STATE OF MAINE

SINGLE AUDIT REPORT
Uniform Guidance
Fiscal Year Ending June 30, 2021

Office of the State Auditor
Jacob B. Norton, CIA
State Auditor

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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Jacob B. Norton, CIA
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B. Melissa Perkins, CPA
Deputy State Auditor

Letter of Transmittal

Honorable Members of the Legislative Council for the 130th Legislature

Honorable Janet T. Mills
Governor of the State of Maine

I am pleased to submit the Single Audit of the State of Maine for the fiscal year ended June 30, 2021. 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 2021, \$6.4 billion in Federal financial assistance was expended by the State of Maine.

This document contains the following reports and schedules:

- Independent Auditor's Report
- Basic Financial Statements, Management's Discussion and Analysis, Notes to the Financial Statements, and Required Supplementary Information
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
- Financial Statement Findings

- Indexes to Federal Program Findings
- Federal Findings and Questioned Costs
- Corrective Action Plan
- Summary Schedule of Prior Audit Findings

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

Please contact me if you have questions or comments about the 2021 Single Audit of the State of Maine.

Respectfully submitted,

Jacob Norton
State Auditor

March 31, 2022

STATE OF MAINE
EXECUTIVE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2021

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2021

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 2021 includes fourteen major Federal programs that represent 86 percent of the $6.4 billion in Federal expenditures for the 2021 fiscal year. This Single Audit Report actually consists of various audit reports, the related financial statements, and Federal audit findings and recommendations.

Independent Auditor's Report

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

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

OSA reported on internal control over financial reporting and identified one deficiency in internal control that we considered to be a material weakness. A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct financial statement misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the State's financial statements would not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified 13 significant deficiencies in this report.

As part of obtaining reasonable assurance regarding whether the State's financial statements were not materially misstated, OSA performed tests of compliance with certain provisions of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs. The results of OSA's tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*.

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

Compliance with program requirements

OSA qualified the opinion on compliance with program requirements for the Children's Health Insurance Program (CHIP), Disaster Grants – Public Assistance (Presidentially Declared Disasters), Emergency Rental Assistance Program, Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), Immunization Cooperative Agreements, Medicaid Cluster, Presidential Declared Disaster Assistance to Individuals and Households – Other Needs, SNAP Cluster, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Temporary Assistance for Needy Families (TANF), and Unemployment Insurance (UI) because of material noncompliance. The remaining three Federal programs complied in all material respects with program requirements.

Internal control over compliance

OSA identified 53 deficiencies in internal control over compliance. A *deficiency* exists when the operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program, on a timely basis.

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

Another 32 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 $2.1 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, 2021

INDEX TO FINANCIAL INFORMATION

General Purpose Financial Statements of the State of Maine

For the Fiscal Year Ended June 30, 2021

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B. Melissa Perkins, CPA
Acting State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Troy D. Jackson
President of the Senate

Honorable Ryan M. Fecteau
Speaker of the House of Representatives

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2021, 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; 94 percent of assets, 95 percent of fund balance/net position, and 76 percent of revenue of the aggregate remaining fund information (Maine Public Employees Retirement System and Maine Governmental Facilities Authority); and 4 percent of the assets, and less than 1 percent of the net position and revenue of the governmental activities (Maine Governmental Facilities Authority). The financial statements of these named component units were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2021, 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-18, and Budgetary Comparison Information, State Retirement Plans, Other Post-Employment Benefit Plans, and Information about Infrastructure Assets Reported Using the Modified Approach on pages B-117 to B-154, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal*

Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 10, 2021, on our consideration of the State of Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Maine's internal control over financial reporting and compliance.

B.M. Perkins

B. Melissa Perkins, CPA
Acting State Auditor
Office of the State Auditor

Augusta, Maine
December 10, 2021


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MAINE

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, 2021. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Coronavirus Disease (COVID-19) Pandemic:

During the fiscal year ended June 30, 2021, the effects of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was declared a pandemic by the World Health Organization, continued to disrupt economic activity at all levels, including within the State, and continued to cause volatility in financial markets around the world, including in the United States. The State of Maine declared a state of emergency on March 15, 2020 and expired on June 30, 2021.

In response to the public health crisis created by COVID-19, since early March, the Governor has issued multiple executive orders and declarations and taken various actions to protect the public health in an effort to reduce community spread of the virus and protect Maine's citizens. These measures have included, among others, closing or restricting access to certain businesses and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel, requiring self-quarantining by persons traveling into the State, suspension of lodging and short-term rental operations, and limiting movement of all persons in Maine to those necessary to obtain or provide essential services or conduct essential activities.

Maine was well-poised, economically before the onset of the COVID- 19 pandemic. Maine avoided the fiscal distress experienced broadly by other States between March and December 2020 due to the wise, bipartisan decisions made by the Governor and Legislature from the onset of this Administration, to invest appropriately and responsibly and to manage State government in a fiscally sound manner

Maine's economy, as measured by GDP, has not only fully recovered to pre-pandemic levels, it has surpassed them. Maine's bond ratings have been upheld by both Moody's and Standard & Poor's, and we have more than doubled the balance in the Budget Stabilization Fund to its highest level ever.

The unprecedented federal fiscal and monetary policies have significantly impacted Maine's economy, raising the volume and mix of economic activity, which is in turn driving revenues and prosperity. The economic, financial and budgetary impacts on the State and its economy from the measures taken to combat the spread of COVID-19, have been and are expected to continue to be significant.

Government-wide:

- The net position of Governmental Activities increased by $974.5 million, while net position of Business-Type Activities decreased by $88.5 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by $1.941 billion at the close of fiscal year 2021. Of this amount $2.368 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 $3.646 billion, an increase of $344.3 million (10.4 percent) from the previous year.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $2.520 billion, an increase of $1.040 billion from the previous year. The General Fund's total fund balance was $785.6 million, an increase of $561.8 million from the previous year. The Other Special Revenue Fund total fund balance was $1.370 billion, an increase of $418.1 million from the prior year.

- The proprietary funds reported net position at year-end of $957.5 million, a decrease of $28.4 million from the previous year. The decrease is primarily the result of a decrease in the Employment Security Fund of $94.4 million and an increase in Employee Health Insurance and Retiree Health Insurance Funds, both Internal Service Funds, of $40.2 million and $15.7 million, respectively.

Long-term Debt:

- The State's liability for general obligation bonds increased by $27.3 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued $117.5 million in bonds and made principal payments of $90.2 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 by $886.0 million to $1.941 billion over the course of fiscal year ended June 30, 2021, as detailed in Tables A-1 and A-2. The increase is primarily due to increased corporate and individual tax revenue for governmental activities.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	**2020***	**2021**	**2020***	**2021**	**2020***
Current and other noncurrent assets						
Current and other assets	$ 4,065,972	$ 3,619,224	$ 569,197	$ 715,461	$ 4,635,169	$ 4,334,685
Long-term assets	1,373,969	834,390	10,758	6,727	1,384,727	841,117
Current and other noncurrent assets	5,439,941	4,453,614	579,955	722,188	6,019,896	5,175,802
Total capital assets net of accum depr	4,457,571	4,346,711	39,887	37,205	4,497,458	4,383,916
Total Assets	9,897,512	8,800,325	619,842	759,393	10,517,354	9,559,718
Deferred Outflows of Resources	1,159,927	839,909	4,545	3,950	1,164,472	843,859
Current liabilities	2,423,597	2,511,428	53,349	105,174	2,476,946	2,616,602
Non-current liabilities	7,040,262	6,194,067	29,037	26,213	7,069,299	6,220,280
Total Liabilities	9,463,859	8,705,495	82,386	131,387	9,546,245	8,836,882
Deferred Inflows of Resources	193,764	509,385	519	1,986	194,283	511,371
Net Position (Deficit)						
Net Investment in Capital Assets	3,587,505	3,651,931	39,887	37,205	3,627,392	3,689,136
Restricted	171,245	162,102	510,934	605,378	682,179	767,480
Unrestricted (deficit)	(2,358,934)	(3,388,679)	(9,339)	(12,613)	(2,368,273)	(3,401,292)
Total Net Position	$ 1,399,816	$ 425,354	$ 541,482	$ 629,970	$ 1,941,298	$ 1,055,324

* As Restated

The State's fiscal year 2021 revenues totaled $13.034 billion. (See Table A-2) Taxes and Operating grants and contributions accounted for most of the State's revenue by contributing 40.7 percent and 47.1 percent, respectively. The remainder came from charges for services and other miscellaneous sources.

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is a $2.2 trillion dollar economic stimulus bill signed into law on March 27, 2020 in response to the economic fallout of the COVID-19 pandemic. Through federal legislation, the State of Maine received $1.25 billion dollars of Coronavirus Relief Funds (CRF) during fiscal year 2020 to be expended through fiscal year 2023.

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

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

The total cost of all programs and services totaled $12.148 billion for the year 2021. (See Table A-2) These expenses are predominantly (75.2 percent) related to health & human services, education and economic development & workforce training activities. The State's governmental support & operations activities accounted for 5.0 percent of total costs. Total net position increased by $886.0 million, primarily due to an increase in tax revenue of $1.067 billion. The increase in operating grants and contributions was offset with increases in expenses in health & human services, education and economic development & workforce training primarily due to the impact of the COVID-19 pandemic.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	**2020***	**2021**	**2020***	**2021**	**2020***
Revenues:						
Program Revenues:						
Charges for Services	$ 597,760	$ 581,995	$ 791,159	$ 707,105	$ 1,388,919	$ 1,289,100
Operating grants and contributions	6,124,694	4,853,773	19,379	42,756	6,144,073	4,896,529
General Revenues:						
Taxes	5,299,667	4,232,398	-	-	5,299,667	4,232,398
Other	201,560	210,472	-	-	201,560	210,472
Total Revenues	12,223,681	9,878,638	810,538	749,861	13,034,219	10,628,499
Expenses:						
Governmental Activities:						
Governmental Support	606,474	552,439	-	-	606,474	552,439
Education	2,518,099	2,115,388	-	-	2,518,099	2,115,388
Health & Human Services	4,911,056	4,450,704	-	-	4,911,056	4,450,704
Justice & Protection	538,019	504,571	-	-	538,019	504,571
Transportation Safety	696,683	739,290	-	-	696,683	739,290
Economic Development & Workforce Training	1,705,292	1,386,867	-	-	1,705,292	1,386,867
Other	335,746	330,173	-	-	335,746	330,173
Interest Expense	57,852	56,707	-	-	57,852	56,707
Business-type Activities:						
Employment Security	-	-	251,681	92,125	251,681	92,125
Lottery	-	-	328,250	254,683	328,250	254,683
Alcoholic Beverages	-	-	175,750	158,350	175,750	158,350
Military Equipment Maintenance	-	-	120	802	120	802
Other	-	-	23,223	25,162	23,223	25,162
Total Expenses	11,369,221	10,136,139	779,024	531,122	12,148,245	10,667,261
Excess (Deficiency) before Special Items, Gain (Loss) on Sale of Assets and Transfers	854,460	(257,501)	31,514	218,739	885,974	(38,762)
Transfers	120,002	121,635	(120,002)	(121,635)	-	-
Increase (Decrease) in Net Position	974,462	(135,866)	(88,488)	97,104	885,974	(38,762)
Net Position, beginning of year	425,354	561,220	629,970	532,866	1,055,324	1,094,086
Ending Net Position	$ 1,399,816	$ 425,354	$ 541,482	$ 629,970	$ 1,941,298	$ 1,055,324

* As Restated

Governmental Activities

Revenues for the State's Governmental Activities totaled $12.224 billion while total expenses equaled $11.369 billion. The increase in net position for Governmental Activities was $974.5 million in 2021, which was primarily the result of an increase in tax revenue of $1.067 billion. The increase in expense activities is offset in part with the increase in operating grants & contributions primarily due to the impact of COVID-19. In addition, the State's Business-Type Activities transfers of $120.0 million (net) to the Governmental Activities, included statutorily required profit transfers and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds.

The users of the State's programs financed $597.8 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $6.125 billion. $5.501 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 2021

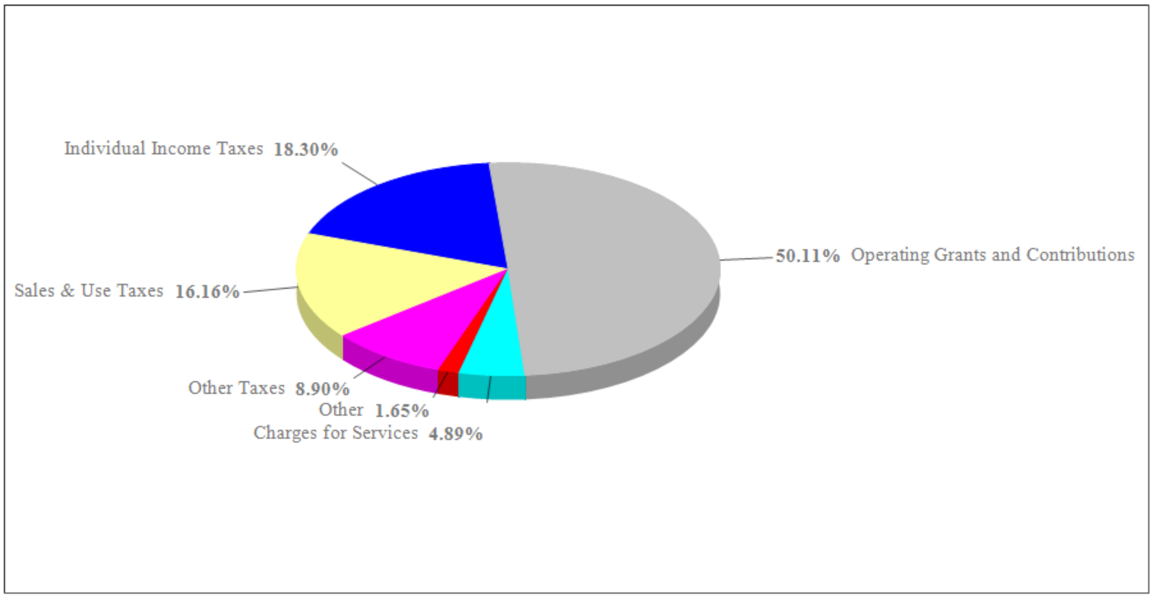
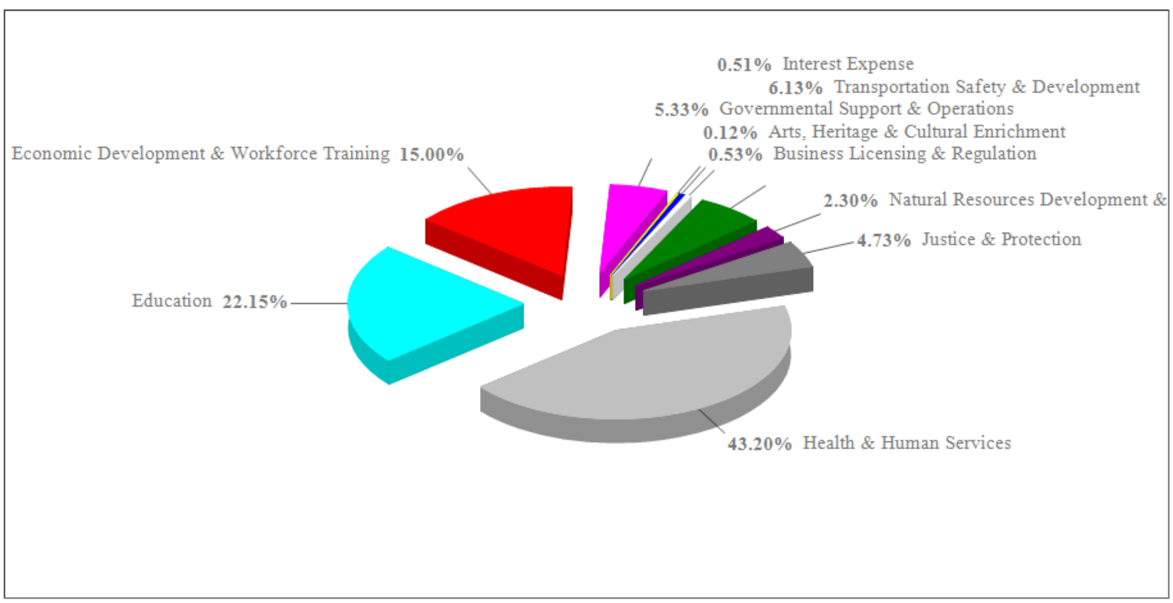


TABLE A-4: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2021



Business-Type Activities

Revenues for the State's Business-Type Activities totaled $810.5 million while expenses totaled $779.0 million. The decrease in net position for Business-Type Activities was $88.5 million in 2021, due entirely to the transfer of $120.0 million (net) to Governmental Activities.

