
| **Department of Veterans Affairs** | | | | | |
| 64.U01 | Veterans Affairs | - | 714,885 | 714,885 | |
| **Department of Veterans Affairs Total** | | - | 714,885 | 714,885 | |
| **Environmental Protection Agency** | | | | | |
| 66.032 | State Indoor Radon Grants | - | 64,976 | 64,976 | |
| 66.034 | Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act | - | 253,771 | 253,771 | |
| 66.040 | State Clean Diesel Grant Program | 138,562 | - | 138,562 | |
| 66.432 | State Public Water System Supervision | - | 833,773 | 833,773 | |
| 66.454 | Water Quality Management Planning | 22,442 | 92,086 | 114,529 | |
| 66.461 | Regional Wetland Program Development Grants | - | 112,931 | 112,931 | |
| 66.472 | Beach Monitoring and Notification Program Implementation Grants | 79,169 | 140,876 | 220,044 | |
| 66.605 | Performance Partnership Grants | 901,969 | 5,889,005 | 6,790,974 | |
| 66.802 | Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | - | 69,877 | 69,877 | |
| 66.804 | Underground Storage Tank Prevention, Detection and Compliance Program | - | 283,295 | 283,295 | |
| 66.805 | Leaking Underground Storage Tank Trust Fund Corrective Action Program | - | 722,809 | 722,809 | |
| 66.809 | Superfund State and Indian Tribe Core Program Cooperative Agreements | - | 132,007 | 132,007 | |
| 66.817 | State and Tribal Response Program Grants | - | 885,149 | 885,149 | |
| 66.818 | Brownfields Assessment and Cleanup Cooperative Agreements | 169,031 | 30,680 | 199,711 | |
| Drinking Water State Revolving Fund Cluster | | | | | |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds | - | 1,411,675 | 1,411,675 | |
| Drinking Water State Revolving Fund Cluster Total | | - | 1,411,675 | 1,411,675 | |
| **Environmental Protection Agency Total** | | 1,311,174 | 10,922,910 | 12,234,083 | |
| **Department of Energy** | | | | | |
| 81.041 | State Energy Program | - | 352,671 | 352,671 | |
| 81.119 | State Energy Program Special Projects | - | 184,706 | 184,706 | |
| 81.138 | State Heating Oil and Propane Program | - | 8,552 | 8,552 | |
| **Department of Energy Total** | | - | 545,928 | 545,928 | |
| **Department of Education** | | | | | |
| 84.002 | Adult Education - Basic Grants to States | 1,139,262 | 285,627 | 1,424,889 | |
| 84.010 | Title I Grants to Local Educational Agencies | 47,333,948 | 1,563,965 | 48,897,912 | |
| 84.011 | Migrant Education State Grant Program | 876,216 | 162,494 | 1,038,710 | |
| 84.013 | Title I State Agency Program for Neglected and Delinquent Children and Youth | - | 210,597 | 210,597 | |
| 84.048 | Career and Technical Education -- Basic Grants to States | 5,217,575 | 705,294 | 5,922,870 | |
| 84.126 | Rehabilitation Services Vocational Rehabilitation Grants to States | - | 17,462,245 | 17,462,245 | * |
| 84.144 | Migrant Education Coordination Program | 18,056 | 96,664 | 114,719 | |
| 84.161 | Rehabilitation Services Client Assistance Program | - | 135,383 | 135,383 | |
| 84.177 | Rehabilitation Services Independent Living Services for Older Individuals Who are Blind | - | 269,451 | 269,451 | |
| 84.181 | Special Education-Grants for Infants and Families | 2,301,955 | - | 2,301,955 | |

**STATE OF MAINE**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2019**

**Federal Agency**

| CFDA# | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | CFDA Total |
|---|---|---|---|---|
| 84.184 | School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs) | - | 18,106 | 18,106 |
| 84.187 | Supported Employment Services for Individuals with the Most Significant Disabilities | - | 69,960 | 69,960 |
| 84.196 | Education for Homeless Children and Youth | 70,276 | 108,153 | 178,429 |
| 84.287 | Twenty-First Century Community Learning Centers | 4,484,422 | 277,907 | 4,762,329 |
| 84.323 | Special Education - State Personnel Development | - | 67,127 | 67,127 |
| 84.358 | Rural Education | 1,353,879 | 106,577 | 1,460,456 |
| 84.365 | English Language Acquisition State Grants | 519,062 | 217,088 | 736,150 |
| 84.366 | Mathematics and Science Partnerships | 158,443 | 2,385 | 160,828 |
| 84.367 | Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants) | 8,785,190 | 333,570 | 9,118,760 |
| 84.369 | Grants for State Assessments and Related Activities | - | 3,820,237 | 3,820,237 |
| 84.377 | School Improvement Grants | 532,496 | 45,347 | 577,842 |
| 84.419 | Preschool Development Grants | 2,060,944 | 620,401 | 2,681,345 |
| 84.421 | Disability Innovation Fund (DIF) | 1,282,732 | 429,988 | 1,712,720 |
| 84.424 | Student Support and Academic Enrichment Program | 3,114,635 | 134,389 | 3,249,025 |
| Special Education Cluster (IDEA) | | | | |
| 84.027 | Special Education Grants to States | 52,118,001 | 4,030,101 | 56,148,102 |
| 84.173 | Special Education Preschool Grants | 2,577,115 | 4,981 | 2,582,096 |
| Special Education Cluster (IDEA) Total | | 54,695,115 | 4,035,083 | 58,730,198 |
| **Department of Education Total** | | 133,944,206 | 31,178,036 | 165,122,242 |
| **U.S. Election Assistance Commission** | | | | |
| 90.401 | Help America Vote Act Requirements Payments | - | 9,733 | 9,733 |
| **U.S. Election Assistance Commission Total** | | - | 9,733 | 9,733 |
| **Northern Border Regional Commission** | | | | |
| 90.601 | Northern Border Regional Development | - | 135,562 | 135,562 |
| **Northern Border Regional Commission Total** | | - | 135,562 | 135,562 |
| **Department of Health And Human Services** | | | | |
| 93.041 | Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 14,789 | 7,882 | 22,672 |
| 93.042 | Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals | 75,766 | - | 75,766 |
| 93.043 | Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services | 143,117 | - | 143,117 |
| 93.048 | Special Programs for the Aging Title IV and Title II Discretionary Projects | 215,274 | 29,346 | 244,620 |
| 93.052 | National Family Caregiver Support, Title III, Part E | 923,197 | 6,209 | 929,406 |
| 93.070 | Environmental Public Health and Emergency Response | - | 1,414,995 | 1,414,995 |
| 93.071 | Medicare Enrollment Assistance Program | 176,745 | 27,590 | 204,334 |
| 93.074 | Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements | - | 5,249,475 | 5,249,475 |
| 93.079 | Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance | - | 72,467 | 72,467 |
| 93.090 | Guardianship Assistance | - | 526,726 | 526,726 |
| 93.092 | Affordable Care Act (ACA) Personal Responsibility Education Program | 136,924 | - | 136,924 |
| 93.103 | Food and Drug Administration Research | - | 685,699 | 685,699 |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | - | 112,703 | 112,703 |
| 93.116 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | - | 170,235 | 170,235 |

**STATE OF MAINE**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2019**

**Federal Agency**

| CFDA# | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | CFDA Total | |
|---|---|---|---|---|---|
| 93.127 | Emergency Medical Services for Children | - | 90,741 | 90,741 | |
| 93.130 | Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | - | 262,116 | 262,116 | |
| 93.136 | Injury Prevention and Control Research and State and Community Based Programs | 226,161 | 1,144,054 | 1,370,216 | |
| 93.150 | Projects for Assistance in Transition from Homelessness (PATH) | 327,321 | - | 327,321 | |
| 93.165 | Grants to States for Loan Repayment Program | - | 170,000 | 170,000 | |
| 93.197 | Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children | - | 424,278 | 424,278 | |
| 93.234 | Traumatic Brain Injury State Demonstration Grant Program | - | 75,868 | 75,868 | |
| 93.241 | State Rural Hospital Flexibility Program | - | 444,955 | 444,955 | |
| 93.243 | Substance Abuse and Mental Health Services Projects of Regional and National Significance | 74,079 | 3,578,520 | 3,652,600 | |
| 93.268 | Immunization Cooperative Agreements | - | 16,597,273 | 16,597,273 | * |
| 93.270 | Adult Viral Hepatitis Prevention and Control | - | 106,765 | 106,765 | |
| 93.283 | Centers for Disease Control and Prevention Investigations and Technical Assistance | - | 146,982 | 146,982 | |
| 93.301 | Small Rural Hospital Improvement Grant Program | - | 154,745 | 154,745 | |
| 93.305 | National State Based Tobacco Control Programs | - | 700,654 | 700,654 | |
| 93.314 | Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program | - | 91,835 | 91,835 | |
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | - | 1,479,578 | 1,479,578 | |
| 93.324 | State Health Insurance Assistance Program | 342,755 | 68,419 | 411,174 | |
| 93.336 | Behavioral Risk Factor Surveillance System | - | 192,088 | 192,088 | |
| 93.354 | Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | - | 275,370 | 275,370 | |
| 93.369 | ACL Independent Living State Grants | 353,587 | - | 353,587 | |
| 93.426 | Improving the Prevention and Management of Diabetes and Cardiovascular Disease | - | 574,251 | 574,251 | |
| 93.434 | Preschool Development Grants | - | 82,563 | 82,563 | |
| 93.464 | ACL Assistive Technology | 334,717 | 112,196 | 446,914 | |
| 93.521 | The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF | - | 292,942 | 292,942 | |
| 93.539 | PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds | - | 353,538 | 353,538 | |
| 93.556 | Promoting Safe and Stable Families | 547,702 | 712,248 | 1,259,951 | |
| 93.563 | Child Support Enforcement | - | 19,198,106 | 19,198,106 | * |
| 93.566 | Refugee and Entrant Assistance State Administered Programs | - | 459 | 459 | |
| 93.569 | Community Services Block Grant | 3,371,784 | 262,111 | 3,633,895 | |
| 93.586 | State Court Improvement Program | - | 332,278 | 332,278 | |
| 93.597 | Grants to States for Access and Visitation Programs | - | 95,054 | 95,054 | |
| 93.599 | Chafee Education and Training Vouchers Program (ETV) | - | 149,876 | 149,876 | |
| 93.600 | Head Start | - | 164,647 | 164,647 | |
| 93.603 | Adoption and Legal Guardianship Incentive Payments | 31,154 | 77,275 | 108,428 | |
| 93.630 | Developmental Disabilities Basic Support and Advocacy Grants | 499,154 | - | 499,154 | |
| 93.643 | Children's Justice Grants to States | 157,736 | 26,461 | 184,197 | |
| 93.645 | Stephanie Tubbs Jones Child Welfare Services Program | 567,142 | 394,860 | 962,002 | |
| 93.658 | Foster Care Title IV-E | - | 22,038,297 | 22,038,297 | |
| 93.659 | Adoption Assistance | - | 19,718,190 | 19,718,190 | |
| 93.667 | Social Services Block Grant | 6,132,632 | 302,399 | 6,435,030 | |
| 93.669 | Child Abuse and Neglect State Grants | - | 59,195 | 59,195 | |
| 93.671 | Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | 852,226 | 17,940 | 870,166 | |
| 93.674 | Chafee Foster Care Independence Program | 177,665 | 288,071 | 465,736 | |
| 93.735 | State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF) | - | 48,929 | 48,929 | |
| 93.747 | Elder Abuse Prevention Interventions Program | - | 22,401 | 22,401 | |

**Federal Agency**

| CFDA# | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | CFDA Total | |
|---|---|---|---|---|---|
| 93.757 | State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF) | - | 347,472 | 347,472 | |
| 93.758 | Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) | 14,851 | 1,489,620 | 1,504,470 | |
| 93.767 | Children's Health Insurance Program | - | 35,412,995 | 35,412,995 | * |
| 93.788 | Opioid STR | 1,915,101 | 511,696 | 2,426,797 | |
| 93.791 | Money Follows the Person Rebalancing Demonstration | 326,744 | 385,158 | 711,902 | |
| 93.815 | Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC). | - | 64,276 | 64,276 | |
| 93.817 | Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities | - | 170,243 | 170,243 | |
| 93.898 | Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations | 19,739 | 1,906,526 | 1,926,265 | |
| 93.913 | Grants to States for Operation of State Offices of Rural Health | - | 203,180 | 203,180 | |
| 93.917 | HIV Care Formula Grants | 141,753 | 2,924,413 | 3,066,166 | |
| 93.940 | HIV Prevention Activities Health Department Based | 144,967 | 367,565 | 512,532 | |
| 93.944 | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance | - | 140,070 | 140,070 | |
| 93.945 | Assistance Programs for Chronic Disease Prevention and Control | - | 182,286 | 182,286 | |
| 93.958 | Block Grants for Community Mental Health Services | 1,947,143 | 241,793 | 2,188,935 | |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | 6,726,612 | 2,746,020 | 9,472,632 | |
| 93.977 | Preventive Health Services Sexually Transmitted Diseases Control Grants | 74,917 | 108,595 | 183,513 | |
| 93.994 | Maternal and Child Health Services Block Grant to the States | 162,960 | 2,712,321 | 2,875,281 | |
| TANF Cluster | | | | | |
| 93.558 | Temporary Assistance for Needy Families | 26,374,821 | 44,064,001 | 70,438,822 | * |
| TANF Cluster Total | | 26,374,821 | 44,064,001 | 70,438,822 | |
| Medicaid Cluster | | | | | |
| 93.775 | State Medicaid Fraud Control Units | - | 864,145 | 864,145 | * |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | - | 4,456,359 | 4,456,359 | * |
| 93.778 | Medical Assistance Program | 1,574,071 | 1,961,323,166 | 1,962,897,237 | * |
| Medicaid Cluster Total | | 1,574,071 | 1,966,643,670 | 1,968,217,742 | |
| Maternal, Infant, and Early Childhood Home Visiting Cluster | | | | | |
| 93.870 | Maternal, Infant and Early Childhood Home Visiting Grant Program | 4,446,845 | 115,860 | 4,562,705 | |
| Maternal, Infant, and Early Childhood Home Visiting Cluster Total | | 4,446,845 | 115,860 | 4,562,705 | |
| CCDF Cluster | | | | | |
| 93.575 | Child Care and Development Block Grant | - | 19,566,865 | 19,566,865 | |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | - | 10,909,162 | 10,909,162 | |
| CCDF Cluster Total | | - | 30,476,027 | 30,476,027 | |
| Aging Cluster | | | | | |
| 93.044 | Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers | 2,344,214 | 349,718 | 2,693,932 | |
| 93.045 | Special Programs for the Aging Title III, Part C Nutrition Services | 3,416,973 | 24,529 | 3,441,502 | |
| 93.053 | Nutrition Services Incentive Program | 545,603 | - | 545,603 | |
| Aging Cluster Total | | 6,306,789 | 374,248 | 6,681,037 | |
| **Department of Health And Human Services Total** | | 65,858,940 | 2,191,219,893 | 2,257,078,833 | |

| CFDA# | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | CFDA Total |
|---|---|---|---|---|
| **Corporation For National And Community Service** | | | | |
| 94.003 | State Commissions | - | 264,322 | 264,322 |
| 94.006 | AmeriCorps | 1,115,506 | 413,866 | 1,529,372 |
| 94.009 | Training and Technical Assistance | - | 125,235 | 125,235 |
| 94.021 | Volunteer Generation Fund | 84,092 | 38,172 | 122,264 |
| 94.241 | State Rural Hospital Flexibility Program | - | - | - |
| **Corporation For National And Community Service Total** | | 1,199,598 | 841,595 | 2,041,193 |

**STATE OF MAINE**
**Schedule of Expenditures of Federal Awards**
**For the Year Ended June 30, 2019**

**Federal Agency**

| CFDA# | Clusters and Program Titles | Amounts Provided to Subrecipients** | Direct Expenditures | CFDA Total | |
|---|---|---|---|---|---|
| **Social Security Administration** | | | | | |
| Disability Insurance/SSI Cluster | | | | | |
| 96.001 | Social Security Disability Insurance | - | 7,804,795 | 7,804,795 | |
| Disability Insurance/SSI Cluster Total | | - | 7,804,795 | 7,804,795 | |
| **Social Security Administration Total** | | - | 7,804,795 | 7,804,795 | |
| **Department of Homeland Security** | | | | | |
| 97.012 | Boating Safety Financial Assistance | - | 1,322,790 | 1,322,790 | |
| 97.036 | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 5,606,029 | 1,238,603 | 6,844,632 | * |
| 97.039 | Hazard Mitigation Grant | 263,615 | 6,504 | 270,119 | |
| 97.041 | National Dam Safety Program | - | 78,667 | 78,667 | |
| 97.042 | Emergency Management Performance Grants | 1,849,236 | 1,645,175 | 3,494,411 | |
| 97.045 | Cooperating Technical Partners | - | 161,996 | 161,996 | |
| 97.047 | Pre-Disaster Mitigation | 38,382 | 19,567 | 57,949 | |
| 97.056 | Port Security Grant Program | - | 246,068 | 246,068 | |
| 97.067 | Homeland Security Grant Program | 2,885,189 | 1,373,252 | 4,258,442 | |
| **Department of Homeland Security Total** | | 10,642,452 | 6,092,621 | 16,735,073 | |
| **Total** | **Federal Expenditures** | **336,912,308** | **2,862,236,790** | **3,199,149,098** | |

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

[1] 15.931 Appalachian Trail Commission
[2] 16.590 Cumberland Cty
[3] 11.427 Atlantic Offshore Lobstermen's Assoc.
[4] 11.473 NERACOOS & TNC
[5] 11.474 Atlantic State Marine Fisheries Commission

# STATE OF MAINE
## Notes to the Schedule of Expenditures of Federal Awards
## For the Year Ended June 30, 2019

**Purpose of the Schedule**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the State's basic financial statements (BFS) and is presented for purposes of additional analysis. Total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA) are shown. Federal financial assistance programs, which have not been assigned a CFDA number, have been identified using the two-digit federal agency number and a suffix containing a "U". Federal award amounts aggregated by federal agency, direct and pass-through amounts are reported by the primary recipient to prevent overstatement of expenditures of federal awards. This schedule is required by *Title 2 U.S. Code of Federal Regulations §200, Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

**1. Significant Accounting Policies**

A. *Reporting Entity* – The reporting entity is defined in Note 1 to the BFS. The accompanying Schedule includes all federal financial assistance programs of the State of Maine reporting entity for the fiscal year ended June 30, 2019, with the exception of the discrete component units identified in Note 1 to the BFS. The discrete component units engaged other auditors.

B. *Basis of Presentation* – The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance.

   1) Federal Awards – A federal award is defined by the Uniform Guidance as federal financial assistance and federal cost-reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance. Accordingly, non-cash federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

   2) Type A and Type B Programs – Levels of expenditures to be used in defining Type A and Type B federal financial assistance programs are specified by the Uniform Guidance. Type A programs for the State of Maine are those programs that equal or exceed $9.6 million in expenditures, distributions, or issuances for the year ended June 30, 2019. Programs audited as major programs are marked with asterisks in the accompanying schedule.

C. *Basis of Accounting* – The information presented in the Schedule of Expenditures of Federal Awards is presented primarily on the cash basis of accounting, which is consistent with the other Federal grant reports. The fund level financial statements are reported on the modified accrual basis of accounting. Consequently, the schedule's data may not be directly traceable to the financial statements.

## 2. Indirect Costs

The State of Maine did not elect to use the 10% de minimis indirect cost rate with the exception of the following program:

20.700 Pipeline Safety Program State Base Grant

## 3. Unemployment Insurance Program

The expenditures reported on the Schedule for Unemployment Insurance (CFDA 17.225) include:

| | |
|---|---|
| State Funds | $82,772,268 |
| Federal Funds | 18,500,323 |
| Total | $101,272,591 |

## 4. Noncash Awards

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

| CFDA Number | Program Title | Noncash Awards |
|---|---|---|
| 10.551 | SNAP (Supplemental Nutrition Assistance Program) | $205,842,969 |
| 10.555 | National School Lunch Program | $4,998,517 |
| 10.565 | Commodity Supplemental Food Program | $2,608,746 |
| 10.569 | Emergency Food Assistance Program | $3,189,416 |
| 10.664 | Cooperative Forestry Assistance | $443,814 |
| 12.401 | National Guard Military Operations & Maint. Proj. | $348,222 |
| 39.003 | Donation of Federal Surplus Personal Property | $167,735 |
| 93.268 | Immunization Grants | $14,373,125 |

# STATE OF MAINE
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE YEAR ENDED JUNE 30, 2019

## Section I – Summary of Auditor’s Results

# SECTION I – SUMMARY OF AUDITOR'S RESULTS

***<u>Financial Statements:</u>***

| | | |
|---|---|---|
| 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 ☑ |

***<u>Federal Awards:</u>***

| | | |
|---|---|---|
| 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>
Child Nutrition Cluster
Child Support Enforcement
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
National Guard Military Operations and Maintenance (O&M) Projects

<u>Qualified</u>
Children's Health Insurance Program
Continuum of Care Program
Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Immunization Cooperative Agreements
Medicaid Cluster
Rehabilitation Services - Vocational Rehabilitation Grants to States
SNAP Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children
TANF Cluster
Unemployment Insurance

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

***<u>Clusters Identified as Major Programs:</u>***

| **CFDA #** | **Name of Federal Program or Cluster** |
|---|---|
| SNAP Cluster | |
| 10.551 | Supplemental Nutrition Assistance Program |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program |

Child Nutrition Cluster

| | |
|---|---|
| 10.555 | National School Lunch Program |
| 10.559 | Summer Food Service Program for Children |

TANF Cluster

| | |
|---|---|
| 93.558 | Temporary Assistance for Needy Families |

Medicaid Cluster

| | |
|---|---|
| 93.775 | State Medicaid Fraud Control Units |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare |
| 93.778 | Medical Assistance Program |

***<u>Other Major Programs:</u>***

| | |
|---|---|
| 10.557 | Special Supplemental Nutrition Program for Women, Infants, and Children |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects |
| 14.228 | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii |
| 14.267 | Continuum of Care Program |
| 17.225 | Unemployment Insurance |
| 84.126 | Rehabilitation Services - Vocational Rehabilitation Grants to States |
| 93.268 | Immunization Cooperative Agreements |
| 93.563 | Child Support Enforcement |
| 93.767 | Children's Health Insurance Program |
| 97.036 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) |

Dollar threshold used to distinguish between type A and type B programs: $9,597,447

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

***<u>Summary of Questioned Costs:</u>***

| **Federal Agency** | **Federal Program** | **Known Questioned Costs** | **Finding Number** |
|---|---|---|---|
| U.S. Department of Agriculture | SNAP Cluster | Undeterminable<br>$261 | 2019-011<br>2019-012 |
| U.S. Department of Health and Human Services | TANF Cluster | $1,120 | 2019-040 |
| | Medicaid Cluster | Undeterminable<br>$86<br>$9,047,317<br>$19 | 2019-045<br>2019-050<br>2019-053<br>2019-054 |
| U.S. Department of Labor | Unemployment Insurance | $0 | 2019-027 |

# STATE OF MAINE
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE YEAR ENDED JUNE 30, 2019

## Section II – Financial Statement Findings

**(2019-001)** Confidential finding

**Title:** ________ does not have a ________ in place (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| Redacted | Redacted | Redacted | | | | | |

**State Department:** Administrative and Financial Services
**State Bureau:** Maine Revenue Services

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** ________; ________

**Condition:** ________ does not have a ________ related to the ________. The purpose of a ________ is to ________ and ________ in the event of a ________ or ________. ________ is in the process of developing a ________ and is seeking ________.

**Context:** ________ is used by ________ to ________ and ________. This includes the ________ and ________ of ________.

**Cause:** Lack of resources

**Effect:**

- ________
- ________
- ________

**Recommendation:** We recommend that the Department develop a ________ that will ________ their ________. Additionally, we recommend that ________, ________, ________, ________, and ________ in accordance with ________.

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

**Management's Response:** MRS agrees with the finding. The development and implementation of ________ for all MRS ________, including ________, is a priority. MRS will continue to work closely with ________ to ________ and ________, which is MRS' ________.

**Contact:** Derek Higgins, Director of Accounting/Financial Risk Manager, MRS, 207-624-9738

**(State Number: 19-0903-01)**

**(2019-002)**

**Title:** Internal control over the physical inventory of fixed assets needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| | | | | | | | |

**State Department:** Administrative and Financial Services (DAFS)
Environmental Protection (DEP)
Health and Human Services (DHHS)
Transportation (DOT)
**State Bureau:** Office of the State Controller, a Unit of DAFS
Health and Human Services Service Center, a Unit of DAFS
Division of Resource Administration, a Division of DEP
Center for Disease Control and Prevention, Division of Disease Surveillance, a Unit of DHHS
Finance and Administration, a Bureau of DOT

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** State Administrative and Accounting Manual 30.45

**Condition:** Unless otherwise approved by the Office of the State Controller (OSC), agencies must conduct physical inventories annually for all inventorial assets except stationary assets such as land, infrastructure, buildings, improvements other than buildings, and leasehold improvements. During our testing of fixed assets, three of the five departments audited did not have adequate procedures in place to ensure physical inventory counts of equipment were performed in accordance with the State Administrative and Accounting Manual (SAAM). The following exceptions were noted:

- The Department of Transportation (DOT) does not perform physical counts of equipment consistently. Additionally, during one physical count, DOT personnel requested that four fixed assets be removed from the fixed asset listing because they were disposed of between four to ten years ago.
- The Department of Environmental Protection (DEP) does not perform physical counts of equipment.
- The Department of Health and Human Services (DHHS) is unable to perform an accurate physical count of equipment. DHHS personnel receive a fixed asset listing generated from the State accounting system that does not provide adequate detail for DHHS personnel to accurately identify specific fixed assets. DHHS, including its Service Center, does not maintain a separate internal listing of equipment inventory for tracking purposes.

**Context:** Capitalized equipment for DOT, DEP and DHHS totaled $34.1 million during fiscal year 2019.

**Cause:**

- Staff turnover
- Lack of training
- Lack of adequate documentation
- Lack of supervisory oversight

**Effect:**

- Asset balances and accumulated depreciation recorded in the State's financial statements may be misstated.
- Fixed assets recorded in the State's accounting system and subsidiary ledgers are not accurate.
- Fixed assets could be lost or stolen and not be detected.

**Recommendation:** We recommend that the OSC provide training to departments to ensure that proper annual inventories are conducted. We further recommend that the OSC strengthen monitoring procedures that will ensure accurate financial reporting of fixed assets.

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

**Management's Response:**

Department of Transportation's Response:
DOT disagrees with the condition stated in this finding. While there were a few instances of assets not being timely disposed of, DOT does have proper procedures in place to ensure physical inventory counts of equipment are performed. The DOT personnel in question confirmed that they do in fact perform a physical inventory and in cases where the equipment isn't always visible, such as underground fuel tanks, the regions have processes in place to monitor the fuel levels; thereby, confirming that the asset still exists.

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

Department of Environmental Protection's Response:
DEP partially agrees with the condition stated in this finding. The responsibility for the inventorying of assets has been recently re-assigned from the Natural Resources Service Center to DEP's Division of Resource Administration. While physical counts have been conducted, the underlying inventory records still require updating. DEP has begun this task and is targeting a completion date during calendar year 2020.

**Contact:** Sherrie Kelley, Director of Resource Administration, DEP, 207-287-4852

Department of Health and Human Services and the DHHS Service Center's Response:
DHHS and the DHHS Service Center agree with the condition stated in this finding. DHHS will designate/assign personnel from the different offices to take a physical inventory annually and report that information on an inventory tracking sheet to the DHHS Service Center. The DHHS Service Center will facilitate this and review the information before submission to the Controller's Office.

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

<u>Office of the State Controller's Response:</u>
OSC provides training to agencies regarding inventory procedures on an ad hoc basis. We will perform annual outreach to affected agencies through "pre-closing" meetings to ensure that agencies have a documented inventory schedule that complies with the SAAM and provide additional training where necessary.

**Contact:** Shirley Browne, Deputy State Controller, OSC, 207-626-8420

**Auditor's Concluding Remarks:** We continue to recommend that the Departments work with OSC to ensure that proper physical inventories are conducted annually and that the results of those physical inventories are properly reflected in the State accounting system or subsidiary ledgers to ensure accurate financial reporting of fixed assets. The finding remains as stated.

**(State Number: 19-0600-02)**

**(2019-003)** Confidential finding

**Title:** ________ is uniquely an imperative for ________ (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| | | | | | | | |

**State Department:** ________
________

**State Bureau:** ________

**Type of Finding:** Significant deficiency

**Questioned Costs:** ________

**Criteria:** ________; ________; ________

**Condition:** In accordance with ________, ________ should provide ________. ________ prevent ________ from occurring. ________ involves ________. ________ also includes ________.

The Office of the State Auditor became aware of a ________ while testing ________ for fiscal year 2019. ________. ________ are outlined below:

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

**Context:** In relation to the ________ identified above, the following ________ occurred ________:

- ________
- ________
- ________
  - ________
  - ________

**Cause:**

- ________
- Adequate ________ related to ________ were not in place.

**Effect:**

- ________
- ________
- Actual ________ with ________

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

- require ________.
- conduct an evaluation of the ________ in the circumstances outlined in the Condition of this finding.

Implementing additional ________ will help ensure that ________.

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

**Management's Response:** The Departments agree with this finding. The key matter in question is the ________ and ________ caused primarily by ________. These ________ are currently ________. It is Management's intention to conclude this ________ and then ________.

**Contact:** ________

**(State Number: 19-0208-01)**

**(2019-004)**

**Title:** Internal control over the valuation of allowances for uncollectible accounts needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| ML 18-0308-01 | ML 17-0308-01 | ML 16-0308-01 | ML 15-0308-01 | ML 14-0308-01 | ML 13-0308-01 | ML 12-0308-01 | |

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

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** State Administrative and Accounting Manual 80.30.05; AICPA Statements on Auditing Standards AU-C Section 540, Auditing Accounting Estimates

**Condition:** Accounting and reporting activities of the State of Maine are required by statute to conform to U.S. Generally Accepted Accounting Principles (GAAP). Specifically, accounting estimates used to prepare the financial statements require the use of judgement by management based on actual knowledge and experience and supported by historical and current data. The assumptions used to estimate the allowances for uncollectible accounts related to unemployment insurance are arbitrary and not supported by evidence-based analysis.

Information provided to auditors indicate that unemployment insurance (UI) receivables for Employment Security (also known as the UI Trust Fund, a proprietary fund as defined by the Governmental Accounting Standards Board) total $57.2 million as of June 30, 2019, reduced by the estimated allowance for uncollectible accounts of $29.2 million, resulting in management's presentation of $28.0 million in unemployment insurance receivables.

As of June 30, 2019, a subledger accounts receivable balance not reduced for estimated uncollectible amounts; and not including the estimate of post-June 30, 2019 cash receipts applicable to fiscal year 2019; was $32.5 million. The State valued assets for the State financial statements by estimating that only $3.2 million of the $32.5 million is collectible. These receivables are benefit overpayment receivables from individuals, and receivables from employers that owe unemployment taxes to the Unemployment Insurance Trust Fund.

The calculation of the allowance for uncollectible accounts is based on the following unproven assumptions:

Benefit Overpayment Receivables

| | |
|---|---|
| Less than One Year Overdue | 100% of receivable dollars are considered collectible for amounts less than one year old. |
| One Year Overdue | 100% of receivable dollars is the assumed unproven basis for estimating the allowance for uncollectible accounts. |

Unemployment Taxes Receivable
All but the current year receivables are included in the estimate of the allowance for uncollectible accounts.

Department of Labor (DOL) personnel asserted to auditors that ReEmployME, the relatively new information system partially deployed in December 2017 and fully implemented in fiscal year 2019 used to calculate and store unemployment insurance information for the DOL is not capable of producing a Receivables Report that lists all individual receivable records for each debtor as of a past calendar date, with separate columns for the aging of the receivable. Examples of various aging periods are:

- Current
- 1 to 30 days overdue
- 31 to 60 days overdue
- 61 to 90 days overdue
- 91 to 180 days overdue
- 181 to 365 days overdue
- Over one year, but less than two years overdue
- Two years or more

It has been approximately fifteen years that the computer system has been identified as the cause of this missing management tool including when the Legacy System was in place prior to December 2017. The information needed to be included on this report is stored in ReEmployME.

In addition, we noted the following:

- Personnel within the Department of Administrative and Financial Services (DAFS) perform a five-year trend analysis of the Employment Security Trust Fund (the proprietary fund) benefit receivables and related write-offs to assist with the development of an estimate of the allowance for uncollectible accounts. The trend analysis does not include employer contributions receivable or interest and penalties receivable that are accounted for in the Other Special Revenue Fund. This procedure has significant limitations because it is not done by aging period and it is subject to the discretion of management. Two examples of this occurring in the past are:
  - that no receivables are written-off because of an executive decision in a prior year
  - an inadequate budget for receivable write-offs exists

As of June 30, 2019, interest and penalties receivable related to employment security of $53 million was included as a receivable in the Other Special Revenue Fund, but then reduced by the estimated allowance for uncollectible accounts of $53 million, resulting in management’s presentation of zero dollars in employment security-related receivables for interest and penalties.

Since 2013, the State's unemployment rate has dropped from nearly eight percent to approximately two percent; yet, the total accounts receivable balance included in the trend analysis has only changed from $21.4 million to $20.2 million despite these economic conditions.

**Context:** Accounts receivable for benefits and contributions, including interest and penalties, totals approximately $110 million. The financial statements themselves present the amount net of the allowance for uncollectible accounts, resulting in a financial statement line item for receivables of approximately $28 million.

**Cause:** Information is not developed in a proper format that is needed by the State to maximize collections on receivables and to provide for a reasonable and credible valuation of receivable assets.

**Effect:**

- Potential misstatement of the allowance for uncollectible accounts and the resulting net accounts receivable balance, including the separately disclosed amount for the allowances for uncollectible accounts in Note 6 of the financial statements
- Lack of transparency in the State financial statement presentation; for example, the amount of receivables including interest and penalties could continue to rise. Using the current methodology, this would not be reflected in the notes to the financial statements, or the financial statements themselves.

**Recommendation:** We recommend that DOL and DAFS work together to improve receivables reporting. Improving Internal Control using better methods for Information and Communication has the potential for improving actual collections from debtors. We recommend that a Receivables Report be placed into operations that lists all individual receivable records for each debtor as of the last calendar day of each month or quarter, or as needed by the user, with separate columns for the aging of the receivable, and with a grand total presented. Examples of various aging periods are:

- Current
- 1 to 30 days overdue
- 31 to 60 days overdue
- 61 to 90 days overdue
- 91 to 180 days overdue
- 181 to 365 days overdue
- Over one year, but less than two years overdue
- Two years or more

Management should work with a knowledgeable person from the consulting group responsible for ReEmployME to format a report to meet the needs of the Department and the State. Information in an aging format is needed by the State to maximize collections on receivables and to provide for a reasonable and credible valuation of receivable assets.

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

**Management's Response:** The Department disagrees with this finding. OSC is responsible for determining the estimates included in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC and the Department of Labor (DOL) accumulate relevant, sufficient and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with applicable accounting principles and that disclosure is adequate. OSC performed a five-year trend analysis of historical collections with information provided by the DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. DOL has implemented a new system and OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.

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

**Auditor's Concluding Remarks:** As noted in the finding, quantitative support presenting actual collection data was not made available to the auditor in order to substantiate the valuation assumptions used to calculate the allowances for uncollectible accounts. In addition, estimates generated using this methodology are not consistent with actual collection activity as described by management at the Department of Labor. We continue to recommend that DOL and DAFS work together with the consulting group responsible for ReEmployME to improve receivables reporting. The finding remains as stated.

**(State Number: 19-0308-01)**

**(2019-005)** Confidential finding

**Title:** The Department has not completed a ________ that complies with State ________ (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| Redacted | Redacted | Redacted | | | | | |

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

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria: ________; ________**

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

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

**Context:** ________ is the ________ used by ________ to ________. The system processed ________ totaling over ________ in fiscal year 2019. This includes ________ of ________.

**Cause: ________**

**Effect:** The lack of a ________, ________ and ________ increases the ________ that ________ and ________ will not be ________ in a ________ and that ________ will be ________.

**Recommendation:** We recommend that the Department ________ that ________ with ________ or ________. Additionally, we recommend that the Department ________ and ________ and ________ for ________ and ________ that support ________, which includes their ________.

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

**Management's Response:** The Department agrees with this finding. The Department will be reaching out to the ________ at the beginning of calendar year 2020 to establish a timeline on the development of a ________. As part of that process, we will be conducting a ________ and identifying ________ and ________ that support DOT business functions.

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

**(State Number: 19-0900-02)**

**(2019-006)** Confidential finding

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

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| Redacted | | | | | | | |

**State Department:** Education
**State Bureau:** School Finance and Operations

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** ________; ________; ________; and ________

**Condition:** The Department of Education (DOE) ________ does not have ________ that ________ over the ________ of an ________ is adequate, and also ________ that the ________ is ________, ________, ________, and ________. The ________ is ________.

**Context:** DOE ________ with a ________ to ________ and to ________ and ________ the ________, including all aspects of ________. ________ can measure the degree to which the Department is able to ________ and ________ of ________.

________ to determine the ________ of ________ provided by the State to ________ and ________. In fiscal year 2019, ________ of ________ was provided. The average individual amount provided was ________.

**Cause:** Although DOE ________ required the ________ to comply with ________, ________, ________, and ________, there was no ________ to provide the ________ and ________ of ________.

**Effect:**

- ________
- ________
- ________

**Recommendation:** We recommend that ________ require that the ________ provide ________ that includes a ________ and ________, ________, and ________; and ________ and ________, as applicable. ________ would then have assurance that the ________ is ________, ________, ________, and ________.

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

**Management's Response:** The Department agrees with this finding. The ________ is a ________, which ________ and ________. ________ is not a ________ which contains ________, nor does it ________, or ________. ________ is a ________ that ________. The ________ is ________ and as such, the Department expected that environment to meet all necessary and required ________, to include applicable ________ and subsequent reports.

To address the issues surrounding ________, the Department has renewed the ________ contract for another year and has included language in the contract renewal regarding the provision of applicable ________ to address ________, ________, and ________. As there is no ________ in the ________, ________ and ________ will not need to be addressed in the ________. As the audit finding for FY2018 was received at the end of FY2019, the Department was unable to resolve the finding for FY2019 but has already completed the CAP steps to ensure the finding is not repeated. The Department has also met with Office of the State Auditor (OSA) staff to both ensure the Department fully understands the finding and an appropriate resolution, and to ensure that OSA understands the functionality of the ________.

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

**(State Number: 19-0900-04)**

**(2019-007)** Confidential finding

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

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| Redacted | Redacted | Redacted | | | | | |

**State Department:** Transportation (DOT)
Administrative and Financial Services (DAFS)
**State Bureau:** Finance and Administration, a Bureau of DOT
Office of Information Technology, a Unit of DAFS

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

**Criteria:** ________; ________

**Condition:** The Department of Transportation (DOT) is unable to provide a ________ or ________ that ________ their overall ________ program. The Department provided a copy of the ________ as ________. This ________, last updated in ________, does not comply with State ________.