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

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

	Total Cost		Net Revenue (Cost)	
	2021	2020	2021	2020
Employment Security	$ 251,681	$ 92,125	$ (95,234)	$ 98,918
Alcoholic Beverages	175,750	158,350	61,671	60,090
Lottery	328,250	254,683	69,748	67,672
Ferry Services	12,501	13,841	(6,659)	(8,915)
Military Equipment Maintenance	120	802	(105)	(126)
Consolidated Emergency Communications	6,120	5,473	989	1,270
Other	4,602	1,379	1,104	436
Total	$ 779,024	$ 526,653	$ 31,514	$ 219,345

The cost of all Business-Type Activities this year was $779.0 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was $31.5 million. Employment Security net revenue decreased by $95.2, while Alcoholic Beverages and Lottery contributed $61.7 and $69.7 million of net revenue, respectively. The $120.0 million (net) transfers from the State's Business-Type Activities to the Governmental Activities included statutorily required profit transfers and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

	2021	2020	Change
General	$ 785,596	$ 223,842	$ 561,754
Highway	56,673	19,181	37,492
Federal	61,932	36,192	25,740
Other Special Revenue	1,369,756	951,653	418,103
Other Governmental Funds	246,120	248,815	(2,695)
Total	$ 2,520,077	$ 1,479,683	$ 1,040,394

As of the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $2.520 billion, an increase of $1.040 billion in comparison with the prior year. Of this total, $85.2 million (3.4 percent) is classified as non-spendable, either due to its form or legal constraints, and $991.0 million (39.3 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 2021, there was a $338.3 million of unassigned fund balance on the GAAP basis in the General Fund.

General Fund revenues and other sources were greater than General Fund expenditures and other uses resulting in an increase in the fund balance of $561.8 million. Revenues and other sources of the General Fund increased by approximately $1.2 billion (29.0 percent), as compared to fiscal year end 2020, which is mainly attributed to an increase in tax revenue of over $1.0 billion primarily due to in Sales & Use Tax and Individual Income Tax. General Fund expenditures and other financing uses increased by $446.0 million (10.8 percent), as compared to fiscal year 2020. This is due, primarily, to an increase in Transfers to Other Funds of $476.6 million primarily related to various legislative initiatives.

Other Special Revenue Fund balance increased $418.1 million, due primarily to an increase in net Transfers from Other Funds of $438.6 million for various legislative initiatives.

Budgetary Highlights

For the 2021 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $4.019 billion, a decrease of about $192 million from the original legally adopted budget of approximately $4.211 billion. Actual expenditures on a budgetary basis amounted to approximately $250.5 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2021, including the budgeted starting balance for fiscal year 2021, there were funds remaining of $279.5 million to distribute in fiscal year 2021. Actual revenues exceeded final budget forecasts by $307.1 million. For year end 2021, the Legislature approved transfers of $8.0 million from unappropriated surplus to the Budget Stabilization Fund. In addition, there was interest earnings of $1.8 million along with legislatively and statutorily approved transfers resulting in an increase to the balance in the Budget Stabilization Fund to $491.9 million as of June 30, 2021. 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 2021, the State had roughly $4.497 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2021, the State acquired or constructed more than $186.6 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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Land	$ 654,589	$ 649,952	$ 2,389	$ 2,389	$ 656,978	$ 652,341
Buildings	890,790	881,631	4,655	4,655	895,445	886,286
Equipment	341,501	323,110	24,664	24,683	366,165	347,793
Improvements other than buildings	111,754	105,064	42,757	42,757	154,511	147,821
Software	121,686	118,777	-	-	121,686	118,777
Infrastructure	2,988,290	2,959,855	-	-	2,988,290	2,959,855
Construction in Progress	173,313	80,121	17,446	12,491	190,759	92,612
Total Capital Assets	5,281,923	5,118,510	91,911	86,975	5,373,834	5,205,485
Accumulated Depreciation	824,352	771,799	52,024	49,770	876,376	821,569
Capital Assets, net	$ 4,457,571	$ 4,346,711	$ 39,887	$ 37,205	$ 4,497,458	$ 4,383,916

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 8,799 highway miles or 17,874 lane miles within the State. Bridges have a deck area of 12.4 million square feet among 3,016 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2021, the actual average condition was 74.0. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 74.7 at June 30, 2021. Preservation costs for fiscal year 2021 totaled $192.3 million compared to estimated preservation costs of $185.0 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by PL 2019, Chapter 673, $83 million in General Fund bonds were spent during fiscal year 2021. Of the amount authorized by PL 2019, Chapter 532, $35 million in General Fund bonds were spent during fiscal year 2021.

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 $1.647 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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
General Obligation						
Bonds	$ 589,665	$ 572,700	$ -	$ -	$ 589,665	$ 572,700
Unmatured Premiums	89,397	79,098	-	-	89,397	79,098
Other Long-Term Obligations	966,776	927,893	979	948	967,755	928,841
Total	$ 1,645,838	$ 1,579,691	$ 979	$ 948	$ 1,646,817	$ 1,580,639

During the year, the State reduced outstanding long-term obligations by $90.2 million for general obligation bonds and $405.5 million for other long-term debt. Also during fiscal year 2021, the State incurred $561.9 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2021 by Moody's Investors Service as Aa2 with a stable outlook and by Standard & Poor's as AA with a stable outlook.

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

The Maine Consensus Economic Forecasting Commission (CEFC) convened on October 29, 2021, to review and revise its forecast through 2025. This meeting builds on the Commission's forecast update of April 1, 2021, incorporating the most recent data available for all relevant baseline data.

As a critical part of the forecasting process, the Commission reviewed their key assumptions from the April 2021 forecast. Overall, the Commission continues to be optimistic about increased in-migration to Maine but remains concerned about the economic consequences of possible future COVID-19 variants.

Since the last forecast, the CEFC has seen its assumptions about federal stimulus and programs aiding the recovery confirmed, as poverty rates in 2020 decreased as a result of these supports. The fate of similar programs now pending in Congress, however, remain uncertain at this time. Inflation has spiked, led by supply chain challenges and oil price increases, and will accelerate the timing of increased interest rates. Regional variations across the state in vaccinations and social distancing measures will likely contribute to an uneven recovery in the coming months and years.

Total nonfarm employment is projected to increase by 3.7% in 2021, 2.3% in 2022, 1.0% in 2023 and 0.7% in both 2024 and 2025. Compared to the April 2021 forecast, this is revised down in 2021, unchanged in 2022, and revised up in all years from 2023-2025 (from 0.7%, 0.1% and 0.1%). The new forecast accounts for both a decelerating labor market recovery in 2021, in large part at the hands of the Delta variant, as well as an upside potential for increased migration into the state in the following years. The commission is also optimistic that other factors, such as the return of K-12 school and childcare accessibility and a growing willingness by employers both to train potential workers who may not currently possess the experience and skills they have transitionally expected and to be increasingly flexible in work hours and locations will aid in employment growth in coming years. The CEFC continues to monitor structural changes that may impact the long-term trajectory of employment, in-migration, and labor force participation trends. The Commission is hopeful that this more optimistic medium-term forecast will be confirmed with future data. The revised forecast anticipates employment will reach pre-pandemic levels by 2023 and continue growing to 647.9 thousand in 2025. The April 1, 2021, forecast reached 640 thousand in 2025. The CEFC remains optimistic regarding the upside opportunity of increased migration into the state as COVID-19 has been a catalyst for remote work but is cautious of the constraints that may be caused by ongoing tight real estate markets.

The forecast for total personal income was revised up slightly to +5.2% in 2021, compared to 5.0% in the previous forecast. Personal income was revised up in all remaining years, to 0.5% in 2022, 4.6% in 2023, 4.8% in 2024 and 4.6% in 2025, compared to 0.2%, 4.1%, 4.3% and 4.5% in 2022-2025, respectively. This revision accounts for higher wage growth in 2021-2024.

Growth in wages and salaries, the largest component of personal income, was revised up for 2021 by 0.5 percentage points compared to April's forecast, from 5.0% to 5.5%. 2022-2024 were each revised up by 1.0 percentage point, from 4.0% to 5.0%, while 2025 was left unchanged.

Growth in supplements to wages and salaries was revised down in 2021 from 5.0% to 4.7%, while all remaining years were left unchanged, at 4.0%.

Finally, the forecast for corporate profits was revised up in 2021, from 15.0% to 30.0%. The forecast was revised down for 2022 and 2023, to 2.0% and 3.0% compared to 4.7% in both years in the previous forecast. Additionally, the CEFC made upward revisions to its forecast for 2024 and 2025 to 6.0% annually, compared to 4.7% annually in the April forecast.

Total personal income fell by 7.8% in the second quarter, following a 12.5% increase in the first quarter. The decline was driven by a drop in transfer receipts as provisions of the American Rescue Plan Act phased out. Wage and salary income, which is the largest component of personal income, grew by 2.3%. Gross Domestic Product rose 5.5% at an annual rate in the second quarter of 2021, surpassing pre-pandemic levels.

The Consumer Price Index continues to show rising prices, sitting at 5.4% year-over-year in September. Meanwhile, the chained Personal Consumption Expenditures price index was up 4.3% in August. Energy prices have spiked throughout 2021. Gasoline prices averaged $3.38 per gallon the week of October 18, 2021, while heating oil is nearing its 5-year high price of $3.088 per gallon.

Nationwide, consumer sentiment has fallen as supply chains are strained and COVID-19 infections are high. The September 2021 consumer sentiment index was down 9.5% compared to a year prior, while the Small Business Optimism Index was 4.7% under September 2020.

Single family existing-home sales in Maine in September 2021 were down 9.7% compared to September 2020, although up 10.7% from September 2019, while the median sales price continued to rise by nearly 17% year-over-year. Maine's House Price Index rose by over 22% in the second quarter of 2021 over a year prior, higher than both New England and the United States and reaching its all-time series high.

Overall, the Commission continues to be optimistic about in-migration to Maine but remains concerned about possible future COVID-19 variants. The key assumptions made by the CEFC are:

- With economic recovery underway, concerns remain that this recovery is uneven across different sectors, demographic/socioeconomic groups, and amongst Maine counties.

- Although infection rates remain high, public health concerns will subside with the continuation of vaccine rollout. Continued social distancing, testing, and contact tracing will help the state mitigate the onset of COVID-19 variants. Regional variations across the state in vaccination rates and social distancing measures could contribute to an uneven recovery as areas with higher vaccination rates will rebound faster than areas with lower vaccination rates.

- Federal stimulus and prolonged low interest rates have boosted consumption and aided in the economic recovery; poverty rates in 2020 were reduced through Federal stimulus and the successful deployment of economic assistance programs. Additional federal programs such as the Infrastructure Investment and Jobs Act and Build Back Better reconciliation bill are still uncertain at this time.

- Structural changes in the economy are occurring as the demand for labor differs from the supply and its longer term impact is yet to be determined. The availability of regular, in-person childcare and K-12 education will remain a major determinant in returning labor force participation rates to normal levels; larger employers are increasingly providing childcare benefits. Older workers may have decided to retire early due to the pandemic, which would contribute to the current reduced labor force.

- The Commission is optimistic that there is an opportunity for Maine to see increased in-migration in the coming years as telework becomes part of the "new normal" and people look for less densely populated places to live; however, the supply of housing is extremely limited and may be a constraint both on continued home sales growth and the availability of workforce housing. Rising interest rates may slow demand for real estate. On the commercial real estate front, office space is seeing uncertainty as hybrid work plans and staffing are being finalized; industrial space has been in very high demand; retail space was hit hardest by the pandemic, but the robust summer tourism season helped.

- The availability of high-speed internet and mobile phone coverage will be an important equalizer between urban and rural areas and could contribute to the diffusion of migration across the state. The creation of the Maine Connectivity Authority and infusion of federal funding will help the successful buildout of high-speed internet.

- Human behavior underpins several key uncertainties at this time, including vaccination uptake, willingness to continue to adhere to social distancing procedures, and eventual willingness to return to normal activity once it is considered safe to do so. Continued interest in outdoor activities could lead to a strong winter sports season, providing a boost to rural areas. Pent-up demand for services as well as supply chain issues may lead to a substitution away from purchases of goods.

- Inflation expectations have increased considerably in recent months and are much higher than what the Federal Reserve Bank previously expected; there is a risk of continued inflation throughout 2021 and 2022. Interest rates are expected to begin increasing sooner than previously anticipated.

In its May 2021 forecast, the Revenue Forecasting Committee (RFC) revised General Fund (GF) revenue estimates up by $479.4 million for FY21 and by $460.5 million for the FY22/23 biennium. Despite the updated FY21 GF revenue forecast being approximately $100 million more than the committee's pre-pandemic forecast, GF revenues ended the fiscal year over budget by $349.6 million; a positive variance of 8.4 percent and year-over-year growth of 13.9 percent. The revenue surplus allowed for a $223.6 million transfer to the Budget Stabilization Fund, bringing the total in the fund to $492 million, approximately 11 percent of FY21 GF revenue.

The RFC will meet to review and update the current revenue forecast to comply with the statutory reporting date in December 2021. Based on the November CEFC forecast, the RFC will consider its revenue projections through the fiscal year ending June 30, 2022 for the General Fund, Highway Fund, Fund for a Healthy Maine and Medicaid/MaineCare Dedicated Revenue Taxes.

At June 30, 2021, the State of Maine reported an ending fund balance of $785.6 million in the General Fund on a GAAP basis, an increase of more than $561.8 million since the end of fiscal year 2020. The General Fund "unassigned" fund balance on a GAAP basis at June 30, 2021 was $338.3 million.