**Context:** ________ is the ________ used by ________ to ________. The system processed ________ totaling over ________ in fiscal year 2019. This includes ________ of ________ expenditures.

**Cause:** ________

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

**Recommendation:** We recommend that the Department develop a ________ that will govern their ________. Additionally, we recommend that ________, ________, ________, ________, ________ in accordance with government standards and the established ________.

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

**Management's Response:** The Department agrees with this finding. The Department will be reaching out to the ________ at the beginning of calendar year 2020 to establish a timeline on the development of a ________.

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

**(State Number: 19-0900-01)**

**(2019-008)** Confidential finding, see Condition Section below for more information

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

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| Redacted | Redacted | Redacted | Redacted | Redacted | * | * | * |

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

**State Department:** Administrative and Financial Services
**State Bureau:** Office of Information Technology
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
**CFDA #:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Eligibility

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; ________; ________; State of Maine ________

**Condition:** ________ refers to ________ that are ________ and ________ to ________ or ________. These ________ are ________ to or within the ________ and ________ and ________.

________ and ________ over ________ are not ________ to ________ that are ________. ________ has not been ________, ________ or ________.

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

- Bob Parris, Branch Manager, Financial Management Group, Center for Medicare and Medicaid Services, 150 S. Independence Mall West, Philadelphia, PA 19106

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106

**Context:** The Department ________ and ________ are ________ because they are ________. The ________ it is the ________. ________ for this ________ in ________ during fiscal year 2019. ________ must ________ with ________ and ________.

________ is in the process of developing and implementing a ________ with an estimated implementation in 2020.

**Cause:**

- ________
- ________

**Effect:** ________ and ________ are a ________ and ________. The current ________ can ________, ________, or the ________.

**Recommendation:** We recommend that ________:

- ________;
- ________; and
- ________

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

**Management's Response:** The Department agrees with the finding and is currently taking steps to effectively address and remediate the condition. OIT ________ and ________ is already established, and efforts are ongoing with regard to implementation. If OIT is unsuccessful, or is delayed in acquiring ________, the estimated corrective action completion date will be revised accordingly.

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

**(State Number: 19-0905-02)**

**(2019-009)** Confidential finding, see Condition Section below for more information

**Title:** The State has ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| Redacted | * | * | * | * | * | * | * |

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

**State Department:** Administrative and Financial Services (DAFS)
Health and Human Services (DHHS)
**State Bureau:** Office of the State Controller, a Unit of DAFS
Health and Human Services Service Center, a Unit of DAFS
Office of Information Technology, a Unit of DAFS
Office of MaineCare Services, a Unit of DHHS
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
**CFDA #:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

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

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; ________; ________; State of Maine________; State of Maine________

**Condition:** There is ________ that ________ over the ________ is ________ and that it ensures the ________, ________, ________, and ________.

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

- Bob Parris, Branch Manager, Financial Management Group, Center for Medicare and Medicaid Services, 150 S. Independence Mall West, Philadelphia, PA 19106

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106

**Context:** ________ with a ________ to ________ and ________ and ________, including ________. ________ can measure the degree to which the State is able to ________ and ________.

________ processed ________, including ________ of ________ and ________ of ________ during fiscal year 2019.

**Cause:** Although ________ required the ________ to ________ with ________, ________, ________, and ________, there was ________ to ________ the ________ and ________.

**Effect:**

- ________
- ________
- ________

**Recommendation:** We recommend that the State ________ that the ________. This ________ should focus on ________ and ________, ________, ________ and ________, as required in the contract between the State and the ________ vendor. The ________ requires ________ with ________, ________ and ________. This includes the State ________ requiring that ________. If ________ are ________, the State can have ________ that ________ is ________, ________, ________, and ________.

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

**Management's Response:** We are working with ________ to ________ to include: a ________; the ________; the ________ and related ________; and, any ________. The ________ is an ________ system. The ________ that are ________ are not ________; rather, they are ________, a ________ that is not ________. Consequently, ________, ________ or ________ by this ________. ________ that is ________ as well as ________. This ________ of the ________. ________, thus ________. Regarding ________, ________ can still be ________ because the ________ and can be ________. A ________ by itself will not prevent a ________. ________ will work with ________ to conduct a cost benefit analysis to determine if a ________ is cost beneficial to the State.

**Contact:** Shirley Browne, Deputy State Controller, OSC, 207-626-8420

**(State Number: 19-0900-08)**

**(2019-010)** Confidential finding, see Condition Section below for more information

**Title:** The Department ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| Redacted | Redacted | Redacted | None | None | None | None | * |

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

**State Department:** Health and Human Services
**State Bureau:** Office of MaineCare Services
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
Children's Health Insurance Program (CHIP)
**CFDA #:** 93.775, 93.777, 93.778; 93.767
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;
1805ME5021, 1905ME5021

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

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; ________; State of Maine________; State of Maine________; State________

**Condition:** The Department has ________ from the ________ that ________ over the ________ is adequate. The ________ must provide ________ on the ________, ________, ________, ________, and ________ over the ________, ________. Specifically, the ________ is the ________ relevant to ________.

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

- Bob Parris, Branch Manager, Financial Management Group, Center for Medicare and Medicaid Services, 150 S. Independence Mall West, Philadelphia, PA 19106

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106

**Context:** ________ is the ________ used to ________ and ________. These ________ totaled ________, including ________ during fiscal year 2019. ________ functions as an integral part of Maine's ________.

**Cause:** The ________ did not comply with ________, including ________, to provide the ________of ________ to the Department. ________ has not ________.

**Effect:**

- ________
- ________
- ________

**Recommendation:** We recommend that the Department ________ to ensure that ________ which requires ________ that will provide the Department assurance that ________ related ________, ________, ________, ________, and ________ over ________ and ________ are adequate.

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

**Management's Response:** The Department agrees with this finding. The ________ with the ________ that started ________ requires an ________. The ________ will monitor the progress of the ________, per the ________.

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

**(State Number: 19-0900-07)**

# STATE OF MAINE
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE YEAR ENDED JUNE 30, 2019

## Section III - Indexes to Federal Program Findings

## INDEXES TO FEDERAL PROGRAM FINDINGS

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Three findings (2019-008, 2019-009, and 2019-010) included in Section II – Financial Statement Findings also relate to Section III – Federal Findings and Questioned Costs and will be included in the following indexes.

# State of Maine
# Fiscal Year 2019
# Index to Federal Findings
# By Federal Program

| Program / Finding # | Brief Summary of Finding | State Dept | Page |
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| **<u>SNAP Cluster</u>**<br>CFDA# 10.551, 10.561 | | | |
| 2019-011 | Internal control over cash balances needs improvement | DAFS | E-45 |
| 2019-012 | Internal control over compliance with eligibility determination requirements, and the related automated data processing system requirements, needs improvement | DHHS | E-47 |
| 2019-013 | Internal control over the issuance of SNAP benefits needs improvement | DHHS | E-50 |
| 2019-014 | Internal control over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | DHHS | E-52 |
| 2019-037 | Internal control over Income Eligibility and Verification System procedures needs improvement | DHHS | E-112 |
| 2019-041 | Internal control over the retention of Income Eligibility and Verification System reports needs improvement | DHHS | E-123 |
| 2019-052 | Internal control over the eligibility determination process needs improvement | DHHS | E-152 |
| | | | |
| **<u>Child Nutrition Cluster</u>**<br>CFDA# 10.555, 10.559 | | | |
| 2019-015 | Internal control over State matching requirements needs improvement | DOE | E-55 |
| 2019-016 | National School Lunch Program and Summer Food Program Policy Statements and State-Sponsor Agreements are not consistent with Federal regulations | DOE | E-57 |
| 2019-017 | Internal control over subrecipient monitoring procedures needs improvement | DOE | E-59 |
| 2019-018 | Internal control over the donated food inventory needs improvement | DOE | E-62 |
| | | | |
| **<u>Special Supplemental Nutrition Program for Women, Infants, and Children</u>**<br>CFDA# 10.557 | | | |
| 2019-019 | Internal control over subrecipient monitoring needs improvement | DHHS | E-65 |
| 2019-020 | Internal control over subrecipient contracts needs improvement | DHHS | E-67 |
| 2019-021 | Internal control over Federal cash management needs improvement | DHHS | E-69 |
| 2019-022 | The Department has no assurance that ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) | DHHS | E-72 |
| 2019-035 | Monitoring over subrecipient cash management needs improvement | DHHS | E-106 |

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| **National Guard Military Operations and Maintenance (O&M) Projects**<br>CFDA# 12.401 | | | |
| 2019-023 | Internal control over payroll costs needs improvement | DVEM | E-75 |
| 2019-024 | Internal control over cash management for travel advances and the related reporting to the Federal government on the *SF-270* report needs improvement | DVEM | E-77 |
| | | | |
| **Continuum of Care Program**<br>CFDA# 14.267 | | | |
| 2019-025 | Internal control over subrecipient monitoring procedures needs improvement | DHHS | E-80 |
| 2019-026 | Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement | DAFS | E-82 |
| | | | |
| **Crime Victim Assistance**<br>CFDA# 16.575 | | | |
| 2019-035 | Monitoring over subrecipient cash management needs improvement | DHHS | E-106 |
| 2019-036 | Internal control over subrecipient contracts needs improvement | DHHS | E-109 |
| | | | |
| **Unemployment Insurance**<br>CFDA# 17.225 | | | |
| 2019-027 | Internal control over continuing eligibility needs improvement | DOL | E-84 |
| 2019-028 | The Department has no assurance that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) | DOL | E-89 |
| | | | |
| **Rehabilitation Services – Vocational Rehabilitation Grants to States**<br>CFDA# 84.126 | | | |
| 2019-029 | Internal control over earmarking requirements needs improvement | DOL | E-91 |
| 2019-030 | Internal control over program income needs improvement | DOL | E-94 |
| 2019-031 | Internal control over the timeliness of eligibility determinations needs improvement | DOL | E-97 |
| | | | |
| **Aging Cluster**<br>CFDA# 93.044, 93.045, 93.053 | | | |
| 2019-035 | Monitoring over subrecipient cash management needs improvement | DHHS | E-106 |
| 2019-036 | Internal control over subrecipient contracts needs improvement | DHHS | E-109 |

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| **Immunization Cooperative Agreements**<br>CFDA# 93.268 | | | |
| 2019-032 | Internal control over provider site visits and corrective action follow up needs improvement | DHHS | E-99 |
| 2019-033 | Internal control over Federal cash management needs improvement | DAFS | E-102 |
| 2019-034 | The Department has no assurance that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) | DHHS | E-104 |
| | | | |
| **TANF Cluster**<br>CFDA# 93.558 | | | |
| 2019-014 | Internal control over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | DHHS | E-52 |
| 2019-035 | Monitoring over subrecipient cash management needs improvement | DHHS | E-106 |
| 2019-036 | Internal control over subrecipient contracts needs improvement | DHHS | E-109 |
| 2019-037 | Internal control over Income Eligibility and Verification System procedures needs improvement | DHHS | E-112 |
| 2019-038 | Risk evaluation procedures to determine the extent of appropriate subrecipient monitoring need improvement | DHHS | E-115 |
| 2019-039 | Internal control over TANF performance reporting and work participation procedures needs improvement | DHHS | E-118 |
| 2019-040 | Internal control over payments to and on behalf of TANF clients needs improvement | DHHS | E-121 |
| 2019-041 | Internal control over the retention of Income Eligibility and Verification System reports needs improvement | DHHS | E-123 |
| 2019-042 | The Department has no assurance that ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) | DHHS | E-126 |
| 2019-043 | Internal control over special reporting needs improvement | DHHS | E-128 |
| 2019-052 | Internal control over the eligibility determination process needs improvement | DHHS | E-152 |
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| **Child Support Enforcement**<br>CFDA# 93.563 | | | |
| 2019-044 | Internal control over monthly reconciliation procedures needs improvement | DAFS<br>DHHS | E-130 |

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| **<u>Community Services Block Grant</u>**<br>CFDA# 93.569 | | | |
| 2019-035 | Monitoring over subrecipient cash management needs improvement | DHHS | E-106 |
| 2019-036 | Internal control over subrecipient contracts needs improvement | DHHS | E-109 |
| | | | |
| **<u>Social Services Block Grant</u>**<br>CFDA# 93.667 | | | |
| 2019-035 | Monitoring over subrecipient cash management needs improvement | DHHS | E-106 |
| 2019-036 | Internal control over subrecipient contracts needs improvement | DHHS | E-109 |
| | | | |
| **<u>Children's Health Insurance Program</u>**<br>CFDA# 93.767 | | | |
| 2019-010 | The Department ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) | DHHS | E-25 |
| 2019-037 | Internal control over Income Eligibility and Verification System procedures needs improvement | DHHS | E-112 |
| 2019-041 | Internal control over the retention of Income Eligibility and Verification System reports needs improvement | DHHS | E-123 |
| 2019-046 | Internal control over compliance with eligibility determination requirements needs improvement | DHHS | E-135 |
| 2019-049 | Internal control over provider enrollment packages needs improvement | DHHS | E-146 |
| 2019-052 | Internal control over the eligibility determination process needs improvement | DHHS | E-152 |
| 2019-055 | Provider eligibility procedures need to further integrate Automated Data Exchange | DHHS | E-158 |
| 2019-056 | Provider eligibility procedures need to address Advance Directives | DHHS | E-160 |
| 2019-060 | Internal control over the post-payment review process needs improvement | DHHS | E-169 |
| | | | |
| **<u>Medicaid Cluster</u>**<br>CFDA# 93.775, 93.777, 93.778 | | | |
| 2019-008 | ________ and ________ over ________ need improvement (The content of this finding has been redacted. This appears as blank underlining) | DAFS | E-21 |
| 2019-009 | The State has ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) | DAFS<br>DHHS | E-23 |
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# State of Maine
# Fiscal Year 2019
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| 2019-010 | The Department ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) | DHHS | E-25 |
| 2019-037 | Internal control over Income Eligibility and Verification System procedures needs improvement | DHHS | E-112 |
| 2019-041 | Internal control over the retention of Income Eligibility and Verification System reports needs improvement | DHHS | E-123 |
| 2019-045 | Internal control over individual client Cost of Care assessments needs improvement | DHHS | E-132 |
| 2019-046 | Internal control over compliance with eligibility determination requirements needs improvement | DHHS | E-135 |
| 2019-047 | Internal control over Long Term Care Facility Audits needs improvement | DHHS | E-139 |
| 2019-048 | Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement | DHHS | E-143 |
| 2019-049 | Internal control over provider enrollment packages needs improvement | DHHS | E-146 |
| 2019-050 | Internal control over Medicare Part B premium payments needs improvement | DHHS | E-148 |
| 2019-051 | Internal control over Acute Care Critical Access Hospital supplemental pool payments needs improvement | DHHS | E-150 |
| 2019-052 | Internal control over the eligibility determination process needs improvement | DHHS | E-152 |
| 2019-053 | Riverview | DAFS DHHS | E-154 |
| 2019-054 | Internal control over payments to Health Homes and Behavioral Health Homes needs improvement | DHHS | E-156 |
| 2019-055 | Provider eligibility procedures need to further integrate Automated Data Exchange | DHHS | E-158 |
| 2019-056 | Provider eligibility procedures need to address Advance Directives | DHHS | E-160 |
| 2019-057 | Internal control over ________ assigned to ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | DAFS | E-162 |
| 2019-058 | Internal control over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) | DAFS | E-164 |
| 2019-059 | Internal control over refunding overpayments needs improvement | DHHS | E-167 |
| 2019-060 | Internal control over the post-payment review process needs improvement | DHHS | E-169 |

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| **HIV Care Formula Grant**<br>CFDA# 93.917 | | | |
| 2019-035 | Monitoring over subrecipient cash management needs improvement | DHHS | E-106 |
| 2019-036 | Internal control over subrecipient contracts needs improvement | DHHS | E-109 |
| | | | |
| **Disaster Grants – Public Assistance (Presidentially Declared Disasters)**<br>CFDA# 97.036 | | | |
| 2019-061 | Internal control over cash management needs improvement | DVEM | E-171 |
| 2019-062 | Internal control over the evaluation of each subrecipient's risk of noncompliance needs improvement | DVEM | E-173 |
| 2019-063 | Internal control over monitoring subrecipient Single Audits needs to be established | DVEM | E-175 |

**Legend of State Agency Abbreviations:**

DAFS Department of Administrative and Financial Services
DHHS Department of Health and Human Services
DOE Department of Education
DOL Department of Labor
DVEM Department of Defense, Veterans and Emergency Management

State of Maine
Fiscal Year 2019
Index to Federal Findings
By State Agency and Federal Compliance Area

| Finding # | Program Name | Activities Allowed or Unallowed | Allowable Costs/Cost Principles | Cash Management | Eligibility | Equipment and Real Property Management | Matching, Level of Effort, Earmarking | Period of Performance | Procurement and Suspension and Debarment | Program Income | Reporting | Subrecipient Monitoring | Special Tests and Provisions | Page |
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| **Department of Administrative and Financial Services** | | | | | | | | | | | | | | |
| 2019-008 | Medicaid Cluster | | | | ✓ | | | | | | | | | E-21 |
| 2019-009 | Medicaid Cluster | | ✓ | | | | | | | | ✓ | | | E-23 |
| 2019-011 | SNAP Cluster | | | ✓ | | | | | | | | | | E-45 |
| 2019-026 | Continuum of Care | | | | | | | | | | ✓ | | | E-82 |
| 2019-033 | Immunization Cooperative Agreements | | | ✓ | | | | | | | | | | E-102 |
| 2019-044 | Child Support Enforcement | | | | | | | | | | ✓ | | | E-130 |
| 2019-053 | Medicaid Cluster | | ✓ | | | | | | | | | | | E-154 |
| 2019-057 | Medicaid Cluster | | ✓ | | ✓ | | | | | | | | | E-162 |
| 2019-058 | Medicaid Cluster | | ✓ | | ✓ | | | | | | | | | E-164 |
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| **Department of Defense, Veterans and Emergency Management** | | | | | | | | | | | | | | |
| 2019-023 | National Guard Military Operations and Maintenance (O&M) Projects | | ✓ | | | | | | | | | | | E-75 |
| 2019-024 | National Guard Military Operations and Maintenance (O&M) Projects | | | ✓ | | | | | | | ✓ | | | E-77 |
| 2019-061 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) | | | ✓ | | | | | | | | | | E-171 |
| 2019-062 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) | | | | | | | | | | | ✓ | | E-173 |

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| Finding # | Program Name | Activities Allowed or Unallowed | Allowable Costs/Cost Principles | Cash Management | Eligibility | Equipment and Real Property Management | Matching, Level of Effort, Earmarking | Period of Performance | Procurement and Suspension and Debarment | Program Income | Reporting | Subrecipient Monitoring | Special Tests and Provisions | Page |
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| 2019-063 | Disaster Grants – Public Assistance (Presidentially Declared Disasters) | | | | | | | | | | | ✓ | | E-175 |
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| **Department of Education** | | | | | | | | | | | | | | |
| 2019-015 | Child Nutrition Cluster | | | | | | ✓ | | | | | | | E-55 |
| 2019-016 | Child Nutrition Cluster | | | | | | | | | | | ✓ | | E-57 |
| 2019-017 | Child Nutrition Cluster | | | ✓ | | | | | | | | ✓ | | E-59 |
| 2019-018 | Child Nutrition Cluster | | | | | | | | | | | | ✓ | E-62 |
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| **Department of Health and Human Services** | | | | | | | | | | | | | | |
| 2019-009 | Medicaid Cluster | | ✓ | | | | | | | | ✓ | | | E-23 |
| 2019-010 | Medicaid Cluster, CHIP | | ✓ | | | | | | | | | | | E-25 |
| 2019-012 | SNAP Cluster | | ✓ | | ✓ | | | | | | | | ✓ | E-47 |
| 2019-013 | SNAP Cluster | | ✓ | | ✓ | | | | | | | | | E-50 |
| 2019-014 | SNAP Cluster, TANF Cluster | | ✓ | | | | | | | | | | | E-52 |
| 2019-019 | Special Supplemental Nutrition Program for Women, Infants, and Children | | | | | | | | | | | ✓ | | E-65 |
| 2019-020 | Special Supplemental Nutrition Program for Women, Infants, and Children | | | | | | | | | | | ✓ | | E-67 |
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| Finding # | Program Name | Activities Allowed or Unallowed | Allowable Costs/Cost Principles | Cash Management | Eligibility | Equipment and Real Property Management | Matching, Level of Effort, Earmarking | Period of Performance | Procurement and Suspension and Debarment | Program Income | Reporting | Subrecipient Monitoring | Special Tests and Provisions | Page |
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| *Department of Health and Human Services continued from previous page* | | | | | | | | | | | | | | |
| 2019-021 | Special Supplemental Nutrition Program for Women, Infants, and Children | | | ✓ | | | | | | | | | | E-69 |
| 2019-022 | Special Supplemental Nutrition Program for Women, Infants, and Children | | ✓ | | | | | | | | | | | E-72 |
| 2019-025 | Continuum of Care | | | | | | | | | | | ✓ | | E-80 |
| 2019-032 | Immunization Cooperative Agreements | | | | | | | | | | | | ✓ | E-99 |
| 2019-034 | Immunization Cooperative Agreements | | ✓ | | | | | | | | | | | E-104 |
| 2019-035 | Multiple Programs | | | ✓ | | | | | | | | ✓ | | E-106 |
| 2019-036 | Multiple Programs | | | | | | | | | | | ✓ | | E-109 |
| 2019-037 | Multiple Programs | | | | ✓ | | | | | | | | ✓ | E-112 |
| 2019-038 | TANF Cluster | | | | | | | | | | | ✓ | | E-115 |
| 2019-039 | TANF Cluster | | | | | | | | | | ✓ | | ✓ | E-118 |
| 2019-040 | TANF Cluster | | ✓ | | | | | | | | | | | E-121 |
| 2019-041 | Multiple Programs | | | | ✓ | | | | | | | | ✓ | E-123 |
| 2019-042 | TANF Cluster | | ✓ | | | | | | | | | | | E-126 |
| 2019-043 | TANF Cluster | | | | | | | | | | ✓ | | | E-128 |
| 2019-044 | Child Support Enforcement | | | | | | | | | | ✓ | | | E-130 |
| 2019-045 | Medicaid Cluster | | ✓ | | | | | | | | | | | E-132 |
| 2019-046 | Medicaid Cluster, CHIP | | | | ✓ | | | | | | | | | E-135 |
| 2019-047 | Medicaid Cluster | | | | | | | | | | | | ✓ | E-139 |
| 2019-048 | Medicaid Cluster | | | | | | | | | | | | ✓ | E-143 |
| *Department of Health and Human Services continued on next page* | | | | | | | | | | | | | | |

State of Maine
Fiscal Year 2019
Index to Federal Findings
By State Agency and Federal Compliance Area

| Finding # | Program Name | Activities Allowed or Unallowed | Allowable Costs/Cost Principles | Cash Management | Eligibility | Equipment and Real Property Management | Matching, Level of Effort, Earmarking | Period of Performance | Procurement and Suspension and Debarment | Program Income | Reporting | Subrecipient Monitoring | Special Tests and Provisions | Page |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Department of Health and Human Services continued from previous page* | | | | | | | | | | | | | | |
| 2019-049 | Medicaid Cluster, CHIP | | | | | | | | | | | | ✓ | E-146 |
| 2019-050 | Medicaid Cluster | | ✓ | | | | | | | | | | | E-148 |
| 2019-051 | Medicaid Cluster | | ✓ | | | | | | | | | | | E-150 |
| 2019-052 | Multiple Programs | | ✓ | | ✓ | | | | | | | | | E-152 |
| 2019-053 | Medicaid Cluster | | ✓ | | | | | | | | | | | E-154 |
| 2019-054 | Medicaid Cluster | | ✓ | | | | | | | | | | | E-156 |
| 2019-055 | Medicaid Cluster, CHIP | | | | | | | | | | | | ✓ | E-158 |
| 2019-056 | Medicaid Cluster, CHIP | | | | | | | | | | | | ✓ | E-160 |
| 2019-059 | Medicaid Cluster | | ✓ | | | | | | | | | | | E-167 |
| 2019-060 | Medicaid Cluster, CHIP | | | | | | | | | | | | ✓ | E-169 |
| | | | | | | | | | | | | | | |
| **Department of Labor** | | | | | | | | | | | | | | |
| 2019-027 | Unemployment Insurance | | ✓ | | ✓ | | | | | | | | | E-84 |
| 2019-028 | Unemployment Insurance | | ✓ | | | | | | | | | | | E-89 |
| 2019-029 | Rehabilitation Services – Vocational Rehabilitation Grants to States | | | | | | ✓ | | | | | | | E-91 |
| 2019-030 | Rehabilitation Services – Vocational Rehabilitation Grants to States | | | | | | | | | ✓ | | | | E-94 |
| 2019-031 | Rehabilitation Services – Vocational Rehabilitation Grants to States | | | | ✓ | | | | | | | | | E-97 |

State of Maine
Fiscal Year 2019
Index to Federal Findings in Finding Number Order by Finding Type

| Finding # | Page | Compliance Area | Finding Type | | | |
|---|---|---|---|---|---|---|
| | | | Material Non-compliance | Internal Control | | Known / Likely Questioned Costs |
| | | | | Material Weakness | Significant Deficiency | |
| 2019-008* | E-21 | Eligibility | | | ✓ | |
| 2019-009 | E-23 | Allowable Costs/ Reporting | | | ✓ | |
| 2019-010 | E-25 | Allowable Costs/Cost Principles | | | ✓ | |
| 2019-011 | E-45 | Cash Management | ✓ | ✓ | | Undeterminable / Undeterminable |
| 2019-012 | E-47 | Allowable Costs/ Eligibility/ Special Tests and Provisions | | ✓ | | $261 / $5,144,620 |
| 2019-013 | E-50 | Allowable Costs/ Eligibility | | | ✓ | |
| 2019-014 | E-52 | Allowable Costs/Cost Principles | | | ✓ | |
| 2019-015 | E-55 | Matching, Level of Effort, Earmarking | | | ✓ | |
| 2019-016 | E-57 | Subrecipient Monitoring | | | ✓ | |
| 2019-017 | E-59 | Cash Management/ Subrecipient Monitoring | | | ✓ | |
| 2019-018 | E-62 | Special Tests and Provisions | | | ✓ | |
| 2019-019 | E-65 | Subrecipient Monitoring | ✓ | ✓ | | |
| 2019-020 | E-67 | Subrecipient Monitoring | ✓ | ✓ | | |
| 2019-021 | E-69 | Cash Management | ✓ | ✓ | | |
| 2019-022 | E-72 | Allowable Costs/Cost Principles | | | ✓ | |
| 2019-023 | E-75 | Allowable Costs/Cost Principles | | | ✓ | |

* For findings 2019-001 through 2019-007 see Section II – Financial Statement Findings starting at page E-7

State of Maine
Fiscal Year 2019
Index to Federal Findings in Finding Number Order by Finding Type

| Finding # | Page | Compliance Area | Finding Type | | | |
|---|---|---|---|---|---|---|
| | | | Material Non-compliance | Internal Control | | Known / Likely Questioned Costs |
| | | | | Material Weakness | Significant Deficiency | |
| 2019-024 | E-77 | Cash Management/ Reporting | | | ✓ | |
| 2019-025 | E-80 | Subrecipient Monitoring | ✓ | ✓ | | |
| 2019-026 | E-82 | Reporting | ✓ | ✓ | | |
| 2019-027 | E-84 | Allowable Costs/ Eligibility | ✓ | ✓ | | $0 / $0 |
| 2019-028 | E-89 | Allowable Costs/Cost Principles | | | ✓ | |
| 2019-029 | E-91 | Matching, Level of Effort, Earmarking | ✓ | ✓ | | |
| 2019-030 | E-94 | Program Income | ✓ | ✓ | | |
| 2019-031 | E-97 | Eligibility | | | ✓ | |
| 2019-032 | E-99 | Special Tests and Provisions | ✓ | ✓ | | |
| 2019-033 | E-102 | Cash Management | | | ✓ | |
| 2019-034 | E-104 | Allowable Costs/Cost Principles | | | ✓ | |
| 2019-035 | E-106 | Cash Management/ Subrecipient Monitoring | ✓ | ✓ | | |
| 2019-036 | E-109 | Subrecipient Monitoring | ✓ | ✓ | | |
| 2019-037 | E-112 | Eligibility/ Special Tests and Provisions | ✓ | ✓ | | |
| 2019-038 | E-115 | Subrecipient Monitoring | ✓ | ✓ | | |
| 2019-039 | E-118 | Reporting/ Special Tests and Provisions | ✓ | ✓ | | |
| 2019-040 | E-121 | Allowable Costs/Cost Principles | | ✓ | | $1,120 / $1,295,496 |
| 2019-041 | E-123 | Eligibility/ Special Tests and Provisions | | | ✓ | |

State of Maine
Fiscal Year 2019
Index to Federal Findings in Finding Number Order by Finding Type

| Finding # | Page | Compliance Area | Finding Type | | | |
|---|---|---|---|---|---|---|
| | | | Material Non-compliance | Internal Control | | Known / Likely Questioned Costs |
| | | | | Material Weakness | Significant Deficiency | |
| 2019-042 | E-126 | Allowable Costs/Cost Principles | | | ✓ | |
| 2019-043 | E-128 | Reporting | | | ✓ | |
| 2019-044 | E-130 | Reporting | | | ✓ | |
| 2019-045 | E-132 | Allowable Costs/Cost Principles | ✓ | ✓ | | Undeterminable / Undeterminable |
| 2019-046 | E-135 | Eligibility | ✓ | ✓ | | |
| 2019-047 | E-139 | Special Tests and Provisions | ✓ | ✓ | | |
| 2019-048 | E-143 | Special Tests and Provisions | ✓ | ✓ | | |
| 2019-049 | E-146 | Special Tests and Provisions | ✓ | ✓ | | |
| 2019-050 | E-148 | Allowable Costs/Cost Principles | | ✓ | | \$86 / \$1,395,265 |
| 2019-051 | E-150 | Allowable Costs/Cost Principles | | ✓ | | |
| 2019-052 | E-152 | Allowable Costs/ Eligibility | | ✓ | | |
| 2019-053 | E-154 | Allowable Costs/Cost Principles | | | ✓ | \$9,047,317 / |
| 2019-054 | E-156 | Allowable Costs/Cost Principles | | | ✓ | \$19 / \$171,574 |
| 2019-055 | E-158 | Special Tests and Provisions | | | ✓ | |
| 2019-056 | E-160 | Special Tests and Provisions | | | ✓ | |
| 2019-057 | E-162 | Allowable Costs/ Eligibility | | | ✓ | |
| 2019-058 | E-164 | Allowable Costs/ Eligibility | | | ✓ | |

State of Maine
Fiscal Year 2019
Index to Federal Findings in Finding Number Order by Finding Type

| Finding # | Page | Compliance Area | Finding Type | | | |
|---|---|---|---|---|---|---|
| | | | Material Non-compliance | Internal Control | | Known / Likely Questioned Costs |
| | | | | Material Weakness | Significant Deficiency | |
| 2019-059 | E-167 | Allowable Costs/Cost Principles | | | ✓ | |
| 2019-060 | E-169 | Special Tests and Provisions | | | ✓ | |
| 2019-061 | E-171 | Cash Management | ✓ | ✓ | | |
| 2019-062 | E-173 | Subrecipient Monitoring | ✓ | ✓ | | |
| 2019-063 | E-175 | Subrecipient Monitoring | ✓ | ✓ | | |

# STATE OF MAINE
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE YEAR ENDED JUNE 30, 2019

## Section III – Federal Findings and Questioned Costs

**(2019-011)**

**Title:** Internal control over cash balances needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | 2016-002 | 2015-017 | None | 13-1108-01 | 12-1108-01 | None |

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

**State Department:** Administrative and Financial Services
**State Bureau:** Health and Human Services Service Center
**Federal Agency:** U.S. Department of Agriculture
**CFDA Title:** SNAP Cluster (SNAP)
**CFDA #:** 10.551, 10.561
**Federal Award Identification Number:** 184ME401S2514, 184ME401S2519, 184ME401S2520, 184ME401S8026, 184ME401S8036, 184ME401S8069, 184ME421Q3903, 184ME431Q7503, 194ME401S2514, 194ME401S2519, 194ME401S2520, 194ME401S8026, 194ME421Q3903, 194ME442Q7503

**Compliance Area:** Cash management

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

**Questioned Costs:**

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | Undeterminable | | |
| *Likely* | Undeterminable | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.302(b)(3) and (4); 31 CFR 205(B)

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Financial records must adequately identify the source and application of funds and provide accountability for all funds, property, and other assets related to Federally-funded activities. The administrative grant for the SNAP Cluster has an excessive cash balance on hand related to grant awards issued prior to 2011.

**Context:** As of June 30, 2019, a residual cash balance of $461,955 pertaining to SNAP administrative grant awards made prior to 2011 exists.

**Cause:**

- Lack of adequate recordkeeping and account reconciliation in prior years
- Lack of resources
- Competing priorities

**Effect:**

- Potential future questioned costs and disallowances
- Until the Department completes a reconciliation of related financial activity, it will not be known whether all, a portion, or none of the $461,955 is due to the Federal government.

**Recommendation:** We recommend that the Department complete a full reconciliation of all administrative grants issued prior to 2011 for the SNAP Cluster. We further recommend that the Department work with its Federal cognizant agency to identify and return any questioned costs identified.

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

**Management's Response:** The Department agrees with this finding. To date, considerable effort has been invested in performing grant reconciliations from present back to 2011. Note that this is a decades old issue. Reconciling grants and matching revenues to expenses is labor intensive and takes detailed transaction level analysis. The State will continue to reconcile grants prior to 2011 to determine what accounts the cash belongs in and take the necessary steps to put the cash balances where they belong.

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

**(State Number: 19-1108-01)**

**(2019-012)**

**Title:** Internal control over compliance with eligibility determination requirements, and the related automated data processing system requirements, needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | None | None | None | None | None | None |

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

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Agriculture
**CFDA Title:** SNAP Cluster (SNAP)
**CFDA #:** 10.551, 10.561
**Federal Award Identification Number:** 184ME401S2514, 184ME401S2519, 184ME401S2520, 184ME401S8026, 184ME401S8036, 184ME401S8069, 184ME421Q3903, 184ME431Q7503, 194ME401S2514, 194ME401S2519, 194ME401S2520, 194ME401S8026, 194ME421Q3903, 194ME442Q7503

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

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

**Questioned Costs:** Likely questioned costs were calculated by dividing the identified known overpayment by the total benefit payments tested to establish an error rate. The error rate was then applied to the total benefit payments made in fiscal year 2019 to calculate likely questioned costs.

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | $261 | $261 | $0 |
| *Likely* | $5,144,620 | $5,144,620 | $0 |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 7 CFR 272.10; 7 CFR 273.2; 7 CFR 273.26

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

The Department does not have a review process in place to ensure information manually entered into the Automated Client Eligibility System is accurate and complete. This issue is addressed in finding 2019-052.

The Department is required to sufficiently automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing and transmitting information concerning SNAP. The system must determine eligibility and calculate benefits or validate the eligibility worker's calculations by processing and storing all casefile information necessary for the eligibility determination and benefit computation, and redetermine or revalidate eligibility and benefits based on notices of change in households' circumstances. Additionally, the Department shall verify the social security numbers reported by a household by submitting them to the Social Security Administration (SSA) for verification according to procedures established by SSA. Furthermore, the Department may not provide Transitional Food Assistance benefits to a household when the household is leaving the Temporary Assistance for Needy Families (TANF) program due to a TANF sanction.

A test of sixty cases identified that:

- Transitional Food Assistance benefits were inappropriately paid to one client whose TANF benefits had closed due to a TANF-related sanction.
- the dependent of one client was deemed eligible for SNAP without verification of their social security number.

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

**Context:** In fiscal year 2019, the State provided approximately 111,000 SNAP clients with $208 million in benefits.

**Cause:** Lack of supervisory oversight

**Effect:**

- Individuals not eligible for services could be deemed eligible or eligible individuals could be deemed ineligible.
- Potential future questioned costs and disallowances as a result of benefits provided to ineligible individuals
- Potential future questioned costs and disallowances as a result of incorrect benefits provided to eligible individuals

**Recommendation:** We recommend that the Department implement a detailed review and approval process that occurs prior to the eligibility determination to ensure the information entered is accurate and complete. Additionally, we recommend that the Department implement procedures to ensure that all social security numbers are verified by SSA. Finally, we recommend that the Department formalize a comprehensive post-determination review and monitoring process.

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

**Management's Response:** The Department agrees with the two exceptions identified. To mitigate human error, the Department will include emphasis on TANF requirements in upcoming eligibility trainings and re-freshers, including support and utilization of the SSA's computer matching program for Social Security Numbers. All Eligibility Specialists will receive TANF training over the next 18 months therefore this training will impact all OFI programs.

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

**(State Number: 19-1108-02)**

**(2019-013)**

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

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | None | None | None | None | None | None |

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

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Agriculture
**CFDA Title:** SNAP Cluster (SNAP)
**CFDA #:** 10.551, 10.561
**Federal Award Identification Number:** 184ME401S2514, 184ME401S2519, 184ME401S2520, 184ME401S8026, 184ME401S8036, 184ME401S8069, 184ME421Q3903, 184ME431Q7503, 194ME401S2514, 194ME401S2519, 194ME401S2520, 194ME401S8026, 194ME421Q3903, 194ME442Q7503

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

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303

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

The Department receives deceased client record files from the Maine Center for Disease Control & Prevention on a quarterly basis and the Social Security Administration on a weekly basis. The Office of the State Auditor obtained data on deceased individuals from the Maine Center for Disease Control & Prevention and compared it to clients who received SNAP benefits during fiscal year 2019. The auditor identified fifty-seven cases where SNAP benefits were used after the client's date of death. In seven of the fifty-seven cases, the electronic benefits transfer transaction date was 100 or more days after the client's date of death. Also, among these seven cases:

- four cases had benefits issued an additional month beyond the client's date of death, and
- one case had benefits issued an additional six months beyond the client's date of death.

**Context:** In fiscal year 2019, the State provided approximately 111,000 SNAP eligible clients with $208 million in benefits. Of the 111,000 SNAP eligible clients, approximately 2,500 had a date of death in fiscal year 2019.

**Cause:**

- Lack of adequate procedures
- Lack of supervisory oversight

**Effect:**

- Individuals not eligible for benefits could be paid SNAP benefits.
- Potential future questioned costs and disallowances as a result of benefits issued to deceased clients

**Recommendation:** We recommend that the Department improve procedures to ensure that client death record information is received, reviewed, and updated in the Automated Client Eligibility System (ACES) on a biweekly or monthly basis to prevent incorrect issuances of benefits.

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

**Management's Response:** The Department agrees with this finding. The Office for Family Independence will work with the Maine Center for Disease Control and Prevention and/or the Social Security Administration to determine if we can increase the frequency of notifications of deceased individuals on SNAP. We will create a standard operating procedure (SOP) that ensures that Eligibility Specialists and the Program Integrity Unit know how to process these cases. We will institute provisions of the 2018 Farm bill that now allow us to expunge benefits when the entire SNAP household is deceased.

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

**(State Number: 19-1108-03)**

**(2019-014)** Confidential finding, see Condition Section below for more information

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

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | * | * | * | * | * | * |

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

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Agriculture
U.S. Department of Health and Human Services
**CFDA Title:** SNAP Cluster (SNAP)
TANF Cluster (TANF)
**CFDA #:** 10.551, 10.561; 93.558
**Federal Award Identification Number:** 184ME401S2514, 184ME401S2519, 184ME401S2520, 184ME401S8026, 184ME401S8036, 184ME401S8069, 184ME421Q3903, 184ME431Q7503, 194ME401S2514, 194ME401S2519, 194ME401S2520, 194ME401S8026, 194ME421Q3903, 194ME442Q7503; 1601METANF, 1701METANF, 1801METANF, 1901METANF

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

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; ________; ________; State of Maine ________

**Condition:** The Department received ________ over the ________ for fiscal year 2019. The Department did not perform ________ and thus did not prepare a documented plan to ________ the ________.

Those ________ identified a twenty-two percent increase in ________ between the ________ and ________:

- ________: ________
- ________: ________

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

- Carol Monteiro, Regional Program Manager, Administration for Children and Families, Office of Family Assistance, Boston Regional Office, JFK Federal Building, Rm 2000, Boston, MA 02203 and
- Jessica Shahin, Associate Administrator, Supplemental Nutrition Assistance Program, Department of Agriculture, Food and Nutrition Service, 3101 Park Center Dr. Alexandria, VA 22302

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106 and
- Kimberly Edwards, Audit Liaison, USDA Food and Nutrition Services, Northeast Regional Office, 10 Causeway St. Room 501, Boston, MA 02222-1069

**Context:** The Department has a ________, ________with ________ to manage and operate the ________. This system is used to ________ related to ________ funded by the ________ programs. ________ expenditures processed through ________ were approximately ________, and ________ expenditures were approximately ________ for fiscal year 2019.

**Cause:** Lack of adequate procedures to ensure that ________ in the ________ are reviewed, addressed, and remediated.

**Effect:**

- ________
- ________
- ________

**Recommendation:** We recommend that the Department implement procedures that require ________ and the documentation and implementation of an effective ________. This would provide assurance that ________ found in the ________ are being tracked and remediated in a timely manner.

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

**Management's Response:** The Department disagrees with this finding. The Department regularly performs reviews of all ________ and is actively working with the vendor on their publication of remediation strategies of __________ articulated in the ________ pertaining to ________.

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

**Auditor's Concluding Remarks:** A formal, documented supervisory review and corrective action plan to track the remediation of ________ found within ________ is necessary to ensure the controls over the ________ are operating effectively. Despite the auditor's request, the Department did not provide evidence to support ________.

The finding remains as stated.

**(State Number: 19-0900-09)**

**(2019-015)**

**Title:** Internal control over State matching requirements needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-002 | * | * | 2015-028 | None | None | None | None |

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

**State Department:** Education
**State Bureau:** Child Nutrition Services
**Federal Agency:** U.S. Department of Agriculture
**CFDA Title:** Child Nutrition Cluster
**CFDA #:** 10.555, 10.559
**Federal Award Identification Number:** 184ME301N1099, 194ME301N1099

**Compliance Area:** Matching, level of effort, earmarking

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 7 CFR 210.17

**Condition:** States are required to match Federal program funds with State funds, in accordance with the requirements of the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS).

For the fiscal year ended June 30, 2019, qualified matching dollars expended by the State were $833 less than the required amount. The Department utilized Federal funds rather than funds from the General Fund, to satisfy the State's match requirement.

**Context:** The USDA FNS establishes the State National School Lunch Program matching requirement annually for each State. The State of Maine's match requirement for fiscal year 2019 was $1,021,496.

**Cause:**

- Lack of supervisory oversight
- Lack of reconciliation procedures between the New Education Ontology (NEO) system and the State accounting system

**Effect:** The Federal program funds drawn by the State and used to meet the Federal match requirement are subject to recall and repayment to FNS.

**Recommendation:** We recommend that the Department continue to implement procedures to ensure the match attributable to State-owned schools is funded from the General Fund. In addition, we recommend that the match, as calculated by the NEO System, is reconciled to the match funded with State funds prior to year end so that necessary adjustments can be made to Federal draws.

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

**Management's Response:** The Department agrees with this finding. The Department modified the NEO system during the year under audit to ensure that the match attributable to State-owned schools is funded from the General Fund. Additionally, going forward the Department will perform reconciliations to ensure compliance with the grant's matching requirements.

**Contact:** Walter Beesley, Child Nutrition Director, DOE, 207-624-6875

**(State Number: 19-1203-02)**

**(2019-016)**

**Title:** National School Lunch Program and Summer Food Program Policy Statements and State-Sponsor Agreements are not consistent with Federal regulations

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-006 | * | * | None | None | None | None | None |

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

**State Department:** Education
**State Bureau:** Child Nutrition Services
**Federal Agency:** U.S. Department of Agriculture
**CFDA Title:** Child Nutrition Cluster
**CFDA #:** 10.555, 10.559
**Federal Award Identification Number:** 184ME301N1099, 194ME301N1099

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 7 CFR 225.6; 7 CFR 245.10; 2 CFR 200.331; USDA Eligibility Manual for School Meals, Appendix A – Policy Statement

**Condition:** Child Nutrition Services must maintain Policy Statements and State-Sponsor Agreements that are consistent with Federal regulations. We reviewed the Free and Reduced Price Policy Statement for the National School Lunch Program (NSLP) and the Free Meal Policy Statement and State-Sponsor Agreement for the Summer Food Service Program (SFSP) and noted the following exceptions:

- The SFSP State-Sponsor Agreement did not contain all elements required by 7 CFR 225.6, including:
  - requirements for meal service timeframes and offerings, and
  - statements regarding the maintenance of sanitation and health standards, financial management systems, and site visit monitoring documentation.

- The NSLP Free and Reduced Price Policy Statement did not contain all required elements, including:
  - specific procedures used to document eligibility through direct certification in lieu of an application as outlined in 7 CFR 245.10,
  - a statement regarding foster child eligibility,
  - a statement that no barriers to participation exist in Programs for Limited English Proficient families, and
  - a statement of measures taken to prevent disclosure of confidential program information, as described in the U.S. Department of Agriculture Eligibility Manual for School Meals – Appendix A – Policy Statement.
- The NSLP Free and Reduced Price Policy Statement has not been updated to the Uniform Guidance.

**Context:** Federal funds totaling $54.7 million were passed through to subrecipients from the Child Nutrition Cluster grant during fiscal year 2019. Policy Statements and State-Sponsor Agreements define participant responsibilities for program administration. Federal regulations define the content of agreements to ensure participants are aware of and compliant with specific program requirements.

**Cause:**
- Lack of supervisory oversight
- Lack of established procedures to ensure policy statements and agreements are in compliance with Federal requirements

**Effect:** Noncompliance with Federal regulations

**Recommendation:** We recommend that the Department establish procedures to periodically and systematically review these documents to ensure compliance with Federal requirements.

The NSLP Free and Reduced Price Policy Statement and the SFSP State-Sponsor Agreement were updated in November 2018 for use in the fiscal year 2020 enrollment period.

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

**Management's Response:** The Department agrees with this finding. As noted above, the documents in question have been updated to contain all required information. The Department has also implemented procedures to perform an annual review of the NSLP Free and Reduced Price Policy Statement as well as the SFSP State-Sponsor Agreement prior to the issuance of the annual policy packet to ensure that these documents continue to comply with Federal requirements.

**Contact:** Walter Beesley, Child Nutrition Director, DOE, 207-624-6875

**(State Number: 19-1203-01)**

**(2019-017)**

**Title:** Internal control over subrecipient monitoring procedures needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-001 | * | * | None | None | None | None | None |

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

**State Department:** Education
**State Bureau:** Child Nutrition Services
**Federal Agency:** U.S. Department of Agriculture
**CFDA Title:** Child Nutrition Cluster
**CFDA #:** 10.555, 10.559
**Federal Award Identification Number:** 184ME301N1099, 194ME301N1099

**Compliance Area:** Cash management
Subrecipient monitoring

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 7 CFR 210.18; 7 CFR 220.8

**Condition:** The Department is required to conduct administrative reviews of all School Food Authorities (SFAs) at least once during a three-year review cycle to ensure compliance with Federal requirements. The Department must keep records that document the details of all administrative reviews and demonstrate the degree of compliance with critical areas, general areas, and breakfast meal requirements.

Corrective action is required for any violation identified in the review. SFAs are required to submit evidence to the Department that corrective action has been taken no later than thirty days from the State's deadline for the SFA to take corrective action. If the SFA does not submit corrective action by the deadline and the SFA has not been granted an extension, the Department must withhold all program payments to the SFA. The purpose of payment suspension is to encourage compliance. All suspended payments are released by the Department once the SFA's corrective action is complete.

The auditor reviewed 24 of the 116 National School Lunch Program and Summer Food Service Program administrative reviews that occurred in fiscal year 2019. Of these twenty-four reviews, Child Nutrition Services (CNS) was unable to provide a United States Department of Agriculture (USDA) On-Site Review Form for one SFA. This document serves as the source of confirmation that critical areas, general areas, and breakfast meal requirements were reviewed as required by Federal regulations. Although the USDA On-Site Review Form was not provided and multiple compliance requirements could not be confirmed, the Final Review Report and completed corrective action suggests that a complete onsite review of all areas was performed.

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

Additionally, the auditor scanned the population of school administrative reviews during fiscal year 2019 that had deficiencies and required corrective action. Of the eighty-two reviews, the auditor located one instance when CNS did not withhold payments to an SFA after the SFA did not submit timely corrective action.

**Context:** Federal funds totaling $54.7 million were passed through to subrecipients from the Child Nutrition Cluster grant during fiscal year 2019.

**Cause:**

- The Department did not have adequate backup procedures for portable devices that resulted in lost site review documentation for four SFAs (one was included in the auditor's sample).
- A procedure has not been established to suspend payments to an SFA that is not in compliance with the corrective action process.
- Lack of adequate supervisory oversight

**Effect:**

- The State agency is unable to demonstrate complete compliance with the three-year SFA review cycle required by Federal regulations.
- Since the Department did not suspend payments to the SFA that did not submit corrective action, the Department did not provide adequate financial incentive for the SFA to take corrective action.

**Recommendation:** We recommend that the Department continue to implement procedures to ensure site review documentation is safeguarded. We recognize that the Department is now utilizing a cloud-based service to back up site review documentation as it is collected.

We further recommend that the Department withhold payments to SFAs that do not submit timely corrective action plans in response to findings related to their administrative reviews.

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

**Management's Response:** The Department agrees with this finding. Child Nutrition continues to follow the improved procedures of using a cloud-based service for data storage. Child Nutrition has also discussed the withholding procedure with staff. The discussion included: when to withhold, the documentation to withhold, granting documented extensions and recording extension information. Additionally, at the monthly staff meetings, prior and upcoming reviews are discussed, and cross checked with the tracking spreadsheet.

**Contact:** Walter Beesley, Child Nutrition Director, DOE, 207-624-6875

**(State Number: 19-1203-03)**

**(2019-018)**

**Title:** Internal control over the donated food inventory needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-005 | * | * | 2015-029 | None | None | None | 11-1203-03 |

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

**State Department:** Education
**State Bureau:** Child Nutrition Services
**Federal Agency:** U.S. Department of Agriculture
**CFDA Title:** Child Nutrition Cluster
**CFDA #:** 10.555, 10.559
**Federal Award Identification Number:** 184ME301N1099, 194ME301N1099

**Compliance Area:** Special tests and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 7 CFR 250.12; 7 CFR 250.19

**Condition:** The State must maintain complete and accurate records related to the receipt, distribution, and inventory of United States Department of Agriculture (USDA) donated foods. On an annual basis, the responsible distributing State Department must reconcile physical inventories to recorded inventories. The purpose of the physical inventory is to identify possible food losses and obtain subsequent reimbursement from the responsible party.

In our test of twelve inventory items recorded as of June 30, 2019 (twenty-one percent of all inventory items), discrepancies in case counts were identified for two inventory items. The discrepancies existed between the year-end physical inventory count and the count recorded in the New Education Ontology (NEO) system. Program personnel did not identify and investigate discrepancies on an ongoing basis using reconciliation procedures, such as using monthly reports to detect irregularities. In addition, inventory activity, such as picking errors and damaged goods, were not correctly accounted for in NEO.

During our inquiry of the discrepancies noted above, it was also noted that one inventory item was recorded as received on the wrong date causing inventory on hand to be unavailable to the schools. Monthly reconciliations between the NEO system and the third-party food distributor's system would have identified this error earlier and would have ensured the item was available to schools; instead it remained in inventory at year end.

We selected a sample of twelve inventory items to ascertain the validity of the year-end physical inventory as of June 20, 2019. Using the donated foods records, we calculated the inventory forward to January 28, 2020. We performed a physical inventory of the twelve inventory items on January 28, 2020 and found discrepancies for three inventory items.

Also, it was noted that:

- NEO does not value or track commodities inventory held at processors.
- NEO does not maintain a report of the total dollar value of inventory passed through to each subrecipient for proper reporting of noncash awards as required by the Uniform Guidance.

As a result, inventory records do not contain complete and accurate information of amounts passed through to subrecipients.

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

**Context:** The Department was responsible for the maintenance and distribution of approximately $5 million of USDA-donated foods in fiscal year 2019.

**Cause:**

- Lack of written policies and procedures in place to ensure that Department staff are performing regular reconciliations between NEO inventory records and monthly physical inventory counts
- Lack of supervisory oversight

**Effect:** A lack of written policies and procedures over inventory reconciliations and recordkeeping increases the possibility of mismanagement, noncompliance with Federal award requirements, and inaccurate reporting of non-cash Federal awards.

**Recommendation:** We recommend that the Department design and implement written policies and procedures over monthly and annual inventory reconciliations, as well as procedures to ensure complete recordkeeping and reporting of shipments occurring after the end of the school year.

We also recommend that the Department work with NEO developers to research whether NEO can be used to track a perpetual inventory. If these persons formally conclude that NEO cannot be programmed with this functionality, we recommend that the Department investigate alternative software for this purpose.

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

**Management's Response:** The Department agrees with this finding. Child Nutrition has worked with USDA to develop procedures for inventory control and periodic reconciliations. Child Nutrition will review existing procedures and make changes as needed. Steps are already being taken to address the inventory procedures for the food shipments that occur after the end of the school year. Specifically, a new inventory system is being procured to track this activity because these transactions are outside of the scope of the NEO system.

**Contact:** Walter Beesley, Child Nutrition Director, DOE, 207-624-6875

**(State Number: 19-1203-04)**

**(2019-019)**

**Title:** Internal control over subrecipient monitoring needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | * | * | None | None | None | None | None |

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

**State Department:** Health and Human Services
**State Bureau:** Maine Center for Disease Control & Prevention
**Federal Agency:** U.S. Department of Agriculture
**CFDA Title:** Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
**CFDA #:** 10.557
**Federal Award Identification Number:** 201616W500344, 201717W500344, 201818W100344, 201818W100644, 201818W500344, 201919W100344, 201919W100644

**Compliance Area:** Subrecipient monitoring

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

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 7 CFR 246.19

**Condition:** The State agency shall establish an on-going management evaluation system which includes at least the monitoring of local agency operations, the review of local agency financial and participation reports, the development of corrective action plans to resolve program deficiencies, the monitoring of the implementation of the corrective action plans, and on-site visits. The results of such actions shall be documented.

Monitoring of local agencies must encompass evaluation of management, certification, nutrition education, breastfeeding promotion and support, participant services, civil rights compliance, accountability, financial management systems, and food delivery systems.

The State agency shall conduct monitoring reviews of each local agency at least once every two years. Reviews must include on-site reviews of a minimum of twenty percent of the clinics in each local agency or one clinic, whichever is greater.

Four of the eight agencies were due for a full-year management evaluation review during fiscal year 2019. Audit procedures identified that:

- two local agencies received timely management evaluation reviews, however, these were only partial reviews. Each review must include four key areas: clinic management, breastfeeding, nutrition, and finance. The finance portion was not completed for either of these two local agency reviews.
- one local agency management evaluation review that was due in February of 2019, had not been completed as of audit testing in January of 2020.
- one local agency management evaluation review that was due in June of 2019, had not started as of audit testing in January of 2020.

**Context:** The Department provided $4.1 million to the eight local agencies during fiscal year 2019.

**Cause:**

- Unfilled vacancies (Finance Manager and three WIC staff positions that perform management evaluation reviews)
- Lack of adequate internal control

**Effect:**

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

**Recommendation:** We recommend that the Department implement procedures to ensure that management evaluation reviews are performed in a complete and timely manner.

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

**Management's Response:** The Department agrees with this finding. During the audit period, all four of the positions that are responsible for conducting management evaluation reviews were vacant. These positions are now filled, and management evaluation reviews are being conducted.

**Contact:** Ginger Roberts-Scott, Director, Maine WIC Nutrition Program, DHHS, 207-287-5342

**(State Number: 19-1113-02)**

**(2019-020)**

**Title:** Internal control over subrecipient contracts needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | * | * | None | None | None | None | None |

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

**State Department:** Health and Human Services
**State Bureau:** Division of Contract Management
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
**CFDA #:** 10.557
**Federal Award Identification Number:** 201616W500344, 201717W500344, 201818W100344, 201818W100644, 201818W500344, 201919W100344, 201919W100644

**Compliance Area:** Subrecipient monitoring

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

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.331(a)

**Condition:** Contracts with subrecipients must include Federal award information that enables subrecipients to identify the source of the Federal award. In addition, contracts must be updated to include references to the Federal Uniform Guidance and to audit threshold amounts in effect since December 26, 2014.

Of the eight subrecipients who administer the WIC program, all eight contracts:

- incorrectly identified Federal Circular A-133 as the Federal guidance requirement, rather than the Uniform Guidance.
- did not include a reference to the correct threshold of $750,000 or more expended in Federal awards during a fiscal year by non-Federal entities that requires them to receive a Single, or program-specific audit.

**Context:** During fiscal year 2019, the Department provided $4.1 million to the eight subrecipients that administer the WIC program.

**Cause:**
- Lack of adequate internal control
- Lack of supervisory oversight

**Effect:**
- Noncompliance with Federal requirements for pass-through entities
- Outdated references included in subrecipient contracts increase the possibility that subrecipients will apply the incorrect Federal guidance to the grant award.

**Recommendation:** We recommend that the Department implement procedures to ensure contracts with subrecipients are complete, accurate and in accordance with Federal regulations.

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

**Management's Response:** The Department agrees with this finding. Contract language that includes references to the Uniform Guidance and the $750,000 threshold has been updated as of February 2018.

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

**(State Number: 19-1113-03)**

**(2019-021)**

**Title:** Internal control over Federal cash management needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | * | * | None | None | None | None | None |

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

**State Department:** Health and Human Services
**State Bureau:** Maine Center for Disease Control & Prevention
**Federal Agency:** U.S. Department of Agriculture
**CFDA Title:** Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
**CFDA #:** 10.557
**Federal Award Identification Number:** 201616W500344, 201717W500344, 201818W100344, 201818W100644, 201818W500344, 201919W100344, 201919W100644

**Compliance Area:** Cash management

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

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.302; 31 CFR 205.33

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the award in compliance with Federal statutes, regulations, and the terms and conditions of the award. Financial records must adequately identify the source and application of funds and provide accountability for all funds, property, and other assets related to the Federally-funded activities.

The Department must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. The Department must limit a funds transfer to the minimum amounts needed by the State and must time the disbursement to be in accordance with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. The Office of the State Controller issued guidance to all State agencies establishing that no more than seven days between the receipt and disbursement of Federal funds demonstrates compliance.

Program personnel did not take the existing cash balance into consideration when requesting Federal funds for the food portion of the WIC grant. This resulted in the WIC food portion of the grant to have an excess cash balance ranging from $700,000 to $1.6 million.

There also exists a separate cash management issue related to WIC's administrative costs. The Advantage accounting system indicates that expenditures may have been charged to the Federal Fund that have not been reimbursed by the Federal government. The cash balance was consistently negative throughout the year, ranging from a negative $600,000 at the beginning of the year to a negative $1.2 million at the end of the fiscal year.

**Context:** During fiscal year 2019, the Department drew down the following Federal funds for the WIC program:

- $5.7 million for administration
- $8.2 million for food

**Cause:**

- Lack of adequate procedures to ensure the cash balance is always considered when requesting Federal funds
- Lack of adequate recordkeeping and account reconciliation
- Lack of supervisory oversight
- Lack of resources and competing priorities

**Effect:**

- The Federal government may impose more stringent cash management requirements based on prior noncompliance.
- The State could potentially incur an interest liability on excess Federal cash balances.
- Until the Department completes a reconciliation of related financial activity, it will not know whether funds need to be returned to the Federal government for all, a portion, or none of the excess cash balance.
- Until the Department completes a reconciliation of related financial activity, it will not know whether a General Fund appropriation is needed to clear the negative cash balance for administrative costs in the Federal Fund.

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

- complete a full reconciliation of the cash balance for all grants issued for the WIC program, going as far back as needed to determine the cause and remediation for both the negative and excess cash balances.
- implement oversight procedures to ensure that the cash balance is considered when requesting Federal funds in accordance with 31 CFR 205.33.

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

**Management's Response:** The Department agrees with this finding. The Program will perform a reconciliation of the cash balance for all WIC related grants. Oversight procedures will be implemented to ensure cash balance is considered when requesting federal funds.

**Contact:** Ginger Roberts-Scott, Director, Maine WIC Nutrition Program, DHHS, 207-287-5342

**(State Number: 19-1113-04)**

**(2019-022)** Confidential finding, see Condition Section below for more information

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

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| Redacted | * | * | * | * | * | * | * |

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

**State Department:** Health and Human Services
**State Bureau:** Maine Center for Disease Control & Prevention
**Federal Agency:** U.S. Department of Agriculture
**CFDA Title:** Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
**CFDA #:** 10.557
**Federal Award Identification Number:** 201616W500344, 201717W500344, 201818W100344, 201818W100644, 201919W100344, 201919W100644

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

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |

A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.

**Criteria:** 2 CFR 200.303; ________; ________; State of Maine ________; State of Maine ________

**Condition:** The Department of Health and Human Services (DHHS) does not have assurance that ________ provided by the ________ is ________ and that ________ is ________, ________, ________, and ________.

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

- Sarah Widor, Director, Supplemental Food Programs Division, Department of Agriculture, Food and Nutrition Service, 3101 Park Center Drive 5th Floor, Alexandria, VA 22302

A copy of that correspondence has also been sent to:

- Kimberly Edwards, Audit Liaison, USDA Food and Nutrition Services, Northeast Regional Office, 10 Causeway St. Room 501, Boston, MA 02222-1069

**Context:** DHHS contracts with ________ to provide ________, including ________. ________ can measure ________ to which the Department is able to rely on the ________ provided by ________.

Of the ________ in ________ expenditures in fiscal year 2019, ________in ________ was processed by this outsourced ________.

**Cause:** Although DHHS required ________ to comply with ________, ________, ________, and ________, ________ did not provide the results of ________ of the adequacy and effectiveness of ________ specific to the ________.

**Effect:**

- ________
- ________
- ________

**Recommendation:** We recommend that the Department enforce contractual obligations, agreed to by ________, to provide ________. This includes a ________, ________, and ________; and add ________, as applicable. If provided by ________, DHHS would have assurance that related information is ________, ________, and ________.

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

**Management's Response:** The Department disagrees with the finding. The ________, explicitly excludes the ________, "This section does not apply to ________", such as the ________. Furthermore, in the previous year's State Single Audit, finding ________, the State Auditor recognizes that "________". The State Auditor confirmed again in the present year's audit that ________. It seems inconsistent that the Auditor references a ________ but denies ________.

The contract provides solid evidence that ________, "________ and to provide ________. Vendors process ________ in the same manner as they process a ________. The ________ executes the logistics of ________ until it is ________ to the Provider.

We believe we are adhering to Generally Accepted Auditing Standards (GAAS) and that implementing the recommendations of the Auditor would also add complexity to DHHS operations and increase costs of providing DHHS services.

**Contact:** Ginger Roberts-Scott, Director, Maine WIC Nutrition Program, DHHS 207-287-5342

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

**Auditor's Concluding Remarks:** The Department has contracted with a ________ to provide services for the WIC program for several years. These services include:

- ________ which provides ________; and
- tracking of ________ and ________ for communication to the WIC program ________.

It is also important to note that the contract explicitly states that "________." This includes ________, and will adhere to the following ________: ________, ________, and ________.

Therefore, it is our determination that the WIC program ________ is not only contractually obligated to provide ________ but the ________ also provides services beyond that of only "________" as detailed within ________. The ________ in this case is not simply a ________.

The finding remains as stated.

**(State Number: 19-0900-06)**

**(2019-023)**

**Title:** Internal control over payroll costs needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-016 | 2017-002 | * | * | None | * | None | None |

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

**State Department:** Defense, Veterans and Emergency Management
**State Bureau:** Military
**Federal Agency:** U.S. Department of Defense
**CFDA Title:** National Guard Military Operations and Maintenance (O&M) Projects
**CFDA #:** 12.401
**Federal Award Identification Number:**

W912JD-16-2-1001X, W912JD-17-2-1003X, W912JD-19-2-1010X, F7QJCE8282MW03,
W912JD-19-2-1001X, W912JD-18-2-1003X, W912JD-19-2-1040X, F7QJCE7300MW01,
W912JD-17-2-1001X, W912JD-19-2-1003X, W912JD-18-2-1040X, F7Q6SP7304MW01,
W912JD-18-2-1001X, W912JD-18-2-1004X, F7QJCE4290MD02, F7Q6SP8289MW01,
W912JD-18-2-1002X, W912JD-19-2-1004X, F7QJCE5296MD01, F7QJCE8282MW02,
W912JD-19-2-1002X, W912JD-18-2-1007X, F7QJCE8282MW01, F7QJCE7292MW01,
W912JD-16-2-2001X, W912JD-17-2-1007X, F7QJCE6300MW01, F7QJCE6302MW01,
W912JD-18-2-2001X, W912JD-19-2-1007X, F7QJCE7291MW01, F7QJCE5296MD03

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

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.430(i)

**Condition:** Personnel expenses must be supported by a system of internal control that provides reasonable assurance that payroll charges are accurate, allowable and charged to the appropriate program.

The Department did not have adequate procedures in place to ensure that all timesheets were appropriately signed and that payroll expenditures charged to the National Guard Military

Operations and Maintenance (O&M) Projects program were allowable.  Of the sixty timesheets tested:

- one timesheet was not signed by the employee.  Additionally, this timesheet reflected that fifty percent of the employee's time was spent on the National Guard Military O&M Projects program and the other fifty percent was at another State agency.  However, the employee's payroll costs totaling $2,844 were charged entirely to the National Guard Military O&M Projects program.
- one timesheet was not approved by a supervisor.

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

**Context:** Payroll expenditures totaled approximately $8.4 million in fiscal year 2019.

**Cause:**

- Lack of adequate procedures to ensure payroll expenditures were charged to the correct program
- The Department did not ensure that an employee's missing signature was subsequently obtained.
- One employee's timesheet was setup so that no approval was required by a supervisor with direct knowledge of the employee's time.

**Effect:**

- Salaries and wages charged to the program were not and could potentially not be based on actual work performed or allowable.
- Potential future questioned costs and disallowances

**Recommendation:** We recommend that the Department enhance procedures to ensure that all timesheets are signed by the employee and an appropriate supervisor.  We further recommend that the Department implement procedures to ensure only allowable payroll expenditures are charged to the program.

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

**Management's Response:** The Department agrees with this finding. This finding has identified two unique situations that fall outside of the routine payroll process. The first item was the result of an employee who changed position within the middle of a pay period. The second item resulted from a State employee being supervised by a Federally employed Air National Guard Officer because the current time an attendance system does not support the supervisor's approval of timesheets in this type of arrangement. Regardless of the cause, the Department has enhanced procedures to ensure that all timesheets are signed and approved, and payroll expenditures are properly charged, even in unique situations.

**Contact:** Scott A. Young, Deputy Commissioner, DVEM, 207-430-5997

**(State Number: 19-1503-01)**

**(2019-024)**

**Title:** Internal control over cash management for travel advances and the related reporting to the Federal government on the *SF-270* report needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | None | * | * | None | * | None | None |

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

**State Department:** Defense, Veterans and Emergency Management
**State Bureau:** Military
**Federal Agency:** U.S. Department of Defense
**CFDA Title:** National Guard Military Operations and Maintenance (O&M) Projects
**CFDA #:** 12.401
**Federal Award Identification Number:**

| | | | |
|---|---|---|---|
| W912JD-16-2-1001X, | W912JD-17-2-1003X, | W912JD-19-2-1010X, | F7QJCE8282MW03, |
| W912JD-19-2-1001X, | W912JD-18-2-1003X, | W912JD-19-2-1040X, | F7QJCE7300MW01, |
| W912JD-17-2-1001X, | W912JD-19-2-1003X, | W912JD-18-2-1040X, | F7Q6SP7304MW01, |
| W912JD-18-2-1001X, | W912JD-18-2-1004X, | F7QJCE4290MD02, | F7Q6SP8289MW01, |
| W912JD-18-2-1002X, | W912JD-19-2-1004X, | F7QJCE5296MD01, | F7QJCE8282MW02, |
| W912JD-19-2-1002X, | W912JD-18-2-1007X, | F7QJCE8282MW01, | F7QJCE7292MW01, |
| W912JD-16-2-2001X, | W912JD-17-2-1007X, | F7QJCE6300MW01, | F7QJCE6302MW01, |
| W912JD-18-2-2001X, | W912JD-19-2-1007X, | F7QJCE7291MW01, | F7QJCE5296MD03 |

**Compliance Area:** Cash management
Reporting

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 31 CFR 205(B); National Guard Regulation 5-1 Section 11-4; *SF-270* Instructions: Request for Advance or Reimbursement; State Administrative and Accounting Manual 10.80.60

**Condition:** The Department must minimize the time between the drawdown of Federal grant funds and the related disbursement for program purposes. The Office of the State Controller (OSC) issued guidance to all State agencies establishing that no more than seven days between the receipt and disbursement of Federal funds demonstrates compliance. Program personnel must submit an *SF-270* report to the Federal government to process requests for advances and reimbursement using Federal funds. The State Administrative and Accounting Manual (SAAM) indicates that travel advances may be paid no more than ten days before the start of travel by State personnel.

Testing of sixty *SF-270* reports, and expanded testing of an additional four *SF-270* reports for travel advances only, and their related drawdowns revealed:

- two instances of noncompliance with drawdown requirements. The Department exceeded the seven-day State standard between the drawdown date and the payment date established by the OSC to meet compliance requirements, by eighteen days for one drawdown and by nine days for the other drawdown. Both drawdowns included requests for travel advances, as well as other types of payments.
- three instances of noncompliance with reporting requirements. These three *SF-270* reports included a request for an advance that was incorrectly reported as a request for reimbursement.
- four instances of noncompliance with State travel advance requirements. The Department exceeded the ten-day requirement between the advance date and the travel date by six to nine days.

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

**Context:** The Department expended approximately $21.7 million in National Guard Military O&M Projects funds during fiscal year 2019. Of the $21.7 million, approximately $14,000 was utilized for travel advances.

**Cause:** Lack of adequate procedures over travel advances to ensure compliance with Federal and State cash management and reporting requirements

**Effect:**

- The Federal government may impose more stringent, program-specific cash management requirements based on prior noncompliance.
- Advances are not reported in accordance with Federal reporting requirements and are not paid in accordance with the SAAM.

**Recommendation:** We recommend that the Department implement procedures to ensure that travel advances are reported accurately on the *SF-270* report and drawn down in accordance with cash management requirements. We further recommend that the Department implement procedures to ensure that travel advances are paid in accordance with the SAAM.

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

**Management's Response:** The Department agrees with this finding. Procedures are being reviewed and updated as necessary to ensure that travel advances are reported accurately on the SF-270 report and drawn in accordance with cash management requirements. Additionally, procedures covering the issuance of travel advances will be reviewed and updated as necessary.

**Contact:** Frances LaPointe, Business Manager II, DVEM, 207-430-5696

**(State Number: 19-1503-02)**

**(2019-025)**

**Title:** Internal control over subrecipient monitoring procedures needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | * | * | * | * | * | * |

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

**State Department:** Health and Human Services
**State Bureau:** Substance Abuse and Mental Health Services
**Federal Agency:** U.S. Department of Housing and Urban Development
**CFDA Title:** Continuum of Care Program
**CFDA #:** 14.267
**Federal Award Identification Number:** ME0002L1T001704, ME0003L1T001704, ME0008L1T001710, ME0009L1T001710, ME0024L1T001710, ME0036L1T001710, ME0057L1T001703, ME0058L1T001703, ME0059L1T001704, ME0069L1T001702, ME0074L1T001703, ME0078L1T001701, ME0079L1T001701, ME0080L1T001701, ME0084L1T001702, ME0088L1T001706, ME0089L1T001706, ME0093L1T001706

**Compliance Area:** Subrecipient monitoring

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

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.331; 24 CFR 578.23; 24 CFR 578.51; 24 CFR 578.103

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

The Department is required to monitor the activities of the subrecipient as necessary to ensure that the subaward was used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are being or have been achieved. As part of monitoring procedures, an on-site client file review is required to ensure program participants are eligible, the rental subsidy is calculated correctly, the subrecipient has adequate record keeping procedures, and the housing quality inspections are documented.

The Department did not perform on-site client file reviews during fiscal year 2019. As of June 30, 2019, the last on-site review was performed in May 2018. In addition, the on-site review form used by the Department does not provide adequate documentation of all subrecipient grant management responsibilities.

**Context:** Continuum of Care Program **e**xpenditures totaled $8.6 million during fiscal year 2019. The entire grant award was passed through to a single subrecipient.

**Cause:**
- Lack of adequate internal controls
- Lack of supervisory oversight

**Effect:**
- Noncompliance with Federal regulations
- Potential future questioned costs and disallowances due to possible ineligible participants or inaccurate rent determinations

**Recommendation:** We recommend that the Department implement procedures to ensure that subrecipients use Continuum of Care Program funds in accordance with Continuum of Care Program grant regulations and contracts. We also recommend that the Department expand their on-site review form to ensure verification of all subrecipient grant management responsibilities.

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

**Management's Response:** The Department disagrees with this finding. We have policies and procedures in place to ensure subrecipients use Continuum of Care funds in accordance with all award requirements and program regulations. We perform comprehensive annual on-site reviews to verify subrecipient compliance with all program rules and regulations and have the documentation to support it.

**Contact:** Jessica Monahan Pollard, Director, Office of Behavioral Health, DHHS, 207-287-6484

**Auditor's Concluding Remarks:** Program regulations require annual subrecipient site monitoring. Though requested from the auditee, we were not provided any documentation or other evidence to support that a site visit occurred during fiscal year 2019. In addition, the checklist the Department utilizes to document site monitoring reviews does not provide sufficient verification of all subrecipient responsibilities.

The finding remains as stated.

**(State Number: 19-1153-01)**

**(2019-026)**

**Title:** Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | None | None | None | None | None | None | None |

**State Department:** Administrative and Financial Services
**State Bureau:** Health and Human Services Service Center
**Federal Agency:** U.S. Department of Housing and Urban Development
**CFDA Title:** Continuum of Care Program
**CFDA #:** 14.267
**Federal Award Identification Number:** ME0002L1T001704, ME0003L1T001704, ME0008L1T001710, ME0009L1T001710, ME0024L1T001710, ME0036L1T001710, ME0057L1T001703, ME0058L1T001703, ME0059L1T001704, ME0069L1T001702, ME0074L1T001703, ME0078L1T001701, ME0079L1T001701, ME0080L1T001701, ME0084L1T001702, ME0088L1T001706, ME0089L1T001706, ME0093L1T001706

**Compliance Area:** Reporting

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.510(b); State Controller Bulletin's #FY20-01

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements which must include the total Federal awards expended. At a minimum, the SEFA must provide total Federal awards expended for each individual Federal program and the Catalog of Federal Domestic Assistance (CFDA) number. The Department must complete and submit exhibits and related schedules to the Office of the State Controller (OSC) who is responsible for compiling this information on behalf of the State.

Continuum of Care Program (CFDA #14.267) expenditures were incorrectly reported as Shelter Plus Care (CFDA #14.238) program expenditures on the SEFA. Additionally, a portion of Continuum of Care Program expenditures were incorrectly recorded to the Shelter Plus Care program in the State accounting system.

**Context:** In fiscal year 2019, Continuum of Care Program expenditures totaling $8.6 million were incorrectly recorded in the:

- SEFA as Shelter Plus Care expenditures.
- State accounting system as follows:
    - $1.1 million to Shelter Plus Care
    - $7.5 million to Continuum of Care Program

**Cause:**

- Lack of adequate internal controls relating to agency SEFA submissions to the OSC
- The Department did not obtain guidance from the Federal government.

**Effect:** Inaccurate amounts are reported by Federal program and CFDA number on the SEFA, which is submitted to the Federal government. This information may be used for programmatic, policy or statistical purposes.

**Recommendation:** We recommend that the Department work with the OSC to improve procedures related to SEFA submission to ensure Federal program expenditures are reported accurately by CFDA number on the SEFA. We further recommend that the Department make the necessary corrections in the State accounting system.

**Corrective Action Plan:** See F-12

**Management's Response:** The Department agrees with this finding. The Department has implemented changes to the SEFA reporting process to ensure that the correct CFDA number is used. The revised SEFA reporting process will be utilized for the year ending June 30, 2020.

**Contact:** Sarah Gove, Director, DHHS Service Center, 207-458-6626

**(State Number: 19-1000-01)**

**(2019-027)**

**Title:** Internal control over continuing eligibility needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-023 | 2017-006 | 2016-005 | 2015-031 | 2014-039 | 13-1302-01 | 12-1302-01 | 11-1302-06 |

**State Department:** Labor
**State Bureau:** Unemployment Compensation
**Federal Agency:** U.S. Department of Labor
**CFDA Title:** Unemployment Insurance (UI)
**CFDA #:** 17.225
**Federal Award Identification Number:** Unemployment Insurance Trust Fund, Maine

**Compliance Area:** Allowable costs/cost principles
Eligibility

**Type of Finding:** Material weakness
Material noncompliance
Questioned costs

**Questioned Costs:**

| Questioned Costs | Total | Federal* | State |
|---|---|---|---|
| *Known* | $10,375 | $0 | $10,375 |
| *Likely* | $5,272,833 | $0 | $5,272,833 |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

*No Federally-funded benefit payments appeared in the exceptions taken by the auditor.