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

These actions, along with the Governor's commitment to closing the structural gap in the budget, have resulted in significant increases in the equity and cash positions of the General Fund. Consequently, the State has seen record levels in its Treasurer's Cash Pool and Budget Stabilization Fund, and has not required external borrowing in the form of TANs or BANs for cash flow purposes.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS


DIRIGO
MAINE

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STATE OF MAINE
STATEMENT OF NET POSITION

June 30, 2021
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 2,170,301	$ 18,337	$ 2,188,638	$ 101,917
Cash and Cash Equivalents	217	1,188	1,405	132,270
Cash with Fiscal Agent	297,120	-	297,120	-
Investments	163,686	-	163,686	855,295
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	54,634	-	54,634	-
Restricted Deposits and Investments	2,235	466,170	468,405	639,581
Inventories	39,204	4,340	43,544	2,439
Receivables, Net of Allowances for Uncollectibles:				
Taxes Receivable	445,024	-	445,024	-
Loans & Notes Receivable	3,354	-	3,354	103,899
Other Receivables	311,884	85,865	397,749	75,217
Internal Balances	9,323	(9,323)	-	-
Due from Other Governments	479,535	2,020	481,555	204,645
Due from Primary Government	-	-	-	73,769
Loans Receivable from Primary Government	-	-	-	59,283
Due from Component Units	81,659	-	81,659	-
Other Current Assets	7,796	600	8,396	41,140
Total Current Assets	4,065,972	569,197	4,635,169	2,289,455
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	1,272,982	10,758	1,283,740	59,780
Investments	-	-	-	575,480
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	32,046	-	32,046	-
Restricted Deposits and Investments	-	-	-	447,513
Pension Assets	5,039	-	5,039	-
Receivables, Net of Current Portion:				
Taxes Receivable	58,541	-	58,541	-
Loans & Notes Receivable	-	-	-	2,039,478
Other Receivables	447	-	447	1,639
Due from Other Governments	4,914	-	4,914	1,520,135
Loans Receivable from Primary Government	-	-	-	277,710
Due from Primary Government	-	-	-	3,810
Post-Employment Benefit Assets	-	-	-	26,374
Other Noncurrent Assets	-	-	-	12,388
Capital Assets:				
Land, Infrastructure, & Other Non-Depreciable Assets	3,816,192	19,835	3,836,027	892,533
Buildings, Equipment & Other Depreciable Assets	641,379	20,052	661,431	1,010,107
Total Noncurrent Assets	5,831,540	50,645	5,882,185	6,866,947
Total Assets	9,897,512	619,842	10,517,354	9,156,402
Deferred Outflows of Resources	$ 1,159,927	$ 4,545	$ 1,164,472	$ 94,455

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current Liabilities:				
Accounts Payable	$ 675,469	$ 25,548	$ 701,017	$ 72,140
Accrued Payroll	46,495	757	47,252	4,999
Tax Refunds Payable	309,222	-	309,222	-
Due to Component Units	75,769	-	75,769	-
Due to Primary Government	-	-	-	81,659
Current Portion of Long-Term Obligations:				
Compensated Absences	10,347	149	10,496	4,127
Due to Other Governments	1,027,677	-	1,027,677	801
Amounts Held under State & Federal Loan Programs	-	-	-	40,519
Claims Payable	26,525	-	26,525	-
Bonds & Notes Payable	96,275	-	96,275	232,296
Revenue Bonds Payable	19,388	-	19,388	30,060
Obligations under Capital Leases	5,300	-	5,300	162
Certificates of Participation & Other Financing Arrangements	10,380	-	10,380	-
Loans Payable to Component Unit	59,283	-	59,283	-
Accrued Interest Payable	8,784	-	8,784	28,395
Unearned Revenue	3,567	226	3,793	59,793
Other Post-Employment Benefits	29,377	-	29,377	-
Other Current Liabilities	19,739	26,669	46,408	85,653
Total Current Liabilities	2,423,597	53,349	2,476,946	640,604
Long-Term Liabilities:				
Compensated Absences	57,978	830	58,808	-
Due to Component Units	3,810	-	3,810	-
Due to Other Governments	-	-	-	5,345
Amounts Held under State & Federal Loan Program	-	-	-	42,419
Claims Payable	54,137	-	54,137	-
Bonds & Notes Payable	582,787	-	582,787	4,008,428
Revenue Bonds Payable	358,397	-	358,397	582,565
Obligations under Capital Leases	44,187	-	44,187	1,307
Certificates of Participation & Other Financing Arrangements	43,144	-	43,144	-
Loans Payable to Component Unit	277,710	-	277,710	-
Unearned Revenue	9,943	-	9,943	-
Net Pension Liability	2,677,112	14,988	2,692,100	75,163
Other Post-Employment Benefits	2,888,650	13,219	2,901,869	57,540
Pollution Remediation & Landfill Obligations	42,407	-	42,407	-
Other Noncurrent Liabilities	-	-	-	99,864
Total Long-Term Liabilities	7,040,262	29,037	7,069,299	4,872,631
Total Liabilities	9,463,859	82,386	9,546,245	5,513,235
Deferred Inflows of Resources	193,764	519	194,283	91,800
Net Position				
Net Investment in Capital Assets	3,587,505	39,887	3,627,392	1,236,344
Restricted:				
Governmental Support & Operations	6,055	-	6,055	-
Justice & Protection	1,318	-	1,318	-
Employment Security	-	510,934	510,934	-
Other Purposes	-	-	-	1,686,807
Funds Held for Permanent Investments:				
Expendable	113,536	-	113,536	-
Nonexpendable	50,336	-	50,336	305,246
Unrestricted	(2,358,934)	(9,339)	(2,368,273)	417,425
Total Net Position	$ 1,399,816	$ 541,482	$ 1,941,298	$ 3,645,822

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governmental Support & Operations	$ 606,474	$ 135,662	$ 86,648	$ -
Arts, Heritage & Cultural Enrichment	14,135	887	4,064	-
Business Licensing & Regulation	60,150	73,427	71	-
Economic Development & Workforce Training	1,705,292	1,643	1,547,046	-
Education	2,518,099	20,730	522,960	-
Health & Human Services	4,911,056	14,203	3,392,043	-
Justice & Protection	538,019	74,735	215,819	-
Natural Resources Development & Protection	261,461	109,899	71,251	-
Transportation Safety & Development	696,683	166,574	284,792	-
Interest Expense	57,852	-	-	-
Total Governmental Activities	11,369,221	597,760	6,124,694	-
Business-Type Activities:				
Employment Security	251,681	137,068	19,379	-
Alcoholic Beverages	175,750	237,421	-	-
Lottery	328,250	397,998	-	-
Ferry Services	12,501	5,842	-	-
Military Equipment Maintenance	120	15	-	-
Consolidated Emergency Communications	6,120	7,109	-	-
Other	4,602	5,706	-	-
Total Business-Type Activities	779,024	791,159	19,379	-
Total Primary Government	12,148,245	1,388,919	6,144,073	-
Component Units:				
Finance Authority of Maine	37,650	18,880	19,820	-
Maine Community College System	137,319	3,203	51,234	5,007
Maine Health & Higher Education Facilities Authority	21,833	20,120	779	-
Maine Municipal Bond Bank	66,733	51,321	505	73,025
Maine State Housing Authority	281,875	73,912	218,983	-
Maine Turnpike Authority	104,023	115,460	-	-
University of Maine System	703,461	273,864	273,436	8,225
All Other Non-Major Component Units	179,075	30,961	126,008	5,520
Total Component Units	$ 1,531,969	$ 587,721	$ 690,765	$ 91,777

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
	$ (384,164)	$ -	$ (384,164)	$ -
	(9,184)	-	(9,184)	-
	13,348	-	13,348	-
	(156,603)	-	(156,603)	-
	(1,974,409)	-	(1,974,409)	-
	(1,504,810)	-	(1,504,810)	-
	(247,465)	-	(247,465)	-
	(80,311)	-	(80,311)	-
	(245,317)	-	(245,317)	-
	(57,852)	-	(57,852)	-
	(4,646,767)	-	(4,646,767)	-
	-	(95,234)	(95,234)	-
	-	61,671	61,671	-
	-	69,748	69,748	-
	-	(6,659)	(6,659)	-
	-	(105)	(105)	-
	-	989	989	-
	-	1,104	1,104	-
	-	31,514	31,514	-
	(4,646,767)	31,514	(4,615,253)	-
	-	-	-	1,050
	-	-	-	(77,875)
	-	-	-	(934)
	-	-	-	58,118
	-	-	-	11,020
	-	-	-	11,437
	-	-	-	(147,936)
	-	-	-	(16,586)
	$ -	$ -	$ -	$ (161,706)
General Revenues:				
Taxes:				
Corporate Taxes	324,990	-	324,990	-
Individual Income Taxes	2,236,349	-	2,236,349	-
Fuel Taxes	235,125	-	235,125	-
Property Taxes	88,696	-	88,696	-
Sales & Use Taxes	1,974,930	-	1,974,930	-
Other Taxes	439,577	-	439,577	-
Unrestricted Investment Earnings	55,139	-	55,139	57,758
Non-Program Specific Grants, Contributions & Appropriations	-	-	-	441,413
Miscellaneous Income	95,847	-	95,847	13,865
Gain (Loss) on Sale of Assets	-	-	-	(7,015)
Tobacco Settlement	50,574	-	50,574	-
Transfers - Internal Activities	120,002	(120,002)	-	-
Total General Revenues and Transfers	5,621,229	(120,002)	5,501,227	506,021
Change in Net Position	974,462	(88,488)	885,974	344,315
Net Position - Beginning (as restated)	425,354	629,970	1,055,324	3,301,507
Net Position - Ending	$ 1,399,816	$ 541,482	$ 1,941,298	$ 3,645,822


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, 2021
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 976,028	$ 54,182	$ 876,745	$ 1,057,433	$ 186	$ 2,964,574
Cash & Short-Term Investments	98	76	-	41	-	215
Cash with Fiscal Agent	13,152	525	-	277,753	-	291,430
Investments	-	-	-	-	163,686	163,686
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	86,680	86,680
Inventories	4,180	1	29,832	-	-	34,013
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	466,358	21,613	-	15,594	-	503,565
Loans Receivable	1	-	-	3,353	-	3,354
Other Receivable	81,599	2,561	150,645	67,248	-	302,053
Due from Other Funds	54,651	19,155	5,767	37,776	-	117,349
Due from Other Governments	-	-	478,649	-	-	478,649
Due from Component Units	-	-	-	81,659	-	81,659
Other Assets	731	3	434	225	-	1,393
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 1,596,909	$ 98,116	$ 1,542,072	$ 1,541,082	$ 250,552	$ 5,028,731
Liabilities						
Accounts Payable	$ 170,968	$ 26,605	$ 369,120	$ 46,130	$ 181	$ 613,004
Accrued Payroll	21,386	7,050	5,294	8,752	-	42,482
Tax Refunds Payable	309,213	9	-	-	-	309,222
Due to Other Governments	-	-	1,016,253	-	-	1,016,253
Due to Other Funds	85,646	4,153	61,225	20,189	16	171,229
Due to Component Units	3,359	240	11,059	58,010	4,232	76,900
Unearned Revenue	-	3,101	2,937	6,839	3	12,880
Other Accrued Liabilities	12,700	4	2,828	7,027	-	22,559
Total Liabilities	603,272	41,162	1,468,716	146,947	4,432	2,264,529
Deferred Inflows of Resources	208,041	281	11,424	24,379	-	244,125
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	50,336	50,336
Inventories & Prepaid Items	4,584	-	30,265	-	-	34,849
Restricted	16,893	56,673	31,667	690,025	195,784	991,042
Committed	10,165	-	-	548,129	-	558,294
Assigned	415,605	-	-	131,602	-	547,207
Unassigned	338,349	-	-	-	-	338,349
Total Fund Balances	785,596	56,673	61,932	1,369,756	246,120	2,520,077
Total Liabilities, Deferred Inflows and Fund Balances	$ 1,596,909	$ 98,116	$ 1,542,072	$ 1,541,082	$ 250,552	$ 5,028,731

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, 2021
(Expressed in Thousands)

Total fund balances for governmental funds		$ 2,520,077
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.	4,818,021	
Accumulated Depreciation	556,789	
		4,261,232
Refunded Bond Deferred Outflows		1,625
Pollution Remediation Receivable		461
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Position. This net effect of these balances on the statement:		
Bonds Payable	(1,056,847)	
Interest Payable Related to Long-term Financing	(5,905)	
Certificates of Participation and Other Financing Arrangements	(40,032)	
Loans Payable to Component Unit	(336,993)	
Compensated Absenses	(63,060)	
Pension Liabilities and Deferrals	(2,096,098)	
Other Post-Employment Benefit Liabilities and Deferrals	(2,396,763)	
Pollution Remediation and Landfill Obligations	(42,407)	
		(6,038,105)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		244,125
Other Revenue		(5,638)
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.		416,039
Net position of governmental activities		$ 1,399,816

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, 2021
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 4,765,942	$ 213,390	$ -	$ 349,084	$ -	$ 5,328,416
Assessments	94,909	110,418	-	173,215	-	378,542
Federal Grants & Reimbursements	103	-	6,121,874	13,092	-	6,135,069
Charges for Services	57,120	4,903	-	140,989	-	203,012
Investment Income	9,556	305	600	1,489	40,594	52,544
Miscellaneous Revenues	12,493	386	200	116,842	-	129,921
Total Revenues	4,940,123	329,402	6,122,674	794,711	40,594	12,227,504
Expenditures						
Current:						
Governmental Support & Operations	337,750	2,407	20,438	227,313	173	588,081
Economic Development & Workforce Training	44,638	-	1,620,723	47,152	7,500	1,720,013
Education	1,780,320	-	520,431	67,543	12,636	2,380,930
Health & Human Services	1,181,934	-	3,392,059	382,701	-	4,956,694
Business Licensing & Regulation	-	-	68	61,496	-	61,564
Natural Resources Development & Protection	68,515	34	70,578	116,655	5,288	261,070
Justice & Protection	274,665	22,053	193,563	124,665	59	615,005
Arts, Heritage & Cultural Enrichment	9,255	-	4,006	966	5	14,232
Transportation Safety & Development	2,000	284,646	248,646	75,180	3,980	614,452
Debt service:						
Principal Payments	99,235	2,210	16,760	37,590	-	155,795
Interest Expense	42,230	111	7,287	8,952	-	58,580
Capital Outlay	-	-	-	-	127,027	127,027
Total Expenditures	3,840,542	311,461	6,094,559	1,150,213	156,668	11,553,443
Revenue over (under) Expenditures	1,099,581	17,941	28,115	(355,502)	(116,074)	674,061
Other Financing Sources (Uses)						
Transfer from Other Funds	158,611	25,430	13,722	794,374	-	992,137
Transfer to Other Funds	(719,903)	(6,404)	(16,097)	(109,123)	(4,121)	(855,648)
COPs & Other	23,465	525	-	133	-	24,123
Loan Proceeds from Component Units	-	-	-	75,000	-	75,000
Bonds Issued	-	-	-	12,785	96,875	109,660
Refunding Bonds Issued	-	-	-	37,355	-	37,355
Premiums on Bond Issuance	-	-	-	-	20,625	20,625
Payments to Refunded Bond Escrow Agent	-	-	-	(36,919)	-	(36,919)
Net Other Finance Sources (Uses)	(537,827)	19,551	(2,375)	773,605	113,379	366,333
Net Change in Fund Balances	561,754	37,492	25,740	418,103	(2,695)	1,040,394
Fund Balance at Beginning of Year	223,842	19,181	36,192	951,653	248,815	1,479,683
Fund Balances at End of Year	$ 785,596	$ 56,673	$ 61,932	$ 1,369,756	$ 246,120	$ 2,520,077

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, 2021
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 1,040,394
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	157,429	
Depreciation Expense	(43,399)	
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.	(269)	
		113,761
Refunded Bond Deferred Outflows		(445)
Pollution Remediation Receivable		(15)
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	(147,015)	
Premium on Bonds Issued	(20,625)	
Proceeds from Other Financing Arrangements	(23,990)	
Loan Proceeds from Component Unit	(74,887)	
Payment to Refund Bond Escrow Agent	34,310	
Repayment of Bond Principal	101,445	
Repayment of Other Financing Debt	7,044	
Repayment of Pledged Revenue Principal	58,087	
Repayment of Capitalized Lease Principal	531	
Accrued Interest	665	
Amortization of Bond Premiums	10,326	
		(54,109)
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	(5,793)	
Pension Liabilities and Deferrals	(28,241)	
Other Post-employment Benefit Liabilities and Deferrals	(123,373)	
Pollution Remediation and Landfill Obligations	66	
		(157,341)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		(27,890)
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.		60,107
Changes in net position of governmental activities		$ 974,462