**Criteria:** 2 CFR 200.303; Unemployment Insurance Program Letter (UIPL) No. 5-13; 26 MRSA 1192 Eligibility Conditions; 26 MRSA 1194 Claims for Benefits; Pub. L No. 112-96; SSA Sec 303(12)[16]; 20 CFR 603.2; 20 CFR 615.8; 12-172 Maine Unemployment Insurance Commission Rules Chapter 10

**Condition:** A State administering the Unemployment Insurance (UI) program must have properly designed internal control procedures in place to ensure that claimants' continuing eligibility requirements are met.

Audit procedures identified four of sixty (approximately seven percent) randomly selected claimants as ineligible to receive the weekly unemployment benefit paid. An additional six of sixty (ten percent) randomly selected claimants were potentially ineligible to receive the weekly unemployment benefit paid. Further details of these testing results are outlined below.

Of the four claimants ineligible to receive the weekly benefit paid:

- one claimant reported not searching for work at all for three benefit weeks. In addition, this claimant filed two claims that included work search entries that could not be verified by the employer when contacted by program personnel. No further action was taken by program personnel.
- one claimant did not provide updated documentation needed to continue receiving benefits.
- one claimant was issued a demand by the Department to repay $244 for failing to search for work as a result of a required fact-finding interview.
- one claimant did not provide any identifying employer information for eight work search entries, resulting in a lack of reasonable assurance that the claimant searched for work.

Of the six claimants potentially ineligible to receive the weekly benefit paid:

- five filed work search entries that were repeated at a rate higher than what the Department's internal standard operating procedure (SOP) allows. The exceptions noted by the auditor ranged between two to fifteen weeks of repetitive entries.
- one did not enter an identifiable business name for five claims but did provide correct addresses and/or phone numbers.

According to the Department's internal SOP for work search audits, the Department should have completed work search audits for at least one percent of total claims during the fiscal year. For the period from July through November 2018 (five of twelve months), the Department did not perform any internal work search audits relating to continuing eligibility. The workload associated with the ongoing implementation of the information system ReEmployME was cited by the Department as the reason.

For the period from December 2018 through June 2019 (seven of twelve months), the Department completed only 183 work search audits out of the 183,520 total claims paid during the seven-month period. In accordance with the internal SOP, a total of 1,835 audits should have been completed. The Department did select 1,447 claims for review; however, only 183 were actually completed. This provided coverage for only 0.09% of total unemployment benefits paid during the seven-month period. Of the 183 work search audits completed:

- four had potential issues that were ultimately deemed allowable,
- six were denied, and
- 173 had no identified issues.

Thus, the Department's own internal work search audit data results in an exception rate for noncompliance of 3.3% (6 / 183 = 3.3%).

This rate of 3.3% is far lower than what can be computed from the auditor's testing described above. The four of sixty auditor exceptions computes to an overall noncompliance rate of 6.7%. The other six claimants could potentially contribute to an additional 10.0%.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** Unemployment Insurance benefits paid in fiscal year 2019 totaled $78.5 million. This includes $77.5 million in employer-funded benefit payments and $1.0 million in Federally-funded benefit payments.

**Cause:** Internal control procedures relating to continuing eligibility are not adequate. Though it is, in part, due to a lack of staff and competing priorities, the fact that this matter has been an audit finding since fiscal year 2011 provides clear evidence that management has not given this matter adequate priority. Additionally, there are no field or system controls nor edit checks active in the ReEmployME system that would enable the system to identify ineligible work search entries.

**Effect:** Claims funded by Maine's employers and potentially by Federal dollars were paid to persons who might not have been actively searching for work and obtaining timely re-employment. The effect for most claims would be to improperly reduce Maine's Unemployment Trust Fund held by the United States Treasury and increase the unemployment tax rate in an effort to replenish the Fund. If the claim pertained to a Federally-funded unemployment claim (for example, laid-off postal workers), ineligible claims for Federal funds could be paid.

**Recommendation:** We recommend that the Department implement control procedures including computer application controls to ensure that continuing eligibility requirements for Unemployment Insurance benefits are met and adequately supported.

The Department relies on ReEmployME as the primary tool for internal control over continuing eligibility. For this reason, we recommend that computer application controls be enabled within ReEmployME to identify and reject work search entries that are not consistent with the Department's standards. While we recognize that the existing internal SOP defines a benchmark for repetitious work search entries, we further recommend that the Department establish by public rulemaking or otherwise, what will be rejected by the system as a repetitious work search entry for the purpose of making a claim for benefits. In this manner, the frequency will not be considered arbitrary, but will be fixed by rulemaking or law.

**Corrective Action Plan:** See F-12

**Management's Response:** The Department partially agrees with this finding. For the most part, we agree that in the first four examples that staff did not follow established standard operating procedures or guidelines or made an oversight error. We have conducted staff training to correct this and we continue to call attention to the importance of following procedure in our adjudication trainings conducted twice a year. However, we disagree with the projected amount of potential benefit overpayment in some of these, especially for weeks where no fact-finding interview was held which would have provided the claimant an opportunity to show good cause, or in one case produce current documentation. Without due process, we would characterize these as potential ineligibility and overpayments. The one exception is where we did issue an overpayment which was noted. We disagree with the remaining examples as detailed below.

The remaining examples involved either claimants not providing the exact name of the business or employer listed as a job contact; or made multiple job contacts at the same business during their benefit series. Claimants often do not provide the full public name of the business or the name by which it is registered in our system (which may differ from the public name). Additionally, it is not uncommon for individuals to list the name of an individual in a business that they spoke with about employment instead of identifying the business. Claimants are encouraged to speak directly with hiring managers or authorities within a business by career counselors to make a more direct and effective connection for possible work. Although it certainly would be advantageous for the claimant to list both the individual and the full business name contacted when completing their weekly job search logs, if enough identifying contact information is provided, we consider this a valid work search. We would not disqualify an individual for failing to list the full business name if we have enough information to validate the work search in an audit. Nor would we disqualify a claim if the correct business name was shown but the contact number might not be correct if we are able to find the correct information to follow up in an audit.

Maine law does not prohibit seeking work with the same employer in multiple weeks. Therefore, a decision denying benefits for this is not legally supportable. Such denials would be overturned on appeal or in court. The auditor cites that by not denying benefits, staff disregarded stated guidance and should have denied benefits. Current guidance instructs staff to speak with claimants when seeing repeated contacts with the same employer in a work search audit or encounter this in a fact finding interview but the purpose is to encourage them to expand their work search to multiple businesses (if this is reasonable where they reside), as a way to improve the effectiveness of their job search strategy. The auditor's recommendation is that the agency establish through rulemaking that multiple contacts with the same business be prohibited. Rules clarify existing laws or identify procedures for carrying out the intent of laws, they cannot add a restriction that is not present in the law. This would be a matter for the Maine Legislature to consider.

**Contact:** Laura Boyett, Bureau Director, Unemployment Compensation, DOL, 207-621-5156

**Auditor's Concluding Remarks:** The projected amount of potential benefit overpayments (likely questioned costs) is based on the first four examples of compliance exceptions that the Department noted agreement with in their response. The exception rate of 6.7% was projected across the total dollar amount of claims filed in fiscal year 2019. The other six claimants mentioned in the finding are possible overpayments and are not included in the projection of likely questioned costs.

The ReEmployME system requires the claimant to enter the complete business name and contact information for whom they spoke with as part of the weekly work search requirement. If required information is not properly input for program personnel to verify, the claim is not logical or reasonable. In the compliance exceptions noted in the Condition of the finding, there was enough identifying information so the claims were not deemed ineligible, nor were they included in the projection of likely questioned costs; however, there are no computer application controls or controls in place by the Department to ensure that a lack of information would be identified. This type of error by the claimant would only be identified during a work search audit.

**Auditor's Concluding Remarks** are continued on the following page.

Currently, the Department has an internal policy that includes a reasonableness standard for repetitious claims; however, the Department is unaware of repetitive claims unless discovered through a work search audit, as there are no system controls in place to flag this type of activity.

As stated in the Condition of the finding, the Department only completed work search audits for seven months of fiscal year 2019, and only reviewed 0.09% of claim activity during that seven-month period. This control activity is not sufficient to identify ineligible, illogical, or unreasonable work search entries, including overly repetitious claims and incomplete employer information.

The Office of the State Auditor (OSA) is not recommending that multiple contacts with the same business be prohibited. OSA's recommendation for public rulemaking or otherwise is to clarify the existing law to better define "actively seeking work" in relation to work search entries. This would establish a guideline for repetitive employer entries. This would then enable DOL to define system controls to reject claims for benefits falling outside of that guideline.

The Department relies on the ReEmployME system for continuing eligibility decisions. Therefore, it is important that computer application controls are in place to ensure that continuing eligibility requirements for Unemployment Insurance benefits are met and adequately supported, including controls to determine if the claim is logical and reasonable.

The finding remains as stated.

**(State Number: 19-1302-01)**

**(2019-028)** Confidential finding, see Condition Section below for more information

**Title:** The Department has no assurance that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | None | * | * | * | * | * | * |

**The system was not audited in this fiscal year.*

**State Department:** Labor
**State Bureau:** Unemployment Compensation
**Federal Agency:** U.S. Department of Labor
**CFDA Title:** Unemployment Insurance (UI)
**CFDA #:** 17.225
**Federal Award Identification Number:** Unemployment Insurance Trust Fund, Maine

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |

A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.

**Criteria:** 2 CFR 200.303; ________; ________; State of Maine ________; State of Maine ________

**Condition:** The Maine Department of Labor (MDOL) does not have assurance that ________ over the ________are adequate and that information is accurate, complete, available, and secure.

**Context:** MDOL has a ________ with the ________, for the ________ to manage and operate ________, which is the ________ system for the State of Maine. The total ________ paid by Maine in fiscal year 2019 was approximately ________, which includes approximately ________ in Maine ________ payments and approximately ________ in ________ payments.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Gay M. Gilbert, Administrator, U.S. Department of Labor, Office of Unemployment Insurance, Francis Perkins Building, Rm S4524, Washington, DC 20210

A copy of that correspondence has also been sent to:

- Melvin F. Reid, Director of Single Audit Oversight, U.S. Department of Labor, Office of the Inspector General, Frances Perkins Building, 200 Constitution Avenue, Washington, DC 20210

**Cause:** The current contract does not explicitly require the vendor to comply with ________ and provide ________ that includes a ________, ________, ________, ________ and ________ of the technology controls.

**Effect:**

- ________
- ________
- ________

**Recommendation:** We recommend that the Department add ________ to the ________ requiring the vendor to provide ________ that includes ________, ________, ________, ________ and ________. This will provide assurance to the State regarding whether ________ over the ________ are adequate.

**Corrective Action Plan:** See F-13

**Management's Response:** The Department partially agrees with this finding. The Department agrees that the current system does not have ________; however, the system is ________. It is the Department's position that having ________ meets or exceeds the criteria that would be provided by ________ via a ________, ________, ________ and ________. ________ is a Government-wide program that provides ________ to ________, ________, and ________ for ________. ________ was developed in collaboration with the ________, the ________, the ________ and the ________. _________ uses the ________, which is compliant with ________ and is based on the ________. In addition, due to the ________ that the bureau handles we are subject to the ________ by both the ________ and the ________.

**Contact:** Patricia O'Brien, Deputy Bureau Director, DOL, 207-621-5161

**Auditor's Concluding Remarks:** A ________ does not provide annual ________. The ________ only provides standards that the ________ must strictly follow in order to ________. The ________ does not ________ of the ________ provided to the State annually.

________ does provide ________ and is required by the ________.

The ________ is not performed annually, and thus cannot provide assurance over ________ annually. Additionally, the ________ covers only ________. ________ requirements are only required guidelines that must be followed, and do not provide annual ________ over the ________. The ________ and the _________ over the ________ were not provided to the Office of the State Auditor.

The finding remains as stated.

**(State Number: 19-0900-10)**

**(2019-029)**

**Title:** Internal control over earmarking requirements needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | None | None | None | * | None | None |

***The program was not audited as a major program in this fiscal year.***

**State Department:** Labor
**State Bureau:** Rehabilitation Services
**Federal Agency:** U.S. Department of Education
**CFDA Title:** Rehabilitation Services – Vocational Rehabilitation Grants to States
**CFDA #:** 84.126
**Federal Award Identification Number:** H126A170026, H126A170085, H126A180026, H126A180085, H126A190026, H126A190085

**Compliance Area:** Matching, level of effort, earmarking

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 29 USC 730(d)(1) and 733

**Condition:** The State must reserve and expend at least fifteen percent of the Vocational Rehabilitation (VR) allotment for the provision of pre-employment transition services (pre-ETS) to students with disabilities who are eligible, or potentially eligible, for VR services. State VR agencies may use the reserved funds to cover the cost of the following pre-ETS to students with disabilities:

- job exploration counseling
- work-based learning experiences, which may include in-school or after school opportunities, or experience outside the traditional school setting (including internships), that is provided in an integrated environment to the maximum extent possible
- counseling on opportunities for enrollment in comprehensive transition or postsecondary educational programs at institutions of higher education

- workplace readiness training to develop social skills and independent living
- instruction in self-advocacy, which may include peer mentoring

The auditor's sample of sixty transactions earmarked as pre-ETS expenditures included three journal entries made to transfer expenditures to the earmarking account. Review of the three journal entries revealed five instances of expenditures that did not meet the pre-ETS criteria outlined above. These expenditures included amounts for a laptop computer, driver's education, private driving lessons, assistive technology assessment, and transportation.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The Division of Vocational Rehabilitation and the Division of the Blind and Visually Impaired expended a total of $15.8 million from the 2017 Vocational Rehabilitation grant award which was closed out during fiscal year 2019. Of this total, $2.5 million was earmarked as pre-ETS expenditures.

**Cause:**
- Lack of staff training
- Lack of supervisory oversight

**Effect:**
- Noncompliance with Federal earmarking requirements
- Potential future disallowances which may result in repaying Federal funds and interest

**Recommendation:** We recommend that the Department implement procedures requiring a detailed review of expenditures within the journal entries noted in the Condition of this finding to ensure compliance with Federal earmarking requirements. In addition, the Department should implement periodic training for program personnel on criteria for pre-ETS expenditures.

In December 2018, the AWARE Vocational Rehabilitation case management information system (AWARE) was modified to enable coding of pre-ETS expenditures as such, prior to interfacing with the State accounting system. This eliminates the need for journal entry transfers. For this system modification to be effective, the training recommendation outlined above, as well as training on appropriate account coding, will be essential. If expenditures are classified and coded incorrectly in AWARE, the same issue will persist.

**Corrective Action Plan:** See F-13

**Management's Response:** The Department agrees with this finding. The initial Federal guidance for the newly mandated 15% earmarking requirement lacked clarity and consistency. The U.S. Rehabilitation Services Administration provided revised guidance during the summer of 2018 that was both clear and consistent. Based on the revised guidance, the AWARE system was modified in December 2018 to enable the proper coding of Pre-ETS expenditures prior to the interface with the AdvantageME system. The Department also initiated a comprehensive training program in October 2018 to ensure Bureau staff were properly trained on the Pre-ETS requirements and how to properly code these transactions in AWARE. As an additional internal control, carefully vetted reports from the AWARE system are reconciled to AdvantageME by a financial analyst to ensure the proper coding of Pre-ETS expenditures.

**Contact:** Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942

**(State Number: 19-1308-01)**

**(2019-030)**

**Title:** Internal control over program income needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | None | None | None | * | None | None |

**The program was not audited as a major program in this fiscal year.*

**State Department:** Labor
**State Bureau:** Rehabilitation Services
**Federal Agency:** U.S. Department of Education
**CFDA Title:** Rehabilitation Services – Vocational Rehabilitation Grants to States
**CFDA #:** 84.126
**Federal Award Identification Number:** H126A170085, H126A180085, H126A190085, H126A170026, H126A180026, H126A190026

**Compliance Area:** Program income

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.307; Vocational Rehabilitation Providers Handbook (Social Security Administration)

**Condition:** The Social Security Administration (SSA) administers a Vocational Rehabilitation (VR) Reimbursement Program to help people with disabilities gain employment. Under this program, the SSA reimburses State VR agencies through program income claims for the cost of services provided to beneficiaries with disabilities if such services result in the achievement of work at a specified earnings level.

Internal control systems must be established to ensure that program income claims are accurate and in accordance with the Vocational Rehabilitation Providers Handbook. These controls must provide reasonable assurance that potential errors are prevented or detected and corrected in a timely manner.

There are three components for claims billed to the SSA:

- direct case costs;
- administration, counseling, and placement (ACP) costs;
- and tracking costs.

ACP and tracking costs are calculated based on cost rates approved by the SSA and the timing of services provided.

In the auditor's sample of twenty-three program income claims submitted to the SSA for reimbursement of VR costs, the amount received from the SSA was different from the amount claimed by the Department for all twenty-three claims examined. The actual amount paid by the SSA ranged from 38% to 113% of the amount claimed by the Department. The average payment was 83% of the amount claimed. Calculations of program income claims made by the State for ACP and tracking costs are not consistent with the formula identified in the Vocational Rehabilitation Providers Handbook. The Department does not have controls in place to ensure that program income claims submitted to the SSA are accurate in accordance with program regulations.

Management does not have assurance that the amounts received from the SSA are accurate which impedes the ability to identify and correct potential underpayments or overpayments of program income. No analysis of claims paid is performed by the Department to identify the underlying cause of differences between the amount billed by the Department and the amount received from the SSA. Therefore, the Department cannot verify that the correct amount of program income was received.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The Vocational Rehabilitation program received $1 million in program income and expended $17.5 million in program funds during fiscal year 2019.

**Cause:**

- Application of outdated cost formulas result in errors in total ACP and tracking costs
- Lack of procedures in place to monitor and reconcile differences between the Department's claims to the SSA and payments made by the SSA
- Lack of management oversight

**Effect:**

- The State could be underpaid or overpaid by the SSA and these errors would remain undetected.
- Potential underpayments result in less program income funding available to provide vocational rehabilitation services.
- Potential overpayments result in amounts due back to the SSA.

**Recommendation:** We recommend that the Department adjust calculations utilized for ACP and tracking costs to be in accordance with the formula identified in the Vocational Rehabilitation Providers Handbook. We further recommend that the Department review the amounts received from the SSA to ensure that the amount received is accurate and in accordance with program guidelines. Differences between claims submitted and payments by the SSA should be analyzed to determine the cause. The Department should then take appropriate action.

**Corrective Action Plan:** See F-13

**Management's Response:** The Department agrees with this finding. In September 2017, SSA issued a revised edition of the Vocational Rehabilitation Providers' Handbook that changed how the annual ACP and Tracking cost formulas were applied. This revision was overlooked by the Division of Quality Assurance (QA), due in part to staff turnover at the time in the Contract and Procurement Specialist and Director of QA positions, and the Bureau continued to submit claims based solely upon the annual cost formula approval letters from SSA as had been the approved practice until then. Currently, the database that was used for the calculation of SSA cost reimbursement amounts has been replaced with a new SSA cost reimbursement module in the AWARE case management system. The Bureau is working closely with the vendor to ensure that the calculations conducted by the new module are error free. No new reimbursement claims will be submitted to SSA until that work is completed. The Bureau also notes that it does not have access to critical SSA beneficiary data, including whether the claims amount requested for a beneficiary exceeds the anticipated savings to the trust fund achieved by reducing or eliminating benefit dependency. That SSA data ultimately determines the claim amount that is approved.

**Contact:** Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942

**Auditor's Concluding Remarks:** While we acknowledge the corrective action efforts outlined above, the Office of the State Auditor recommends that program income claims continue to be submitted using the old database during the implementation of the new SSA cost reimbursement module in AWARE. By suspending program income claims until the root cause has been addressed, the State will experience an unfavorable delay in cash receipts, and a temporary decrease of program income funding available to provide vocational rehabilitation (VR) services. The monthly cash flow impact to the VR program averages over $80,000 per month, and accumulates until claims to the SSA are up-to-date.

**(State Number: 19-1308-03)**

**(2019-031)**

**Title:** Internal control over the timeliness of eligibility determinations needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | 2016-012 | 2015-035 | 2014-037 | * | None | 11-1308-02 |

***The program was not audited as a major program in this fiscal year.***

**State Department:** Labor
**State Bureau:** Rehabilitation Services
**Federal Agency:** U.S. Department of Education
**CFDA Title:** Rehabilitation Services – Vocational Rehabilitation Grants to States
**CFDA #:** 84.126
**Federal Award Identification Number:** H126A170085, H126A180085, H126A190085, H126A170026, H126A180026, H126A190026

**Compliance Area:** Eligibility

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| Known | | | |
| Likely | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 34 CFR 361.41(b)

**Condition:** Eligibility for vocational rehabilitation services must be determined within sixty days after an initial application unless the delay is the result of exceptional and unforeseen circumstances and the Department and the individual agree to a specific extension of time.

The auditor's random sample of forty eligibility determinations made in fiscal year 2019 by the Division of Vocational Rehabilitation and the Division for the Blind and Visually Impaired identified five cases in which the eligibility determination was made after the sixty-day requirement. All five cases identified as exceptions were within the Division of Vocational Rehabilitation. A review of these cases showed an average eligibility determination timeframe of seventy-five days, with the number of days overdue ranging from nine to twenty-nine days. In these five cases, no extension was documented as required by Federal regulations.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The Vocational Rehabilitation program provides services to individuals with disabilities so they may prepare for and engage in competitive employment. In fiscal year 2019, Vocational Rehabilitation program expenditures totaled $17.5 million.

**Cause:**

- Lack of staff resources
- Lack of supervisory oversight

**Effect:**

- Eligible participants may not receive services in a timely manner.
- Noncompliance with Federal regulations

**Recommendation:** We recommend that the Department implement additional monitoring procedures to help ensure timely review of participant applications and eligibility determinations within the sixty-day timeframe. If the process for eligibility determination is delayed for reasons allowable by the Federal government, controls should be implemented to ensure that a specific time extension is offered and agreed to by the applicant.

**Corrective Action Plan:** See F-14

**Management's Response:** The Department agrees with this finding. The Bureau of Rehabilitation Services has multiple internal control procedures in place to monitor the requirement for a 60-day eligibility determination, or to get a signed eligibility extension from the applicant when extenuating circumstances prevent that timeline. The BRS Quality Assurance division will provide a refresher training on the eligibility determination procedures, including the tools available in the AWARE system, at the DVR Leaders' and DBVI Leaders' meetings in March of 2020 to ensure future compliance. Additionally, this information is posted on the BRS Intranet for future reference by staff to further encourage compliance with established procedures.

**Contact:** Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942

**(State Number: 19-1308-02)**

**(2019-032)**

**Title:** Internal control over provider site visits and corrective action follow up needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | None | * | * | None | None | None |

**The program was not audited as a major program in this fiscal year.*

**State Department:** Health and Human Services
**State Bureau:** Maine Center for Disease Control & Prevention
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Immunization Cooperative Agreements
**CFDA #:** 93.268
**Federal Award Identification Number:** NH23IP000749

**Compliance Area:** Special tests and provisions

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 USC 1396; Vaccines for Children Program Operations Guide

**Condition:** The Vaccines for Children (VFC) Program Operations Guide requires that Maine Center for Disease Control & Prevention (MECDC) conduct and record compliance site visits every twenty-four months for each site that covers provider details, eligibility, documentation, storage and handling, and inventory management. All VFC compliance site visits must be monitored/reviewed by MECDC management, and the review must be documented by either a signature and date, or by a listing of all site visits by date visited, the name of the site reviewer, and the date the review documentation was completed.

MECDC must provide training specifically developed for reviewers. As part of the training, the Operations Guide recommends that VFC Coordinators or designees participate annually as an observer of a site visit for each reviewer. Documentation of the observed site visit and other training must be documented in the reviewer's training file.

The Operations Guide requires that the VFC Coordinator sign an acknowledgement to attest that the site visit was completed, results were received, and that an understanding of all noncompliance issues and corrective action requirements were mutually understood.

The Operations Guide also requires that at or near the end of a site visit, deficiencies and deadlines for required corrective action are communicated to the site by the MECDC reviewer. MECDC must conduct follow up activities to establish whether corrective action has been taken. Providers that fail to complete corrective action within the required timeframe are sent an official reminder notice regarding noncompliance. Failure to comply after forty-five days results in suspended vaccine ordering abilities and probationary status. Probationary status could potentially result in termination from the program.

We tested a sample of 29 of the 141 site visits required during fiscal year 2019 and found:

- no documentary evidence of review by management or the VFC Coordinator.
- no documentary evidence that the reviewers received annual training, or that the VFC Coordinator participated as an observer for an annual compliance site visit for each reviewer.
- no documentary evidence that a sample of inventory records had been reviewed during the site visits.
- six of the twenty-nine sampled site visits did not have documentary evidence of a signed acknowledgement by the provider.

We also tested a sample of 26 of the 126 site reviews requiring corrective action during fiscal year 2019 and found:

- two site reviews with deficiencies did not result in timely follow-up by Department personnel.
- one site reviewer accepted an out-of-date calibration certificate as evidence of corrective action. The proper calibration certificate was not obtained until several months after corrective action was due.
- one of the site visits did not have adequate documentation of completed corrective action.

The Office of the State Auditor selected non-statistical random samples.

**Context:** In fiscal year 2019, there were 315 VFC providers that received vaccines valued at $14.4 million. Of those, 141 were required to have a site visit in fiscal year 2019. These 141 site visits were completed and resulted in 126 providers being cited for at least one discrepancy requiring corrective action.

**Cause:**

- Staff turnover
- Lack of document retention policies
- Lack of coordinator oversight
- Lack of management oversight

**Effect:**

- Noncompliance with Federal regulations
- Increased likelihood and severity of improper vaccine storage and waste

**Recommendation:** We recommend that the Department implement procedures to ensure:

- the VFC Coordinator and/or program manager review all VFC compliance site visits and document that review.
- a record of completed annual training and VFC Coordinator observed site visits is documented in each reviewer's training file.
- provider inventory records are sampled to ensure proper recording of receipt, transfer, and usage of vaccine, and that the results of those procedures are properly documented to facilitate effective and efficient communication with the provider.
- acknowledgements attesting that the site visit was completed are signed by the providers and maintained in the site review documentation.
- proper oversight of site reviewer follow-up activities by the VFC Coordinator.

**Corrective Action Plan:** See F-14

**Management's Response:** The Department agrees with this finding. Immediate actions have taken place to correct the finding while documentation of the process is being updated.

**Contact:** Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541

**(State Number: 19-1118-01)**

**(2019-033)**

**Title:** Internal control over Federal cash management needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | None | * | * | None | None | None |

**The program was not audited as a major program in this fiscal year.*

**State Department:** Administrative and Financial Services
**State Bureau:** Health and Human Services Service Center
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Immunization Cooperative Agreements
**CFDA #:** 93.268
**Federal Award Identification Number:** NH23IP000749

**Compliance Area:** Cash management

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 31 CFR 205

**Condition:** A State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes.

The Office of the State Auditor reviewed fifteen Immunization grant drawdowns and the related Federal program disbursements. One drawdown received on June 21, 2019, duplicated funds already drawn on June 18, 2019. The duplicate draw resulted in excess program cash that was used to offset grant draws over the subsequent three months.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** During fiscal year 2019, there were eighty-eight Federal draws totaling $2.4 million.

**Cause:**
- Lack of controls to ensure excess Federal funds are returned in a timely manner
- Lack of management oversight

**Effect:** The Federal government may impose more stringent program-specific cash management requirements based on prior noncompliance.

**Recommendation:** We recommend the Department revise current policies and procedures to ensure grant funds are only drawn for actual, immediate cash needs and excess funds must be promptly returned to the Federal government. The actual Federal cash balance should always be considered before drawing Federal funds.

**Corrective Action Plan:** See F-15

**Management's Response:** The Department agrees with this finding. Policies and procedures were reviewed, and training conducted on CMIA, draw procedures and reconciliations. A grant monitoring file will be created and used to monitor the Immunization grant activity and cash by December 2020.

**Contact:** Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626

**(State Number: 19-1118-03)**

**(2019-034)** Confidential finding, see Condition Section below for more information

**Title:** The Department has no assurance that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | * | * | * | * | * | * |

**The system was not audited in this fiscal year.*

**State Department:** Health and Human Services
**State Bureau:** Maine Center for Disease Control & Prevention
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Immunization Cooperative Agreements
**CFDA #:** 93.268
**Federal Award Identification Number:** NH23IP000749

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; ________; ________; State of Maine ________; State of Maine ________

**Condition:** The Department of Health and Human Services (DHHS) does not have assurance that ________ over the ________ provided by the vendor is adequate and that information is ________, ________, ________, and ________.

Though the Department required the vendor to follow the ________, the vendor did not provide ________ that includes a ________ over the ________.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Claude Mwanda, Audit Resolution Team, Center for Disease Control and Prevention, 1600 Clifton Rd. NE, Atlanta GA 30329

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, Kansas City, MO 64106

**Context:** The ________ supports the distribution of ________ for the State of Maine. In fiscal year 2019, total Federal expenditures for the ________were approximately ________.

**Cause:** The Department did not require the vendor to provide ________, ________, ________, ________ that includes a ________ of the ________.

**Effect:**

- ________
- ________
- ________

**Recommendation:** We recommend that the Department add ________ requiring the vendor to provide the ________, ________, ________ and ________. This will provide assurance to the State regarding whether vendor-provided controls over ________ are adequate.

**Corrective Action Plan:** See F-15

**Management's Response:** The Department, with consultation from the Office of Information Technology, agrees with this finding.

The contract renewal starting July 1, 2020 will have language added to include ________ that will be conducted annually, beginning on the contract renewal date. Each examination period will correspond to the state fiscal year, July 1 through June 30, with the ________ due within 3 months of the conclusion of each examination. The ________ will be transmitted to ________.

The ________ will specify the relevant ________ to be included in each examination and the ________ will be explicitly stated in the contract.

Language in the contract will address any deficiencies identified in the ________. A corrective action plan (CAP) for each exception noted in the ________ will be submitted by the vendor to the ________ within three months of the conclusion of each examination. The ________ will approve the CAP and transmit the approval to appropriate vendor contacts as soon as feasible. The vendor will submit CAP updates at least quarterly to the ________ until the CAP is fully implemented.

The contract will include language explicitly stating penalties on the vendor for failing to comply all ________ requirements outlined above.

**Contact:** Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541

**(State Number: 19-0900-11)**

**(2019-035)**

**Title:** Monitoring over subrecipient cash management needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-026 | 2017-009 | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Division of Contract Management
**Federal Agency:** U.S. Department of Health and Human Services
U.S. Department of Agriculture
U.S. Department of Justice
**CFDA Title:** TANF Cluster (TANF)
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Crime Victim Assistance
Aging Cluster
Social Services Block Grant (SSBG)
Community Services Block Grant (CSBG)
HIV Care Formula Grant
**CFDA #:** 93.558; 10.557; 16.575; 93.044, 93.045, 93.053; 93.667; 93.569; 93.917
**Federal Award Identification Number:** 1601METANF, 1701METANF, 1801METANF, 1901METANF; 201616W500344, 201717W500344, 201818W100344, 201818W100644, 201818W500344, 201919W100344, 201919W100644; 2015-VA-GX-0025, 2016-VA-GX-0062, 2017-VA-GX-0082, 2018-V2-GX-0065, 2019-V2-GX-0065; 1901MEOASS, 1901MEOACM, 1901MEOAHD, 1901MEOANS; G-1801MESOSR, G-1901MESOSR; G-1801MECOSR, G-1901MECOSR; X07HA00023, X08HA31243

**Compliance Area:** Cash management
Subrecipient monitoring

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.305(b)

**Condition:** The Department is required to monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes is minimized. For cost-settled subawards, the Department did not monitor subrecipients to ensure they were drawing Federal funds in accordance with these cash management requirements. The Department's current procedures include making advance monthly payments for the same amount and reconciling to amounts reported on quarterly financial reports by the subrecipient. This procedure does not take into consideration the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes.

The Crime Victim Assistance, Aging Cluster, SSBG, CSBG, and HIV Care Formula Grant programs were not audited as major programs in fiscal year 2019. However, audit evidence obtained during the current audit period supported the inclusion of these programs in this repeat finding.

**Context:** During fiscal year 2019, the Department awarded:

- $26.3 million to subrecipients from TANF grant funds of $70.4 million.
- $4.1 million to subrecipients from WIC grant funds of $15 million.
- $7.9 million to subrecipients from Crime Victim Assistance grant funds of $8.6 million.
- $6.3 million to subrecipients from Aging Cluster grant funds of $6.7 million.
- $6.1 million to subrecipients from SSBG grant funds of $6.4 million.
- $3.4 million to subrecipients from CSBG grant funds of $3.6 million.
- $142 thousand to subrecipients from HIV Care Formula Grant funds of $3.1 million.

**Cause:**

- Lack of adequate procedures to monitor subrecipient compliance with cash management
- The Department has identified current procedures in place as sufficient.

**Effect:**

- Noncompliance with subrecipient cash management requirements may go undetected.
- Federal programs may not be effectively and efficiently administered.
- The Federal government may require the implementation of more stringent subrecipient cash management procedures.

**Recommendation:** We recommend that the Department implement monitoring procedures to ensure that the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes is minimized.

**Corrective Action Plan:** See F-15

**Management's Response:** The Department disagrees with this finding. The criteria given by the State Auditor also states that the timing and amounts of advance payments must be as close as is administratively feasible to the actual disbursements. The Department's process for monitoring the actual expenditures and reconciling those to the payments is as close as administratively feasible for the Department. We have provided the State Auditor with the monitoring procedures to ensure the timing of payments is as close as administratively feasible to actual expenditures of our subrecipients.

**Contact:** Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075

**Auditor's Concluding Remarks:** The Criteria cited in the finding is directed towards "non-Federal entities other than states"; thus, in this case, "administratively feasible" is the subrecipient's requirement. The Department's responsibility is to monitor the subrecipient's compliance with that requirement. The Department does not request additional documentation to support the amounts reported on the quarterly financial reports, to ensure funds are spent on actual cash disbursements, and to review the timing of those reimbursements, to ensure subrecipients are in compliance with the Criteria cited in the finding.

The finding remains as stated.

**(State Number: 19-1111-02)**

**(2019-036)**

**Title:** Internal control over subrecipient contracts needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-027 | 2017-009 | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Division of Contract Management
**Federal Agency:** U.S. Department of Health and Human Services
U.S. Department of Justice
**CFDA Title:** TANF Cluster (TANF)
Crime Victim Assistance
Aging Cluster
Social Services Block Grant (SSBG)
Community Services Block Grant (CSBG)
HIV Care Formula Grant
**CFDA #:** 93.558; 16.575; 93.044, 93.045, 93.053; 93.667; 93.569; 93.917
**Federal Award Identification Number:** 1601METANF, 1701METANF, 1801METANF, 1901METANF; 2015-VA-GX-0025, 2016-VA-GX-0062, 2017-VA-GX-0082, 2018-V2-GX-0065, 2019-V2-GX-0065; 1901MEOASS, 1901MEOACM, 1901MEOAHD, 1901MEOANS; G-1801MESOSR, G-1901MESOSR; G-1801MECOSR, G-1901MECOSR; X07HA00023, X08HA31243

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor’s estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.331

**Condition:** Contracts with subrecipients must include Federal award information that enables subrecipients to identify the source of the Federal award. In addition, contracts must be updated to include references to the Federal Uniform Guidance, and to audit threshold amounts in effect since December 26, 2014. Of the ten subrecipient contracts tested:

- three contracts did not include the subrecipient's unique entity identifier (Data Universal Numbering System number also known as a DUNS number).
- eight contracts did not include the Federal award date.
- two contracts did not include the Federal Award Identification Number.
- three contracts incorrectly identified Federal Circular A-133 as the Federal guidance requirement, rather than the Uniform Guidance.
- three contracts did not include a reference to the correct threshold of $750,000 or more expended in Federal awards during a fiscal year by non-Federal entities that requires them to receive a Single, or program-specific audit.

The Office of the State Auditor tested the one subrecipient deemed to be higher risk and selected a non-statistical random sample of all other TANF subrecipients.

The Crime Victim Assistance, Aging Cluster, SSBG, CSBG, and HIV Care Formula Grant programs were not audited as major programs in fiscal year 2019. However, audit evidence obtained during the current audit period supported the inclusion of these programs in this repeat finding.

**Context:** During fiscal year 2019, the Department awarded:

- $26.3 million to subrecipients from TANF grant funds of $70.4 million.
- $7.9 million to subrecipients from Crime Victim Assistance grant funds of $8.6 million.
- $6.3 million to subrecipients from Aging Cluster grant funds of $6.7 million.
- $6.1 million to subrecipients from SSBG grant funds of $6.4 million.
- $3.4 million to subrecipients from CSBG grant funds of $3.6 million.
- $142 thousand to subrecipients from HIV Care Formula Grant funds of $3.1 million.

**Cause:**

- Lack of adequate internal control
- Lack of supervisory oversight

**Effect:**

- Noncompliance with Federal requirements for pass-through entities
- Outdated references included in subrecipient contracts increase the possibility that subrecipients will apply the wrong Federal guidance to the grant award.

**Recommendation:** We recommend that the Department implement procedures to ensure all contracts with subrecipients are complete, accurate and in accordance with Federal regulations**.**

**Corrective Action Plan:** See F-16

**Management's Response:** The Department agrees with this finding. As of October 2018, agreement templates have been updated to include the required elements.

**Contact:** Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075

**(State Number: 19-1111-03)**

**(2019-037)**

**Title:** Internal control over Income Eligibility and Verification System procedures needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | 2017-010 | 2016-017 | 2015-021 | None | 13-1111-02 | 12-1111-02 | 11-1111-01 |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Health and Human Services
U.S. Department of Agriculture
**CFDA Title:** Medicaid Cluster
Children's Health Insurance Program (CHIP)
SNAP Cluster (SNAP)
TANF Cluster (TANF)
**CFDA #:** 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;
1805ME5021, 1905ME5021;
184ME401S2514, 184ME401S2519,
184ME401S2520, 184ME401S8026,
184ME401S8036, 184ME401S8069,
184ME421Q3903, 184ME431Q7503,
194ME401S2514, 194ME401S2519,
194ME401S2520, 194ME401S8026,
194ME421Q3903, 194ME442Q7503;
1601METANF, 1701METANF,
1801METANF, 1901METANF

**Compliance Area:** Eligibility
Special tests and provisions

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 USC 1320b-7; 45 CFR 205.56; 42 CFR 435.952; Department of Health and Human Services-Office for Family Independence Income Eligibility and Verification System Policy and Procedures

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The Department is required to comply with Federal Income Eligibility and Verification System (IEVS) exchange rules and regulations in accordance with program agreements. IEVS is an exchange of information with State and Federal agencies to verify income and expense information needed to determine eligibility for Federal financial assistance. Alerts/discrepancies are noted on the following IEVS reports:

<u>Weekly</u>
- Prisoner Verification Details Report
- Client Deceased Report
- Bendex Income Discrepancy Report

<u>Monthly</u>
- Discrepancy in Unemployment Insurance Benefits Report
- Buy-In Discrepancy Report

<u>Quarterly</u>
- Quarterly Earnings Discrepancy Report

The Department must resolve alerts/discrepancies by initiating a notice of case action; or by making an appropriate entry in the case record that no case action is necessary. This must be completed within forty-five days of receiving the report.