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


DIRIGO
MAINE

PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR FUNDS

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

NON-MAJOR FUNDS

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

STATE OF MAINE
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2021
(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	$ -	$ 18,337	$ 18,337	$ 301,730
Cash & Short-Term Investments	434	754	1,188	2
Cash with Fiscal Agent	-	-	-	5,690
Restricted Assets:				
Restricted Deposits & Investments	466,159	11	466,170	2,235
Inventories	-	4,340	4,340	5,191
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	50,081	35,784	85,865	9,824
Due from Other Funds	6,408	2,342	8,750	56,502
Due from Other Governments	2,020	-	2,020	-
Other Assets	-	600	600	6,403
Total Current Assets	525,102	62,168	587,270	387,577
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	10,758	10,758	176,979
Capital Assets - Net of Depreciation	-	39,887	39,887	196,339
Total Noncurrent Assets	-	50,645	50,645	373,318
Total Assets	525,102	112,813	637,915	760,895
Deferred Outflows of Resources	$ -	$ 4,545	$ 4,545	$ 24,391
Liabilities				
Current Liabilities:				
Accounts Payable	$ 9,144	$ 16,404	$ 25,548	$ 16,268
Accrued Payroll	-	757	757	4,013
Due to Other Funds	3,835	14,254	18,089	39,473
Due to Component Units	-	-	-	2,679
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	5,234
Obligations under Capital Leases	-	-	-	5,300
Claims Payable	-	-	-	26,525
Compensated Absences	-	149	149	692
Unearned Revenue	-	226	226	630
Accrued Interest Payable	-	-	-	59
Other Accrued Liabilities	1,189	25,480	26,669	-
Total Current Liabilities	14,168	57,270	71,438	100,873
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Certificates of Participation & Other Financing Arrangements	-	-	-	8,258
Obligations under Capital Leases	-	-	-	44,187
Claims Payable	-	-	-	54,137
Compensated Absences	-	830	830	4,572
Net Pension Liability	-	14,988	14,988	82,335
Net Other Post-Employment Benefit Liability	-	13,219	13,219	71,925
Total Long-Term Liabilities	-	29,037	29,037	265,525
Total Liabilities	14,168	86,307	100,475	366,398
Deferred Inflows of Resources	$ -	$ 519	$ 519	$ 2,832
Net Position				
Net Investment in Capital Assets:	-	39,887	39,887	139,050
Restricted for:				
Unemployment Compensation	510,934	-	510,934	-
Other Purposes	-	-	-	511
Unrestricted	-	(9,355)	(9,355)	276,495
Total Net Position	$ 510,934	$ 30,532	541,466	$ 416,056
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			16	
Net Position of Business-Type Activities			$ 541,482	

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, 2021
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		
	Employment Security	Other Enterprise	Total	Internal Service Funds
Operating Revenues				
Charges for Services	$ -	$ 649,948	$ 649,948	$ 546,134
Assessments	133,714	3,997	137,711	-
Miscellaneous Revenues	3,354	3	3,357	762
Total Operating Revenues	137,068	653,948	791,016	546,896
Operating Expenses				
General Operations	-	525,164	525,164	444,267
Depreciation	-	2,273	2,273	20,671
Claims/Fees Expense	251,681	-	251,681	16,232
Other Operating Expenses	-	-	-	708
Total Operating Expenses	251,681	527,437	779,118	481,878
Operating Income (Loss)	(114,613)	126,511	11,898	65,018
Nonoperating Revenues (Expenses)				
Investment Revenue (Expenses) - net	10,632	-	10,632	2,595
Interest Expense	-	-	-	(11,016)
Operating Subsidy and Grants	8,747	-	8,747	-
Other Nonoperating Revenue (Expenses) - net	-	143	143	(14)
Total Nonoperating Revenues (Expenses)	19,379	143	19,522	(8,435)
Income (Loss) Before Capital Contributions, Transfers and Special Items	(95,234)	126,654	31,420	56,583
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	4,955	4,955	396
Transfer from Other Funds	4,433	6,092	10,525	3,222
Transfer to Other Funds	(3,643)	(131,839)	(135,482)	-
Total Capital Contributions, Transfers and Special Items	790	(120,792)	(120,002)	3,618
Change in Net Position	(94,444)	5,862	(88,582)	60,201
Net Position - Beginning (as restated)	605,378	24,670		355,855
Net Position - End of Year	$ 510,934	$ 30,532		$ 416,056
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			94	
Changes in Business-Type Net Position			$ (88,488)	

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Fiscal Year Ended June 30, 2021
(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	$ 216,459	$ 652,121	$ 868,580	$ 41,828
Other Operating Cash Receipts (Payments):				
Cash Received from Interfund Services	16	7,394	7,410	523,734
Payments of Benefits	(251,681)	-	(251,681)	-
Payments to Prize Winners	-	(275,106)	(275,106)	-
Payments to Suppliers	(57,876)	(225,376)	(283,252)	(321,614)
Payments to Employees	-	(14,871)	(14,871)	(81,117)
Payments for Interfund Goods and Services	(5,930)	(11,078)	(17,008)	(73,212)
Net Cash Provided (Used) by Operating Activities	(99,012)	133,084	34,072	89,619
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	4,433	6,092	10,525	3,222
Transfers to Other Funds	(3,643)	(131,839)	(135,482)	-
Operating Subsidy and Grants	8,747	-	8,747	-
Net Cash Provided (Used) by Noncapital Financing Activities	9,537	(125,747)	(116,210)	3,222
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(1)	(1)	(18,245)
Proceeds from Financing Arrangements	-	-	-	5,500
Principal and Interest Paid on Financing Arrangements	-	-	-	(21,903)
Proceeds from Sale of Capital Assets	-	1	1	1,269
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	(33,379)
Cash Flows from Investing Activities				
Interest Revenue	10,632	143	10,775	2,595
Net Cash Provided (Used) by Investing Activities	10,632	143	10,775	2,595
Net Increase (Decrease) in Cash/Cash Equivalents	(78,843)	7,480	(71,363)	62,057
Cash/Cash Equivalents - Beginning of Year	545,436	22,380	567,816	424,579
Cash/Cash Equivalents - End of Year	$ 466,593	$ 29,860	$ 496,453	$ 486,636
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$ (114,613)	$ 126,511	$ 11,898	$ 65,018
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	2,273	2,273	20,671
Decrease (Increase) in Assets:				
Accounts Receivable	47,849	4,763	52,612	(4,103)
Interfund Balances	(5,930)	(6,617)	(12,547)	106
Due from Other Governments	31,558	-	31,558	-
Inventories	-	(284)	(284)	(986)
Other Assets	-	(375)	(375)	(58)
Deferred Outflows	-	(595)	(595)	(1,469)
Increase (Decrease) in Liabilities:				
Accounts Payable	(58,069)	5,208	(52,861)	(3,647)
Accrued Payroll Expense	-	(91)	(91)	119
Due to Other Governments	-	-	-	2,096
Compensated Absences	-	31	31	759
Deferred Inflows	-	(1,467)	(1,467)	(8,563)
Net Pension Liability	-	2,285	2,285	9,022
Other Accruals	193	910	1,103	10,776
Net OPEB Liability	-	532	532	(122)
Total Adjustments	15,601	6,573	22,174	24,601
Net Cash Provided (Used) by Operating Activities	$ (99,012)	$ 133,084	$ 34,072	$ 89,619
Non Cash Investing, Capital and Financing Activities				
Contributed Capital Assets	-	4,955	4,955	396
Disposal of Assets	-	-	-	(2,760)

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

FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

STATE OF MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2021
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Custodial Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 500	$ 84,464
Cash & Short-Term Investments	32,281	5,466	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	34,694	-	-
Interest and Dividends	4,137	-	-
Due from Brokers for Securities Sold	771	-	-
Other Receivable	-	2,910	-
Investments at Fair Value:			
Equity Securities	2,995,714	-	-
Common/Collective Trusts	16,369,556	-	-
Investments - Other	-	23,318	-
Securities Lending Collateral	80,266	-	-
Due from Other Funds	-	46,197	-
Investments Held on Behalf of Others	-	-	62,417
Capital Assets - Net of Depreciation	15,014	-	-
Other Assets	-	3,471	51
Total Assets	19,532,433	81,862	146,959
Liabilities			
Accounts Payable	4,616	629	18
Due to Other Funds	-	7	-
Obligations Under Securities Lending	80,266	-	-
Other Accrued Liabilities	38,006	-	2,616
Total Liabilities	122,888	636	2,634
Net Position			
Restricted for Pension	18,828,585	-	-
Restricted for Other Post-Employment Benefits	580,960	-	-
Restricted for Individuals, Organizations and Other Governments	-	81,226	144,325
Total Net Position	$ 19,409,545	$ 81,226	$ 144,325

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, 2021
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Custodial Funds
Additions:			
Contributions:			
Federal Grants	$ -	$ -	$ 59,654
Members	222,909	-	-
State & Local Agency Employers	390,858	-	-
Non-Employer Contributing Entity	183,931	-	3,309
Litigation Receipts	-	-	13,384
Other	-	-	2,150
Investment Income (Loss):			
Net Increase (Decrease) in the Fair Value of Investments	4,162,547	5,042	(1,435)
Interest & Dividends	128,517	404	19
Securities Lending Income & Borrower Rebates Refunded	468	-	-
Less Investment Expense:			
Investment Activity Expense	123,781	-	-
Securities Lending Expense	(17)	-	-
Net Investment Income (Loss)	4,167,768	5,446	(1,416)
Miscellaneous Revenues	-	27,919	-
Transfer from Other Pension Plans	694	-	-
Total Additions	4,966,160	33,365	77,081
Deductions:			
Benefits Paid to Participants, Beneficiaries or Clients	1,156,309	11,510	8,903
Refunds & Withdrawals	23,752	-	2,886
Restitution Payments	-	-	1,223
Administrative Expenses	15,242	385	-
Claims Processing Expense	1,164	-	-
Miscellaneous Disbursements	-	-	794
Transfer to Other Funds	-	14,754	-
Transfer to Other Pension Plans	695	-	-
Total Deductions	1,197,162	26,649	13,806
Net Increase (Decrease)	3,768,998	6,716	63,275
Net Position:			
Restricted			
Beginning of Year (as restated)	15,640,547	74,510	81,050
End of Year	$ 19,409,545	$ 81,226	$ 144,325

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


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Component Unit Financial Statements

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

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

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

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

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

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

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

STATE OF MAINE
STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2021
(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	$ 22,812	$ 12,580	$ 3,919	$ 29,050
Cash & Short-Term Investments	4,381	14,947	15,379	121
Investments	56,974	71,771	2,035	11,719
Restricted Assets:				
Restricted Deposits & Investments	-	-	17,183	341,428
Inventories	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	38,435	-	27,136	-
Other Receivable	3,083	5,230	140	527
Due from Other Governments	-	10,953	-	153,253
Due from Primary Government	-	1,324	-	52,517
Loans Receivable from Primary Government	-	-	-	59,283
Other Assets	710	2,021	618	29,754
Total Current Assets	126,395	118,826	66,410	677,652
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	13,381	7,378	2,299	17,039
Restricted Assets:				
Restricted Assets	34,703	1,171	68,251	202,061
Investments	-	18,599	26,588	-
Receivables, Net of Current Portion:				
Loans & Notes Receivable	50,528	-	518,443	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,520,135
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	277,710
Post-Employment Benefit Asset	-	8,316	-	-
Capital Assets - Net of Depreciation	1,299	183,442	-	1,186
Other Non-Current Assets	-	-	-	-
Total Noncurrent Assets	99,911	218,906	615,581	2,018,131
Total Assets	226,306	337,732	681,991	2,695,783
Deferred Outflows of Resources	$ 1,432	$ 16,417	$ -	$ 16,910
Liabilities				
Current Liabilities:				
Accounts Payable	$ 5,170	$ 4,438	$ 37	$ 773
Accrued Payroll	-	-	-	-
Compensated Absences	-	3,230	-	-
Due to Other Governments	-	-	-	415
Due to Primary Government	-	-	-	80,581
Amounts Held Under State & Federal Loan Programs	-	-	-	40,519
Bonds & Notes Payable	4,847	850	29,875	174,117
Obligations under Capital Leases	-	-	-	-
Accrued Interest Payable	335	-	9,019	13,418
Unearned Revenue	1,055	2,989	408	4,962
Other Accrued Liabilities	19,385	7,752	-	(4)
Total Current Liabilities	30,792	19,259	39,339	314,781
Long-Term Liabilities:				
Due to Other Governments	4,761	-	-	269
Amounts Held Under State & Federal Loan Programs	42,419	-	-	-
Bonds & Notes Payable	93,525	15,539	582,505	1,518,246
Obligations under Capital Leases	-	-	-	-
Net Pension Liability	-	51,041	-	715
Net Other Post-Employment Benefit Liability	-	2,993	-	929
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities:	140,705	69,573	582,505	1,520,159
Total Liabilities	171,497	88,832	621,844	1,834,940
Deferred Inflows of Resources	-	22,618	-	209
Net Position				
Net Investment in Capital Assets	1,299	168,225	-	1,186
Restricted	22,959	48,353	-	797,179
Unrestricted	31,983	26,121	60,147	79,179
Total Net Position	$ 56,241	$ 242,699	$ 60,147	$ 877,544

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
$ -	$ -	$ 33,292	$ 264	$ 101,917
42,747	25,453	4,681	24,561	132,270
438,158	-	258,372	16,266	855,295
-	226,456	-	54,514	639,581
-	1,470	-	969	2,439
37,682	-	77	569	103,899
10,837	5,718	45,829	3,853	75,217
8,472	-	30,727	1,240	204,645
8,823	-	6,115	4,990	73,769
-	-	-	-	59,283
-	1,760	5,562	715	41,140
546,719	260,857	384,655	107,941	2,289,455
-	-	19,528	155	59,780
-	60,281	34,203	46,843	447,513
24,176	-	490,617	15,500	575,480
1,422,228	-	28,200	20,079	2,039,478
-	39	1,363	237	1,639
-	-	-	-	1,520,135
-	-	3,175	635	3,810
-	-	-	-	277,710
-	-	18,058	-	26,374
18,239	841,793	688,736	167,945	1,902,640
9	209	9,033	3,137	12,388
1,464,652	902,322	1,292,913	254,531	6,866,947
2,011,371	1,163,179	1,677,568	362,472	9,156,402
$ 22,106	$ 18,143	$ 17,636	$ 1,811	$ 94,455
$ 6,653	$ 22,633	$ 18,857	$ 13,579	$ 72,140
-	4,144	-	855	4,999
-	-	-	897	4,127
355	-	-	31	801
-	-	-	1,078	81,659
-	-	-	-	40,519
20,950	17,350	13,574	793	262,356
-	-	162	-	162
5,623	-	-	-	28,395
17,662	12,460	19,222	1,035	59,793
-	11,682	45,806	1,032	85,653
51,243	68,269	97,621	19,300	640,604
-	-	-	315	5,345
-	-	-	-	42,419
1,579,789	641,968	151,798	7,623	4,590,993
-	-	1,307	-	1,307
2,819	15,351	-	5,237	75,163
-	52,858	-	760	57,540
18,409	1,083	80,372	-	99,864
1,601,017	711,260	233,477	13,935	4,872,631
1,652,260	779,529	331,098	33,235	5,513,235
1,003	8,840	58,565	565	91,800
2,768	353,317	550,019	159,530	1,236,344
343,293	93,979	558,186	128,104	1,992,053
34,153	(54,343)	197,336	42,849	417,425
$ 380,214	$ 392,953	$ 1,305,541	$ 330,483	$ 3,645,822

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	Finance Authority Of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	$ 37,650	$ 137,319	$ 21,833	$ 66,733
Program Revenues				
Charges for Services	18,880	3,203	20,120	51,321
Program Investment Income	1,273	3,563	779	281
Operating Grants & Contributions	18,547	47,671	-	224
Capital Grants & Contributions	-	5,007	-	73,025
Net Revenue (Expense)	1,050	(77,875)	(934)	58,118
General Revenues				
Unrestricted Investment Earnings	7,687	10,256	52	29
Non-program Specific Grants, Contributions & Appropriations	-	99,796	-	-
Miscellaneous Revenues	-	1,138	113	2,247
Gain (Loss) on Assets Held for Sale	-	-	-	-
Special Items	-	-	-	4,200
Total General Revenues	7,687	111,190	165	6,476
Change in Net Position	8,737	33,315	(769)	64,594
Net Position, Beginning of Year	47,504	209,384	60,916	812,950
Net Position, End of Year	$ 56,241	$ 242,699	$ 60,147	$ 877,544

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
$ 281,875	$ 104,023	$ 703,461	$ 179,075	$ 1,531,969
73,912	115,460	273,864	30,961	587,721
1,942	-	105,254	8	113,100
217,041	-	168,182	126,000	577,665
-	-	8,225	5,520	91,777
11,020	11,437	(147,936)	(16,586)	(161,706)
132	1,179	22,485	15,938	57,758
-	-	325,475	16,142	441,413
-	4,989	-	5,041	13,528
-	(4,620)	(2,395)	-	(7,015)
-	(3,863)	-	-	337
132	(2,315)	345,565	37,121	506,021
11,152	9,122	197,629	20,535	344,315
369,062	383,831	1,107,912	309,948	3,301,507
$ 380,214	$ 392,953	$ 1,305,541	$ 330,483	$ 3,645,822


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NOTES TO THE FINANCIAL STATEMENTS

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Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

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

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

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

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

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

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

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

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

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

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

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

The Maine Municipal Bond Bank issues bonds on behalf of counties, cities, towns, school administrative districts, community school districts, or other quasi-municipal corporations or eligible borrowers as designated by the Legislature (the "governmental units") within the State. The Bond Bank is also authorized by the Legislature to issue bonds on behalf of the State of Maine to finance qualified transportation projects and payments to healthcare providers, to be repaid by taxes, fees and grant and liquor revenues. The Governor appoints three residents of the State to the five-member Board of Commissioners. The remaining two members include the Treasurer of State and Superintendent of Financial Institutions who serve as commissioners, *ex officio*.