Policies and procedures which ensure that IEVS information is utilized in determining eligibility and level of benefits or in maintaining case records in the Automated Client and Eligibility System (ACES) are not always followed. Testing of 150 IEVS alerts/discrepancies found that:
- one of twenty-five alerts on the *Prisoner Verification Details Report* was not addressed.
- one of twenty-five alerts on the *Client Deceased Report* was not addressed.
- one of twenty-five alerts on the *Discrepancy in Unemployment Insurance Benefits Report* was not addressed.
- three of twenty-five alerts on the *Buy-In Discrepancy Report* were addressed ten, eleven and sixty days late.
- one of twenty-five alerts on the *Quarterly Earnings Discrepancy Report* was addressed thirty-eight days late.
- one of twenty-five alerts on the *Bendex Income Discrepancy Report* was addressed seven days late.

The Office of the State Auditor selected a non-statistical random sample of twenty-five client alerts/discrepancies from each of the six IEVS reports, for a total of 150 alerts/discrepancies examined.

**Context:** There were 184 IEVS reports generated in fiscal year 2019. The number of alerts/discrepancies on each report can vary from zero to over 100 alerts.

**Cause:** Lack of supervisory oversight

**Effect:**

- Incorrect eligibility decisions could be made
- Failure to participate in IEVS may result in the U.S. Department of Health and Human Services penalizing the State for up to two percent of the State Family Assistance Grant, known as the TANF Cluster.

**Recommendation:** We recommend that the Department enforce procedures to ensure IEVS reports are properly reviewed, and that alerts/discrepancies are resolved and documented on a timely basis. We further recommend that the Department increase monitoring procedures to ensure that alerts/discrepancies are properly addressed.

**Corrective Action Plan:** See F-16

**Management's Response:** The Department agrees with this finding. The Office for Family Independence will be holding an annual IEVS training in May 2020, and these items will be discussed with the staff to reinforce the need to address business requirements in a timely manner. OFI's Regional Supervisors, who oversee the specific staff assigned to the IEVS team and the IEVS reports, will also begin a monthly monitoring process of all the IEVS reports, to ensure that any cases that have not yet been addressed within the 45-day timeframe, are worked immediately.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**(State Number: 19-1111-07)**

**(2019-038)**

**Title:** Risk evaluation procedures to determine the extent of appropriate subrecipient monitoring need improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-030<br>2018-032 | 2017-013 | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
Office of Child and Family Services
Division of Contract Management
Division of Audit
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** TANF Cluster (TANF)
**CFDA#:** 93.558
**Federal Award Identification Number:** 1601METANF, 1701METANF, 1801METANF, 1901METANF

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.331

**Condition:** The Department is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in 2 CFR 200.331(d) and (e).

The Department's Division of Audit completed a subrecipient risk evaluation rating form for some subrecipients during fiscal year 2019; however, there is no evidence that the risk evaluation process included input from and feedback to key program and Contract Management personnel responsible for monitoring subrecipient compliance. Of the ten subrecipients tested, five subrecipient risk evaluations were not performed for fiscal year 2019. In addition, despite requests from the Office of the State Auditor, no evidence was provided to demonstrate that the Department considered the results of subrecipient risk evaluations in order to determine appropriate subrecipient monitoring in accordance with Federal regulations.

The Office of the State Auditor tested the one subrecipient deemed to be higher risk, and selected a non-statistical random sample of all other TANF subrecipients.

**Context:** The Department awarded $26.3 million to subrecipients out of the $70.4 million total TANF grant funds expended during fiscal year 2019.

**Cause:**

- Misinterpretation of Federal regulations
- Lack of adequate procedures
- Lack of supervisory oversight

**Effect:**

- Subrecipients that are deemed higher risk are not monitored on a more frequent basis.
- Subrecipients that are deemed lower risk are not monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.

**Recommendation:** We recommend that the Department implement a collaborative process between affected Bureaus that evaluates each subrecipient's risk of noncompliance specifically for the purposes of determining the appropriate subrecipient monitoring to be performed both during and after the subaward.

**Corrective Action Plan:** See F-16

**Management's Response:** The Department disagrees with this finding. The Department's subrecipient monitoring goes well beyond the requirements outlined in 200.331 and encompasses many of the tools that may be useful as stated in 200.331(e). The Department has provided evidence of site visits during the SFY 2019 period. The Department has its own regulations, Maine Uniform Accounting and Auditing Practices for Community Agencies, (MAAP) that apply more rigorous thresholds for audit and review requirements than those of the 2 CFR 200.501.

All of the Department's subrecipient's programs are being audited not only for the Uniform Guidance but also for MAAP. In addition to these tools principally utilized by the Department's Internal Audit division, Program Managers also take into consideration risk of sub-recipients (based on their knowledge and expertise in the field) in making determinations of on-site monitoring priorities and schedules.

There are multiple tools to evaluate subrecipient risk as indicated above. The risk evaluation tool developed by the Department's Internal Audit division is one of them. The Department is working to further integrate this risk evaluation tool to incorporate Program Manager feedback and anticipates implementing this beginning in fiscal year 2020.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**Auditor's Concluding Remarks:** The Department states that program managers consider the risk of the subrecipient when determining on-site review priorities and schedules. However, we were not provided evidence to support that their subrecipient monitoring activities were the direct result of the documented risk evaluations; this lack of incorporation was acknowledged in Management's Response. Additionally, as stated in the finding, documented risk evaluations were not completed in a timely manner.

The finding remains as stated.

**(State Number: 19-1111-01)**

**(2019-039)**

**Title:** Internal control over TANF performance reporting and work participation procedures needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-028 | 2017-012 | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** TANF Cluster (TANF)
**CFDA #:** 93.558
**Federal Award Identification Number:** 1601METANF, 1701METANF, 1801METANF, 1901METANF

**Compliance Area:** Reporting
Special tests and provisions

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 45 CFR 261.60 through 261.62; 45 CFR 265.7 through 265.8

**Condition:** The Department must maintain adequate documentation, and must perform adequate verification and other control procedures over the actual work participation of TANF clients. Work participation activities include unsubsidized employment, job search and job readiness, job skills training directly related to employment, vocational education, and other work-related programs. The Department must report the actual hours that a work-eligible TANF client participates in these work-related activities, on the *ACF-199 TANF Data Report* and the *ACF-209 SSP-MOE Data Report* on a quarterly basis. These reports are required by the Federal government.

The Department reported incorrect information about work participation in the *ACF-199 TANF Data Report* and the *ACF-209 SSP-MOE Data Report*. Of the 120 cases tested, twenty-nine cases reported inaccurate work participation data, as follows:

- Eleven cases reported inaccurate unsubsidized employment hours, including:
  - one case reporting fifty-six hours rather than the correct amount of fifty-five.
  - one case reporting forty-eight hours rather than the correct amount of fourteen.
  - one case reporting forty-one hours rather than the correct amount of thirty-eight.
  - one case reporting thirty-nine hours rather than the correct amount of thirty-eight.
  - one case reporting thirty-eight hours rather than the correct amount of thirty-seven.
  - one case reporting thirty-four hours rather than the correct amount of forty-two.
  - one case reporting twenty-seven hours rather than the correct amount of forty-two.
  - one case reporting twenty-seven hours rather than the correct amount of twenty-six.
  - one case reporting twenty-five hours rather than the correct amount of fifteen.
  - one case reporting eighteen hours rather than the correct amount of fourteen.
  - one case reporting seven hours rather than the correct amount of five.
- Three cases reported inaccurate work participation status and unsubsidized employment hours, including:
  - one case reporting forty hours rather than the correct amount of thirty-two.
  - one case reporting forty hours rather than the correct amount of twenty-five.
  - one case reporting forty hours rather than the correct amount of one.
- One case reported inaccurate work participation status and job search and job readiness hours as four rather than the correct amount of one.
- Seven cases reported countable months towards the Federal time limit of sixty months as:
  - forty months rather than the correct amount of forty-one.
  - nineteen months rather than the correct amount of forty-two.
  - fifteen months rather than the correct amount of twenty-eight.
  - fourteen months rather than the correct amount of ten.
  - nine months rather than the correct amount of seventeen.
  - six months rather than the correct amount of seven.
  - three months rather than the correct amount of eight.
- Two cases reported inaccurate job search and job readiness hours, including:
  - one case reporting thirty-one hours rather than the correct amount of thirty-two.
  - one case reporting two hours rather than the correct amount of one.
- One case reported job skills training directly related to employment hours as fifty-six rather than the correct amount of fifty-five.
- One case reported unsubsidized employment hours as eleven rather than the correct amount of ten and vocational education hours as twenty rather than the correct amount of nineteen.
- One case reported education related to employment with no high school diploma hours as eight rather than the correct amount of four.
- One case reported vocational education training hours as twenty-five rather than the correct amount of twenty-four.
- One case reported vocational education hours as sixteen rather than the correct amount of fifteen and countable months towards the Federal time limit of sixty months as seven rather than the correct amount of twelve.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The Department must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of information reported to the Federal government and used to calculate work participation rates. The Department expended approximately $4.7 million in General Fund expenditures for TANF's Worker Supplement Benefits (WSB) program during fiscal year 2019.

**Cause:**

- For TANF clients who receive WSB, the Department does not have a policy to ensure updated employment information is verified and entered as necessary in the Automated Client Eligibility System (ACES). Instead, the Department reports the higher of anticipated or actual hours as recorded in ACES for Federal performance reporting purposes.
- Lack of supervisory oversight:
  - Work participation data was entered incorrectly in ACES and resulted in incorrect amounts being used for Federal performance reporting purposes.
  - The formula used to calculate average weekly hours was inaccurate.

**Effect:**

- Incorrect work participation data reported to the Federal government may affect the Federal requirement for State Maintenance of Effort.
- The Federal government may penalize the State by an amount not less than one percent and not more than five percent of the adjusted State Family Assistance Grant, known as the TANF Cluster, for violation of the Federally-required Work Verification Plan provision.
- TANF clients may be incorrectly deemed eligible to receive WSB.

**Recommendation:** We recommend that the Department implement a systematic review process to improve the reliability of work participation data that is reported to the Federal government.

**Corrective Action Plan:** See F-17

**Management's Response:** The Department agrees with this finding. The ACF-199 TANF Data Report and the ACF-209 SSP-MOE Data Report are federally required reports. Accurately reporting data on these quarterly reports is essential. The Department will utilize all available resources and systems to ensure accuracy on these reports.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**(State Number: 19-1111-04)**

**(2019-040)**

**Title:** Internal control over payments to and on behalf of TANF clients needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-031 | None | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** TANF Cluster (TANF)
**CFDA #:** 93.558
**Federal Award Identification Number:** 1601METANF, 1701METANF, 1801METANF, 1901METANF

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Material weakness
Questioned costs

**Questioned Costs:** The Office of the State Auditor tested a sample of payments made to both TANF clients and providers on behalf of TANF clients. For each test, likely questioned costs were separately calculated by dividing the identified known overpayment by the total payments tested to establish an error rate. The error rate was then applied to the total payments made for each respective payment type to calculate likely questioned costs.

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | $1,120 | $1,120 | $0 |
| *Likely* | $1,295,496 | $1,295,496 | $0 |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 45 CFR 263.11; 2 CFR 200.403

**Condition:** The Department may use Federal TANF funds for expenditures that accomplish TANF objectives, and that are accurately calculated.

The Department did not have adequate procedures in place to ensure that payments to TANF clients and providers were accurate. Of the 20 payments tested that were paid directly to a TANF client and of the 100 payments tested that were paid to a provider on behalf of a TANF client:

- six clients were overpaid by a total of $299 for Transitional Transportation.
- one client was underpaid by $117 for Transitional Transportation.

- six providers were overpaid a total of $1,086 for Transitional Child Care. For two of the six providers, the Department identified that an overpayment was made; however, after at least nine months, the overpayments still had not yet been returned to the Federal government.
- two providers were underpaid a total of $148 for Transitional Child Care.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** Benefits paid to and on behalf of TANF clients totaled approximately $26.5 million in fiscal year 2019.

**Cause:**
- Lack of adequate procedures to ensure payments are accurate
- Lack of supervisory oversight
- Human error

**Effect:**
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

**Recommendation:** We recommend that the Department implement procedures to ensure payments made to TANF clients and providers are accurate and allowable. We further recommend that the Department increase monitoring procedures over these payments. This should improve accuracy and reduce human error.

**Corrective Action Plan:** See F-17

**Management's Response:** The Department agrees with this finding. The Transitional Transportation and Transitional Child Care programs cited in this finding are handled by a centralized unit. The department will update case processing procedures to ensure payments made are accurate and allowable. The department will update case monitoring expectations.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**(State Number: 19-1111-05)**

**(2019-041)**

**Title:** Internal control over the retention of Income Eligibility and Verification System reports needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | None | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Health and Human Services
U.S. Department of Agriculture
**CFDA Title:** Medicaid Cluster
Children's Health Insurance Program (CHIP)
SNAP Cluster (SNAP)
TANF Cluster (TANF)
**CFDA #:** 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;
1805ME5021, 1905ME5021;
184ME401S2514, 184ME401S2519,
184ME401S2520, 184ME401S8026,
184ME401S8036, 184ME401S8069,
184ME421Q3903, 184ME431Q7503,
194ME401S2514, 194ME401S2519,
194ME401S2520, 194ME401S8026,
194ME421Q3903, 194ME442Q7503;
1601METANF, 1701METANF,
1801METANF, 1901METANF

**Compliance Area:** Eligibility
Special tests and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. The Department is required to comply with Federal Income Eligibility and Verification System (IEVS) exchange rules and regulations in accordance with program agreements. IEVS is an exchange of information with State and Federal agencies to verify clients' income and expense information needed to determine eligibility for Federal financial assistance. Discrepancies are noted on the following IEVS reports:

Weekly

- Prisoner Verification Details Report
- Client Deceased Report
- Bendex Income Discrepancy Report

Monthly

- Discrepancy in Unemployment Insurance Benefits Report
- Buy-In Discrepancy Report

Quarterly

- Quarterly Earnings Discrepancy Report

Fifteen IEVS reports could not be located on a shared network drive or be recovered from a system backup. The loss of these reports was not discovered by the Department. The Department re-generated the missing IEVS reports only after it was brought to their attention by auditors.

**Context:** There were 184 IEVS reports generated in fiscal year 2019.

**Cause:**

- Lack of adequate procedures to ensure IEVS reports are appropriately saved and archived for future reference
- Lack of supervisory oversight

**Effect:**

- Noncompliance with Federal and State regulations regarding the safeguarding of information and records retention
- IEVS information may not be updated timely in ACES if it is not readily available, resulting in incorrect eligibility decisions that could be made.

**Recommendation:** We recommend that the Department work with the Department of Administrative and Financial Services' Office of Information Technology to strengthen procedures that will ensure all IEVS reports are appropriately saved and archived for documentation purposes.

**Corrective Action Plan:** See F-17

**Management's Response:** The Department agrees with this finding. OFI has already initiated a quality check on the automated IEVS reports and their secure folder on the OFI share drive. This quality check currently includes the IEVS report being saved both as an active report, as well as an archived report. Designated OFI IEVS staff will also initiate a monthly quality assurance check on these files, to ensure that they are saved in both file locations, so that there is a back-up of the report. OFI's Compliance Manager will also work with the appropriate OIT staff, in order to verify the process for the overall back-up and recovery of these files, should another circumstance arise that would require OIT's intervention to provide a back-up of any/all IEVS reports.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**(State Number: 19-1111-06)**

**(2019-042)** Confidential finding, see Condition Section below for more information

**Title:** The Department has no assurance that ________ is adequate (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| Redacted | Redacted | * | * | * | * | * | * |

**The system was not audited in this fiscal year.*

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** TANF Cluster (TANF)
**CFDA #:** 93.558
**Federal Award Identification Number:** 1601METANF, 1701METANF, 1801METANF, 1901METANF

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; ________; ________; State of Maine ________; State of Maine ________

**Condition:** There is no assurance that information-system related ________ and ________ provided by the vendor is adequate and that ________ is accurate, complete, available, and secure.

**Context:** The Department has a six-year, $63 million service agreement with a vendor to operate the ________. This service agreement includes ________. The ________ accounted for over ________ in total expenditures with approximately ________ attributable to Federal expenditures during fiscal year 2019. Therefore, it is important that related ________ be provided because they measure ________ provided by the vendor.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Carol Monteiro, Regional Program Manager, Administration for Children and Families, Office of Family Assistance, Boston Regional Office, JFK Federal Building, Rm 2000, Boston, MA 02203

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106

**Cause:** The contract with the vendor does not require **________**.

**Effect:**

- **________**
- **________**
- **________**

**Recommendation:** We recommend that the Department **________** and that the **________** be provided to the Department. This will provide assurance to the State regarding whether **________** are adequate.

**Corrective Action Plan:** See F-17

**Management's Response:** The Department agrees that the ________ should be contractually required to obtain ________ and provide the results to the Department. Correspondingly, OFI amended the contract effective July 1, 2019 to require the vendor to ________ and provide the results ________ to the Department.

**Contact:** Sheldon W. Wheeler, Compliance Manager, DHHS Office for Family Independence, 207-441-8957

**(State Number: 19-0900-05)**

**(2019-043)**

**Title:** Internal control over special reporting needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | 2017-011 | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** TANF Cluster (TANF)
**CFDA #:** 93.558
**Federal Award Identification Number:** 1601METANF, 1701METANF, 1801METANF, 1901METANF

**Compliance Area:** Reporting

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 45 CFR 265.9

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Additionally, the Department must file an annual report containing accurate information on TANF and its Maintenance-of-Effort (MOE) programs.

The Department did not provide evidence that the Federal fiscal year 2018 *ACF-204 Annual Report including the Annual Report on State Maintenance-of-Effort Programs* was reviewed by someone other than the preparer to ensure information entered was accurate and complete prior to its submission to the Federal government. Additionally, for one TANF program included on the *ACF-204* report, the Department incorrectly reported the number of families served as seventy-six average monthly families, instead of seventy-six total families over the entire fiscal year.

**Context:** The *ACF-204* is an annual report providing information about TANF program participation and expenditures. The Department reported information for twenty-one MOE programs on the Federal fiscal year 2018 *ACF-204* report.

**Cause:**

- Lack of documented evidence of internal control
- Lack of supervisory oversight

**Effect:** Inaccurate information may be and was reported to the Federal government. This information may be used for programmatic, policy or statistical purposes.

**Recommendation:** We recommend that the Department implement procedures to ensure the information reported on the *ACF-204* report is accurate and complete. This should include documented supervisory review of the draft report.

**Corrective Action Plan:** See F-18

**Management's Response:** The Department agrees with this finding. The Department will work to create a standard operating procedure for the preparation and submission of the ACF-204. Additional quality control measures will be established to include supervisory level review of the draft report.

The responsible party is the TANF Program Manager.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**(State Number: 19-1111-08)**

**(2019-044)**

**Title:** Internal control over monthly reconciliation procedures needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | 16-1128-01 | None | None | * | None | None |

**The program was not audited as a major program in this fiscal year.*

**State Department:** Administrative and Financial Services
Health and Human Services
**State Bureau:** Health and Human Services Service Center
Office for Family Independence
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Child Support Enforcement
**CFDA #:** 93.563
**Federal Award Identification Number:** 1804MECSES, 1901MECSES

**Compliance Area:** Reporting

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.400

**Condition:** Monthly reconciliations of collections between the Child Support Enforcement System (CSEME) and the Statewide accounting system, AdvantageME, were not performed for August 2018 through June 2019. The last month that was fully reconciled was July 2018.

**Context:** The Child Support Enforcement program collected $103 million of child support during fiscal year 2019.

**Cause:** Competing priorities

**Effect:** Errors may not be detected and corrected timely.

**Recommendation:** We recommend that the Department implement procedures to ensure that monthly reconciliations of cash collections between CSEME and AdvantageME are performed in a timely manner.

**Corrective Action Plan:** See F-18

**Management's Response:** The Department agrees with this finding. We are implementing procedures to ensure that monthly reconciliations of cash collections between CSEME and Advantage are performed in a timely manner. It is estimated that the reconciliations will be current by June 2021.

**Contact:** Sarah Gove, Director, DHHS Service Center, 207-458-6626

**(State Number: 19-1128-01)**

**(2019-045)**

**Title:** Internal control over individual client Cost of Care assessments needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-053 | 2017-017 | None | None | 2014-019 | 13-1106-01 | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
**CFDA #:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Material weakness
Material noncompliance
Questioned costs

**Questioned Costs:** Undeterminable. Incorrectly calculated Cost of Care (COC) assessments may result in an overpayment or underpayment to the providers when the State makes a payment for long-term care. During the fiscal year, the Department calculated approximately 36,000 COC assessments. During the same period, the average number of MaineCare members with COC assessments was 10,000. There is not a claim or claim(s) for every assessment. Claims may or may not be paid using an incorrect assessment. There could be a timing difference between the date an assessment is calculated and the date the assessment is applied to provider payments.

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | Undeterminable | | |
| *Likely* | Undeterminable | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 CFR 435.725; MaineCare Eligibility Manual, Part 14, Section 6

**Condition:** The Department must reduce its payment to an institution for services provided to a Medicaid member in medical institutions and intermediate care facilities by the amount that remains after deducting certain items from the member's total income. These deductions can include a personal needs allowance, earned income or Federal disregard, Medicare Part B, other insurance, a spousal income allowance, Veterans Administration aid, a home maintenance allowance and other expenses not subject to a third-party payment. This net amount is known as the Cost of Care (COC) and is the monthly required maximum contribution that an individual is expected to pay toward care in a long-term care facility.

The Office of the State Auditor selected a sample of sixty members with COC assessments calculated in fiscal year 2019 and found that:

- one COC assessment with a social security retirement income increase was not updated in the Automated Client Eligibility System (ACES) in April 2019, resulting in the COC assessment being $259.00 less than it should have been. The COC should have been $990.00 for April and May but instead was $731.00.
- one COC assessment that included a spousal allocation was not calculated correctly by ACES, resulting in the COC assessment being $22.67 more than it should have been. The spousal allocation should have been $889.00 but was incorrectly calculated at $866.33. The COC assessment should have been zero.
- one COC assessment was not manually calculated correctly by the Eligibility Specialist, resulting in a COC assessment of $10.00 more than it should have been. The COC assessment should have been $1,493.00 was $1,503.00. In addition, the client had an increase in income of $244.00 that was not updated in ACES.

The Office of the State Auditor selected a non-statistical random sample.

**Context:**

- Approximately 36,000 assessments were calculated by the Department in fiscal year 2019. There was an average of 10,000 members with COC assessments this period. With an exception rate of 5.0% (3 incorrect assessments divided by our sample of 60 assessments), the projected number of incorrect assessments in 2019 is 1,807.
- In the sample of 60 members with COC assessments in fiscal year 2019, we reviewed approximately 60 months of actual COC deductions. The total dollar amount of incorrect COC deductions in this sample was $32.67 under-assessed to the member by the Department. With an exception rate of .06%, the projected under-assessment in fiscal year 2019 is approximately $101,000. This indicates that Medicaid members could have potentially underpaid for services and Federal and State dollars could have potentially overpaid if claims paid used these incorrect amounts.
- The total amount of payments paid to nursing facilities and residential care facilities in fiscal year 2019 was approximately $372 million, net of COC.

**Cause:**

- The Department does not have adequate controls in place to prevent and detect errors.
- Human error occurred when entering data into ACES
- Human error occurred when manually calculating COC assessments

**Effect:** When a COC assessment is calculated in error and services are provided to the member, this could result in:

- overpayments to providers which would result in disallowed Federal funds and excess payments from the State General Fund.
- underpayments to providers which would result in a member overpaying for care in a long-term care facility.

**Recommendation:** We recommend that the Department implement a review and approval process to ensure that COC calculations are accurate. We also recommend that the Department adopt a policy which would provide guidance for a systematic review process for all COC assessment calculations to ensure the deployment of the new Business Rules Engine implementation is effective.

**Corrective Action Plan:** See F-18

**Management's Response:** The Department agrees with this finding. The Senior MaineCare Program Manager will oversee the development of a policy to ensure COC calculations are accurate.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**(State Number: 19-1106-02)**

**(2019-046)**

**Title:** Internal control over compliance with eligibility determination requirements needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-043 | 2017-018 | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
Children's Health Insurance Program (CHIP)
**CFDA #:** 93.775, 93.777, 93.778; 93.767
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;
1805ME5021, 1905ME5021

**Compliance Area:** Eligibility

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 CFR 435; MaineCare Eligibility Manual

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the award in compliance with Federal statutes, regulations, and the terms and conditions of the award.

The Department does not have a review process in place to ensure information entered into the Automated Client Eligibility System (ACES) is accurate and complete. This issue is addressed in finding 2019-052.

When determining eligibility for MaineCare coverage, the Department must:

- include in each applicant's case record facts to support the agency's decision on their application,
- maintain policies and procedures to ensure that eligibility is determined in a manner consistent with the best interests of the applicant or beneficiary,
- establish procedures for obtaining, using and verifying information relevant to determinations as to eligibility and the amount of assistance,
- establish time standards for determining eligibility and determine eligibility within those standards and must redetermine eligibility at least every twelve months, and
- document the individual's citizenship in the individual's eligibility file and must maintain copies of citizenship and identification documents. In order to qualify for benefits, an individual must be a U.S. citizen or qualified alien.

The Department does not have verifiable procedures in place to:

- ensure the completeness of household income,
- ensure the accuracy of citizenship verifications, or
- ensure that eligibility redeterminations are made within the required time frame.

Our audit test of sixty clients with Modified Adjusted Gross Income (MAGI) based MaineCare coverage in fiscal year 2019 found that:

- citizenship status was not verified for eight clients.
- one individual listed on a client's application was neither included in the case for the purpose of determining eligibility for the client, nor was the individual considered for eligibility.
- six clients received letters from the Department which contained missing or incorrect dates.
- one client received a Notice of Decision granting MaineCare coverage and a Notice of Decision denying the coverage on the same day.
- the case files for two clients contained incomplete household income records, causing eligibility determinations to be made with incorrect income information. The Department did not verify the client's household income with Maine Revenue Service (MRS), a procedure which would have identified this discrepancy. In the Department's MAGI-Based Eligibility Verification Plan with the Centers for Medicare and Medicaid Services (CMS) in effect for fiscal year 2019, CMS has given the Department approval to not verify information with MRS.
- the eligibility determination documentation which supported coverage for one client could not be located.
- the case files of thirty-two clients or their household, contained information that did not match or could not be verified with supporting documentation. Included with these clients are twenty-two clients for whom copies of documents used to verify citizenship were not maintained in the case file.
- eligibility for two clients was not redetermined within the required twelve-month time frame.

Our audit test of sixty clients with non-MAGI based MaineCare coverage in fiscal year 2019 found that:

- citizenship status was not verified for two clients.
- two clients received letters from the Department which contained incorrect dates.
- the case files of seven clients, or their household, contained information that did not match or could not be verified with supporting documentation. Included with these clients is one client for whom copies of documents used to verify citizenship were not maintained in their case file.
- eligibility for three clients was not redetermined within the required twelve-month timeframe.
- the case file of one client did not contain a signed application or recertification form for the relevant time frame.
- one client was incorrectly deemed eligible for coverage for which their income exceeded the income limitation.

The Office of the State Auditor selected non-statistical random samples.

The controls in ACES that automatically calculate and flag a case when a client's eligibility redetermination is due did not function consistently. A manual monthly exception report was generated to identify cases due for eligibility redetermination which may not have been flagged by ACES.

The manual exception report for June 30, 2019 identified 239 eligibility cases for which redetermination was overdue. The range of overdue redeterminations was from approximately four months to six years. The average overdue eligibility redetermination was two and a half years. The most common (mode) overdue eligibility redetermination was four years.

**Context:** Eligibility determination is a safeguard to ensure only eligible clients receive Federal benefits. The eligibility determination/redetermination process includes recording and updating client information in ACES. This client information includes household income, assets and other program specific criteria. An application or review recertification signed by the applicant, asserting that the information provided is accurate, is required.

In fiscal year 2019, approximately 300,000 Medicaid/CHIP eligible clients received approximately $1.9 billion in Federal benefits.

**Cause:**

- Lack of resources
- Lack of supervisory oversight

**Effect:**

- Individuals not eligible for services could be deemed eligible or eligible individuals could be deemed ineligible.
- Potential benefits provided to ineligible individuals
- Potential incorrect benefits provided to eligible individuals
- Noncompliance with Federal regulations

**Recommendation:** We recommend that the Department implement a detailed review and approval process that occurs prior to the eligibility determination to ensure the information is accurate and complete. We further recommend that the Department establish procedures to ensure the completeness of income information and that the Department formalize a comprehensive post-determination review and monitoring process.

**Corrective Action Plan:** See F-18

**Management's Response:** The Department disagrees with the finding. Pre and Post review of determinations is not a requirement to ensure compliance with federal awards. There has been no citation provided during this review that contradicts this.

For the purpose of operational efficiency and accuracy in eligibility determinations, Eligibility Supervisors currently perform random case readings and phone observations to identify errors and instruct Eligibility Specialists with at least 1 case reading per staff member per month. OFI's task-based statewide processing system provides multiple points of review for eligibility criteria by different staff members (peer review) prior to eligibility determination.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**Auditor's Concluding Remarks:** As evidenced by the exceptions noted in the Condition above, the Department's existing procedures do not prevent, or detect and correct, inaccurate information from being used in the eligibility determination process. The Department also does not have procedures in place to ensure that eligibility determinations and redeterminations are performed in the required timeframes.

The Department must have verifiable procedures in place to ensure the completeness and accuracy of information used to determine eligibility, as well as to ensure the timely completion of eligibility determinations. Without these procedures, the Department does not ensure compliance with the requirements of the Federal awards.

The finding remains as stated.

**(State Number: 19-1106-12)**

**(2019-047)**

**Title:** Internal control over Long Term Care Facility Audits needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-049 | 2017-025 | 2016-025 | 2015-005 | 2014-003 | 13-1106-14 | 12-1106-01 | 11-1106-05 |

| FY10 |
|---|
| 10-1106-03 |

**State Department:** Health and Human Services
**State Bureau:** Division of Audit
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
**CFDA #:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Special tests and provisions

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 CFR 447.253(g); Maine State Plan Under Title XIX of the Social Security Act (TN No. 13-020); MaineCare Benefits Manual, Ch. III, Sections 50 and 67

**Condition:** The Division of Audit did not issue Long Term Care Facility (LTCF) Audits in accordance with Federal regulations. LTCF Audits include both audits of Nursing Facilities and audits of Intermediate Care Facilities.

For Nursing Facility audits, the MaineCare Benefits Manual requires uniform desk reviews to be completed within 180 days after receipt of an acceptable cost report filing, including financial statements and other information requested from the provider except in unusual situations, including but not limited to delays in obtaining necessary information from a provider.

The population of Nursing Facility audits due for completion in fiscal year 2019 was ninety-two. We noted the following exceptions:

- Fifty-eight audits were not issued within the 180 day timeframe. Of those fifty-eight audits, twenty-three were issued from 3-218 days late and thirty-five had not been issued at the time of testing.

The MaineCare Benefits Manual section 13.4.1.3 provides for an exception to the 180 day rule "in unusual situations, including but not limited to, delays in obtaining necessary information from a provider" and section 13.4.1.4 states "unless the Division of Audit intends to schedule an on-site audit or requests additional information from the provider, it shall issue a written summary report of its findings and adjustments upon completion of the uniform desk review." Prior to fiscal year 2017, requesting additional information was accepted as a reason for delay as the requests met the criteria of unusual situations. For fiscal year 2019, the Division of Audit requested additional information for every Nursing Facility audit, negating the "unusual situation" criteria. In addition, no on-site audits were scheduled, therefore the requirement that all Nursing Facility audits be completed and issued within the 180 day timeframe for uniform desk review is binding.

The Office of the State Auditor selected a non-statistical random sample.

For Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the MaineCare Benefits Manual requires ICF/MRs to submit cost reports annually based on the facility's fiscal year end, and then the Department must provide for periodic audits of these reports. While the MaineCare Benefits Manual does not contain a specific time requirement to complete uniform desk reviews, it does require ICF/MRs to submit cost reports annually. Consequently, it is appropriate that the Department completes a uniform desk review for each of the ICF/MR's cost reports annually. Furthermore, the Code of Federal Regulations (2 CFR 200.303) states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with the Federal statutes, regulations, and the terms and conditions of the Federal award.

The population of ICF/MR audits due for completion in fiscal year 2019 was sixteen. We noted the following exceptions:

- Four audits were not issued within one year of cost report acceptance. Of those four audits, two were issued after the one year timeframe (ten and ninety-seven days late) and two remained unissued at the time of testing.

The Division of Audit is currently in a legal dispute over allowable costs with the owner of nine of the thirty-five nursing facilities and the two ICF/MR's with audits unissued. The Division of Audit takes the position that, due to the legal dispute, any audit reports issued will be appealed, therefore the audits should remain unissued pending settlement of the dispute. However, while the dispute was ongoing, the Division of Audit issued the audit of the 2015 cost report of an ICF/MR which is included in the dispute on March 18, 2019. The issuance of this audit contradicts the Division of Audit's stated position that audits should remain unissued pending settlement of the dispute. Completed audits provide a baseline settlement amount to be adjusted pending the settlement of the legal dispute, and therefore should be issued in accordance with 42 CFR 447.253(g).

**Context:** The Department provided $313 million in Medicaid funding to LTCFs during fiscal year 2019.

**Cause:** Management override of controls

**Effect:** Noncompliance with Federal and State regulations

**Recommendation:** We recommend that the Department improve internal control processes related to the LTCF audits. This includes monitoring completion of audits and implementing an additional level of oversight. Effective internal control activities, including safeguards that cannot be circumvented, provide assurance that the Department is in compliance with Federal and State regulations.

We further recommend that the MaineCare Benefits Manual be updated to bring ICF/MR audit requirements (Ch. III, Sect. 50) in line with Nursing Facility audit requirements (Ch. III, Sect. 67) as both are Long Term Care Facilities. This will ensure both are in compliance with 42 CFR 447.253(g).

**Corrective Action Plan:** See F-19

**Management's Response:** The Department disagrees with the finding. The auditor is applying the Nursing Facility 180-day clock for Desk Reviews to Audits. There isn't a deadline to complete audits within the MaineCare Benefits Manual (MCBM). With regard to Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the Department believes that it is in compliance with the periodic audit requirement of 42 CFR. Additionally, the auditor cites 2 CFR 200.303 regarding establishing effective internal controls. However, Medicaid payments for providing patient care services to Medicaid-eligible individuals are not considered Federal awards under this part. We believe we have effective controls to comply with the current regulations.

**Contact:** Herb Downs, Director, DHHS Division of Audit, 207-287-2778

**Auditor's Concluding Remarks:**
Nursing Facility Audits: The MaineCare Benefits Manual defines two distinct processes for audits of cost reports – Uniform Desk Reviews (13.4.1) and On-Site Audits (13.4.2). Section 13.4.1.3 provides for an exception to the 180-day rule for completion of the Uniform Desk Review "in unusual situations, including but not limited to, delays in obtaining necessary information from a provider". Section 13.4.1.4 states "unless the Division of Audit intends to schedule an on-site audit or requests additional information from the provider, it shall issue a written summary report of its findings and adjustments upon completion of the uniform desk review". A request for additional information could provide for an exception to the 180-day rule as described above. For fiscal year 2019, the Division of Audit requested additional information for every Nursing Facility audit, negating the "unusual situation" criteria. In addition, no on-site audits were scheduled;

therefore, the requirement that all Nursing Facility audits be completed, and a written summary report issued, within the 180-day requirement for uniform desk review is binding.

ICF/MR Audits: 2 CFR 200.38 defines a Federal award as “the Federal financial assistance that a non-Federal entity receives directly from a Federal awarding agency or indirectly from a pass-through entity.”  Payments from the state to Intermediate Care Facilities for providing patient care services to Medicaid-eligible individuals are Federal awards under this part.

Requirements for maintaining effective internal control are applicable.

The finding remains as stated.

**(State Number: 19-1106-01)**

**(2019-048)**

**Title:** Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-052 | 2017-027 | 2016-032 | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office of MaineCare Services
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
**CFDA #:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Special tests and provisions

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 CFR 455.13 through 42 CFR 455.15; MaineCare Benefits Manual, Section 1.17 and 1.18

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

When the State Medicaid agency receives a complaint of Medicaid fraud or abuse or identifies questionable practices, it must conduct a preliminary investigation to determine whether there is a sufficient basis to warrant a full investigation.

In the auditor's sample of sixty cases opened because of potential fraud, abuse, or questionable practices, we found:

- thirteen cases that were inactive for an extended period from 135 to 864 days, and
- three closed cases did not have evidence of supervisory review to support the closure of the case as required by Department policy and procedures.

There were 109 cases opened prior to fiscal year 2019 that remained open at the end of the fiscal year. Of those 109 cases:

- five were opened in fiscal year 2015,
- nine were opened in fiscal year 2016,
- twenty-nine were opened in fiscal year 2017, and
- sixty-six were opened in fiscal year 2018.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The State paid approximately $2.5 billion to providers in fiscal year 2019, including a Federal portion of approximately $1.8 billion. Appropriate supervisory review, follow-up and corrective action are important safeguards against unnecessary or inappropriate use of Medicaid services and funding.

**Cause:**

- Lack of supervisory review at each stage of the review and reporting process as required by Department policy and procedure
- Inadequate oversight of staff who are directly responsible for investigating potential fraud, abuse or questionable practices
- Competing priorities
- Staff turnover
- Lack of resources

**Effect:**

- Case reviews and investigations of potential provider or recipient fraud, abuse, or questionable practices are delayed or remain unresolved.
- There is an increased risk that fraud, abuse, or questionable practices will remain undetected.
- There is potential for not identifying costs that should be recovered.

**Recommendation:** We recommend that the Department improve supervisory review of open cases, including monitoring the progress of open cases over time. We further recommend that older cases be evaluated to determine whether they should be closed due to insufficient evidence or referred to another unit or law enforcement agency for a full investigation.

**Corrective Action Plan:** See F-19

**Management's Response:** The Department disagrees with this finding. The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities.

**Contact:** Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093

**Auditor's Concluding Remarks:** Section 1.17 of the MaineCare Benefits Manual states that the Department is responsible for taking measures to "safeguard against excessive payments, unnecessary or inappropriate utilization of care and services, and assess the quality of services under MaineCare". Allowing cases to remain open and inactive for extended periods of time (135 to 864 days) and not properly documenting oversight increases the likelihood of excessive payments and unnecessary or inappropriate utilization of care and services going undetected.

The finding remains as stated.