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

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

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

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

Finance Authority of Maine
5 Community Dr.
PO Box 949
Augusta, ME 04432

Maine Health and Higher
Education Facilities Authority
PO Box 2268
Augusta, ME 04338

Maine Public Employees
Retirement System
PO Box 349
Augusta, ME 04332-0349

Maine Turnpike Authority
2360 Congress Street
Portland, ME 04102

Maine Community
College System
323 State Street
Augusta, ME 04330

Maine Municipal Bond
Bank
PO Box 2268
Augusta, ME 04338

Maine State Housing
Authority
26 Edison Drive
Augusta, ME 04330-6046

University of Maine
System
5703 Alumni Hall, Suite 101
Orono, ME 04469

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

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

Restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports $682.2 million of restricted net position, of which $510.9 million is restricted by enabling legislation.

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

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

Fund Financial Statements

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Measurement Focus and Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements except for custodial 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 Permanent School Fund.

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

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

D. Fiscal Year-Ends

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

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

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

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

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

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

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

Investments Held on Behalf of Others
These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds $129.0 million of Workers' Compensation, $64.2 million of Bureau of Insurance, and $42.0 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

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

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

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

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

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

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

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

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

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

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

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

Accounts Payable
Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate recorded at June 30, 2021 is $227.1 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, 2021 but paid after the fiscal year end are also reported in the funds. Approximately 55 percent of the governmental fund compensated absences are liquidated by the general fund. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

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

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

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

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

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

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

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

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

The State reported the following fund balance restrictions:

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

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

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

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

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

F. REVENUES AND EXPENDITURES/EXPENSES

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

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

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

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

G. RISKS AND UNCERTAINTIES

The Worldwide Health Organization declared COVID-19 a global pandemic on March 11, 2020. The impact of the pandemic and significant related restrictive measures affected operations and performance in fiscal year 2021 and is likely to affect operations in fiscal year 2022. In late March 2020, a variety of federal legislation was passed, including, but not limited to, the Coronavirus Aid, Relief, and Economic Security Act (CARES) that provides certain relief to partially mitigate the economic impact of the pandemic. The State of Maine received $1.25 billion of direct relief provided under the CARES Act through the Coronavirus Relief Fund (CRF). In March 2021, the American Rescue Plan Act of 2021, also known as ARPA, was signed into law. This federal legislation is intended to provide funding to combat the COVID-19 pandemic, including public health and economic impacts. The State of Maine was awarded $997.5 million of Coronavirus State Fiscal Recovery Funds (CSFRF) payable in two tranches. The first tranche, $498.75 million was received during fiscal year 2021. The second tranche, in an equal amount, is expected to be received in fiscal year 2022.

The COVID-19 pandemic has significantly affected travel, commerce and financial markets globally. The degree of impact on the State's operations and finance is extremely difficult to predict due to uncertainties relating to the duration and severity of the COVID-19 outbreak. In response, the Maine Consensus Economic Forecasting Commission and the Maine Revenue Forecasting Committee are meeting frequently to monitor and update the economic and revenue forecasts to reflect the impact of the COVID-19 pandemic.

NOTE 2 - BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Appropriation Limits

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

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

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

Budget Stabilization Fund
The Maine Budget Stabilization Fund ("BSF"), a fund designation established under Title 5 MRSA C. 142, is included in the $338.3 million unassigned General Fund fund balance. The BSF had a balance of $491.9 million. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. The State Controller is required to transfer to the fund 80 percent of the amount available from the unappropriated surplus after all required deductions of appropriations, budgeted financial commitments and adjustments at the close of each fiscal year when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required $223.6 million transfer for fiscal year 2021. The State Controller also transferred $8.0 million from the General Fund unappropriated surplus to the Budget Stabilization Fund in accordance with Public Law 2021, Chapter 1, Part FF-1.

The statutory cap for the fund is 18 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2021 actual General Fund revenue, the statutory cap at the close of fiscal year 2021 and during fiscal year 2021 was $813.7 million. At the close of fiscal year 2021, the balance of the Maine Budget Stabilization Fund was $491.9 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	$ 258,747
Increase in fund balance	233,168
Balance, end of year	$ 491,915

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

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as supplemental budgets or separate pieces of legislation. For the year ended June 30, 2021, the Legislature decreased appropriations to the General Fund by $179.5 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, 2021 are detailed on the following pages.

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
General Fund:				
Education	$ -	$ -	$ -	$ 42,853
Economic & Community Development	-	-	-	1,173
Governmental Support & Operations	-	12,177	-	87,742
Treasury	-	-	-	19,711
Health & Human Services	-	-	10,165	242,639
Public Safety	-	975	-	1,833
Justice & Protection	-	-	-	17,443
Defense, Veterans & Emergency Management	-	-	-	1,693
Inland Fisheries & Wildlife	-	3,741	-	-
All Other	4,584	-	-	518
Total	$ 4,584	$ 16,893	$ 10,165	$ 415,605
Highway Fund:				
Transportation, Highway & Bridge Construction	$ -	$ 56,673	$ -	$ -
Total	$ -	$ 56,673	$ -	$ -
Federal Fund:				
Economic Development & Workforce Training	$ -	$ 3,089	$ -	$ -
Help America Vote Act (HAVA) Election Security	-	6,660	-	-
Health & Human Services	-	4,322	-	-
Centers for Disease Control	-	1,378	-	-
Substance Abuse & Mental Health	-	2,537	-	-
Office of Child & Family Services	-	2,226	-	-
Transportation - Highway & Bridge Construction	-	11,455	-	-
All Other	30,265	-	-	-
Total	$ 30,265	$ 31,667	$ -	$ -
Other Special Revenue Fund:				
Workers Compensation Board	-	11,678	5,599	-
Professional & Financial Regulation	-	40,154	32,115	679
Public Utilities Commission	-	4,160	10,930	1,331
Education	-	2,778	1,728	4,954
Higher Education	-	-	10,000	-
Economic & Community Development	-	11,907	8,182	15,636
Tourism Marketing Promotion Fund	-	-	12,446	-
Governmental Support & Operations	-	79,113	23,453	6,232
Bonds for Highway & Bridge Construction	-	181,130	-	-
State Facilities Capital Improvements	-	-	51,093	-
COVID Economic Relief Fund	-	-	150,000	-
Transportation Highway and Bridge Reserve Fund	-	-	50,000	-
Medical Marijuana Use Fund	-	-	9,477	-
Unorganized Territory Education	-	10,816	-	-
Municipal Excise Tax Reimbursement Fund	-	-	7,175	-
Fund for Healthy Maine	-	-	38,766	-
Office of Family Independence	-	6,159	391	2,074
Substance Abuse & Mental Health	-	-	11,333	4,804
Centers for Disease Control & Prevention	-	2,309	3,728	1,218
MaineCare	-	21,262	-	68,215
Defense, Veterans & Emergency Management	-	1,786	7,773	-
Justice & Protection	-	134,578	4,569	6,349
Public Safety	-	12,802	-	2,292
Agriculture & Conservation	-	4,801	9,381	12,245
Inland Fisheries & Wildlife	-	16,135	-	-
Marine Resources	-	6,375	2,054	2,258
Bureau of Agriculture PFAS Reserve Fund	-	-	10,000	-
Aerial Fire Suppression Fund	-	-	6,881	-
Land for Maine's Future Fund	-	-	40,000	-
Uncontrolled Sites Fund	-	25,465	-	-
Ground and Surface Waters Cleanup Fund	-	6,951	-	-
Environmental Protection Fund	-	-	9,726	-
Transportation Safety & Development	-	8,012	2,476	3,315
Transportation - Highway & Bridge Construction	-	101,654	7,665	-
Multimodal Transportation	-	-	21,188	-
All Other	-	-	-	-
Total	$ -	$ 690,025	$ 548,129	$ 131,602

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Permanent
Other Governmental Funds:			
Capital Projects - Agriculture & Conservation	$ -	$ 4,387	$ -
Capital Projects - Higher Education	-	3,878	-
Capital Projects - Highway & Bridge Construction	-	8,442	-
Capital Projects - Multimodal Transportation	-	25,686	-
Capital Projects - Economic & Community Development	-	1,230	-
Capital Projects - Environmental Protection	-	35,475	-
Capital Project - Treasury	-	3,150	-
Permanent Funds - Baxter Park	-	-	11,653
Permanent Funds - All Others	-	-	38,683
Special Revenue Funds - Baxter Park	-	113,339	-
Special Revenue Funds - All Other	-	197	-
Total	$ -	$ 195,784	$ 50,336

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

ACCOUNTING CHANGES

GASB Statement No. 84, *Fiduciary Activities,* as amended by paragraphs 4 and 5 of GASB Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. This Statement also is intended to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries. GASB Statement No. 97 requirements will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

The changes in the table below are primarily the result of implementing GASB 84.

(Expressed in Thousands)

	Statement of Activities			Statement of Fiduciary Activities		
				Private Purpose Trusts	Custodial Funds	
	Governmental Activities	Business-Type Activities	Total		Bureau of Insurance and Other Custodial Funds	Self-Insured and Other Custodial Funds
June 30, 2020 Net Position	$ 445,896	$ 628,000	$ 1,073,896	$ 79,100	$ -	$ -
Recognize net position balance for formerly reported agency funds	-	-	-	-	77,773	5,247
Reclassify the Permanent School Fund and its related expendable interest fund	4,590	-	4,590	(4,590)	-	-
Reclassify the Competitive Scholarship Fund as an Enterprise Fund	-	1,970	1,970	-	-	(1,970)
Change in Net Position	$ 450,486	$ 629,970	$ 1,080,456	$ 74,510	$ 77,773	$ 3,277

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. This Statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement replaces references in authoritative literature to the term *comprehensive annual financial report* but does not otherwise establish new accounting and financial reporting requirements.

Other Restatements

As a result of a court settlement, the $24.7 million permanent fund Baxter Wilderness Trust and its companion $0.4 million expendable revenue Baxter Park Wilderness Trust were removed from the State's financial statements.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

PROPRIETARY FUNDS

Five internal service funds showed deficits for the fiscal year ended June 30, 2021. The Workers' Compensation Fund reported a deficit of $21.5 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of $5.8 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $5.7 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 $34.5 million and $58.7 million, respectively. These deficits are primarily the result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, which required the recognition of the entire net pension and postemployment benefits other than pension liability.

Two enterprise funds showed deficits for the fiscal year ended June 30, 2021. Maine Military Authority reported a deficit of $6.0 million. Maine Military Authority significantly reduced its operation and workforce in Fiscal Year 2019. As a result, the fund incurred a loss on the disposal of its assets. The Consolidated Emergency Communications Fund reported a deficit of $6.3 million. The deficit is primarily the result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, which required the recognition of the entire net pension and postemployment benefits other than pension liability.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

The Primary Government's Deposits and Investments, excluding component units that are fiduciary in nature, at June 30, 2021 are as follows:

Primary Government Deposits and Investments
(Expressed in Thousands)

	Governmental Activities	Business-Type Activities	Private Purpose Trusts	Custodial Funds	Total
Equity in Treasurer's Cash Pool	$ 3,443,283	$ 29,095	$ 500	$ 84,464	$ 3,557,342
Cash and Cash Equivalents	217	1,188	5,466	27	6,898
Cash with Fiscal Agent	297,120	-	-	-	297,120
Investments	163,686	-	23,318	-	187,004
Restricted Equity in Treasurer's Cash Pool	86,680	-	-	-	86,680
Restricted Deposits and Investments	2,235	466,170	-	-	468,405
Investments Held on Behalf of Others	-	-	-	62,417	62,417
Total Primary Government	$ 3,993,221	$ 496,453	$ 29,284	$ 146,908	$ 4,665,866

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, 2021:

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	$ 145,970	$ 565,618	$ -	$ -	$ -	$ -	$ 711,588
US Treasury Notes	235,061	651,404	-	-	-	-	886,465
Corporate Notes and Bonds	25,254	-	-	-	-	-	25,254
Commercial Paper	438,406	-	-	-	-	-	438,406
Certificates of Deposit	37,108	115,963	-	-	-	-	153,071
Cash and Cash Equivalents	1,218	-	-	-	-	1,346,696	1,347,914
Unemployment Fund	-	-	-	-	-	466,170	466,170
Private-Purpose Trusts, Custodial Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	3,485	13,479	366	465	1,572	-	19,367
US Treasury Notes	7,233	20,476	7,181	-	919	1,968	37,777
Corporate Notes and Bonds	1,152	2,968	1,081	8,437	349	53,020	67,007
Other Fixed Income Securities	211	-	-	-	-	51,046	51,257
Commercial Paper	10,466	-	-	-	-	-	10,466
Certificates of Deposit	897	2,774	-	-	-	10,568	14,239
Money Market	-	-	-	-	-	4,767	4,767
Cash and Cash Equivalents	5,466	-	-	-	-	48,295	53,761
Equities	-	-	-	-	-	74,940	74,940
Other	-	-	-	-	-	6,297	6,297
	$ 911,927	$ 1,372,682	$ 8,628	$ 8,902	$ 2,840	$ 2,063,767	$ 4,368,746
Other Assets							
Cash with Fiscal Agent							297,120
Total Primary Government							$ 4,665,866

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, 2021 are presented below:

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

	A1	A	AA	AAA	BB	BBB	Not Rated	Total
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds								
Corporate Notes and Bonds	$ -	$ -	$ -	$ 25,254	$ -	$ -	$ -	$ 25,254
Commercial Paper	438,406	-	-	-	-	-	-	438,406
Private-Purpose Trusts, Custodial Funds, and Non-Major Special Revenue and Permanent Funds								
Corporate Notes and Bonds	-	1,197	313	702	-	2,299	62,496	67,007
Commercial Paper	10,466	-	-	-	-	-	-	10,466
Money Market	-	-	-	-	-	-	4,767	4,767
Other Fixed Income Securities	-	-	-	-	-	-	6,297	6,297
Total Primary Government	$ 448,872	$ 1,197	$ 313	$ 25,956	$ -	$ 2,299	$ 73,560	$ 552,197

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, 2021, 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 $165 million invested in non-negotiable certificates of deposit, certain CD's exceeded the FDIC insured amounts for the institutions at which they were held. However, certificates of deposits, money market accounts and regular cash deposits are all collateralized at a minimum of 100 percent with pledged securities or a Federal Home Loan Bank letter of credit.

The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by a counterparty, but not in the State's name.

The fair value of the trust's investments as of June 30, 2021 was $113.3 million and was comprised of the following (expressed in thousands):

	Percival Baxter Trust
U.S. Instrumentalities	$ 2,402
U.S. Treasury Notes	2,643
Corporate Notes and Bonds	4,016
Other Fixed Income Securities	18,401
Equities	74,705
Cash and Equivalents	854
Other	10,318
Total	$ 113,339

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2021 these disbursements, on average, exceeded $227 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

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

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

Level 2 - Inputs to the valuation method include:

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

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

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

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

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

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

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

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

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

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

The following table set forth by level, within the fair value hierarchy, the State of Maine's assets carried at fair value on a recurring basis as of June 30, 2021:

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	$ 422,598	$ -	$ 422,598	$ -
Corporate Notes and Bonds	82,893	53,020	29,801	72
U.S. Instrumentalities	729,237	-	729,237	-
U.S. Treasury Notes	910,970	910,270	-	700
Other Fixed Income Securities	51,177	35,957	854	14,366
Equities	73,505	73,505	-	-
Total	$ 2,270,380	$ 1,072,752	$ 1,182,490	$ 15,138

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.

The system did not have any derivative investments as of June 30, 2021 or during the year then ended

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

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

Cash collateral is invested in a short-term investment pool. Cash collateral may also be invested separately in "term loans." At June 30, 2021 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, 2021 was $168.2 million and $164.4 million, respectively.

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

COMPONENT UNITS

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

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 4.25 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 $161.7 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes $20.7 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

NOTE 6 - RECEIVABLES

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

Primary Government - Receivables
(Expressed in Thousands)

	Taxes	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:					
General	$ 591,659	$ 157,430	$ 1	$ (201,132)	$ 547,958
Highway	21,621	2,580	-	(27)	24,174
Federal	-	211,265	-	(60,620)	150,645
Other Special Revenue	15,726	125,920	3,707	(59,158)	86,195
Total Governmental Funds	629,006	497,195	3,708	(320,937)	808,972
Allowance for Uncollectibles	(125,441)	(195,142)	(354)		
Net Receivables	$ 503,565	$ 302,053	$ 3,354		$ 808,972
Proprietary Funds:					
Employment Security *	$ -	$ 111,122	$ -	$ (61,041)	$ 50,081
Nonmajor Enterprise	-	35,907	-	(123)	35,784
Internal Service	-	9,824	-	-	9,824
Total Proprietary Funds	-	156,853	-	(61,164)	95,689
Allowance for Uncollectibles	-	(61,164)	-		
Net Receivables	$ -	$ 95,689	$ -		$ 95,689

* Accounts receivable increased significantly in the Employment Security Major Enterprise Fund in fiscal year 2021 & 2020. This is due primarily to a significant increase in fraudulent claims activity associated with Pandemic Unemployment Assistance and emergency benefits provided in response to the Coronavirus Pandemic.

Component Units - Receivables
(Expressed in Thousands)

	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Finance Authority of Maine	$ 3,083	$ 94,517	$ (5,554)	$ 92,046
Maine Community College System	6,241	-	(1,011)	5,230
Maine Health and Educational Facilities Authority	140	545,579	-	545,719
Maine Municipal Bond Bank	527	-	-	527
Maine State Housing Authority	10,837	1,468,716	(8,806)	1,470,747
Maine Turnpike Authority	5,757	-	-	5,757
University of Maine System	66,425	29,302	(20,258)	75,469
Net Receivables	$ 93,010	$ 2,138,114	$ (35,629)	$ 2,195,495

NOTE 7 - INTERFUND TRANSACTIONS

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

Balances due within one year are recorded as Due to/Due from Other Funds. The balances of current interfund receivables and payables as of June 30, 2021 were:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 5,172	$ 11,986	$ -
Highway	82	92	18,953	18	-
Federal	5	-	182	1,745	-
Other Special Revenue	25,808	479	1,025	1,289	16
Other Governmental	-	-	-	-	-
Employment Security	-	-	6,408	-	-
Non-Major Enterprise	2,334	8	-	-	-
Internal Service	11,220	3,574	29,485	5,151	-
Fiduciary	46,197	-	-	-	-
Total	$ 85,646	$ 4,153	$ 61,225	$ 20,189	$ 16

	Due to Other Funds				
Due from Other Funds	**Employment Security**	**Non-Major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General	$ -	$ 4,999	$ 32,494	$ -	$ 54,651
Highway	-	-	10	-	19,155
Federal	3,835	-	-	-	5,767
Other Special Revenue	-	8,836	323	-	37,776
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	6,408
Non-Major Enterprise	-	-	-	-	2,342
Internal Service	-	419	6,646	7	56,502
Fiduciary	-	-	-	-	46,197
Total	$ 3,835	$ 14,254	$ 39,473	$ 7	$ 228,798

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 2021, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The General Fund transferred $150.0 million, $50.0 million, $45.0 million, $40.0 million and $40.0 million to the Other Special Revenue Fund, respectively, for: COVID Disaster Relief Payment Fund, Capital Construction and Improvement Reserve Fund, School Revolving Renovation Fund, MaineCare Stabilization Fund and the Land for Maine' Future Fund. The Liquor Operation Revenue Fund transferred $50.0 million to the unappropriated surplus of the General Fund.

Interfund transfers for the year ended June 30, 2021 consisted of the following:

Interfund Transfers
(Expressed in Thousands)

	Transferred From				
Transferred To	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 462	$ 72,864	$ -
Highway	2,573	-	10,286	12,571	-
Federal	-	-	-	10,079	-
Other Special Revenue	714,108	6,404	916	7,517	4,121
Employment Security	-	-	4,433	-	-
Non-Major Enterprise	-	-	-	6,092	-
Internal Service	3,222	-	-	-	-
Total	$ 719,903	$ 6,404	$ 16,097	$ 109,123	$ 4,121

	Transferred From				
Transferred To	**Employment Security**	**Non-Major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General	$ -	$ 70,648	$ -	$ 14,637	$ 158,611
Highway	-	-	-	-	25,430
Federal	3,643	-	-	-	13,722
Other Special Revenue	-	61,191	-	117	794,374
Employment Security	-	-	-	-	4,433
Non-Major Enterprise	-	-	-	-	6,092
Internal Service	-	-	-	-	3,222
Total	$ 3,643	$ 131,839	$ -	$ 14,754	$ 1,005,884

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, 2021:

Primary Government - Capital Assets
(Expressed in Thousands)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 649,952	$ 4,942	$ 305	$ 654,589
Construction in progress	80,121	108,785	15,593	173,313
Infrastructure	2,959,855	28,435	-	2,988,290
Total capital assets not being depreciated	3,689,928	142,162	15,898	3,816,192
Capital assets being depreciated				
Buildings	881,631	13,244	4,085	890,790
Equipment	323,110	32,197	13,806	341,501
Improvements other than buildings	105,064	6,690	-	111,754
Software	118,777	2,909	-	121,686
Total capital assets being depreciated	1,428,582	55,040	17,891	1,465,731
Less accumulated depreciation for				
Buildings	382,989	22,199	2,287	402,901
Equipment	239,273	22,429	9,230	252,472
Improvements other than buildings	65,309	3,685	-	68,994
Software	84,228	15,757	-	99,985
Total accumulated depreciation	771,799	64,070	11,517	824,352
Total capital assets being depreciated, net	656,783	(9,030)	6,374	641,379
Governmental Activities Capital Assets, net	$ 4,346,711	$ 133,132	$ 22,272	$ 4,457,571

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated				
Land	$ 2,389	$ -	$ -	$ 2,389
Construction in progress	12,491	4,955	-	17,446
Total capital assets not being depreciated	14,880	4,955	-	19,835
Capital assets being depreciated				
Buildings	4,655	-	-	4,655
Equipment	24,683	-	19	24,664
Improvements other than buildings	42,757	-	-	42,757
Total capital assets being depreciated	72,095	-	19	72,076
Less accumulated depreciation for				
Buildings	3,180	134	-	3,314
Equipment	12,170	650	19	12,801
Improvements other than buildings	34,420	1,489	-	35,909
Total accumulated depreciation	49,770	2,273	19	52,024
Total capital assets being depreciated, net	22,325	(2,273)	-	20,052
Business-Type Activities Capital Assets, net	$ 37,205	$ 2,682	$ -	$ 39,887

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	$ 10
Business Licensing and Regulation	386
Economic Development and Workforce Training	1,646
Education	243
Governmental Support and Operations	10,750
Health and Human Services	16,501
Justice and Protection	15,990
Natural Resources Development and Protection	5,538
Transportation Safety and Development	13,006
Total Depreciation Expense - Governmental Activities	$ 64,070

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, 2021, there were 78 employers participating in these plans. The 1,480 participants individually direct the $60.5 million covered by the plans.

The System issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2021 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, 2020. 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, 2021 there were 238 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, 2020:

Employees of single employer covered by benefit terms

	Judicial	Legislative
Inactive employees or beneficiaries currently receiving benefits	83	206
Terminated participants:		
Vested	3	117
Inactive employees due refunds	1	94
Active employees	58	179
Total participants	145	596

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 .93 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, 2021 and June 30, 2020 are as follows:

	June 30, 2021	June 30, 2020
SETP - State Employees		
Employees [2]	7.65% - 8.65%	7.65% - 8.65%
Employer [1]	20.93% - 32.68%	20.93% - 32.68%
SETP - Teachers		
Employees [2]	7.65%	7.65%
Employer [1]	4.16%	4.16%
Non-employer entity [1]	14.33%	14.33%
Judicial Plan		
Employees [2]	7.65%	7.65%
Employer [1]	8.89%	8.89%
Legislative Plan		
Employees [2]	7.65%	7.65%
Employer [1]	0.00%	0.00%
Consolidated Participating Local Entities		
Employees [2]	3.85% - 9.50%	3.85% - 9.50%
Employer [1]	5.20% - 16.00%	4.10% - 16.20%

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

For the year ended June 30, 2021, 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	$ 154,513
1 Major and Non-major Component Unit and 1 formerly reported component unit.	8,059
Subtotal State & Component Unit Members	$ 162,572
Teacher Members (Non-employer contribution)	$ 174,093

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, 2020, 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, 2020	$ 69,317	$ 73,638	$ (4,321)	$ 9,067	$ 13,248	$ (4,181)
Changes for the Year:						
Service Cost	1,609	-	1,609	335	-	335
Interest	4,645	-	4,645	611	-	611
Differences Between Expected and Actual Experience	943	-	943	414	-	414
Benefit Payments, Including Refunds	(4,317)	(4,317)	-	(698)	(698)	-
Employer Contributions	-	716	(716)	-	-	-
Member Contributions	-	617	(617)	-	157	(157)
Transfers	-	765	(765)	-	366	(366)
Net Investment Income	-	2,165	(2,165)	-	391	(391)
Administrative Expense	-	(69)	69	-	(14)	14
Net Changes	2,880	(123)	3,003	662	202	460
Balances at June 30, 2021	$ 72,197	$ 73,515	$ (1,318)	$ 9,729	$ 13,450	$ (3,721)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			101.8 %			138.2 %
Covered Payroll			$ 8,054			$ 2,814
Net Pension Liability as a Percentage of Covered Payroll			(16.4)%			(132.2)%

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

The State's net pension liability was measured as of June 30, 2020, 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, 2021 and June 30, 2020 is as follows:

(Expressed in Thousands)

Pension Plan	Proportionate Share June 30, 2020	Proportionate Share June 30, 2021	Net Pension Asset June 30, 2021	Net Pension Liability June 30, 2021
SETP - State Employees [1]	94.775523 %	95.090771 %	$ -	$ 1,129,955
SETP - Teachers [2]	95.540502 %	95.704826 %	-	1,562,144
Total Primary Government			-	2,692,099
SETP - 1 Major and Non-major Component Unit and 1 formerly reported component unit [1]	5.224477 %	4.909229 %	$ -	$ 58,336

[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, 52 percent is posted to the General Fund, 20 percent to Other Special Revenue Funds, 15 percent to Highway Funds and 13 percent to Federal Funds.

Proportion	June 30, 2020	June 30, 2021	Change Increase (Decrease)
Governmental Funds	91.32 %	91.39 %	0.07 %
Internal Service Funds	7.40 %	7.29 %	(0.11)%
Enterprise Funds	1.28 %	1.33 %	0.05 %

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	$ 77,435	$ 3,998	$ 81,433	$ 149,794
Interest	321,020	16,573	337,593	630,651
Changes in Benefit Terms	1,164	60	1,224	-
Differences Between Expected and Actual Experience	49,482	2,555	52,037	(51,875)
Benefit Payments, Including Refunds of Member Contributions	(305,682)	(15,781)	(321,463)	(561,157)
Change in Proportionate Share	16,010	(16,010)	-	-
Net Change in Total Pension Liability	159,429	(8,605)	150,824	167,413
Beginning Total Pension Liability	4,812,747	265,302	5,078,049	9,469,174
Ending Total Pension Liability	4,972,176	256,697	5,228,873	9,636,587
Plan Fiduciary Net Position				
Employer Contributions	155,629	8,035	163,664	61,638
Non-employer Contributions	-	-	-	174,531
Member Contributions	49,508	2,556	52,064	99,375
Transfers	(1,125)	(58)	(1,183)	(1,085)
Net Investment Income	113,192	5,844	119,036	235,238
Benefit Payments, Including Refunds of Member Contributions	(305,682)	(15,781)	(321,463)	(561,157)
Change in Proportionate Share	12,713	(12,713)	-	-
Administrative Expense	(3,614)	(187)	(3,801)	(7,544)
Net Change in Plan Fiduciary Net Position	20,621	(12,304)	8,317	996
Beginning Plan Fiduciary Net Position	3,821,600	210,665	4,032,265	8,003,339
Ending Plan Fiduciary Net Position	3,842,221	198,361	4,040,582	8,004,335
Ending Net Pension Liability	$ 1,129,955	$ 58,336	$ 1,188,291	$ 1,632,252
Proportion				
June 30, 2021	95.090771 %	4.909229 %	100 %	95.704826 %
June 30, 2020	94.775523 %	5.224477 %	100 %	95.540502 %
Change - Increase (Decrease)	0.315248 %	(0.315248)%	0 %	0.164324 %

[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, 2020 and 2019 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 2018 actuarial valuation developed as a roll-forward of the 2017 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2018 using assets as of June 30, 2018. The individual entry age normal method is used to determine liabilities. A 3-year smoothed market approach is used for the asset valuation method. Each plan's unfunded actuarial liability is being amortized as a level percentage of payroll. For the SETP, prior to 2012, the amortization method used a closed 16-year amortization of UAL. Beginning in 2012, the amortization method used individual, closed, 10-year amortization of UAL arising each year. The amortization period used by both the Judicial and Legislative Plans is an open 10-year amortization of the 2016 UAL. The investment rate of return used for contributions in 2018 was 6.75 percent. The investment rate of return, inflation rate and annual salary increases, including inflation were 6.75 percent in 2018 (reduced from 6.875 percent), 2.75 percent and 2.75 percent plus merit component based on employee's years of service, respectively. All plans used a 2.20 percent cost-of-living. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The Judicial and Legislative Plans assume that 100 percent retirement occurs at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50 percent are assumed to retire each year after reaching age 65.

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

ANNUAL PENSION COST AND NET PENSION LIABILITY

For the year ended June 30, 2021, the State recognized pension expense of $373,198 which includes $207,153 of teacher pensions recorded in grant expense.