**(State Number: 19-1106-08)**

**(2019-049)**

**Title:** Internal control over provider enrollment packages needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | None | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office of MaineCare Services
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
Children's Health Insurance Program (CHIP)
**CFDA #:** 93.775, 93.777, 93.778; 93.767
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;
1805ME5021, 1905ME5021

**Compliance Area:** Special tests and provisions

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 CFR 455.412; 42 CFR 455.450

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Department must have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is actually licensed by such State. The Department must confirm that the provider's license has not expired and that there are no current limitations on the provider's license. The Department contracts with a third-party to perform provider enrollment processing and license verification; however, the Department is still responsible for monitoring whether licensing information is up to date and accurate.

The Department does not have a process to verify that licensing information is valid and retained prior to approval of all new provider enrollment packages and existing provider revalidations. For four out of sixty provider enrollments tested, there was no evidence in the enrollment file that providers were licensed, or that licensing information was provided or available to the State at the time of enrollment. The Office of the State Auditor separately verified that the four providers were actually licensed at the time of service.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The State paid approximately $2.5 billion to providers in fiscal year 2019, including a Federal portion of approximately $1.8 billion. All provider enrollment packages must include licensing information in order to be approved prior to receiving Medicaid funds.

**Cause:**
- Lack of adequate procedures to ensure that evidence of licensing is retained
- Lack of supervisory oversight

**Effect:**
- Potential unlicensed providers participating in the program resulting in future questioned costs and disallowances
- Noncompliance with the required provider license verification requirements
- Potential health and financial risk to Maine people

**Recommendation:** We recommend that the Department ensure that only licensed providers participate in the Medicaid and CHIP programs. Department personnel must monitor whether all licensing information included by providers or Provider Enrollment Applications (PEAs) is complete and accurate. There should be a risk-based secondary review procedure for licensing information needed to enroll a provider. Licensing evidence should be retained in electronic files.

**Corrective Action Plan:** See F-19

**Management's Response:** The Department agrees with this finding. The Department is implementing an automated system that will verify licensure status on an ongoing, weekly basis. This automated system is in development and testing. The automated process will verify the information in the PEA against the licensing information in Maine's ALMS system. This will remove the chances of human error. In addition, the Department's credentialing vendor has been implementing an enhanced credentialing tool that will simplify the credentialing process and is expected to be completed by August 2020. This enhancement will prompt those verifying credentials as to what work objects remain incomplete before the case can be closed out.

**Contact:** Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

**(State Number: 19-1106-11)**

**(2019-050)**

**Title:** Internal control over Medicare Part B premium payments needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | 2017-029 | 2016-026 | 2015-010 | None | None | 12-1106-08 | 11-1106-08 |

| FY10 |
|---|
| 10-1106-01 |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
Office of Information Technology
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
**CFDA #:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Material weakness
Questioned costs

**Questioned Costs:** The Office of the State Auditor tested a sample of individually billed Medicare Part B premiums paid on behalf of clients. Questioned costs were calculated by dividing the identified unallowable premium paid by the total premiums tested to determine the error rate. The error rate was then applied to the total premium payments made for fiscal year 2019.

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | $134 | $86 | $48 |
| *Likely* | $2,163,872 | $1,395,265 | $768,607 |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 CFR 431.625

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the award in compliance with Federal statutes, regulations, and the terms and conditions of the award.

In cases where certain eligibility criteria as outlined in 42 CFR 431.625 are met, the State pays a portion of the Federal Medicare Part B premium on behalf of the client.

The Department receives invoices from the U.S. Centers for Medicare and Medicaid Services (CMS) for Medicare Part B premiums on a monthly basis. CMS sends a separate detailed listing of covered Medicaid members in support of the invoice. This detailed listing contains Buy-In codes for each client, indicating the reason the client is eligible. The Office of Information Technology is responsible for producing a Monthly Reconciliation Report identifying potential discrepancies between the detailed listing produced by CMS and the eligibility information in the State's Automated Client Eligibility System (ACES). Office for Family Independence personnel are responsible for using this report to identify clients for whom payment should not be made and document action taken to correct the overpayment.

The Department could not provide the Monthly Reconciliation Report and related documentation for three of the twelve months in fiscal year 2019. Of the nine reports the Department provided, two did not demonstrate completion of review or follow-up procedures.

In the audit sample of sixty clients, one premium was billed by CMS and paid by the Department for a client with no Federal Buy-In code who was also not deemed eligible in ACES. The Monthly Reconciliation Report did not identify this exception.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** Approximately $45 million in State funds and $88 million in Federal funds were paid to CMS for Medicare Part B premiums in fiscal year 2019.

**Cause:**
- Inadequate supervisory oversight
- Lack of adequate procedures to ensure the production of, and the follow-up to, the Monthly Reconciliation Report
- Monthly Reconciliation Report is not adequately designed to identify all discrepancies.

**Effect:**
- Medicare Part B premiums may be paid by the State for ineligible clients.
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

**Recommendation:** We recommend that the Department establish procedures to ensure the production, review and follow-up to Monthly Reconciliation Reports, and that the Department improve procedures for the documentation and retention of those reports. We further recommend the Department design the Monthly Reconciliation Report to identify all discrepancies.

**Corrective Action Plan:** See F-19

**Management's Response:** The Department agrees with this finding. OFI currently has standard operating procedures and will take steps to further enhance these SOP's and tracking to ensure that each monthly buy-in procedure is reviewed in full, actions documented, and stored securely/archived.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**(State Number: 19-1106-15)**

**(2019-051)**

**Title:** Internal control over Acute Care Critical Access Hospital supplemental pool payments needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | None | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Division of Audit
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
**CFDA #:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Material weakness

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 CFR 447; MaineCare Benefits Manual, Chapter III, Section 45

**Condition:** The Department did not apportion the annual supplemental pool payments for Acute Care Critical Access Hospitals (CAHs) in accordance with the terms of the MaineCare Benefits manual.

This supplemental pool in the amount of $4 million annually has been established by the State to be distributed among CAHs. The supplemental pool allotment to each individual CAH is based on its relative share of total MaineCare payments made to CAHs during the latest State fiscal year for which there exists an As-Filed Medicare Cost Report or a Final Cost Settlement Report for all CAHs at the time the pool is allocated.

The supplemental pool was allocated among fifteen hospitals in State fiscal year 2019. The most recent year for which the Department received As-Filed Medicare Cost Reports for all fifteen facilities prior to State fiscal year 2019 was calendar year 2017. Therefore, MaineCare payment amounts for calendar year 2017 should have been utilized to allocate the supplemental pool. Instead, the Department utilized MaineCare payment amounts from calendar year 2014 to allocate the supplemental pool.

**Context:** The supplemental pool of $4 million was distributed among CAHs in State fiscal year 2019.

**Cause:** Management directed personnel to calculate the CAH supplemental pool allotment using the incorrect calendar year based upon their interpretation of the MaineCare Benefits Manual.

**Effect:**

- Noncompliance with Federal and State regulations
- CAHs did not receive their appropriate share of the $4 million supplemental pool that was distributed in State fiscal year 2019.

**Recommendation:** We recommend that the Department improve internal control processes to ensure the supplemental pool is allocated among CAHs based on their relative share of MaineCare payments from the correct calendar year. Effective internal control activities, including safeguards that cannot be circumvented, provide assurance that the Department is in compliance with Federal and State regulations.

**Corrective Action Plan:** See F-20

**Management's Response:** The Department disagrees with the finding. The MaineCare Benefits Manual Section 45, chapter III, 45.04C identifies the data used to determine the relative share will relate to the latest state fiscal year for which there exists an As-Filed Medicare Cost Report or a Final Cost Settlement Report for all critical access hospitals at the time the pool allocation is done. However, the Medicare as filed cost report does not include any MaineCare payment information, so it cannot be used to allocate the pool. The rule then identifies that allocation will be based on the last year when all Finals Cost Settlement reports have been issued. The last year for Maine would be 2011 since we still have outstanding reports from the Fiscal Intermediary for 2012. The Department utilized the 2014 interim audit report data since it would allocate the pool utilizing the same data as the tax is calculated on. The Department is amending the language on the allocation of the pool to better identify the Medicaid payments to be utilized for this calculation.

**Contact:** Herb Downs, Director, DHHS Division of Audit, 207-287-2778

**Auditor's Concluding Remarks:** The supplemental pool allotment to each individual CAH is based on its relative share of total MaineCare payments made to CAHs during the latest State fiscal year for which there exists an As-Filed Medicare Cost Report or a Final Cost Settlement Report for all CAHs at the time the pool is allocated. MaineCare payment information is filed by hospitals in conjunction with the As-Filed Medicare Cost Report. Therefore, MaineCare payment information for 2017 was available to the Department at the time of allocation of the 2019 supplemental pool.

The finding remains as stated.

**(State Number: 19-1106-05)**

**(2019-052)**

**Title:** Internal control over the eligibility determination process needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | None | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office for Family Independence
**Federal Agency:** U.S. Department of Health and Human Services
U.S. Department of Agriculture
**CFDA Title:** Medicaid Cluster
Children's Health Insurance Program (CHIP)
SNAP Cluster (SNAP)
TANF Cluster (TANF)
**CFDA #:** 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;
1805ME5021, 1905ME5021;
184ME401S2514, 184ME401S2519,
184ME401S2520, 184ME401S8026,
184ME401S8036, 184ME401S8069,
184ME421Q3903, 184ME431Q7503,
194ME401S2514, 194ME401S2519,
194ME401S2520, 194ME401S8026,
194ME421Q3903, 194ME442Q7503;
1601METANF, 1701METANF,
1801METANF, 1901METANF

**Compliance Area:** Allowable costs/cost principles
Eligibility

**Type of Finding:** Material weakness

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Department does not have a review process in place to ensure information entered into the Automated Client Eligibility System (ACES) is accurate and complete. Eligibility specialists manually enter information into ACES and initiate computerized eligibility determinations. Documentation supports that there is no secondary review by a supervisor or peer of the data that is manually entered.

**Context:** In fiscal year 2019, the State provided approximately:

- 300,000 Medicaid/CHIP clients with $1.9 billion in benefits.
- 111,000 SNAP clients with $208.3 million in benefits.
- 18,000 TANF clients with $26.5 million in benefits.

**Cause:**

- Lack of resources
- Lack of supervisory oversight or other procedures to detect errors

**Effect:**

- Individuals not eligible for services could be deemed eligible or eligible individuals could be deemed ineligible.
- Potential future questioned costs and disallowances as a result of benefits provided to ineligible individuals
- Potential future questioned costs and disallowances as a result of incorrect benefits provided to eligible individuals

**Recommendation:** We recommend that the Department implement a documented detailed review and approval process that occurs prior to the eligibility determination. This will ensure the information entered is accurate and complete. We further recommend that the Department formalize a comprehensive post-determination review and monitoring process.

**Corrective Action Plan:** See F-20

**Management's Response:** The Department disagrees with this finding. The Department's management of all federal awards is within compliance with federal regulation. Extensive primary and secondary reviews and monitoring activities are properly designed, in place, and operating effectively.

**Contact:** Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

**Auditor's Concluding Remarks:** Formal, documented supervisory review and other procedures to detect errors are necessary to ensure the Department maintains effective internal control over the Federal award. The Department did not provide evidence to support that they are managing all Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The finding remains as stated.

**(State Number: 19-1106-09)**

**(2019-053)**

**Title:** Riverview

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-054 | 2017-016 | 2016-027 | 2015-006 | 2014-006 | None | None | None |

**State Department:** Health and Human Services
Administrative and Financial Services
**State Bureau:** Office of MaineCare Services
Health and Human Services Service Center
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
**CFDA #:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency
Questioned costs

**Questioned Costs:** The questioned cost identified below for fiscal year 2019 was returned to the Federal government by November 14, 2019.

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | $9,047,317 | $9,047,317 | $0 |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 CFR 482.1(a)(5)

**Condition:** The Centers for Medicare and Medicaid Services (CMS) decertified Riverview as a Medicare provider of psychiatric hospital services on September 2, 2013. CMS issued disallowance letters to the State stating that Medicaid services and disproportionate share hospital payments claimed for quarters ending December 31, 2013 through March 31, 2019, totaling $77.5 million, related to Riverview, would be disallowed. Riverview was recertified as a Medicare provider on January 30, 2019.

**Context:** The State used Federal funds of approximately $9 million in fiscal year 2019, $14 million in fiscal year 2018, $14 million in fiscal year 2017, $14 million in fiscal year 2016, $16 million in fiscal year 2015 and $10.5 million in fiscal year 2014 subsequent to decertification by CMS. The total amount disallowed by CMS was approximately $77.5 million.

**Cause:** The Department obtained legal advice to continue claiming these costs on the CMS-64 report.

**Effect:**

- Federal disallowances which resulted in repaying Federal funds and interest
- Noncompliance with Federal regulations

**Recommendation:** As of November 14, 2019, the Department had fully repaid the disallowances of $77.5 million as well as interest of $2 million totaling $79.5 million; therefore, no further recommendation for this matter is required.

**Corrective Action Plan:** See F-20

**Management's Response:** The Department agrees with the finding and with the return of the funds, including interest, we believe this finding is closed and needs no further action.

**Contact:** Rodney Bouffard, Superintendent, Riverview Psychiatric Center, 207-624-4656

**(State Number: 19-1106-06)**

**(2019-054)**

**Title:** Internal control over payments to Health Homes and Behavioral Health Homes needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | None | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office of MaineCare Services
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
**CFDA #:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency
Questioned costs

**Questioned Costs:** Likely questioned costs were calculated by dividing the identified unallowable amounts paid to providers by the total payments paid to providers in our test to establish an error rate. The error rate was then applied to the total payments made to providers for Health Home and Behavioral Health Homes Payments, in fiscal year 2019 to calculate likely questioned costs.

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | $29 | $19 | $10 |
| *Likely* | $266,420 | $171,574 | $94,846 |
| A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; Social Security Act, Section 1945; ACA Section 2703; Medicaid State Plan; MaineCare Benefits Manual

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

A State, at its option through a State Plan Amendment, may provide funding for eligible individuals with chronic conditions. States shall specify in the State Plan Amendment the methodology States used for determining payment.

In a sample of sixty monthly payments initiated to Health Homes and Behavioral Health Homes using the Value-Based Purchasing Management System (VMS), there were three cases when payment was made without the required documentation of a recent qualifying chronic condition. This does not mean that they did not qualify for the program in the month that the provider received payment; rather, there is not enough data available in the VMS Portal for the Department to verify that the member was in fact eligible. However, in these three cases, the Department as a whole did not have a record of a recent qualifying chronic condition.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** The State paid $6.2 million to Health Home providers and $56.7 million to Behavioral Health Home providers during fiscal year 2019. This includes the Federal portion of $4.0 million and $36.7 million, respectively. Providers receive a per member, per month payment for each member they attest to providing the minimum billable service, as outlined in the MaineCare Benefits Manual.

**Cause:** Lack of adequate procedures for this new program

**Effect:**
- Overpayments to providers for members who may not be eligible
- Potential future questioned costs and disallowances

**Recommendation:** We recommend that the Department establish a process to ensure that payments are only made to providers for members who have a recent qualifying chronic condition as defined in the MaineCare Benefits Manual.

**Corrective Action Plan:** See F-21

**Management's Response:** The Department agrees with the findings. The Health Homes Program Coordinator is currently working with contractor, DXC, to develop a report that will capture chronic conditions for those members enrolled in the Health Homes programs on a regular basis. This will allow the VBP unit to develop a quality review process for the purposes of ensuring that appropriate members are enrolled in the Health Homes program. The report is currently being developed and we expect this report will be completed by September 30, 2020.

**Contact:** Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

**(State Number: 19-1106-13)**

**(2019-055)**

**Title:** Provider eligibility procedures need to further integrate Automated Data Exchange

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-047 | 2017-030 | 2016-028 | 2015-008 | None | None | None | 11-1106-12 |

**State Department:** Health and Human Services
**State Bureau:** Office of MaineCare Services
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
Children's Health Insurance Program (CHIP)
**CFDA #:** 93.775, 93.777, 93.778; 93.767
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;
1805ME5021, 1905ME5021

**Compliance Area:** Special tests and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; Request for Proposal associated with Fiscal Agent, sections 4.22.5.3.1.2, 4.22.5.3.1.10, 4.22.5.3.1.1, Automation/Data Exchange/Interface

**Condition:** Through the end of fiscal year 2016, the Maine Integrated Health Management Solution (MIHMS) system, as designed and implemented by the State of Maine's fiscal agent, did not automatically cross-reference license, accreditation, and sanction information, nor did it support automated data exchanges with the Centers for Medicare and Medicaid Services, the Drug Enforcement Agency, and other sources. Provider enrollment personnel employed by the fiscal agent manually linked to numerous websites to query sanction and license information that affect enrollment.

Beginning in January 2017, the fiscal agent contracted with a third-party vendor to process provider applications and make provider eligibility decisions using automated processes as required by the Request for Proposal (RFP) associated with the fiscal agent. All new provider applications, as well as existing provider revalidation applications, are processed through the third-party vendor system.  Approximately fifty-three percent of the existing provider community has been fully integrated into the system.

**Context:** Applications for all active providers have not been processed by the current third-party vendor using the required automated process.  Prior to the third-party contract that began January 1, 2017, provider applications were processed manually by fiscal agent employees. This manual process was inherently subject to human error due to the extent of cross-referencing required for enrollment determinations.

**Cause:** The system that was used through 2016, MIHMS, as designed and implemented by the State of Maine's fiscal agent, did not comply with Section 4 of the RFP that enumerates responsibilities for automation, data exchange and interface.

**Effect:**
- Potential ineligible providers participating in the program
- Potential future questioned costs and disallowances

**Recommendation:** We recommend that the Department continue to process all provider eligibility applications and process all active provider revalidation applications using the "integrated data exchange interface" approach. Completion of this revalidation process for active providers will support provider eligibility compliance so that only eligible providers are participating in the Medicaid and CHIP programs.

**Corrective Action Plan:** See F-21

**Management's Response:** The Department agrees with this finding.  The Department will continue to complete all new provider and specialties eligibility reviews, as well as active provider and specialties revalidations, through our fiscal agent's contracted vendor Digital Harbor.  We expect to complete our active provider and specialties revalidation process by April 2020, at which point all providers and specialties will have been subjected to the integrated data exchange approach.

**Contact:**  Michelle Probert, Director, Office of MaineCare Services, 207-287-2093

**(State Number: 19-1106-03)**

**(2019-056)**

**Title:** Provider eligibility procedures need to address Advance Directives

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| 2018-050 | 2017-026 | 2016-029 | 2015-007 | 2014-004 | 13-1106-09 | 12-1106-14 | 11-1106-12 |
| **FY10** | **FY09** | | | | | | |
| 10-1106-11 | 09-1106-08 | | | | | | |

**State Department:** Health and Human Services
**State Bureau:** Office of MaineCare Services
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
Children's Health Insurance Program (CHIP)
**CFDA #:** 93.775, 93.777, 93.778; 93.767
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP;
1805ME5021, 1905ME5021

**Compliance Area:** Special tests and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 CFR 431.107(b)(4) Advance Directives; 42 CFR 455.105(b) Business Transactions

**Condition:** For provider agreements entered into prior to July 1, 2013, the Department did not ensure that these agreements contained all required provisions related to Advance Directive requirements and disclosure of certain types of business transactions. As of July 1, 2013, the new provider agreements contain the necessary information; however, the Department acknowledged that they did not revise the older provider agreements.

Twelve out of sixty providers tested did not have an agreement that contained the required terms and conditions.

The Office of the State Auditor selected a non-statistical random sample.

**Context:** Provider agreements must include suspension and debarment language, business ownership disclosures, and Advance Directive requirements as required by Federal regulations.

**Cause:** Competing priorities

**Effect:**

- If the providers' requirements over Advanced Directives are not explicitly defined and included in the State's contract with the provider, the program could potentially be incurring costs for medical procedures that a client does not want.
- Medical staff employed by the provider may not receive required training pertaining to Advance Directives.
- Provider staff may not be aware of Community Education requirements for Advance Directives.
- Medicaid clients may not fully understand their rights as a patient.
- Ineligible providers could potentially participate in the program.
- Potential future questioned costs and disallowances
- Noncompliance with the required provider documentation requirements

**Recommendation:** We recommend that the Department continue to process all provider eligibility applications and process all active provider revalidation applications using updated language for Advance Directives and certain types of business transactions. Completion of this revalidation process for active providers will support provider eligibility compliance so that only eligible providers are participating in the Medicaid program.

**Corrective Action Plan:** See F-21

**Management's Response:** The Department agrees with this finding. All active providers in the MIHMS system have a signed provider agreement on file. As noted in the Department's response to the SFY2018 finding, language regarding advance directive requirements and disclosure of certain types of business transactions was added to the agreement on June 26, 2013. The provider agreement with the added language has been used since then for all newly enrolling providers. Also, all providers who add new locations have signed new provider agreements even if they have not revalidated yet. As part of the ACA provider revalidation initiative, all providers are required to re-enroll and will sign the revised agreement then. The system was upgraded on January 17, 2017 and provider revalidation began in July 2017. To date, cycles 1 – 7 are 100% complete. Cycles 8 – 13 are in process. The Department has cleared 2,579 cases through revalidation or provider disenrollment, with an additional 1,534 cases currently in the provider revalidation process.

**Contact:** Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

**(State Number: 19-1106-07)**

**(2019-057)** Confidential finding, see Condition Section below for more information

**Title:** Internal control over ________ assigned to ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| Redacted | Redacted | None | None | None | * | * | * |

**The system was not audited in this fiscal year.*

**State Department:** Administrative and Financial Services
**State Bureau:** Office of Information Technology
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
**CFDA #:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles
Eligibility

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; ________; ________; State of Maine ________

**Condition:** The ________ associated with ________ needs improvement. These ________ allow personnel to ________. ________ should be restricted to ________ that a _______ to perform their job function. This must be determined by the State agency personnel most directly responsible for ________, regardless of whether ________.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Bob Parris, Branch Manager, Financial Management Group, Center for Medicare and Medicaid Services, 150 S. Independence Mall West, Philadelphia, PA 19106

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12th Street, Suite 0429, Kansas City, MO 64106

**Context:** State government is entrusted with a vast repository of ________. Reliance is placed on the State to maintain________, to protect ________, and to protect ________ from ________, ________ or ________. Since ________, the State's ________ and ________must continually ________ based on the ________.

**Cause:** The Office of Information Technology's (OIT) practice is to provide ________ to agency requestors as soon as possible to allow ________. OIT personnel ________ in an across-the-board manner, typically by ________; while relying on ________ as a secondary way of ________, rather than by ________, ________ as determined by the State agency personnel providing direct oversight to each ________.

**Effect:** __________

**Recommendation:** We recommend that OIT ________ on a ________, as determined by the State personnel most directly responsible for each user.

**Corrective Action Plan:** See F-21

**Management's Response:** The Department agrees with this finding. There is currently an initiative underway to review and revise ________. That work involves ________ and _______ to ________ accordingly. We are also in the early stages of implementing ________, which will further allow us to ________, and ________. Finally, we have a parallel project underway to implement the ________ functionality, which will be used to further ________, and when ________.

**Contact:** Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320

**(State Number: 19-0905-01)**

**(2019-058)** Confidential finding, see Condition Section below for more information

**Title:** Internal control over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| Redacted | None | None | None | None | * | * | * |

**The system was not audited in this fiscal year.*

**State Department:** Administrative and Financial Services
**State Bureau:** Office of Information Technology
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
**CFDA #:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles
Eligibility

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; ________; ________; ________; ________; State of Maine ________

**Condition:** The Office of Information Technology (OIT) utilizes ________ to detect and document ________ within ________. The ________ assigns a ________ based on information contained in the related ________. The ________ classifies ________ as either ________, ________, or ________.

For fiscal year 2019 five ________ and five ________ were haphazardly selected for review. ________ were reviewed from the first quarter of 2019 and compared with a second ________ requested by the Office of the State Auditor in August 2019. The following number of ________, ________ and other types of ________ were observed:

________ – Approximate ________:

- ________: ________
- ________: ________

________ – Approximate ________:

- ________: ________
- ________: ________

Although OIT does address a multitude of ________ on an ongoing basis, there are ________ that are not being addressed timely due to competing priorities, or because correction is not possible due to ________.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Bob Parris, Branch Manager, Financial Management Group, Center for Medicare and Medicaid Services, 150 S. Independence Mall West, Philadelphia, PA 19106

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, U.S. Department of Health and Human Services, Office of the Inspector General, Office of Audit Service, National External Audit Review Center, 601 E. 12the Street, Suite 0429, Kansas City, MO 64106

**Context:** OIT is responsible for the protection of the ________. State agencies paid OIT approximately ________ for ________ during fiscal year 2019.

**Cause:**

- Lack of ________
- High ________
- Difficulty ________

**Effect:**

- ________
- ________
- ________
- ________

**Recommendation:** We recommend that OIT implement a process to address ________. This process should include ________ that OIT Senior Management and ________ have agreed to assume.

**Corrective Action Plan:** See F-22

**Management's Response:** The Department agrees with this finding. OIT has implemented a ________ policy along with procedures that ________. This expanded ________ detects more ________ within the State's ________. At the same time, OIT staff work diligently to apply the ________ to reduce the ________. This is a continuous cycle of ________ and ________. OIT recognizes the need to stay ahead of this curve, document acceptable risk, and prioritize mitigation efforts.  To achieve these goals, there are efforts underway to increase staffing and secure funding for the retirement of ________.

**Contact:** Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320

**(State Number: 19-0905-03)**

**(2019-059)**

**Title:** Internal control over refunding overpayments needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | None | None | None | None | None | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office of MaineCare Services
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
**CFDA #:** 93.775, 93.777, 93.778
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP

**Compliance Area:** Allowable costs/cost principles

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 CFR 433.300 through 433.320

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the award in compliance with Federal statutes, regulations, and the terms and conditions of the award. The State Medicaid Agency has one year from the date of discovery of an overpayment to a provider to recover or seek to recover the overpayment before the Federal share must be refunded to the United States, Centers for Medicare and Medicaid Services.

Maine's Office of MaineCare Services (OMS) does not have procedures in place to ensure that overpayments to providers identified by Health Management Systems (HMS), a contractor, are accurately recorded in the OMS database and transmitted to the Department of Health and Human Services Service Center for refunding to the Federal government within one year of identification of the receivable. The receipt of this information, along with the recording and transmittal to the Service Center, was performed by one staff member. A documented secondary review of the information did not occur.

**Context:** The Federal share of OMS overpayments identified by HMS due to be refunded in fiscal year 2019 was approximately $2.3 million.

**Cause:** Lack of supervisory oversight

**Effect:**

- Overpayments to providers could be incorrectly recorded and incorrectly communicated to the Service Center.
- The Federal share of overpayments may not be refunded to the Federal government in the required timeframe, or not at all. This could potentially result in an additional liability for interest on the non-refunded overpayment amount.
- Potential future questioned costs and disallowances

**Recommendation:** We recommend that the Department implement procedures to ensure that overpayments identified by HMS are properly reviewed for accuracy and completeness prior to transmission to the Service Center. We further recommend that the Department implement procedures to ensure that all overpayments identified by HMS are transmitted to the Service Center, and that the Federal portion of overpayments is returned to the Federal government within one year of the date of discovery. The addition of supervisory review could result in the identification of root causes of overpayments, ultimately leading to a reduction in the occurrence of overpayments.

**Corrective Action Plan:** See F-22

**Management's Response:** The Department agrees with this finding. The following procedures will be implemented to increase oversight. 1. A Third-Party Liability (TPL) employee reviews and enters HMS overpayment information into the Office of MaineCare Services OMS database. 2. A second (TPL) employee will review all documents and data entry performed by the employee in step one. Errors identified will be returned for corrections and reverified prior to moving forward for approval. 3. The second employee will then share the results of this review with the Director, Division of Operations. 4. The Director, Division of Operations, will advise the employee in step one of any corrections to be made in the database entries, if any, then authorize information to be sent to the DHHS Service Center. The Director, Division of Operations, shall be copied on the email with attached data sent to the DHHS Service Center.

**Contact:** Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

**(State Number: 19-1106-10)**

**(2019-060)**

**Title:** Internal control over the post-payment review process needs improvement

**Prior Year Findings:**

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| None | None | 2016-031 | 2015-013 | 2014-011 | 13-1106-04 | None | None |

**State Department:** Health and Human Services
**State Bureau:** Office of MaineCare Services
**Federal Agency:** U.S. Department of Health and Human Services
**CFDA Title:** Medicaid Cluster
Children's Health Insurance Program (CHIP)
**CFDA #:** 93.775, 93.777, 93.778; 93.767
**Federal Award Identification Number:** 1805ME5MAP, 1905ME5MAP; 1805ME5021, 1905ME5021

**Compliance Area:** Special tests and provisions

**Type of Finding:** Significant deficiency

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 42 CFR 456; MaineCare Benefits Manual, Sections 1.17 and 1.18

**Condition:** The Department must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the Department is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

To promote the most effective and appropriate use of available services and facilities, the Medicaid agency must have methods and criteria for identifying, on a sample basis, cases of fraud, waste, and abuse. Audit testing of the post-payment review process identified that:

- a post-payment review sampling plan (a basic level of surveillance and utilization review), as required by 42 CFR 456 Subpart B, was not implemented for the second half of fiscal year 2019.
- the sampling plan that was introduced in January 2018 was adequately designed and executed through December 2018. A formal sampling plan was not in place beginning January 2019.

**Context:** The State paid approximately $2.5 billion to providers in fiscal year 2019. This includes the Federal portion of approximately $1.8 billion. Post payment review sampling plans are important safeguards against fraud, waste, and abuse of Medicaid services.

**Cause:**
- Lack of resources
- Lack of supervisory oversight
- Competing priorities

**Effect:**
- Increased risk that certain transactions are not considered or sampled during the fiscal year, which could result in errors, fraud, waste and abuse that could remain undetected
- Undetected errors, fraud, waste, and abuse could result in questioned costs.
- Potential loss in program efficiency or effectiveness

**Recommendation:** We recommend that the Department implement procedures to ensure that a post-payment review process is established that is consistent with 42 CFR 456. The results of this post-payment review process should be monitored by financial and program personnel.

**Corrective Action Plan:** See F-22

**Management's Response:** The Department partially agrees with this finding. The Department agrees that it did not create a document that contained the sampling plan for the second half of fiscal year 2019. However, the Department disagrees with part of the finding, specifically the statement that it did not "implement" a post-payment review sampling plan. The Department did implement such a plan, it only failed to formally document said plan.

**Contact:** Michelle S. Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

**Auditor's Concluding Remarks:** A formal, documented post-payment review sampling plan is necessary to ensure compliance with 42 CFR 456, and to ensure the Department maintains effective internal control over the Federal award.

The finding remains as stated.

**(State Number: 19-1106-04)**

**(2019-061)**

**Title:** Internal control over cash management needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | * | * | * | * | * | * |

**The program was not audited as a major program in this fiscal year.*

**State Department:** Defense, Veterans and Emergency Management
**State Bureau:** Maine Emergency Management Agency
**Federal Agency:** U.S. Department of Homeland Security
**CFDA Title:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)
**CFDA #:** 97.036
**Federal Award Identification Number:** 4367DRMEP1SME500, 4354DRMEP1SME500

**Compliance Area:** Cash management

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 31 CFR 205(B)

**Condition:** The Department did not minimize the time between drawdown and disbursement of Federal funds in accordance with Federal regulations. The Office of the State Controller issued guidance to all State agencies establishing that no more than seven days between the receipt and disbursement of Federal funds demonstrates compliance. In our review of eighteen Federal drawdowns, five instances of noncompliance with drawdown requirements were identified.

Additionally, the Disaster Grants - Public Assistance program began fiscal year 2019 with a significant negative cash balance of $625,000, and ended with a cash balance of negative $552,000. During the fiscal year 2019 audit, the auditor discovered that during fiscal year 2010, Federal funds were drawn down for the Disaster Grants - Public Assistance program but were inadvertently recorded to a different Federal program in the State accounting system. This clerical error was not caught by the Department, and continues to obscure the program's actual cash balance as of June 30, 2019.

The Office of the State Auditor tested all drawdowns exceeding $112,000, and selected a non-statistical random sample of all other drawdowns below this threshold.

**Context:** The Department expended $6.7 million in Disaster Grants - Public Assistance funds in fiscal year 2019.

**Cause:**

- The Department does not have effective procedures in place to minimize the number of days of cash on hand. Federal funds are drawn based on anticipated expenditures that have not yet been finalized for payment.
- Cash reconciliations were not completed separately for each Federal program. The overall negative cash balance that is offset in another Federal account in the State accounting system has not been corrected.

**Effect:**

- The Federal government may impose more stringent, program-specific cash management requirements based on prior noncompliance.
- The State could potentially incur an interest liability on excess Federal cash balances.

**Recommendation:** We recommend that the Department implement procedures to ensure that Federal cash is requested based on immediate cash needs. Additionally, we recommend that the Department implement reconciliation procedures to ensure the program's cash balance is accurate and monitored effectively. A general ledger journal entry should be recorded to properly account for the Disaster Grants - Public Assistance's program's cash balance.

**Corrective Action Plan:** See F-22

**Management's Response:** The Department agrees with this finding. The Maine Emergency Management Agency will be implementing procedures to ensure that Federal cash is drawn down based on the program's immediate cash needs. These procedures will also include the periodic reconciliation of the program's cash balance to ensure that it is accurate. In addition, a journal entry is planned to address the negative cash balance created during fiscal year 2010.

**Contact:** Jennifer Foster, Contract/Grant Manager, DVEM, 207-624-4450

**(State Number: 19-1502-01)**

**(2019-062)**

**Title:** Internal control over the evaluation of each subrecipient's risk of noncompliance needs improvement

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | * | * | * | * | * | * |

**The program was not audited as a major program in this fiscal year.*

**State Department:** Defense, Veterans and Emergency Management
**State Bureau:** Maine Emergency Management Agency
**Federal Agency:** U.S. Department of Homeland Security
**CFDA Title:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)
**CFDA #:** 97.036
**Federal Award Identification Number:** 4367DRMEP1SME500, 4354DRMEP1SME500

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.331(b)

**Condition:** The Department is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

The Department did not evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring in fiscal year 2019.

**Context:** The Department awarded $6.7 million to 204 subrecipients of the Disaster Grants - Public Assistance program, which is over ninety-nine percent of total program funds expended during fiscal year 2019.

**Cause:**

- Lack of adequate procedures
- Lack of supervisory oversight
- Staff turnover

**Effect:**

- Subrecipients that are deemed higher risk as a result of prior noncompliance are not monitored on a more frequent basis.
- Subrecipients that are deemed lower risk are not monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.

**Recommendation:** We recommend that the Department implement a process that evaluates each subrecipient's risk of noncompliance specifically for the purposes of determining the appropriate subrecipient monitoring to be performed during the subaward.

**Corrective Action Plan:** See F-23

**Management's Response:** The Department agrees with this finding. DVEM has created and filled a new position that will be responsible for the evaluation and monitoring of sub-recipients. A top priority of this new position will be the updating of DVEM's sub-recipient monitoring procedures as well as the implementation of necessary changes.

**Contact:** Jennifer Foster, Contract/Grant Manager, DVEM, 207-624-4450

**(State Number: 19-1502-02)**

**(2019-063)**

**Title:** Internal control over monitoring subrecipient Single Audits needs to be established

**Prior Year Findings:** None

| FY18 | FY17 | FY16 | FY15 | FY14 | FY13 | FY12 | FY11 |
|---|---|---|---|---|---|---|---|
| * | * | * | * | * | * | * | * |

**The program was not audited as a major program in this fiscal year.*

**State Department:** Defense, Veterans and Emergency Management
**State Bureau:** Maine Emergency Management Agency
**Federal Agency:** U.S. Department of Homeland Security
**CFDA Title:** Disaster Grants - Public Assistance (Presidentially Declared Disasters)
**CFDA #:** 97.036
**Federal Award Identification Number:** 4367DRMEP1SME500, 4354DRMEP1SME500

**Compliance Area:** Subrecipient monitoring

**Type of Finding:** Material weakness
Material noncompliance

**Questioned Costs:** None

| Questioned Costs | Total | Federal | State |
|---|---|---|---|
| *Known* | | | |
| *Likely* | | | |
| A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition. | | | |

**Criteria:** 2 CFR 200.303; 2 CFR 200.331

**Condition:** The Department is required to verify that every subrecipient is audited as required by Subpart F of 2 CFR 200 when the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded $750,000. Additionally, the Department is required to consider whether the results of subrecipient audits indicate conditions that necessitate adjustments to the Department's own records and taking enforcement action against noncompliant subrecipients.

The Department did not verify whether any of the program's subrecipients were the subject of a Single Audit as required by Subpart F of 2 CFR 200. Consequently, the Department did not consider whether the results of subrecipient audits indicated conditions that necessitated adjustments to the Department's own records or whether the Department should take enforcement action against noncompliant subrecipients.

**Context:** The Department awarded $6.7 million to 204 subrecipients of the Disaster Grants - Public Assistance program, which is over ninety-nine percent of total program funds expended during fiscal year 2019.

**Cause:**
- Lack of adequate procedures
- Lack of supervisory oversight
- Staff turnover

**Effect:**
- Noncompliance with Federal requirements imposed on the Department
- Subrecipients may not be audited, and also may not be complying with Federal statutes, regulations, or the terms and conditions of the subaward. Without oversight, subrecipients with audit findings may not take corrective action in a timely manner.

**Recommendation:** We recommend that the Department implement procedures to verify that subrecipients of the Disaster Grants - Public Assistance program are audited as required by Federal regulations. We further recommend that the Department ensure that subrecipients take timely and appropriate action on deficiencies detected by the auditors.

**Corrective Action Plan:** See F-23

**Management's Response:** The Department agrees with this finding. DVEM has created and filled a new position that will be responsible for the evaluation and monitoring of sub-recipients. A top priority of this new position will be the updating of DVEM's sub-recipient monitoring procedures as well as the implementation of necessary changes.

**Contact:** Jennifer Foster, Contract/Grant Manager, DVEM, 207-624-4450

**(State Number: 19-1502-03)**

# STATE OF MAINE
# CORRECTIVE ACTION PLAN
# FOR THE YEAR ENDED JUNE 30, 2019


DIRIGO
MAINE

STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
**OFFICE OF THE STATE CONTROLLER**
14 STATE HOUSE STATION AUGUSTA, MAINE 04333-0014

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

KIRSTEN LC FIGUEROA
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA
STATE CONTROLLER

# CORRECTIVE ACTION PLAN
## *Fiscal Year Ended June 30, 2019*

## Corrective Action Plan

The *Corrective Action Plan* (CAP) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of this report is to document the corrective action steps that will be completed in response to each Single Audit Report finding, identify the individual(s) responsible for ensuring that corrective action is completed, and to provide an anticipated date for complete implementation of corrective action. The CAP complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up, (c) Corrective Action Plan.