PENSION COSTS
(Expressed in Thousands)

SETP - State of Maine Pension Expense	$ 165,926
SETP - Teachers Non-Employer Pension Expense (grant expense)	207,153
Legislative Pension Expense	9
Judicial Pension Expense	110
	$ 373,198

At June 30, 2021, the State reported $547,388 of deferred outflows of resources and $33,285 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of $343,817 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, 2022. 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	$ 49,497	$ -	$ 2,555	$ -	$ 52,052	$ -
Net difference between projected and actual earnings on pension plan investments	32,475	-	1,677	-	34,152	-
Changes in proportion and differences between State contributions and proportionate share of contributions	2,927	188	174	2,914	3,101	3,102
State and component unit contributions subsequent to the measurement date	164,184	-	8,114	-	172,298	-
Total	$ 249,083	$ 188	$ 12,520	$ 2,914	$ 261,603	$ 3,102
For the Year Ended						
2022	3,889		(1,473)		2,416	
2023	23,785		21		23,806	
2024	28,608		1,476		30,084	
2025	28,432		1,468		29,900	
2026	-		-		-	

	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	$ 49,967	$ 33,097	$ -	$ -	$ 471	$ -
Net difference between projected and actual earnings on pension plan investments	64,762	-	110	-	572	-
Changes in proportion and differences between State contributions and proportionate share of contributions	2,790	-	-	-	-	-
State and component unit contributions subsequent to the measurement date	178,880	-	14	-	739	-
Total	$ 296,399	$ 33,097	$ 124	$ -	$ 1,782	$ -
For the Year Ended						
2022	(26,646)		(106)		(154)	
2023	(3,325)		21		111	
2024	57,497		98		545	
2025	56,896		97		541	
2026	-		-		-	

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

Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Public Equities	30.0 %	6.0 %
U.S. Government	7.5 %	2.3 %
Private Equity	15.0 %	7.6 %
Real Assets:		
Real Estate	10.0 %	5.2 %
Infrastructure	10.0 %	5.3 %
Natural Resources	5.0 %	5.0 %
Traditional Credit	7.5 %	3.0 %
Alternative Credit	5.0 %	7.2 %
Diversifiers	10.0 %	5.9 %

The discount rate used to measure the collective total pension liability was 6.750 percent for the 2020 and 2019 actuarial valuations for the State Employee and Teacher Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NET PENSION LIABILITY SENSITIVITY

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

(Expressed in Thousands)

Defined Benefit Plans Administered Through MPERS	**1% Decrease (5.750%)**	**Current Discount Rate (6.750%)**	**1% Increase (7.750%)**
State Employee and Teacher Pension Plan:			
State & Component Unit Members			
State Employees	$ 1,338,964	$ 1,129,956	$ 377,419
Maine Community College System	60,482	51,041	17,048
2 Formerly Reported Component Units.	8,644	7,295	2,437
Subtotal State & Component Unit Members	1,408,090	1,188,292	396,904
Teacher Members (100%)	2,830,805	1,632,252	633,284
Total State Employee and Teacher Pension Plan	$ 4,238,895	$ 2,820,544	$ 1,030,188
Judicial Pension Plan	5,068	(1,318)	(6,880)
Legislative Pension Plan	(2,759)	(3,721)	(4,557)

RECOGNITION OF CHANGES - EXCEPTIONS

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

Differences Between Expected and Actual Experience The difference between actual and expected experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2020, this was one year for the Legislative Plan, two years for the Judicial Plan and three years for the State Employee and Teacher Plan. Prior to 2017, this was two years for the Legislative Plan.

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

Changes in Assumptions Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015.

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

COMPONENT UNIT PARTICIPANTS

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

POST RETIREMENT HEALTHCARE PLANS AND BENEFITS

State Employees

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

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

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

Teachers and First Responders

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

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

County and municipal law enforcement officers and municipal firefighters began coverage in fiscal year 2008 with the State contributing 45 percent of the retiree-only premium of their respective plans. Public Law 2019, Chapter 446 §2 changed a number of plan provisions. Effective July 1, 2021 the applicable premium subsidy is 55 percent. The State's premium subsidy is outlined in Title 5 MRSA §286-M ¶6, as referenced in Title 5 MRSA §285 ¶11-A, as being the cost of the retiree's share of the individual premium for the standard plan identified and offered under the group health insurance plan in which the retiree enrolls. The plan change also enables an enrollee to participate in the group health insurance plan in which the enrollee's spouse participates if that plan is offered in this State or in another group health insurance plan that is offered in this State. Active employees may elect to enroll in the plan on different dates based on date of hire. A special open enrollment period exists for all active employees from October 1, 2019 through December 31, 2021. The State subsidy ends after the retiree is eligible for Medicare. First Responders are eligible if they retire after age 50 with 25 or more years of service and receive a retirement benefit from either the MPERS or a defined contribution plan. If retirees have fewer than 25 years of service, the normal retirement benefit must be at least 50 percent of final average compensation. Retirees must also participate in their employer's health insurance plan or other fully insured health plan for at least five years. Retirees can elect to participate in the plan at their retirement date. If participation is waived at that time, the retiree is ineligible to participate at a later date.

POST RETIREMENT GROUP LIFE INSURANCE PLAN

The Maine Public Employees Retirement System (the System) is a component unit of the State of Maine. For financial reporting purposes, the System administers two multiple-employer cost-sharing, defined benefit Group Life Insurance Plans (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers), members of the Judiciary and the Legislature, which are eligible for membership in the System. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the plan. Group life insurance benefits are also provided to employees of approximately 140 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine that elect to participate under provisions of the relevant statutes.

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

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

The System issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2021 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349 or on-line at www.mainepers.org.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State and the System's fiduciary financial statements are prepared on the accrual basis of accounting. Premiums are recognized when due and benefits are paid when incurred using the accrual basis of accounting. Premium refunds reduce premium revenue and claims recoveries reduce claims expense. Investment income is recognized when earned. In addition, an estimate is made for group life insurance death benefits incurred before year end but not reported to the System until after year end. Group life insurance death benefits incurred but not reported are reflected as other liabilities.

CONTRIBUTIONS AND RESERVES

The State Employees Health Insurance Committee establishes contributions to the plan by member employers and employees annually. Both active and retired members pay the same premium rate. Claims liabilities of the plan are periodically computed using statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants.

INVESTMENTS

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value of shares in managed investment pools is based on unit values reported by the funds. The fair value of other investments, including real estate holdings and mortgage participation agreements, are based on third-party appraisals and valuations provided by the sponsor of the agreement. Investment purchases and sales are recorded as of their trade date. Proceeds related to securities sold not yet purchased are carried as a liability and adjusted to the fair value of the securities.

PLAN MEMBERSHIP

Membership in the OPEB plans is as follows:

	Healthcare			Group Life	
	State Employees	Teachers	First Responders	State Employees*	Teachers
Actives	11,886	27,236	598	11,362	14,592
Retirees	8,848	10,292	121	8,768	7,437
Inactives Vested	134	533	-	-	-
Total	20,868	38,061	719	20,130	22,029

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

STATE EMPLOYEE HEALTHCARE FUNDING POLICY

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

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

TEACHERS PLAN AND FIRST RESPONDERS PLAN HEALTHCARE FUNDING POLICY

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

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

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

GROUP LIFE INSURANCE FUNDING POLICY

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims and cover administrative costs. For State employee, legislative and judicial classes, the premiums for retiree life insurance coverage are factored into the premiums paid for Basic coverage while participants are active members. The State remits premiums at a single rate that supports basic coverage for active and retired State employees. This rate is 82 cents per month for every $1,000 of coverage. Premiums for retiree life insurance coverage for retired teachers are paid by the State based on a rate of 33 cents per $1,000 of coverage per month during the post-employment retirement period.

CHANGES IN THE TOTAL OPEB LIABILITY

The changes in total OPEB liabilities are as follows:

(Expressed in Thousands)

	Healthcare Increase (Decrease)	
	Teachers	First Responders
Balances at June 30, 2020	$ 1,441,260	$ 27,506
Changes for the Year:		
Service Cost	44,132	1,142
Interest	51,449	989
Contributions - Employee	-	(696)
Contributions - Non-Employer Contributing Entity	(31,133)	(242)
Administrative Expenses	-	132
Differences Between Expected and Actual Experience	846	(210)
Changes in Assumptions - Discount Rate	399,437	3,305
Net Changes	464,731	4,420
Balances at June 30, 2021	$ 1,905,991	$ 31,926
Covered Payroll	$ 1,276,975	$ 46,395
Total OPEB Liability as a Percentage of Covered Payroll	149.3 %	68.8 %
State's Proportionate Share of the Collective Total OPEB Liability	80 %	24 %

The State's proportionate share for fiscal years ended June 30, 2021 and June 30, 2020 was estimated using the same share of implicit subsidy for each school district's or municipality's OPEB Plan.

CHANGES IN NET OPEB LIABILITY

Changes in net OPEB liabilities are as follows:

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

	Healthcare	Group Life Insurance		
	State Employees	State Employees	Component Units and Others	Teachers
Total OPEB Liability				
Service Cost	$ (17,777)	$ (898)	$ (46)	$ (1,247)
Interest	(76,742)	(6,748)	(345)	(7,181)
Differences Between Expected and Actual Experience	(3,008)	(671)	(35)	117
Change in Proportion	-	36	(36)	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	48,714	4,363	223	3,591
Benefit Payments, Including Refunds of Member Contributions - Implicit	22,486	-	-	-
Net Change in Total OPEB Liability	(26,327)	(3,918)	(239)	(4,720)
Beginning Total OPEB Liability	(1,154,160)	(97,312)	(4,929)	(102,191)
Ending Total OPEB Liability	(1,180,487)	(101,230)	(5,168)	(106,911)
Plan Fiduciary Net Position				
Employer Contributions - Explicit	(48,714)	(4,598)	(235)	-
Employer Contributions - Implicit	(22,486)	-	-	-
Non-employer Contributions	-	-	-	(4,478)
Transfers	-	-	-	(3,131)
Net Investment Income	(13,859)	(1,664)	(89)	-
Changes in Proportion	-	13	(13)	-
Benefit Payments, Including Refunds of Member Contributions	71,200	4,363	223	3,591
Administrative Expense	3	355	19	644
Net Change in Plan Fiduciary Net Position	(13,856)	(1,531)	(95)	(3,374)
Beginning Plan Fiduciary Net Position	(277,703)	(35,179)	(1,782)	(63,656)
Ending Plan Fiduciary Net Position	(291,559)	(36,710)	(1,877)	(67,030)
Ending Net OPEB Liability	$ (888,928)	$ (64,520)	$ (3,291)	$ (39,881)
Proportion				
June 30, 2021	(100.000000)%	(95.146949)%	(4.853051)%	(100.000000)%
June 30, 2020	(100.000000)%	(94.999635)%	(5.000365)%	(100.000000)%
Change - Increase (Decrease)	0.000000 %	(0.147314)%	0.147314 %	0.000000 %
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	(24.698197)%	(36.263953)%	(36.319659)%	(62.697010)%

ACTUARIAL METHODS AND ASSUMPTIONS

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

State Health Insurance
The valuation date is June 30, 2019 rolled forward to June 30, 2020. Costs are developed using the entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 95 percent of active participants currently enrolled. Actuarial assumptions used in the June 30, 2020 and June 30, 2019 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2020 and June 30, 2019 include: a 6.75 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. The unfunded liability will be fully recognized by June 30, 2037. Assumption 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 6.20 percent at June 30, 2019 and 6.00 percent at June 30, 2020. 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.

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

Group Life Insurance
The valuation date is June 30, 2020. 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, 2020 and June 30, 2019 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 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. As of June 30, 2020, there were 17 years remaining in the amortization schedule for state employees and teachers. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees, rates are based on 104 percent and 120 percent for males and females, respectively. Teachers rates are based on 99 percent for both genders.

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, 2020 are summarized in the table in the plan section below.

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

Teachers Health Insurance

The valuation date is June 30, 2019 rolled forward to June 30, 2020. 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, 2020 and June 30, 2019 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2020 and June 30, 2019 include: using a 2.75 percent inflation rate and 3.00 percent annual salary increases. Since the State's portion of the Teachers' postretirement medical plans are not being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the index rate as of the measurement date of a 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 2.21 percent as of the measurement date, June 30, 2020, (3.50 percent as of June 30, 2019). The initial medical trend rate had been 6.20 percent at June 30, 2019 and 6.00 percent at June 30, 2020. The ultimate medical trend rate for both years was 4.29 percent reached at 2075. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For Teachers rates are adjusted based on 99 percent for males and females.

First Responders Health Insurance

The valuation date is June 30, 2019 rolled forward to June 30, 2020. 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 2.21 percent as of the measurement date, June 30, 2020, (3.50 percent as of June 30, 2019). Actuarial assumptions used in the June 30, 2020 and June 30, 2019 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Other significant actuarial assumptions employed by the actuary for June 30, 2020 and June 30, 2019 include using a 2.75 percent inflation rate and 3.00 percent annual salary increase. The initial medical trend rate had been 6.20 percent at June 30, 2019 and 6.00 percent at June 30, 2020. The ultimate medical trend rate for both years was 4.29 percent reached at 2075. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. Rates were adjusted 104 percent for males and 120 percent based on females.

OPEB EXPENSE AND DEFERRALS

For the year ended June 30, 2021, the State recognized OPEB expense of $219,700. Costs related to non-State employees are charged to the General Fund.

OPEB COSTS
(Expressed in Thousands)

SETP - State of Maine Healthcare OPEB Expense	$ 66,938
SETP - Teachers Non-Employer Healthcare OPEB Expense	141,953
First Responders Healthcare OPEB Expense	545
Group Life Insurance OPEB Expense - State Employees	5,848
Group Life Insurance OPEB Expense - Teachers (grant expense)	4,416
	$ 219,700

Of State employee costs charged to governmental funds, 51 percent is charged to the General Fund, 20 percent to Other Special Revenue Funds, 16 percent to the Highway Fund and 13 percent to Federal funds. At June 30, 2021, 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	$ 7,919	$ 31,595	$ 63,769	$ 3,078	$ -	$ 2,252
Changes of assumptions	317	-	418,664	114,850	2,841	3,184
Net difference between projected and actual earnings on OPEB plan investments	3,909	5,641	-	-	-	-
State and component unit contributions subsequent to the measurement date	75,095	-	28,719	-	658	-
Total	$ 87,240	$ 37,236	$ 511,152	$ 117,928	$ 3,499	$ 5,436
For the Year Ended						
2022	(8,840)		46,372		(1,022)	
2023	(7,885)		46,372		(1,022)	
2024	(8,383)		46,372		(1,022)	
2025	(6)		56,880		(239)	
2026	23		69,090		275	
Thereafter	-		99,419		435	

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	$ 1,284	$ -	$ 417	$ 104
Changes of assumptions	839	-	1,105	-
Net difference between projected and actual earnings on OPEB plan investments	-	52	-	149
Changes in proportion and differences between State contributions and proportionate share of contributions	239	93	-	-
State and component unit contributions subsequent to the measurement date	5,083	-	4,601	-
Total	$ 7,445	$ 145	$ 6,123	$ 253
For the Year Ended				
2022	215		(351)	
2023	540		222	
2024	678		468	
2025	656		982	
2026	128		(13)	
Thereafter	-		(39)	

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 %	9.00 %	2.30 %
Public Equity	70.00 %	6.00 %	70.00 %	6.00 %
Traditional Credit	16.00 %	3.00 %	16.00 %	3.00 %
Real Assets:				
Real Estate	5.00 %	5.20 %	5.00 %	5.20 %

For the year ended June 30, 2021, the annual money-weighted average rate of return on investments, net of investment expense was 30.6 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 the actuarially determined, contractually required rates. Based on the assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SENSITIVITY ANALYSIS

The following tables show how the collective OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The discount rate used for the funded healthcare plan is 6.75 percent. The discount rate used for unfunded healthcare plans is 2.21 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	$ 1,028,260	$ 888,928	$ 772,972
State Employee Group Life	$ 78,598	$ 64,518	$ 53,004
State Employee Group Life - DCU	$ 4,009	$ 3,293	$ 2,703
Teacher Group Life	$ 55,956	$ 39,881	$ 26,862
Total OPEB Liabilities			
Teacher Healthcare Plan	$ 2,314,793	$ 1,905,991	$ 1,585,874
First Responders Healthcare Plan	$ 34,801	$ 31,926	$ 29,327

Healthcare Cost Trend Rate
(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB State Employee Healthcare Plan	$ 746,392	$ 888,928	$ 1,062,502
Total OPEB Teacher Healthcare Plan	$ 1,522,189	$ 1,905,991	$ 2,425,923
Total OPEB First Responder Healthcare Plan	$ 28,493	$ 31,926	$ 35,957

For all plans, the current trend rate is 6.00 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, 2021 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, 2021 were as follows:

(Expressed in Thousands)

	State Employee Healthcare Plan	State and Teachers Group Life Insurance Benefit Plan
Total OPEB liability	$ 1,236,901	$ 223,516
Plan fiduciary net position	382,842	140,600
State of Maine's net OPEB liability	$ 854,059	$ 82,916
Plan fiduciary net position as a percentage of the total OPEB liability	30.95 %	62.90 %

Actuarial assumptions for both funded OPEB plans used in the June 30, 2021 valuations were based on results from an actuarial experience study for the period of June 30, 2016 to June 30, 2020. The individual entry age normal method is used to determine liabilities. Asset amounts are taken as reported to the actuaries by the System without audit or change. Specific health and group life insurance OPEB plans' actuarial assumptions are included in the plan specific section of this note. For the 2021 healthcare valuation, actuaries decreased the initial medical trend rate from 6.00 percent to 5.90 percent.