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| Finding Number | Corrective Action Plan | |
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| 2019-001 | Department: | Administrative and Financial Services |
| | Title: | ________ does not have a ________ in place (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | December 31, 2020 |
| | Agency Contact: | Derek Higgins, Director of Accounting/Financial Risk Manager, 207-624-9738 |
| 2019-002 | Departments: | Administrative and Financial Services<br>Environmental Protection<br>Health and Human Services<br>Transportation |
| | Title: | Internal control over the physical inventory of fixed assets needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress; except for the Maine Department of Transportation (DOT) where it is management's opinion that corrective action is not required |
| | Corrective Action: | The Office of the State Controller (OSC) provides training to agencies regarding inventory procedures on an ad hoc basis. OSC will perform annual outreach to affected agencies through "pre-closing" meetings to ensure that agencies have a documented inventory schedule that complies with the SAAM and provide additional training where necessary.<br><br>The Department of Health and Human Services (DHHS) will designate/assign personnel from the different offices to take a physical inventory annually and report that information on an inventory tracking sheet to the DHHS Service Center. The DHHS Service Center will facilitate this and review the information before submission to the Controller's Office. |

| | | |
|---|---|---|
| | | The Department of Environmental Protection (DEP) will reconcile physical counts to the assets recorded in Advantage and will have corrections/deletions approved in Advantage by Office of the State Controller in order to complete a fully accurate annual physical inventory for all DEP offices.<br><br>While there were a few instances of assets not being timely disposed of, DOT does have proper procedures in place to ensure physical inventory counts of equipment are performed. The two individuals who were interviewed confirmed that they do in fact perform a physical inventory and in cases where the equipment isn't always visible, such as underground fuel tanks, the regions have processes in place to monitor the fuel levels; thereby, confirming that the asset still exists. |
| | Completion Date: | June 30, 2020, September 30, 2020, July 1, 2020 and N/A |
| | Agency Contacts: | Shirley Browne, Deputy State Controller, OSC, 207-626-8420<br>Sarah Gove, Director, DHHS Service Center, 207-458-6626<br>Sherrie Kelley, Director of Resource Administration, DEP, 207-287-4852<br>Doreen Corum, Financial Processing Director, DOT, 207-624-3139 |
| 2019-003 | Departments: | Administrative and Financial Services<br>Education |
| | Title: | ________ is uniquely an imperative for ________ (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | Undetermined |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | December 31, 2020 |
| | Agency Contact: | Dan Chuhta, Deputy Commissioner, DOE, 207-624-6620 |
| 2019-004 | Departments: | Administrative and Financial Services<br>Labor |
| | Title: | Internal control over the valuation of allowances for uncollectible accounts needs improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with this finding. The Office of the State Controller (OSC) is responsible for determining the estimates included in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC and the Department of Labor (DOL) accumulate relevant, sufficient and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with applicable accounting principles and that disclosure is adequate. OSC performed a five-year trend analysis of historical collections with information provided by the DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. DOL has implemented a new system and OSC will continue to review the reserve process to ensure the allowance continues to be valued properly. |

| | | |
|---|---|---|
| | Completion Date: | N/A |
| | Agency Contact: | Sandra Royce, CPA, Director of Financial Reporting and Analysis, OSC, 207-626-8451 |
| 2019-005 | Department: | Transportation |
| | Title: | The Department has not completed a ________ that complies with State ________ (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | December 31, 2020 |
| | Agency Contact: | Doreen Corum, Financial Processing Director, DOT, 207-624-3139 |
| 2019-006 | Department: | Education |
| | Title: | The Department has no ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | July 1, 2019 |
| | Agency Contact: | Joanne Allen, Director, School Finance & Operations, Department of Education, 207-624-6790 |
| 2019-007 | Departments: | Administrative and Financial Services<br>Transportation |
| | Title: | ________ over the ________ or ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | December 31, 2020 |
| | Agency Contact: | Doreen Corum, Financial Processing Director, Department of Transportation, 207-624-3139 |
| 2019-008 | Department: | Administrative and Financial Services |
| | Title: | ________ and ________ over ________ need improvement (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover. |

| | | |
|---|---|---|
| | Completion Date: | April 1, 2020, December 1, 2020 and July 1, 2024 |
| | Agency Contact: | Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320 |
| 2019-009 | Departments: | Administrative and Financial Services<br>Health and Human Services |
| | Title: | The State has ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | December 31, 2020 |
| | Agency Contact: | Douglas E. Cotnoir, CPA, CIA, State Controller, OSC, 207-626-8420 |
| 2019-010 | Department: | Health and Human Services |
| | Title: | The Department ________ that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | December 31, 2020 |
| | Agency Contact: | Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093 |
| 2019-011 | Department: | Administrative and Financial Services |
| | Title: | Internal control over cash balances needs improvement |
| | Questioned Costs: | Undeterminable |
| | Status: | Corrective action in progress |
| | Corrective Action: | The State will continue to systematically reconcile older grants (prior to 2011) to determine what accounts the cash belongs in and take the necessary steps to put the cash balances where they belong. |
| | Completion Date: | June 30, 2022 |
| | Agency Contact: | Sarah Gove, Director, DHHS Service Center, 207-458-6626 |
| 2019-012 | Department: | Health and Human Services |
| | Title: | Internal control over compliance with eligibility determination requirements, and the related automated data processing system requirements, needs improvement |
| | Questioned Costs: | Federal: Known: $261 Likely: $5,144,620 |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Training unit has already created an updated curriculum that underscores and emphasizes TANF requirements, which impact all programs. This will be first rolled out on March 30th in the Lewiston Regional Office.<br><br>Further regional and central office training in this curriculum will continue for 18 months. |
| | Completion Date: | September 30, 2021 |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-013 | Department: | Health and Human Services |
| | Title: | Internal control over the issuance of SNAP benefits needs improvement |

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| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | Business Technology Division will generate a Standard Operating Procedure governing the frequency and distribution of death data in accordance with federal SNAP and Farm Bill regulations. |
| | Completion Date: | September 30, 2020 |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-014 | Department: | Health and Human Services |
| | Title: | Internal control over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with this finding. The Department's explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | N/A |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-015 | Department: | Education |
| | Title: | Internal control over State matching requirements needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action completed |
| | Corrective Action: | The Department has modified the NEO system to ensure that the match attributable to State owned schools is funded from the General Fund. Additionally, the Department has implemented a procedure requiring the performance of a reconciliation near the year end to ensure compliance with the grant's matching requirements. |
| | Completion Date: | March 1, 2019 and June 1, 2020 |
| | Agency Contact: | Walter Beesley, Child Nutrition Director, DOE, 207-624-6875 |
| 2019-016 | Department: | Education |
| | Title: | National School Lunch Program and Summer Food Program Policy Statements and State-Sponsor Agreements are not consistent with Federal regulations |
| | Questioned Costs: | None |
| | Status: | Corrective action completed |
| | Corrective Action: | The National School Lunch Program Free and Reduced-Price Policy Statement as well as the Summer Food Service Program State-Sponsor Agreements have been updated to contain all required information. Additionally, the Department has implemented new procedures that require the performance of an annual review of these documents each June to ensure that any required changes are made. |
| | Completion Date: | July 2, 2019 and February 28, 2020 |
| | Agency Contact: | Walter Beesley, Child Nutrition Director, DOE, 207-624-6875 |
| 2019-017 | Department: | Education |
| | Title: | Internal control over subrecipient monitoring procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action completed |
| | Corrective Action: | Training was provided for all staff, covering the items addressed in the finding including the importance of documentation. |

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| | | The Department continues to follow the improved procedures of using a cloud-based service for data storage. All reviews are now backed up in the cloud and not on external storage devices.<br><br>Training was provided on the use of the tracking spreadsheet and the method of documentation to ensure accuracy and timeliness.<br><br>Staff have been trained on the correct steps for withholding and releasing funds.<br><br>The tracking spreadsheet is being reviewed at monthly staff meetings for accuracy and adherence to time lines. |
| | Completion Date: | October 7, 2019 |
| | Agency Contact: | Walter Beesley, Child Nutrition Director, DOE, 207-624-6875 |
| 2019-018 | Department: | Education |
| | Title: | Internal control over the donated food inventory needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | Discuss the inventory overages and shortages with contracted warehouse personnel.<br><br>Review procedures submitted to USDA to ensure they address reconciliation.<br><br>Review existing recordkeeping procedures and modify as needed.<br><br>Establish a clear method to document year end transactions, including document retention.<br><br>Complete the procurement of a new inventory software system.<br><br>Fully deploy inventory software system including set up, staff training and full utilization. |
| | Completion Date: | January 1, 2020, April 1, 2020, April 1, 2020, May 1, 2020, September 1, 2020, and February 1, 2021 |
| | Agency Contact: | Walter Beesley, Child Nutrition Director, DOE, 207-624-6875 |
| 2019-019 | Department: | Health and Human Services |
| | Title: | Internal control over subrecipient monitoring needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action completed |
| | Corrective Action: | The positions responsible for conducting Management Evaluation Reviews were filled. Several of these new staff members are currently conducting the required Management Evaluation Reviews. |
| | Completion Date: | November 1, 2019 |
| | Agency Contact: | Ginger Roberts-Scott, Director, Maine WIC Nutrition Program, DHHS 207-287-5342 |
| 2019-020 | Department: | Health and Human Services |
| | Title: | Internal control over subrecipient contracts needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action completed |
| | Corrective Action: | Contract language that includes references to the Uniform Guidance and the $750,000 threshold has been updated as of February 2018. |

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| | Completion Date: | February 1, 2018 |
| | Agency Contact: | Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075 |
| 2019-021 | Department: | Health and Human Services |
| | Title: | Internal control over Federal cash management needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | Perform a reconciliation of the cash balance for all WIC related grants.<br><br>Implement oversight procedures to ensure the cash balance is considered when requesting Federal funds. |
| | Completion Date: | August 31, 2020 |
| | Agency Contact: | Ginger Roberts-Scott, Director, Maine WIC Nutrition Program, DHHS, 207-287-5342 |
| 2019-022 | Department: | Health and Human Services |
| | Title: | The Department has no assurance that ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with this finding. The Department's explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | N/A |
| | Agency Contact: | Ginger Roberts-Scott, Director, Maine WIC Nutrition Program, DHHS 207-287-5342 |
| 2019-023 | Department: | Defense, Veterans and Emergency Management |
| | Title: | Internal control over payroll costs needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action completed |
| | Corrective Action: | The DVEM Deputy Commissioner will approve the timesheet for the State employee who reports to a Federally employed Air National Guard Officer until such time as the new HR System is deployed. Once the new HR system is deployed, the Federally employed Air National Guard Officer should be able to approve this State employee's timesheet.<br><br>Every effort will be made to ensure that when an employee leaves their position, they sign their timesheet before they depart.<br><br>Human Resources will notify DVEM Finance when employees that are funded by the National Guard Military Operations and Maintenance Master Cooperative Agreement change positions to help ensure that payroll costs are properly charged. |
| | Completion Date: | March 9, 2020 |
| | Agency Contact: | Scott A. Young, Deputy Commissioner, DVEM, 207-430-5997 |
| 2019-024 | Department: | Defense, Veterans and Emergency Management |
| | Title: | Internal control over cash management for travel advances and the related reporting to the Federal government on the SF-270 report needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action completed |

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| | Corrective Action: | Accounting personnel were provided feedback to address the human error aspect of this finding.<br><br>Accounting personnel reviewed and re-familiarized themselves with SAAM 10.80.60.<br><br>A spreadsheet was created to monitor travel advances.<br><br>The Business Manager and Senior Staff Accountant are now conducting a more thorough review of all travel advances to ensure compliance with SAAM 10.80.60.<br><br>Expenses included in the SF270 are now subjected to a more thorough review to ensure compliance with drawdown and reporting requirements. |
| | Completion Date: | March 10, 2020 |
| | Agency Contact: | Frances LaPointe, Business Manager II, DVEM, 207- 430-5696 |
| 2019-025 | Department: | Health and Human Services |
| | Title: | Internal control over subrecipient monitoring procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with this finding. We have policies and procedures in place to ensure subrecipients use Continuum of Care funds in accordance with all award requirements and program regulations. We perform comprehensive annual on-site reviews to verify subrecipient compliance with all program rules and regulations and have the documentation to support it. |
| | Completion Date: | N/A |
| | Agency Contact: | Jessica Monahan Pollard, Director, Office of Behavioral Health, DHHS, 207-287-6484 |
| 2019-026 | Department: | Administrative and Financial Services |
| | Title: | Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will utilize Advantage CFDA # and Program information to conduct an automated update of the SEFA files. Once updated, the information in the SEFA files will be reviewed for accuracy prior to being used for SEFA submissions. |
| | Completion Date: | September 30, 2020 |
| | Agency Contact: | Sarah Gove, Director, DHHS Service Center, 207-458-6626 |
| 2019-027 | Department: | Labor |
| | Title: | Internal control over continuing eligibility needs improvement |
| | Questioned Costs: | State: Known: $10,375 Likely: $5,272,833 |
| | Status: | Corrective action in progress |
| | Corrective Action: | The bureau will continue to conduct training with all adjudication and claims staff at least once, or twice a year when possible, and review standard operating procedures and guidance pertaining to work search requirements as part of the training curriculum.<br><br>The bureau will review its internal controls for ensuring that its target number of work search audits are being scheduled and conducted. |

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| | Completion Date: | June 30, 2020 |
| | Agency Contact: | Laura Boyett, Bureau Director, Unemployment Compensation, DOL, 207-621-5156 |
| 2019-028 | Department: | Labor |
| | Title: | The Department has no assurance that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department partially agrees with this finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | June 30, 2020, April 30, 2021, December 31, 2021, and March 31, 2022 |
| | Agency Contact: | Patricia O'Brien, Deputy Bureau Director, DOL, 207-621-5161 |
| 2019-029 | Department: | Labor |
| | Title: | Internal control over earmarking requirements needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action completed |
| | Corrective Action: | The New Counselor Training curriculum was updated to include training on proper identification and coding of pre-employment transition services (Pre-ETS).<br><br>The AWARE system was modified to allow for the coding and identification of Pre-ETS expenditures.<br><br>A monthly cross check is performed between the AWARE system and the AdvantageME accounting system to ensure Pre-ETS services are coded correctly.<br><br>In-depth training on the proper identification and coding of Pre-ETS services was provided at the July 2019 quarterly Transition VR Counselor meeting (attended by DVR and DBVI VR Counselors) and continues as a regular agenda item for these meetings.<br><br>In-depth training on the proper identification and coding of Pre-ETS services was provided for DBVI VR Counselors and Blindness Rehabilitation Specialists.<br><br>In-depth refresher training on the proper identification and coding of Pre-ETS services was provided for DBVI VR Counselors and Blindness Rehabilitation Specialists.<br><br>In-depth refresher training on the proper identification and coding of Pre-ETS services is scheduled for the April 2020 quarterly Transition VR counselor meeting. |
| | Completion Date: | October 2018, December 2018, March 2019, July 2019, August 2019, January 2020, and April 2020. |
| | Agency Contact: | Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942 |
| 2019-030 | Department: | Labor |
| | Title: | Internal control over program income needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |

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| | Corrective Action: | Quality Assurance staff participate in monthly SSA Cost Reimbursement webinars; and access the SSA portal on a regular basis to monitor claims data and access informational bulletins from SSA.<br><br>Director of Quality Assurance is in regular contact with Management Analyst to monitor processing of claims.<br><br>Director of Quality Assurance, the Directors of DVR and DBVI and the Service Center Financial Analyst, receive claims data from the Management Analyst, at least quarterly, that is used in budget management of the SSA CR program income.<br><br>The automated Tracker system that was being used to calculate SSA CR claims was retired effective July 1, 2019.<br><br>A new SSA CR module was added to the AWARE case management system in August 2019. Maine BRS detected an issue with the calculations made by this new module and is working closely with Alliance Enterprises (owners of AWARE) to ensure that the correct cost formula is programmed into this module and that the SSA CR claims are free of errors.<br><br>Maine BRS has suspended submission of new SSA Cost Reimbursement claims until confirmation that new SSA CR module in AWARE is error free. |
| | Completion Date: | May 1, 2020 |
| | Agency Contact: | Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942 |
| 2019-031 | Department: | Labor |
| | Title: | Internal control over the timeliness of eligibility determinations needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | New Counselor Training includes the 60-day eligibility, or signed eligibility extension, requirement.<br><br>Quarterly case reviews (including at least one review per vocational rehabilitation counselor) include checking the 60-day eligibility, or signed eligibility extension, requirement.<br><br>Division of QA Management Analyst runs a quarterly report of overdue eligibilities per unit that is reviewed at the Regional Managers' meeting.<br><br>The BRS Quality Assurance division will provide a refresher training to DVR Leaders and DBVI Leaders on the 60-day eligibility (or signed extension) requirement. Training will include instruction on several different tools in the AWARE case management system to assist in tracking compliance with this requirement; such as a "Cases Exceeding 60 Days in Application Status" report that can be set to run automatically on a set schedule.<br><br>Training materials on the requirement for 60-day eligibility, or signed eligibility extension, are posted on the BRS Intranet for future reference by staff. |
| | Completion Date: | April 1, 2020 |
| | Agency Contact: | Christine Robinson, BRS Director of Quality Assurance, DOL, 207-623-7942 |
| 2019-032 | Department: | Health and Human Services |
| | Title: | Internal control over provider site visits and corrective action follow up needs improvement |
| | Questioned Costs: | None |

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| | Status: | Corrective action in progress |
| | Corrective Action: | Met with staff to review audit finding and began implementing corrective actions immediately.<br><br>Update the VFC Site Visit training manual to include: VFC Management Oversight, weekly monitoring and sign-off of Site Visit Reviewers visits, and an annual VFC Management visit reviewer sign-off sheet.<br><br>Update VFC Site Visit Reviewers training ensuring documentation exists for acknowledgements attesting that the site visit was completed and signed by the providers are maintained, and documentation of inventory validation in addition to notating the results within the VFC questionnaire in Pears.<br><br>Ensure a sign-in sheet is utilized for the VFC Site Visit Reviewers annual training. A Second training will occur for all VFC Site Visit Reviewers after Site Visit training manual is updated. |
| | Completion Date: | March 10, 2020, April 30, 2020, April 30, 2020 and May 15, 2020 |
| | Agency Contact: | Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541 |
| 2019-033 | Department: | Administrative and Financial Services |
| | Title: | Internal control over Federal cash management needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | Policies and procedures were reviewed, and training conducted on CMIA, draw procedures and reconciliations.<br><br>A grant monitoring file will be created and used to monitor the Immunization grant activity and cash. |
| | Completion Date: | December 31, 2020 |
| | Agency Contact: | Sarah Gove, Director, DHHS Service Center, 207-458-6626 |
| 2019-034 | Department: | Health and Human Services |
| | Title: | The Department has no assurance that ________ over the ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department agrees with this finding. The Department’s corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | July 1, 2020 |
| | Agency Contact: | Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541 |
| 2019-035 | Department: | Health and Human Services |
| | Title: | Monitoring over subrecipient cash management needs improvement |
| | Questioned Costs: | None |
| | Status: | Management’s opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with this finding. The criteria given by the State Auditor also states that the timing and amounts of advance payments must be as close as is administratively feasible to the actual disbursements. The Department's process for |

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| | | monitoring the actual expenditures and reconciling those to the payments is as close as administratively feasible for the Department. We have provided the State Auditor with the monitoring procedures to ensure the timing of payments is as close as administratively feasible to actual expenditures of our subrecipients. |
| | Completion Date: | N/A |
| | Agency Contact: | Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075 |
| 2019-036 | Department: | Health and Human Services |
| | Title: | Internal control over subrecipient contracts needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action completed |
| | Corrective Action: | Contract templates were updated to include required elements. |
| | Completion Date: | October 1, 2018 |
| | Agency Contact: | Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075 |
| 2019-037 | Department: | Health and Human Services |
| | Title: | Internal control over Income Eligibility and Verification system procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | Hold annual IEVS staff training in May 2020<br><br>Initiate monthly monitoring process of all IEVS reports to ensure that the 45-day timeframe has been met for all IEVS cases |
| | Completion Date: | June 1, 2020 |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-038 | Department: | Health and Human Services |
| | Title: | Risk evaluation procedures to determine the extent of appropriate subrecipient monitoring need improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with this finding. The Department's subrecipient monitoring goes well beyond the requirements outlined in 200.331 and encompasses many of the tools that may be useful as stated in 200.331(e). The Department has provided evidence of site visits during the SFY 2019 period. The Department has its own regulations, Maine Uniform Accounting and Auditing Practices for Community Agencies, (MAAP) that apply more rigorous thresholds for audit and review requirements than those of the 2 CFR 200.501.<br><br>All of the Department's subrecipient's programs are being audited not only for the Uniform Guidance but also for MAAP. In addition to these tools principally utilized by the Department's Internal Audit division, Program Managers also take into consideration risk of sub-recipients (based on their knowledge and expertise in the field) in making determinations of on-site monitoring priorities and schedules.<br><br>There are multiple tools to evaluate subrecipient risk as indicated above. The risk evaluation tool developed by the Department's Internal Audit division is one of them. The Department is working to further integrate this risk evaluation tool to incorporate Program Manager feedback and anticipates implementing this beginning in fiscal year 2020. |

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| | Completion Date: | N/A |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-039 | Department: | Health and Human Services |
| | Title: | Internal control over TANF performance reporting and work participation procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | Review data input and system calculations for the ACF-199 TANF Data Report.<br><br>Review data input and system calculations for the ACF-209 SSP-MOE Data Report.<br><br>Update systems to ensure accuracy in reporting for the ACF-199 TANF Data Report and the ACF-209 SSP-MOE Data Report. |
| | Completion Date: | June 30, 2020 |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-040 | Department: | Health and Human Services |
| | Title: | Internal control over payments to and on behalf of TANF clients needs improvement |
| | Questioned Costs: | Federal: Known: $1,120 Likely: $1,295,496 |
| | Status: | Corrective action in progress |
| | Corrective Action: | TANF Program Manager with work with the Training Unit to update case note guidance to staff to include transitional child care and transitional transportation specific instruction.<br><br>TANF Program Manager will work with the Work Support Team supervisory staff, and the Training Unit to create an eligibility specialist standard operating procedure for requesting and completing an override request for the transitional child care and transitional transportation programs.<br><br>TANF Program Manager will work with the Work Support Team supervisory staff to create a supervisory standard operating procedure for the review and acceptance of override requests. |
| | Completion Date: | June 30, 2020 |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-041 | Department: | Health and Human Services |
| | Title: | Internal control over the retention of Income Eligibility and Verification System reports needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | Monthly Quality Assurance check on IEVS reports<br><br>Compliance Manager coordination with OIT staff to ensure back-up/recovery processes are in-place and followed |
| | Completion Date: | April 30, 2020 and June 30, 2020 |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-042 | Department: | Health and Human Services |
| | Title: | The Department has no assurance that ________ is adequate (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |

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| | Status: | Corrective action completed |
| | Corrective Action: | The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | July 1, 2019 |
| | Agency Contact: | Sheldon W. Wheeler, Compliance Manager, Office for Family Independence 207-441-8957 |
| 2019-043 | Department: | Health and Human Services |
| | Title: | Internal control over special reporting needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The TANF Program Manager will establish a standard operating procedure for the preparation and submission of the ACF 204 including quality control checks and a supervisory level review of the draft report. |
| | Completion Date: | April 30, 2020 |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-044 | Department: | Administrative and Financial Services<br>Health and Human Services |
| | Title: | Internal control over monthly reconciliation procedures needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The backlog of monthly reconciliations between the cash collections recorded in CSEME and Advantage will be completed one month at a time until they are current. Procedures will then be implemented to ensure these monthly reconciliations are performed in a timely manner. |
| | Completion Date: | June 30, 2021 |
| | Agency Contact: | Sarah Gove, Director, DHHS Service Center, 207-458-6626 |
| 2019-045 | Department: | Health and Human Services |
| | Title: | Internal control over individual client Cost of Care assessments needs improvement |
| | Questioned Costs: | Undeterminable |
| | Status: | Corrective action in progress |
| | Corrective Action: | The MaineCare Program Manager will review and implement a Standard Operating Procedure governing Cost of Care reviews to ensure accuracy. It should be noted that program staff have already drafted an SOP governing this process. |
| | Completion Date: | June 30, 2020 |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-046 | Department: | Health and Human Services |
| | Title: | Internal control over compliance with eligibility determination requirements needs improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with this finding. Pre and Post review of determinations is not a requirement to ensure compliance with federal awards. There has been no citation provided during this review that contradicts this. |

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| | | For the purpose of operational efficiency and accuracy in eligibility determinations, Eligibility Supervisors currently perform random case readings and phone observations to identify errors and instruct Eligibility Specialists with at least 1 case reading per staff member per month. OFI's task-based statewide processing system provides multiple points of review for eligibility criteria by different staff members (peer review) prior to eligibility determination. |
| | Completion Date: | N/A |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-047 | Department: | Health and Human Services |
| | Title: | Internal control over Long Term Care Facility Audits needs improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with this finding. The auditor is applying the Nursing Facility 180-day clock for Desk Reviews to Audits. There isn't a deadline to complete audits within the MaineCare Benefits Manual (MCBM). With regard to Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the Department believes that it is in compliance with the periodic audit requirement of 42 CFR. Additionally, the auditor cites 2 CFR 200.303 regarding establishing effective internal controls. However, Medicaid payments for providing patient care services to Medicaid-eligible individuals are not considered Federal awards under this part. We believe we have effective controls to comply with the current regulations. |
| | Completion Date: | N/A |
| | Agency Contact: | Herb Downs, Director, DHHS Division of Audit, 207-287-2778 |
| 2019-048 | Department: | Health and Human Services |
| | Title: | Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with this finding. The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities. |
| | Completion Date: | N/A |
| | Agency Contact: | Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093 |
| 2019-049 | Department: | Health and Human Services |
| | Title: | Internal control over provider enrollment packages needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | Implementation of the new automated licensing process.<br><br>Implementation of an enhanced credentialing tool. |
| | Completion Date: | May 30, 2020 and August 30, 2020 |
| | Agency Contact: | Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093 |
| 2019-050 | Department: | Health and Human Services |
| | Title: | Internal control over Medicare Part B premium payments needs improvement |
| | Questioned Costs: | Federal: Known: $86 Likely: $1,395,265<br>State: Known: $48 Likely: $768,607 |
| | Status: | Corrective action in progress |

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| | Corrective Action: | Business Technology will modify the Standard Operating Procedures regarding monthly buy-in reconciliation reporting procedures, which will include specific methodology to document all action taken on each monthly report. |
| | Completion Date: | June 30, 2020 |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-051 | Department: | Health and Human Services |
| | Title: | Internal control over Acute Care Critical Access Hospital supplemental pool payments needs improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with this finding. The MaineCare Benefits Manual Section 45, chapter III, 45.04C identifies the data used to determine the relative share will relate to the latest state fiscal year for which there exists an As-Filed Medicare Cost Report or a Final Cost Settlement Report for all critical access hospitals at the time the pool allocation is done. However, the Medicare as filed cost report does not include any MaineCare payment information, so it cannot be used to allocate the pool. The rule then identifies that allocation will be based on the last year when all Finals Cost Settlement reports have been issued. The last year for Maine would be 2011 since we still have outstanding reports from the Fiscal Intermediary for 2012. The Department utilized the 2014 interim audit report data since it would allocate the pool utilizing the same data as the tax is calculated on. The Department is amending the language on the allocation of the pool to better identify the Medicaid payments to be utilized for this calculation. |
| | Completion Date: | N/A |
| | Agency Contact: | Herb Downs, Director, DHHS Division of Audit, 207-287-2778 |
| 2019-052 | Department: | Health and Human Services |
| | Title: | Internal control over the eligibility determination process needs improvement |
| | Questioned Costs: | None |
| | Status: | Management's opinion is that corrective action is not required |
| | Corrective Action: | The Department disagrees with this finding. The ACES system has been built from the ground up with a myriad of checks and edits to ensure accuracy of applications for an array of federal benefit programs. Workers conducting manual data entry undergo significant on-boarding training that typically consists of five weeks over several months. Additionally, ongoing training is also a component for every worker. Extensive supervisory reviews and work flow monitoring takes place on a daily basis within five regional offices. Support for workers conducting manual entry is also available through the ACES help desk. Additionally, The Office for Family Independence also has a Quality Assurance team who conducts independent case reviews and reports to the federal government. All federal programs supported by ACES are additionally reviewed by Federal Project Officers. |
| | Completion Date: | N/A |
| | Agency Contact: | Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 |
| 2019-053 | Department: | Administrative and Financial Services<br>Health and Human Services |
| | Title: | Riverview |
| | Questioned Costs: | Federal: Known: $9,047,317 |
| | Status: | Corrective action completed |
| | Corrective Action: | The Department agrees with this finding and with the return of the funds, including interest, we believe this finding is closed and needs no further action. |

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| | Completion Date: | November 14, 2019 |
| | Agency Contact: | Rodney Bouffard, Superintendent, Riverview Psychiatric Center, 207-624-4656 |
| 2019-054 | Department: | Health and Human Services |
| | Title: | Internal control over payments to Health Homes and Behavioral Health Homes needs improvement |
| | Questioned Costs: | Federal: Known: $19 Likely: $171,574<br>State: Known: $10 Likely: $94,846 |
| | Status: | Corrective action in progress |
| | Corrective Action: | VBP Unit will continue working with its contractor to create chronic condition reports for the VMS portal. These reports will capture chronic conditions for enrolled Health Home members and allow quality assurance reviews of those identified conditions.<br><br>The VBP Unit staff will work directly with providers to request additional information from providers to verify qualifying conditions as a follow-up to our initial data quality review. |
| | Completion Date: | September 30, 2020 and December 31, 2020 |
| | Agency Contact: | Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093 |
| 2019-055 | Department: | Health and Human Services |
| | Title: | Provider eligibility procedures need to further integrate Automated Data Exchange |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | Effective January 2017, the Department began using the fiscal agent's contracted vendor Digital Harbor to complete provider and specialties eligibility reviews, which fulfills the CMS requirements for provider and specialties eligibility validation. Additionally, the Department is continuing their provider and specialties revalidation process utilizing Digital Harbor to address the providers and specialties that were originally validated using the manual process. This revalidation process is expected to be completed by April 2020. |
| | Completion Date: | April 30, 2020 |
| | Agency Contact: | Michelle Probert, Director, Office of MaineCare Services, 207-287-2093 |
| 2019-056 | Department: | Health and Human Services |
| | Title: | Provider eligibility procedures need to address Advance Directives |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | Providers will sign updated agreements as part of the provider revalidation that began in July 2017 and will continue for approximately three years. |
| | Completion Date: | July 30, 2020 |
| | Agency Contact: | Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093 |
| 2019-057 | Department: | Administrative and Financial Services |
| | Title: | Internal control over ________ assigned to ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover. |

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| | Completion Date: | June 30, 2021, June 30, 2021 and November 30, 2021 |
| | Agency Contact: | Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320 |
| 2019-058 | Department: | Administrative and Financial Services |
| | Title: | Internal control over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining) |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover. |
| | Completion Date: | June 30, 2023 |
| | Agency Contact: | Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320 |
| 2019-059 | Department: | Health and Human Services |
| | Title: | Internal control over refunding overpayments needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | New oversight procedures will be implemented for the refunding of overpayments identified by HMS.<br><br>The following procedures will be implemented to increase oversight:<br><br>1). A Third-Party Liability (TPL) employee will review and enter HMS overpayment information into the Office of MaineCare Services OMS database.<br><br>2). A second TPL employee will review all documents and data entry performed by the employee in step one. Errors identified will be returned for corrections and reverified prior to moving forward for approval.<br><br>3). The second employee will then share the results this review with the Director, Division of Operations.<br><br>4). The Director, Division of Operations, will advise the employee in step one of any corrections to be made in database entries, if any, and then authorize information to be sent to the DHHS Service Center. The Director, Division of Operations, shall be copied on the email with attached data sent to the DHHS Service Center. |
| | Completion Date: | April 1, 2020 |
| | Agency Contact: | Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093 |
| 2019-060 | Department: | Health and Human Services |
| | Title: | Internal control over the post-payment review process needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action complete |
| | Corrective Action: | The Program Integrity supervisor documented a full year sampling plan for post payment reviews. |
| | Completion Date: | September 27, 2019 |
| | Agency Contact: | Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093 |
| 2019-061 | Department: | Defense, Veterans and Emergency Management |
| | Title: | Internal control over cash management needs improvement |
| | Questioned Costs: | None |

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| | Status: | Corrective action in progress |
| | Corrective Action: | The Department will prepare a journal entry to adjust the negative cash balance created during fiscal year 2010.<br><br>Procedures will be put in place to periodically reconcile draws, expenditures and cash balances to identify and return any funds that have been drawn but not utilized within the allowable timeframe.<br><br>Responsibility for the financial aspects of the Public Assistance grant will be reassigned to the Maine Emergency Management Agency's Business Office |
| | Completion Date: | March 31, 2020, June 30, 2020 and August 31, 2020 |
| | Agency Contact: | Jennifer Foster, Contract/Grant Manager, DVEM, 207-624-4450 |
| 2019-062 | Department: | Defense, Veterans and Emergency Management |
| | Title: | Internal control over the evaluation of each subrecipient's risk of noncompliance needs improvement |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | Create and fill a position responsible for evaluating and monitoring sub-recipients.<br><br>Review and update current procedures to include the evaluation of each sub-recipient's risk of non-compliance specifically for the purpose of determining the appropriate monitoring to be performed during the subaward. |
| | Completion Date: | March 16, 2020 and August 31, 2020 |
| | Agency Contact: | Jennifer Foster, Contract/Grant Manager, DVEM, 207-624-4450 |
| 2019-063 | Department: | Defense, Veterans and Emergency Management |
| | Title: | Internal control over monitoring subrecipient Single Audits needs to be established |
| | Questioned Costs: | None |
| | Status: | Corrective action in progress |
| | Corrective Action: | Create and fill a position responsible for evaluating and monitoring sub-recipients.<br><br>Review and update current procedures to ensure that sub-recipients are being audited in accordance with Federal regulations and any deficiencies identified by the auditors are promptly addressed. |
| | Completion Date: | March 16, 2020 and August 31, 2020 |
| | Agency Contact: | Jennifer Foster, Contract/Grant Manager, DVEM, 207-624-4450 |

# STATE OF MAINE
# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
# FOR THE YEAR ENDED JUNE 30, 2019


DIRIGO
MAINE

STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
**OFFICE OF THE STATE CONTROLLER**
14 STATE HOUSE STATION AUGUSTA, MAINE 04333-0014

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

KIRSTEN LC FIGUEROA
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA
STATE CONTROLLER

# Summary Schedule of Prior Audit Findings
## *For Years Prior to Fiscal Year 2019*

**<u>Summary Schedule of Prior Audit Findings</u>**

The *Summary Schedule of Prior Audit Findings* (SSPAF) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of the SSPAF is to report on the status of audit findings reported in the prior: (1) audit's schedule of findings and questioned costs, and (2) audit's summary schedule of prior audit findings.

For each prior year audit finding, the SSPAF reports the current status of corrective action; for findings in which corrective action has either not been taken, or not completed, explanations are generally provided that describe the reason(s) for the finding's recurrence, the planned corrective action, and any partial corrective action taken. In the event that corrective action differs significantly from previously reported corrective action, an additional explanation has been provided. The SSPAF complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up.

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| 2016-005 | Finding Title: | Internal control over continuing eligibility is not adequate |
| | State Department: | Administrative and Financial Services<br>Labor |
| | CFDA Number: | 17.225 |
| | Initial Finding FY: | 2011 |
| | Questioned Costs: | None |
| | FY19 Status: | Management believes this audit finding does not warrant further action |
| | Explanation: | 1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC;<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 issued on this finding indicating that it has been corrected. |
| | FY 2019 Finding: | 2019-027 |
| 2016-008 | Finding Title: | Internal control over _______ is not adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) |
| | State Department: | Administrative and Financial Services<br>Labor |
| | CFDA Number: | 17.225 |

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="3"></td><td>Initial Finding FY:</td><td colspan="4">2014</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was taken during FY 2019</td></tr>
<tr><td rowspan="6">2016-015</td><td>Finding Title:</td><td colspan="4">Monitoring of subrecipients needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2016</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was taken during FY 2019</td></tr>
<tr><td rowspan="8">2016-019</td><td>Finding Title:</td><td colspan="4">Procedures over drug rebate accounting and reporting need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services<br>Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778, 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$3,050 CHIP ($3,050) Medicaid</td><td>$2,775 CHIP ($1,905) Medicaid</td><td>$275 CHIP ($1,145) Medicaid</td></tr>
<tr><td>Likely</td><td>$3,207,997 CHIP ($3,207,997) Medicaid</td><td>$2,918,716 CHIP ($2,004,116) Medicaid</td><td>$289,281 CHIP ($1,203,881) Medicaid</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was taken during FY 2019</td></tr>
<tr><td rowspan="8">2016-020</td><td>Finding Title:</td><td colspan="4">Inadequate management controls over _______ (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778, 10.551, 10.561</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2014</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was not completed in FY 2019</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department is currently taking steps to effectively address and remediate this condition. Policies to address this issue have already been established, and implementation efforts are ongoing. Current estimates of the timing of completion will be revised if the Department is unsuccessful or delayed in acquiring requested resources.</td></tr>
<tr><td>FY 2019 Finding:</td><td colspan="4">2019-008</td></tr>
<tr><td rowspan="4">2016-022</td><td>Finding Title:</td><td colspan="4">_______ controls over _______ are not adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778, 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2016</td></tr>
</table>

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | Questioned Costs: | None |
| | FY19 Status: | Management believes this audit finding does not warrant further action |
| | Explanation: | 1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC;<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 2019 Finding: | 2019-010 |
| 2016-024 | Finding Title: | No _______ is in place over the ________ (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) |
| | State Department: | Administrative and Financial Services<br>Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558 |
| | Initial Finding FY: | 2016 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2016-025 | Finding Title: | Procedures related to Long Term Care Facility audits need improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2010 |
| | Questioned Costs: | None |
| | FY19 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | The auditor is applying the Nursing Facility 180-day clock for Desk Reviews to Audits. There isn't a deadline to complete audits within the MaineCare Benefits Manual (MCBM). With regard to Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the Department believes that it is in compliance with the periodic audit requirement of 42 CFR. Additionally, the auditor cites 2 CFR 200.303 regarding establishing effective internal controls. However, Medicaid payments for providing patient care services to Medicaid-eligible individuals are not considered Federal awards under this part. We believe we have effective controls to comply with the current regulations. |
| | FY 2019 Finding: | 2019-047 |
| 2016-027 | Finding Title: | Riverview |
| | State Department: | Administrative and Financial Services<br>Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2014 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The Department has returned the funds, including interest, as of November 14, 2019. |
| | FY 2019 Finding: | 2019-053 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| 2016-028 | Finding Title: | Provider eligibility procedures need to integrate Automated Data Exchange |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778, 93.767 |
| | Initial Finding FY: | 2015 |
| | Questioned Costs: | None |
| | FY19 Status: | Management believes this audit finding does not warrant further action |
| | Explanation: | 1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC;<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 2019 Finding: | 2019-055 |
| 2016-029 | Finding Title: | Provider eligibility procedures need to address Advance Directives |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2009 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | All active providers in the MIHMS system have a signed provider agreement on file. As noted in the Department's response to the SFY2018 finding, language regarding advance directive requirements and disclosure of certain types of business transactions was added to the agreement on June 26, 2013. The provider agreement with the added language has been used since then for all newly enrolling providers. Also, all providers who add new locations have signed new provider agreements even if they have not revalidated yet. As part of the ACA provider revalidation initiative, all providers are required to re-enroll and will sign the revised agreement then. The system was upgraded on January 17, 2017 and provider revalidation began in July 2017. To date, cycles 1 – 7 are 100% complete. Cycles 8 – 13 are in process. The Department has cleared 2,579 cases through revalidation or provider disenrollment, with an additional 1,534 cases currently in the provider revalidation process. |
| | FY 2019 Finding: | 2019-056 |
| 2016-032 | Finding Title: | Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2016 |
| | Questioned Costs: | None |
| | FY19 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities. |
| | FY 2019 Finding: | 2019-048 |

**Summary Schedule of Prior Audit Findings**

| Finding Number | Prior Audit Finding Status | |
|---|---|---|
| 2017-002 | Finding Title: | Insufficient documentation in support of payroll costs |
| | State Department: | Defense, Veterans and Emergency Management |
| | CFDA Number: | 12.401 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | Procedures have been revised and improved to address this issue; however, some instances of non-compliance still occurred during FY 2019. Procedures are being further refined to address these situations. |
| | FY 2019 Finding: | 2019-023 |
| 2017-003 | Finding Title: | Controls related to the U.S. Treasury-State Agreement for cash management and the related reporting to the Federal government on the SF-270 report need improvement |
| | State Department: | Defense, Veterans and Emergency Management |
| | CFDA Number: | 12.401 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2017-004 | Finding Title: | Monitoring of cash balance needs to be improved |
| | State Department: | Defense, Veterans and Emergency Management |
| | CFDA Number: | 12.401 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2017-006 | Finding Title: | Internal control over continuing eligibility is not adequate |
| | State Department: | Administrative and Financial Services<br>Labor |
| | CFDA Number: | 17.225 |
| | Initial Finding FY: | 2011 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | Systems and procedures have been revised and improved to address this issue; however, some instances of non-compliance still occurred during FY19. Current and ongoing training will be held to address any deviations from established procedures. |
| | FY 2019 Finding: | 2019-027 |
| 2017-007 | Finding Title: | Internal controls over _______ are not adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) |
| | State Department: | Administrative and Financial Services<br>Labor |
| | CFDA Number: | 17.225 |
| | Initial Finding FY: | 2014 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2017-008 | Finding Title: | Performance monitoring of TANF subrecipients needs improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.558 |
| | Initial Finding FY: | 2016 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2017-009 | Finding Title: | Subrecipient contracts need to be updated and monitoring of subrecipient financial information needs improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.558, 93.044, 93.045, 93.053, 93.569 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 for the Subrecipient contract portion of this finding.<br><br>Management disagrees with the Cash Management portion of this finding and does not believe that corrective is required. |
| | Explanation: | As of October 2018, agreement templates have been updated to include the required elements.<br><br>The criteria given by the State Auditor also states that the timing and amounts of advance payments must be as close as is administratively feasible to the actual disbursements. The Department's process for monitoring the actual expenditures and reconciling those to the payments is as close as administratively feasible for the Department. We have provided the State Auditor with the monitoring procedures to ensure the timing of payments is as close as administratively feasible to actual expenditures of our subrecipients. |
| | FY 2019 Findings: | 2019-036 and 2019-035 |
| 2017-012 | Finding Title: | Procedures related to TANF work participation need improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.558 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The ACF-199 TANF Data Report and the ACF-209 SSP-MOE Data Report are federally required reports. Accurately reporting data on these quarterly reports is essential. The Department will utilize all available resources and systems to ensure accuracy on these reports. |
| | FY 2019 Finding: | 2019-039 |
| 2017-013 | Finding Title: | No evaluation of each subrecipient's risk of noncompliance |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.558 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Management disagrees with this finding and does not believe that additional corrective action is required |
| | Explanation: | The Department implemented procedures in October of 2018 to ensure that there is a documented risk assessment performed on each of its subrecipients and has provided evidence of these subrecipient evaluations being completed. With the inclusion of these risk assessments, the Department believes that its subrecipient monitoring process meets or exceeds the requirements of this finding's criteria. |
| | FY 2019 Finding: | 2019-038 |
| 2017-014 | Finding Title: | Internal controls over the allocation of Community Services Block Grant funds to individual community action agencies need improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.569 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | The Department has written procedures for allocation purposes as outlined in Maine State Statue Title 22: Chapter 1477 and the Department rules 10-144: Chapter 2. The Department's CSBG program is in accordance with Federal and State regulations. The Department's method of allocation of 50% goes beyond that of the 20% required by statute. The allocation method has been in use for the last two decades and has passed several reviews by state and federal governments. Additionally, this allocation is outlined in Maine's CSBG State Plan, which is reviewed by the public via internet publication and by public hearing which is attended by community action agencies, The Maine Community Action Association, and any other interested parties. The CSBG Coordinator, with oversight and review of Coordinator's Supervisor, calculates CSBG allocations based on the CSBG award, which is then reviewed by the Finance Team Manager, Finance Team Management Analyst, and finally by the DHHS Program Financial Officer. |
| | FY 2019 Finding: | No finding was issued for FY 2019; however, this program was not audited as a major program |
| 2017-015 | Finding Title: | Procedures over drug rebate accounting and reporting need improvement |
| | State Department: | Administrative and Financial Services<br>Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778, 93.767 |
| | Initial Finding FY: | 2015 |
| | Questioned Costs: | Undeterminable |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2017-016 | Finding Title: | Riverview |
| | State Department: | Administrative and Financial Services<br>Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |

| Summary Schedule of Prior Audit Findings | | | | | |
|---|---|---|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | | | | |
| | Initial Finding FY: | 2014 | | | |
| | Questioned Costs: | Questioned Costs | Total | Federal | State |
| | | *Known* | $14,000,000 | $14,000,000 | |
| | | *Likely* | | | |
| | FY19 Status: | Corrective action was not completed in FY 2019 | | | |
| | Explanation: | The Department has returned the funds, including interest, as of November 14, 2019. | | | |
| | FY 2019 Finding: | 2019-053 | | | |
| 2017-017 | Finding Title: | Controls over Cost of Care assessments need improvement | | | |
| | State Department: | Health and Human Services | | | |
| | CFDA Number: | 93.775, 93.777, 93.778 | | | |
| | Initial Finding FY: | 2017 | | | |
| | Questioned Costs: | Undeterminable | | | |
| | FY19 Status: | Corrective action was not completed in FY 2019 | | | |
| | Explanation: | The Senior MaineCare Program Manager will oversee the development of a policy to ensure COC calculations are accurate. | | | |
| | FY 2019 Finding: | 2019-045 | | | |
| 2017-018 | Finding Title: | Eligibility re-determination controls need improvement | | | |
| | State Department: | Health and Human Services | | | |
| | CFDA Number: | 93.775, 93.777, 93.778 | | | |
| | Initial Finding FY: | 2017 | | | |
| | Questioned Costs: | Undeterminable | | | |
| | FY19 Status: | Management disagrees with this finding and does not believe that corrective action is required | | | |
| | Explanation: | Pre and Post review of determinations is not a requirement to ensure compliance with federal awards. There has been no citation provided during this review that contradicts this.<br><br>For the purpose of operational efficiency and accuracy in eligibility determinations, Eligibility Supervisors currently perform random case readings and phone observations to identify errors and instruct Eligibility Specialists with at least 1 case reading per staff member per month. OFI's task-based statewide processing system provides multiple points of review for eligibility criteria by different staff members (peer review) prior to eligibility determination. | | | |
| | FY 2019 Finding: | 2019-046 | | | |
| 2017-019 | Finding Title: | Management controls over _______ need improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) | | | |
| | State Department: | Administrative and Financial Services | | | |
| | CFDA Number: | 93.775, 93.777, 93.778, 93.767, 10.551, 10.561 | | | |
| | Initial Finding FY: | 2014 | | | |
| | Questioned Costs: | None | | | |
| | FY19 Status: | Corrective action was not completed in FY 2019 | | | |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | Explanation: | The Department is currently taking steps to effectively address and remediate this condition. Policies to address this issue have already been established, and implementation efforts are ongoing. Current estimates of the timing of completion will be revised if the Department is unsuccessful or delayed in acquiring requested resources. |
| | FY 2019 Finding: | 2019-008 |
| 2017-022 | Finding Title: | _______ control assurance over _______ are not adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778, 93.767 |
| | Initial Finding FY: | 2016 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The Department's has taken steps effective 10/1/18 to address this finding. The program administrator will monitor the vendor's progress. |
| | FY 2019 Finding: | 2019-010 |
| 2017-023 | Finding Title: | No _______ is in place over the _______ (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) |
| | State Department: | Administrative and Financial Services<br>Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558 |
| | Initial Finding FY: | 2016 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2017-025 | Finding Title: | Procedures related to Long Term Care Facility Audits and Hospital Interim Settlement Audits need improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2010 |
| | Questioned Costs: | None |
| | FY19 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | The auditor is applying the Nursing Facility 180-day clock for Desk Reviews to Audits. There isn't a deadline to complete audits within the MaineCare Benefits Manual (MCBM). With regard to Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the Department believes that it is in compliance with the periodic audit requirement of 42 CFR. Additionally, the auditor cites 2 CFR 200.303 regarding establishing effective internal controls. However, Medicaid payments for providing patient care services to Medicaid-eligible individuals are not considered Federal awards under this part. We believe we have effective controls to comply with the current regulations. |
| | FY 2019 Finding: | 2019-047 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| 2017-026 | Finding Title: | Provider eligibility procedures need to address Advance Directives |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2009 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | All active providers in the MIHMS system have a signed provider agreement on file. As noted in the Department's response to the SFY2018 finding, language regarding advance directive requirements and disclosure of certain types of business transactions was added to the agreement on June 26, 2013. The provider agreement with the added language has been used since then for all newly enrolling providers. Also, all providers who add new locations have signed new provider agreements even if they have not revalidated yet. As part of the ACA provider revalidation initiative, all providers are required to re-enroll and will sign the revised agreement then. The system was upgraded on January 17, 2017 and provider revalidation began in July 2017. To date, cycles 1 – 7 are 100% complete. Cycles 8 – 13 are in process. The Department has cleared 2,579 cases through revalidation or provider disenrollment, with an additional 1,534 cases currently in the provider revalidation process. |
| | FY 2019 Finding: | 2019-056 |
| 2017-027 | Finding Title: | Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2016 |
| | Questioned Costs: | None |
| | FY19 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities. |
| | FY 2019 Finding: | 2019-048 |
| 2017-028 | Finding Title: | Controls over reporting requirements need improvement |
| | State Department: | Administrative and Financial Services<br>Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2017-030 | Finding Title: | Provider eligibility procedures need to further integrate Automated Data Exchange |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778, 93.767 |
| | Initial Finding FY: | 2015 |

## Summary Schedule of Prior Audit Findings

| Finding Number | Prior Audit Finding Status | |
|---|---|---|
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The Department will continue to complete all new provider and specialties eligibility reviews, as well as active provider and specialties revalidations, through our fiscal agent's contracted vendor Digital Harbor. We expect to complete our active provider and specialties revalidation process by April 2020, at which point all providers and specialties will have been subjected to the integrated data exchange approach. |
| | FY 2019 Finding: | 2019-055 |
| 2017-032 | Finding Title: | _______ inappropriately allow _______ (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) |
| | State Department: | Administrative and Financial Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | There is currently an initiative underway to address the condition contained within this finding. The anticipated completion date for full corrective action is November 2021. The Department disagrees with the Auditor's characterization of the overall effect of the stated condition. |
| | FY 2019 Finding: | 2019-057 |
| 2018-001 | Finding Title: | Procedures over subrecipient monitoring need improvement |
| | State Department: | Education |
| | CFDA Number: | 10.555, 10.559 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | Child Nutrition continues to follow the improved procedures of using a cloud-based service for data storage. Child Nutrition has also discussed the withholding procedure with staff. The discussion included: when to withhold, the documentation to withhold, granting documented extensions and recording extension information. Additionally, at the monthly staff meetings, prior and upcoming reviews are discussed, and cross checked with the tracking spreadsheet. |
| | FY 2019 Finding: | 2019-017 |
| 2018-002 | Finding Title: | Internal control over State matching requirements needs improvement |
| | State Department: | Education |
| | CFDA Number: | 10.555, 10.559 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The Department modified the NEO system during the year under audit to ensure that the match attributable to State owned schools is funded from the General Fund. Additionally, going forward the Department will |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | | perform reconciliations to ensure compliance with the grant's matching requirements. |
| | FY 2019 Finding: | 2019-015 |
| 2018-003 | Finding Title: | Eligibility documentation procedures need improvement |
| | State Department: | Education |
| | CFDA Number: | 10.555, 10.559 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2018-004 | Finding Title: | ________ over ________ to the ________ is not adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) |
| | State Department: | Education and Administrative and Financial Services |
| | CFDA Number: | 10.555, 10.559 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2018-005 | Finding Title: | Internal control over the donated food inventory needs improvement |
| | State Department: | Education |
| | CFDA Number: | 10.555, 10.559 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | Child Nutrition has worked with USDA to develop procedures for inventory control and periodic reconciliations. Child Nutrition will review existing procedures and make changes as needed. Steps are already being taken to address the inventory procedures for the food shipments that occur after the end of the school year. Specifically, a new inventory system is being procured to track this activity because these transactions are outside of the scope of the NEO system. |
| | FY 2019 Finding: | 2019-018 |
| 2018-006 | Finding Title: | National School Lunch Program and Summer Food Program Policy Statements and State-Sponsor Agreements are not consistent with Federal regulations |
| | State Department: | Education |
| | CFDA Number: | 10.555, 10.559 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| | Explanation: | The Department updated the NSLP Free and Reduced Price Policy Statement and the SFSP State-Sponsor Agreement in November 2018. The Department has also implemented procedures to perform an annual review of the NSLP Free and Reduced Price Policy Statement as well as the SFSP State-Sponsor Agreement prior to the issuance of the annual policy packet |

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="2"></td><td></td><td colspan="4">to ensure that these documents continue to comply with Federal requirements.</td></tr>
<tr><td>FY 2019 Finding:</td><td colspan="4">2019-016</td></tr>
<tr><td rowspan="10">2018-007</td><td>Finding Title:</td><td colspan="4">Control over WIC’s infant food and formula rebate process needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">10.557</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$280,580</td><td>$280,580</td><td></td></tr>
<tr><td>Likely</td><td></td><td></td><td></td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was not completed in FY 2019</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department agrees with this finding. As recommended:<br>• the $7,341 attributable to the rebate received during July 2018 was wired to the banking intermediary on January 22, 2020;<br>• research was conducted on having rebates directly deposited with the banking intermediary, it was determined that State law prohibits the WIC Nutrition Program from receiving funds through ACH; and<br>• the WIC Nutrition Program will be implementing a quarterly review of rebate wire transfers by July 1, 2020 now that the Finance Manager position has been filled</td></tr>
<tr><td>FY 2019 Finding:</td><td colspan="4">ML-19-1113-01</td></tr>
<tr><td rowspan="6">2018-008</td><td>Finding Title:</td><td colspan="4">Control over WIC’s food instrument disposition process needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">10.557</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was taken during FY 2019</td></tr>
<tr><td rowspan="7">2018-009</td><td>Finding Title:</td><td colspan="4">The Department has no assurance that vendor-provided internal controls over the outsourced WIC program subsidy system are adequate</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">10.557</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Management disagrees with this finding and does not believe that corrective action is required</td></tr>
<tr><td>Explanation:</td><td colspan="4">The AICPA Statements on Auditing Standards (SAS) Section AU-C 402, "Audit Considerations Relating to an Entity Using a Service Organization", explicitly excludes the services provided by this vendor, "This section does not apply to services that are limited to processing an entity's transactions that are specifically authorized by the entity, such as the processing of checking account transactions by a bank". Furthermore, in the previous year's State Single Audit, finding 2018-007, the State</td></tr>
</table>

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | | Auditor recognizes that "The WIC Food Account is a bank account established by and held at WIC's banking intermediary." The State Auditor confirmed again in the present year's audit that "The WIC Food Account is a bank account" (19-1113-01 ML). It seems inconsistent that the Auditor references a bank in one finding but denies routine bank functions in another finding.<br><br>The contract provides solid evidence that this vendor is a bank, "The purpose of this Agreement is to process WIC and FMNP Checks for payment and to provide necessary data for effective management of the payment service system. Vendors process WIC and FMNP Checks in the same manner as they process a negotiable personal check. The Federal Reserve banking system executes the logistics of processing each check until it is Presented to the Provider.<br><br>We believe we are adhering to Generally Accepted Auditing Standards (GAAS) and that implementing the recommendations of the Auditor would also add complexity to DHHS operations and increase costs of providing DHHS services. |
| | FY 2019 Finding: | 2019-022 |
| 2018-010 | Finding Title: | Internal control over WIC's high-risk vendor compliance investigations needs improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 10.557 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2018-011 | Finding Title: | Subrecipient monitoring needs improvement |
| | State Department: | Administrative and Financial Services<br>Agriculture, Conservation and Forestry |
| | CFDA Number: | 10.565, 10.568, 10.569 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The Department has implemented procedures to ensure that the elements required by the Uniform Guidance are identified and included in the subrecipient agreements. Additionally, the Department will address the issue of obtaining and reviewing audit reports from subrecipients who expend $750,000 or more during their fiscal year by enforcing the Department's existing policy. This policy states that the Resource Administrator for each Bureau will request and review the subrecipient's audit report with the appropriate Grant Program Manager and keep a copy on file. Lastly, the Department is working towards completing the required on-site reviews. |
| | FY 2019 Finding: | No finding was issued for FY 2019; however, this program was not audited as a major program |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| 2018-012 | Finding Title: | Internal control over earmarking of administrative grant funds needs improvement |
| | State Department: | Administrative and Financial Services<br>Agriculture, Conservation and Forestry |
| | CFDA Number: | 10.565, 10.568, 10.569 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2018-013 | Finding Title: | Internal control over suspension and debarment needs improvement |
| | State Department: | Agriculture, Conservation and Forestry |
| | CFDA Number: | 10.565, 10.568, 10.569 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | Beginning with the current grant period (FFY19), the Department will amend its Recipient Agency Agreement to include the "Certification Regarding Debarment, Suspension and Other Responsibility Matters - Primary Covered Transactions" to be reviewed and signed by its subrecipients (food pantries, soup kitchens, and temporary shelters) before receiving federal donated food. This will provide the verification required to demonstrate that they are not presently suspended, debarred or otherwise excluded from participating in covered transactions involving federal donated food. |
| | FY 2019 Finding: | No finding was issued for FY 2019; however, this program was not audited as a major program |
| 2018-014 | Finding Title: | Internal control over Federal cash management needs improvement |
| | State Department: | Administrative and Financial Services<br>Agriculture, Conservation and Forestry |
| | CFDA Number: | 10.565, 10.568, 10.569 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The Department has redistributed pre-existing federal draw policies to all staff drawing federal cash to ensure federal cash management requirements are being met. |
| | FY 2019 Finding: | No finding was issued for FY 2019; however, this program was not audited as a major program |
| 2018-015 | Finding Title: | Internal control related to the U.S. Treasury-State Agreement for cash management and the related reporting to the Federal government on the *SF-270* report needs improvement |
| | State Department: | Defense, Veterans and Emergency Management |
| | CFDA Number: | 12.401 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="8">2018-016</td><td>Finding Title:</td><td colspan="4">Documentation that supports payroll costs needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Defense, Veterans and Emergency Management</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">12.401</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2017</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was not completed in FY 2019</td></tr>
<tr><td>Explanation:</td><td colspan="4">Procedures have been revised and improved to address this issue; however, some instances of non-compliance still occurred during FY 2019. Procedures are being further refined to address these situations.</td></tr>
<tr><td>FY 2019 Finding:</td><td colspan="4">2019-023</td></tr>
<tr><td rowspan="6">2018-017</td><td>Finding Title:</td><td colspan="4">Monitoring of cash balance needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Defense, Veterans and Emergency Management</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">12.401</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2017</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was taken during FY 2019</td></tr>
<tr><td rowspan="6">2018-018</td><td>Finding Title:</td><td colspan="4">Internal control over suspension and debarment needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Inland Fisheries and Wildlife</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">15.605, 15.611</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was taken during FY 2019</td></tr>
<tr><td rowspan="8">2018-019</td><td>Finding Title:</td><td colspan="4">Internal control over the non-competitive bid process needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">16.575</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$251,223</td><td>$251,223</td><td></td></tr>
<tr><td>Likely</td><td></td><td></td><td></td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was taken during FY 2019</td></tr>
<tr><td rowspan="6">2018-020</td><td>Finding Title:</td><td colspan="4">Internal control over Federal cash management needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administration and Financial Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">16.575</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was taken during FY 2019</td></tr>
<tr><td rowspan="4">2018-021</td><td>Finding Title:</td><td colspan="4">Subrecipient contract specifications are not consistent with program regulations</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">16.575</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
</table>

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="4"></td><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Management disagrees with the first stated condition of this finding and does not believe that corrective action is required<br><br>Corrective action was taken for the second stated condition of this finding during FY 2019</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department disagrees with the recommendation regarding contract language “Illegal aliens ineligible for State and local public benefits” as this language is specific to state and local benefits and not Federal benefits.<br><br>The Department has taken corrective action regarding the requirement to include special conditions in contracts. As of October 2018, the Department began ensuring a copy of the VOCA grant award and Special Conditions (specific to providers’ funding) is attached to each subrecipient contract. To ensure continued compliance with VOCA regulations, all VOCA funded contracts are reviewed by the VOCA Program Coordinator and/or Administrator before sending them to providers.</td></tr>
<tr><td>FY 2019 Finding:</td><td colspan="4">No finding was issued for FY 2019; however, this program was not audited as a major program</td></tr>
<tr><td rowspan="6">2018-022</td><td>Finding Title:</td><td colspan="4">The Department did not perform site visits for subrecipients as required</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">16.575</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was taken during FY 2019</td></tr>
<tr><td rowspan="10">2018-023</td><td>Finding Title:</td><td colspan="4">________ over ________ needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)</td></tr>
<tr><td>State Department:</td><td colspan="4">Labor</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">17.225</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2011</td></tr>
<tr><td rowspan="4">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal*</td><td>State Trust Fund</td></tr>
<tr><td>Known</td><td>Redacted</td><td></td><td>Redacted</td></tr>
<tr><td>Likely</td><td>Redacted</td><td></td><td>Redacted</td></tr>
<tr><td colspan="4">*No federally funded benefit payments appeared in the randomly selected sample</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was not completed in FY 2019</td></tr>
<tr><td>Explanation:</td><td colspan="4">Systems and procedures have been revised and improved to address this issue; however, some instances of non-compliance still occurred during FY19. Current and ongoing training will be held to address any deviations from established procedures.</td></tr>
<tr><td></td><td>FY 2019 Finding:</td><td colspan="4">2019-027</td></tr>
<tr><td rowspan="2">2018-024</td><td>Finding Title:</td><td colspan="4">Internal control over the allowability of project expenditures needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Transportation</td></tr>
</table>

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | CFDA Number: | 20.933 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2018-025 | Finding Title: | The Department has no assurance that vendor-provided internal controls over the financial and Federal data collection system are adequate |
| | State Department: | Education |
| | CFDA Number: | 10.555, 10.559; 84.010 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The Department has renewed the MEFS contract for another year and has included language in the contract renewal regarding the provision of applicable SOC reports to address application and data processing integrity, security, and availability. As there is no personally identifiable data held in the MEFS system, confidentiality and privacy will not need to be addressed in the SOC report. As the audit finding for FY2018 was received at the end of FY2019, the Department was unable to resolve the finding for FY2019 but has already completed the CAP steps for FY2020 to ensure the finding is resolved. |
| | FY 2019 Finding: | 2019-006 |
| 2018-026 | Finding Title: | Monitoring over subrecipient cash management needs improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.558; 93.667; 10.557; 16.575; 93.044, 93.045, 93.053; 93.569; 93.917 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | The criteria given by the State Auditor states that the timing and amounts of advance payments must be as close as is administratively feasible to the actual disbursements. The Department's process for monitoring the actual expenditures and reconciling those to the payments is as close as administratively feasible for the Department. We have provided the State Auditor with the monitoring procedures to ensure the timing of payments is as close as administratively feasible to actual expenditures of our subrecipients. |
| | FY 2019 Finding: | 2019-035 |
| 2018-027 | Finding Title: | Subrecipient contracts need to be updated |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.558; 93.667; 16.575; 93.044, 93.045, 93.053; 93.569; 93.917 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | Explanation: | As of October 2018, agreement templates have been updated to include the required elements. |
| | FY 2019 Finding: | 2019-036 |
| 2018-028 | Finding Title: | Procedures related to TANF performance reporting and work participation need improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.558 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The ACF-199 TANF Data Report and the ACF-209 SSP-MOE Data Report are federally required reports. Accurately reporting data on these quarterly reports is essential. The Department will utilize all available resources and systems to ensure accuracy on these reports. |
| | FY 2019 Finding: | 2019-039 |
| 2018-029 | Finding Title: | Monitoring of subrecipient compliance, including maintaining documentation of that monitoring, needs improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.558 |
| | Initial Finding FY: | 2016 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2018-030 | Finding Title: | Internal control over pass-through awards needs improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.558 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | The Department relied on the Uniform Guidance Section 330c (Use of judgement in making determination) in its determination that this was not a subrecipient relationship. The section states in determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgement in classifying each agreement as a subrecipient or a procurement contract. Whereas Maine State Housing Authority is a component unit of the State the Department's judgement was that this was not a subrecipient relationship. |
| | FY 2019 Finding: | 2019-038 |
| 2018-031 | Finding Title: | Control over payments to and on behalf of TANF clients needs improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.558 |

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="7"></td><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$381</td><td>$381</td><td></td></tr>
<tr><td>Likely</td><td>$139,925</td><td>$139,925</td><td></td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was not completed in FY 2019</td></tr>
<tr><td>Explanation:</td><td colspan="4">Procedures have been revised and improved to address this issue; however, some instances of non-compliance still occurred during FY 2019. Procedures are being further refined to address these situations.</td></tr>
<tr><td>FY 2019 Finding:</td><td colspan="4">2019-040</td></tr>
<tr><td rowspan="8">2018-032</td><td>Finding Title:</td><td colspan="4">Evaluation of each subrecipient’s risk of noncompliance needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2017</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Management disagrees with this finding and does not believe that additional corrective action is required</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department implemented procedures in October of 2018 to ensure that there is a documented risk assessment performed on each of its subrecipients and has provided evidence of these subrecipient evaluations being completed. With the inclusion of these risk assessments, the Department believes that its subrecipient monitoring process meets or exceeds the requirements of this finding’s criteria.</td></tr>
<tr><td>FY 2019 Finding:</td><td colspan="4">2019-038</td></tr>
<tr><td rowspan="8">2018-033</td><td>Finding Title:</td><td colspan="4">The Department has no assurance that internal control over the outsourced ASPIRE information system is adequate</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was not completed in FY 2019</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department has amended the contract effective July 1, 2019 to require the vendor to obtain annual SOC 1 type 2 and SOC 2 type 2 audits and provide the results of those audits to the Department.</td></tr>
<tr><td>FY 2019 Finding:</td><td colspan="4">2019-042</td></tr>
<tr><td rowspan="6">2018-034</td><td>Finding Title:</td><td colspan="4">Internal control over Federal cash management needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was taken during FY 2019</td></tr>
<tr><td rowspan="2">2018-035</td><td>Finding Title:</td><td colspan="4">Internal control over Federal financial reporting needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services</td></tr>
</table>

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | CFDA Number: | 93.575, 93.596 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2018-036 | Finding Title: | Internal control over subrecipient expenditures charged to Federal awards needs improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.667; 16.575 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | Undeterminable |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The Department is in the process of implementing procedures to ensure quarterly expenditure reports are based on each Federal award's actual expenditures. Additionally, the Department will revise current budgets to ensure the same. |
| | FY 2019 Finding: | No finding was issued for FY 2019; however, this program was not audited as a major program |
| 2018-037 | Finding Title: | Indirect costs charged by subrecipients are not consistent with the Uniform Guidance |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.667; 16.575 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | Undeterminable |
| | FY19 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | The Department has procedures in place to ensure each subrecipient is utilizing an appropriate indirect cost rate. |
| | FY 2019 Finding: | No finding was issued for FY 2019; however, this program was not audited as a major program |
| 2018-038 | Finding Title: | Internal control over Federal cash management needs improvement |
| | State Department: | Administrative and Financial Services |
| | CFDA Number: | 93.667 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2018-039 | Finding Title: | Internal control over financial reporting needs improvement |
| | State Department: | Administrative and Financial Services |
| | CFDA Number: | 93.667 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="8">2018-040</td><td>Finding Title:</td><td colspan="4">Evaluation of each subrecipient’s risk of noncompliance needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.667; 16.575</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was not completed in FY 2019</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department implemented procedures in October of 2018 requiring a documented risk assessment be performed on all of the programs’ subrecipients; however, the Department is still working to fully apply the results of these assessments to the subrecipient monitoring plans.</td></tr>
<tr><td>FY 2019 Finding:</td><td colspan="4">No finding was issued for FY 2019; however, this program was not audited as a major program</td></tr>
<tr><td rowspan="8">2018-041</td><td>Finding Title:</td><td colspan="4">Procedures over drug rebate accounting and reporting need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services<br>Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778; 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$2,765,686 CHIP<br>($2,765,686) Medicaid</td><td>$2,711,707 CHIP<br>($1,779,746) Medicaid</td><td>$53,979 CHIP<br>($985,940) Medicaid</td></tr>
<tr><td>Likely</td><td></td><td></td><td></td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Corrective action was taken during FY 2019</td></tr>
<tr><td rowspan="7">2018-042</td><td>Finding Title:</td><td colspan="4">Internal control to ensure program expenditures are accounted for and reported in accordance with the Federally-approved State Plan needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services<br>Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY19 Status:</td><td colspan="4">Management disagrees that there is a material control weakness and does not believe that corrective action is required<br><br>Corrective action was taken for the item reported as material noncompliance during FY 2019</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department disagrees there is a material control weakness as the Department takes a pragmatic approach to effectively and efficiently administer the Medicaid program, which often requires working with CMS on reporting reclasses and exceptions, for a variety of reasons.<br><br>The Department took corrective action by working in collaboration with CMS to account for and report the hospital supplemental payments in a manner that was amenable to all parties on the quarter ending December 31, 2018 CMS-64 report.</td></tr>
</table>

**Summary Schedule of Prior Audit Findings**

| Finding Number | Prior Audit Finding Status | |
|---|---|---|
| | FY 2019 Finding: | No finding was issued for 2019 and this program was audited as a major program |
| 2018-043 | Finding Title: | Eligibility re-determination needs improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | Undeterminable |
| | FY19 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | Pre and Post review of determinations is not a requirement to ensure compliance with federal awards. There has been no citation provided during this review that contradicts this.<br><br>For the purpose of operational efficiency and accuracy in eligibility determinations, Eligibility Supervisors currently perform random case readings and phone observations to identify errors and instruct Eligibility Specialists with at least 1 case reading per staff member per month. OFI's task-based statewide processing system provides multiple points of review for eligibility criteria by different staff members (peer review) prior to eligibility determination. |
| | FY 2019 Finding: | 2019-046 |
| 2018-044 | Finding Title: | The Department does not have a ________ plan in place over the ________ that complies with government standards (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) |
| | State Department: | Health and Human Services<br>Administrative and Financial Services |
| | CFDA Number: | 93.775, 93.777, 93.778; 93.767; 93.558; 10.551, 10.561 |
| | Initial Finding FY: | 2016 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was taken during FY 2019 |
| 2018-045 | Finding Title: | ________ and ________ over ________ need improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) |
| | State Department: | Administrative and Financial Services |
| | CFDA Number: | 93.775, 93.777, 93.778; 93.767; 10.551, 10.561 |
| | Initial Finding FY: | 2014 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The Department is currently taking steps to effectively address and remediate this condition. Policies to address this issue have already been established, and implementation efforts are ongoing. Current estimates of the timing of completion will be revised if the Department is unsuccessful or delayed in acquiring requested resources. |
| | FY 2019 Finding: | 2019-008 |

## Summary Schedule of Prior Audit Findings

| Finding Number | Prior Audit Finding Status | |
|---|---|---|
| 2018-046 | Finding Title: | Contractor-provided ________ over ________ processing needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778; 93.767 |
| | Initial Finding FY: | 2016 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The Department's has taken steps effective 10/1/18 to address this finding. The program administrator will monitor the vendor's progress. |
| | FY 2019 Finding: | 2019-010 |
| 2018-047 | Finding Title: | Provider eligibility procedures need to further integrate Automated Data Exchange |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778; 93.767 |
| | Initial Finding FY: | 2015 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The Department will continue to complete all new provider and specialties eligibility reviews, as well as active provider and specialties revalidations, through our fiscal agent's contracted vendor Digital Harbor. We expect to complete our active provider and specialties revalidation process by April 2020, at which point all providers and specialties will have been subjected to the integrated data exchange approach. |
| | FY 2019 Finding: | 2019-055 |
| 2018-048 | Finding Title: | The State has no assurance that vendor-provided internal controls over the MainePays centralized payment processing system are adequate |
| | State Department: | Administrative and Financial Services<br>Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2018 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | We are working with OIT to revise the State policy regarding SOC audits to include: a review of the services provided by the vendor; the business use of the affected system; the risks and effects of a breach of any of the five trust principles and related vendor risk; and, any compensating controls mitigating those risks. The MainePays system is an electronic workflow system. The documents that are reviewed as a result of this electronic workflow are not stored in MainePays; rather, they are stored in FORTIS, a separate system that is not accessible to the MainePays vendor. Consequently, documents cannot be manipulated, deleted or corrupted by this vendor. Invoice processing data that is stored in MainePays is subject to review by Service Center personnel as well as OSC (for items over $5,000). This review process validates the integrity of the MainePays data against the stored images. Transactions that fail this validation are rejected |

| Summary Schedule of Prior Audit Findings | | |
|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | |
| | | from processing, thus addressing any risk of improper payment. Regarding potential downtime, documents can still be processed because the images are located in FORTIS and can be processed as transactions directly in Advantage. A SOC report by itself will not prevent a system from experiencing down time. OSC will work with OIT to conduct a cost benefit analysis to determine if a SOC report from this vendor is cost beneficial to the State. |
| | FY 2019 Finding: | 2019-009 |
| 2018-049 | Finding Title: | Procedures related to Long Term Care Facility Audits need improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2010 |
| | Questioned Costs: | None |
| | FY19 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | The auditor is applying the Nursing Facility 180-day clock for Desk Reviews to Audits. There isn't a deadline to complete audits within the MaineCare Benefits Manual (MCBM). With regard to Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the Department believes that it is in compliance with the periodic audit requirement of 42 CFR. Additionally, the auditor cites 2 CFR 200.303 regarding establishing effective internal controls. However, Medicaid payments for providing patient care services to Medicaid-eligible individuals are not considered Federal awards under this part. We believe we have effective controls to comply with the current regulations. |
| | FY 2019 Finding: | 2019-047 |
| 2018-050 | Finding Title: | Provider eligibility procedures need to address Advance Directives |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2009 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | All active providers in the MIHMS system have a signed provider agreement on file. As noted in the Department's response to the SFY2018 finding, language regarding advance directive requirements and disclosure of certain types of business transactions was added to the agreement on June 26, 2013. The provider agreement with the added language has been used since then for all newly enrolling providers. Also, all providers who add new locations have signed new provider agreements even if they have not revalidated yet. As part of the ACA provider revalidation initiative, all providers are required to re-enroll and will sign the revised agreement then. The system was upgraded on January 17, 2017 and provider revalidation began in July 2017. To date, cycles 1 – 7 are 100% complete. Cycles 8 – 13 are in process. The Department has cleared 2,579 cases through revalidation or provider disenrollment, with an additional 1,534 cases currently in the provider revalidation process. |
| | FY 2019 Finding: | 2019-056 |

## Summary Schedule of Prior Audit Findings

| Finding Number | Prior Audit Finding Status | |
|---|---|---|
| 2018-051 | Finding Title: | ________ assigned to ________ need improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) |
| | State Department: | Administrative and Financial Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | There is currently an initiative underway to address the condition contained within this finding. The anticipated completion date for full corrective action is November 2021. The Department disagrees with the Auditor’s characterization of the overall effect of the stated condition. |
| | FY 2019 Finding: | 2019-057 |
| 2018-052 | Finding Title: | Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2016 |
| | Questioned Costs: | None |
| | FY19 Status: | Management disagrees with this finding and does not believe that corrective action is required |
| | Explanation: | The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities. |
| | FY 2019 Finding: | 2019-048 |
| 2018-053 | Finding Title: | Procedures to ensure that individual client Cost of Care assessments are accurate need improvement |
| | State Department: | Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2017 |
| | Questioned Costs: | None |
| | FY19 Status: | Corrective action was not completed in FY 2019 |
| | Explanation: | The Senior MaineCare Program Manager will oversee the development of a policy to ensure COC calculations are accurate. |
| | FY 2019 Finding: | 2019-045 |
| 2018-054 | Finding Title: | Riverview |
| | State Department: | Administrative and Financial Services<br>Health and Human Services |
| | CFDA Number: | 93.775, 93.777, 93.778 |
| | Initial Finding FY: | 2014 |

| Summary Schedule of Prior Audit Findings | | | | | |
|---|---|---|---|---|---|
| **Finding Number** | **Prior Audit Finding Status** | | | | |
| | Questioned Costs: | Questioned Costs | Total | Federal | State |
| | | *Known* | $14,037,063 | $14,037,063 | |
| | | *Likely* | | | |
| | FY19 Status: | Corrective action was not completed in FY 2019 | | | |
| | Explanation: | The Department has returned the funds, including interest, as of November 14, 2019. | | | |
| | FY 2019 Finding: | 2019-053 | | | |
| 2018-055 | Finding Title: | Office of Information Technology oversight and procedures over ________ needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining) | | | |
| | State Department: | Administrative and Financial Services | | | |
| | CFDA Number: | 93.775, 93.777, 93.778 | | | |
| | Initial Finding FY: | 2018 | | | |
| | Questioned Costs: | None | | | |
| | FY19 Status: | Corrective action was not completed in FY 2019 | | | |
| | Explanation: | The Department has implemented enhanced policies and procedures that will identify items to be addressed. Department staff is already working diligently to address these items. The Department is also working to secure additional resources to facilitate the resolution of the increased volume generated by the new policies and procedures. | | | |
| | FY 2019 Finding: | 2019-058 | | | |

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