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

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class for the State Employee and Teacher Group Life Insurance Benefit Plan		
Public Equity	70.0 %	6.0 %
Real Estate	5.0 %	5.2 %
Traditional Credit	16.0 %	3.0 %
U.S. Government Securities	9.0 %	2.3 %
Asset Class for State Employee 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, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 30.6 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 6.50 percent.

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 1,001,114	$ 854,059	$ 731,899
State Employee and Teacher Group Life Insurance Benefit Plan	$ 116,908	$ 82,916	$ 55,417

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 5.90 percent grading down to 4.29 percent.

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 693,700	$ 854,059	$ 1,050,563

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 2021 were:

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

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
General Obligation Debt:					
General Fund	$ 570,490	$ 96,875	$ 77,700	$ 589,665	$ 83,845
Special Revenue Fund	2,210	-	2,210	-	-
Unamortized Premiums:					
General Fund	79,098	20,625	10,326	89,397	12,430
Total	$ 651,798	$ 117,500	$ 90,236	$ 679,062	$ 96,275

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2021 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2022	$ 83,845	$ 26,684	$ 110,529
2023	89,875	23,483	113,358
2024	89,870	19,597	109,467
2025	78,575	15,626	94,201
2026	68,315	12,080	80,395
2027-2031	179,185	20,517	199,702
Total	$ 589,665	$ 117,987	$ 707,652
Unamortized Premiums	89,397		
Total Principal	$ 679,062		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2021 are as follows:

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

	Amounts Issued	Outstanding June 30, 2021	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
General Fund:					
Series 2012	$ 49,265	$ 4,735	2013	2022	1.00% - 5.00%
Series 2014	112,945	33,880	2015	2024	0.20% - 5.00%
Series 2015	102,555	41,020	2016	2025	0.85% - 5.00%
Series 2016	97,705	48,850	2017	2026	1.00% - 5.00%
Series 2017	98,060	58,830	2018	2027	2.00% - 5.00%
Series 2019A	111,255	77,875	2019	2028	3.125% - 5.00%
Series 2019B	140,875	112,695	2020	2029	2.50% - 5.00%
Series 2020	114,905	114,905	2021	2030	1.25% - 5.00%
Series 2021	96,875	96,875	2022	2031	1.00% - 5.00%
		589,665			
Plus Unamortized Bond Premium		89,397			
Total General Fund		$ 679,062			

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, 2021, general obligation bonds authorized and unissued totaled $67.1 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included $377.8 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, 2021, MGFA issued $12.8 million in 2021A bonds with interest rates between 2.00 percent and 4.00 percent.

Also during the fiscal year ended June 30, 2021, MGFA issued $37.4 million in 2021B bonds with an average coupon rate of 1.67%, to in-substance defease a total of $34.3 million of 2013A and 2011A series bonds. The net proceeds of approximately $36.9 million, after payment of underwriting fees and other issuance costs, were used to purchase U.S. Government Securities which will provide for all debt service payments on defeased bonds through their respective call dates, from fiscal year 2022 through fiscal year 2024. The State in effect reduced aggregate debt service approximately $3.6 million over the next thirteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $3.6 million.

At June 30, 2021, there was $34.3 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 2021. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2021 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, 2021, are summarized as follows:

Primary Government - Changes in Other Long-Term Obligations

(Expressed in Thousands)

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Governmental Activities:					
MGFA Revenue Bonds	$ 383,935	$ 15,830	$ 21,980	$ 377,785	$ 19,388
COP's and Other Financing	37,849	29,490	13,815	53,524	10,380
Compensated Absences	61,772	15,912	9,359	68,325	10,347
Claims Payable	70,422	207,790	197,550	80,662	26,525
Capital Leases	53,722	2,792	7,027	49,487	5,300
Loans Payable to Component Unit	320,193	75,000	58,200	336,993	59,283
Total Governmental Activities	$ 927,893	$ 346,814	$ 307,931	$ 966,776	$ 131,223
Business-Type Activities:					
Compensated Absences	$ 948	$ 156	$ 125	$ 979	$ 149

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2021 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
2022	$ 5,146	$ 280	$ 5,426	$ 24,622	$ 15,200	$ 39,822
2023	4,412	196	4,608	25,666	14,126	39,792
2024	8,732	1,257	9,989	25,172	13,208	38,380
2025	7,456	320	7,776	24,406	12,313	36,719
2026	5,859	210	6,069	22,795	11,420	34,215
2027 - 2031	8,427	135	8,562	101,955	44,422	146,377
2032 - 2036	-	-	-	96,040	24,654	120,694
2037 - 2041	-	-	-	70,620	5,246	75,866
Total	$ 40,032	$ 2,398	$ 42,430	$ 391,276	$ 140,589	$ 531,865

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 2021 were:

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

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Loans Payable to Components Unit:					
Federal Funds	$ 138,541	$ 75,000	$ 20,101	$ 193,440	$ 19,697
Special Revenue Fund	181,652	-	38,099	143,553	39,587
Total	$ 320,193	$ 75,000	$ 58,200	$ 336,993	$ 59,284

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, 2021 are as follows:

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

	Amounts Issued	Outstanding June 30, 2021	Fiscal Year Maturities: First Year	Fiscal Year Maturities: Last Year	Interest Rates
Federal Funds:					
Series 2010B	$ 24,085	$ 10,080	2018	2022	4.52% - 5.32%
Series 2014A	44,810	26,005	2015	2026	2.00% - 5.00%
Series 2016A	44,105	32,295	2017	2028	2.63% - 5.00%
Series 2018A	44,310	44,310	2023	2030	4.00% - 5.00%
Series 2020A	60,925	60,925	2021	2032	5.00%
Total Federal Funds		$ 173,615			
Special Revenue Fund:					
Series 2009A	105,000	11,315	2010	2023	2.50% - 5.00%
Series 2009B	30,000	1,090	2010	2024	2.00% - 5.00%
Series 2011A	55,000	45,065	2012	2026	2.00% - 5.00%
Series 2013	220,660	74,095	2015	2024	1.07% - 4.35%
Series 2015A	54,680	47,135	2019	2024	4.00% - 5.00%
Total Special Revenue Funds		$ 178,700			

Total principal and interest requirements over the life of the 2010 GARVEE bonds are $35.8 million, with annual requirements of up to $5.6 million; for 2014 GARVEE bonds total principal and interest requirements are $59.0 million, with annual requirements of up to $5.0 million; for 2016 GARVEE bonds total principal and interest requirements are $58.0 million, with annual requirements up to $4.9 million; for 2018A GARVEE bonds total principal and interest requirements are $63.3 million, with annual requirements up to $6.7 million; for 2020A GARVEE bonds total principal and interest requirements are $81.9 million, with annual requirements up to $6.8 million. Total federal highway transportation funds received in federal fiscal year 2021 were $275.4 million. Current year payments to MMBB for GARVEE bonds were $23.3 million (8.5 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2009A TransCap Revenue bond are $139.3 million, with annual requirements up to $10.1 million; for the 2009B TransCap Revenue bonds total principal and interest requirements are $45.2 million, with annual requirements up to $15.9 million. Total principal and interest requirements over the life of the 2011A TransCap Revenue bond are $84.2 million, with annual requirements up to $20.3 million. Total principal and interest requirements over the life of the 2015A TransCap Revenue bond are $74.4 million, with annual requirements up to $16.6 million. Total revenue received for revenue sources used as pledged revenues were $40.2 million in fiscal year 2021.

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 $60.7 million in fiscal year 2021.

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, 2021 capital assets include capitalized buildings of $96.5 million in Governmental Activities, with related accumulated depreciation of $52.2 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 $4.0 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
2022	$ 5,300	$ 3,714
2023	4,881	2,306
2024	4,338	2,052
2025	4,149	1,920
2026	4,002	1,706
2027-2031	14,841	4,882
2032-2036	9,313	2,319
2037-2041	6,764	710
2042-2046	5,239	756
2047-2051	2,399	697
2052-2056	-	237
Total Minimum Payments	61,226	$ 21,299
Less: Amount Representing Interest	11,739	
Present Value of Future Minimum Payments	$ 49,487	

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, 2021 but paid after the fiscal year end is also reported in the funds.

COMPONENT UNITS

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

Component Unit Bonds Outstanding
(Expressed in Thousands)

Component Unit	Interest Rates	Amount	Maturity Dates
Finance Authority of Maine	2.120% - 5.050%	$ 98,372	2021 - 2041
Maine Community College System	3.000% - 5.000%	16,389	2021 - 2036
Maine Health and Higher Educational Facilities Authority	0.359% - 5.250%	612,380	2021 - 2050
Maine Municipal Bond Bank	0.350% - 6.120%	1,692,363	2021 - 2049
Maine State Housing Authority	0.000% - 5.000%	1,600,739	2021 - 2053
Maine Turnpike Authority	2.000% - 5.250%	659,318	2021 - 2050
University of Maine System	0.310% - 5.000%	165,372	2021 - 2041

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

On May 19, 2021 Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $86.1 million in 2021A Reserve Resolution bonds with an average interest rate of 4.265 percent, all of which was used to in-substance defease $1.1 million of 2010B Reserve Resolution and $85.0 million in the 2011, 2014 and 2020 bond series. The net proceeds of approximately $97.5 million were used to purchase U.S. Government securities which will provide for all future debt service payments on defeased bonds. The economic benefits associated with the refunding inure to the respective institutions and not the Authority.

On May 19, 2021 MHHEFA issued $156.9 million in 2021B Reserve Resolution fund bonds with an average interest rate of 2.81 percent, all of which was used to in-substance defease certain maturities within the 2013 bond series. The net proceeds of approximately $157.8 million, including other sources of funds and after payment of underwriting fees and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on defeased bonds. The economic benefits associated with the refunding inure to the respective institution and not the Authority.

At June 30, 2021, MHHEFA had approximately $60.5 million of defeased bonds remaining outstanding with respect to all advance-refunding issues within the Reserve Fund Resolution.

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

At June 30, 2021, the remaining balances of the 2011C General Tax-Exempt Fund Group in-substance defeased bonds total approximately $42.4 million. At June 30, 2021, the remaining balances of the 2001D, 2002F and 2005D General Tax-Exempt Fund Group in-substance defeased bonds total approximately $0.9 million.

For the period ended December 31, 2020, the Maine State Housing Authority redeemed prior to maturity $174.6 million of its Mortgage Purchase Fund Group bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund gains of $403 thousand were attributed to recognition of the related bond premium.

The Maine Turnpike Authority has a calendar year end. In November 2020, the Maine Turnpike Authority issued $130.0 million of Series 2020 Revenue 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
2022	$ 4,315	$ 130,355	$ 850	$ 16,155	$ 17,350	$ 12,209	$ 29,875
2023	5,795	144,975	895	21,630	18,435	54,664	34,235
2024	6,355	144,775	935	57,235	19,360	11,880	35,330
2025	7,105	151,395	980	58,500	23,790	9,993	34,570
2026	7,325	134,965	960	49,535	25,030	10,269	31,330
2027 - 2031	31,615	464,801	5,635	312,700	158,585	40,496	158,445
2032 - 2036	20,625	225,735	4,223	348,385	103,665	20,400	132,770
2037 - 2041	10,395	133,320	-	269,625	90,390	484	93,550
2042 - 2046	-	18,870	-	229,565	80,415	-	49,945
2047 - 2051	-	3,500	-	187,325	57,005	-	12,330
2052 - 2056	-	-	-	27,675	-	-	-
Net Unamortized Premium (or Deferred Amount)	4,842	139,672	1,911	22,409	65,293	4,977	-
Total Principal Payments	$ 98,372	$ 1,692,363	$ 16,389	$ 1,600,739	$ 659,318	$ 165,372	$ 612,380

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	400 thousand	10 thousand	none

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

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

All risk-financing liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2020. This cost of claims includes case reserves, the development of known claims, and the direct administrative expenses for settling specific claims.

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

At March 31, 2021 and 2020 the present value of claims payable for the State's self-insurance plan was estimated at $11.9 million and $11.7 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	2021	2020
Liability at Beginning of Year	$ 11,702	$ 8,039
Current Year Claims and Changes in Estimates	2,922	9,620
Claims/Fees Expense	2,723	5,957
Liability at End of Year	$ 11,901	$ 11,702

As of June 30, 2021, fund assets of $27.2 million exceeded fund liabilities of $13.4 million by $13.8 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 $551 thousand for the fiscal year ended June 30, 2021.

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, 2021 and 2020:

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

	2021	2020
Liability at Beginning of Year	$ 47,431	$ 44,316
Current Year Claims and Changes in Estimates	13,509	12,612
Claims Payments	9,779	9,497
Liability at End of Year	$ 51,161	$ 47,431

Based on the actuarial calculation as of June 30, 2021, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $68.8 million. The discounted amount is $51.2 million and was calculated based on a 3.0 percent interest rate on investments.

D. EMPLOYEE HEALTH INSURANCE

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

The State retained third-party administration (TPA) 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 26,600 active employees, retirees and their dependents in the PPO plan and 9,400 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 $17.6 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2021 follows:

(Expressed in Thousands)

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 8,467	$ 2,822
Claims and Changes in Estimate	130,294	61,065
Claims Payments	125,561	59,487
Liability at End of Year	$ 13,200	$ 4,400

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 75, certain costs reported above were reclassified for financial statement purposes. Retiree healthcare costs of $48.7 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $22.5 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 2021, 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	$ 14,984
Noncurrent Assets	17,792
Total Assets	$ 32,776
Current Liabilities	$ 13,546
Long-term Liabilities	12,803
Total Liabilities	$ 26,349
Designated Prize Reserves	$ 4,346
Reserve for Unrealized Gains	2,081
Total Net Position	6,427
Total Liabilities and Net Position	$ 32,776
Total Revenue	$ 90,546
Total Expenses	65,119
Gain (Loss) on Sale of Investment	3
Allocation to Member States	25,430
Change in Unrealized Gain (Loss) on Investments Held for Resale	(595)
Change in Net Position	$ (595)

Multi-State Lottery Association

The Maine State Lottery became a member of the Multi-State Lottery Association (MUSL) in July 2004. The MUSL currently has 38 member State lotteries, including the District of Columbia and the United States Virgin Islands. The MUSL is managed by a board of directors, which is comprised of the lottery directors or their designee from each of the party States, and authorized to initiate, promulgate, administer and carry out one or more lottery product offerings that will enhance the participating parties' lottery revenue.

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

The Multi-State Lottery Association's financial report for fiscal year 2021, 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	$ 657,859
Investments in US Government Securities	81,435
US Government Securities Held for Prize Annuities	54,030
Due from Party Lotteries	53,186
Other Assets	2,099
Total Assets	$ 848,609
Amount Held for Future Prizes	$ 775,201
Grand Prize Annuities Payable	55,815
Other Liabilities	5,380
	836,396
Net Position, Unrestricted	12,213
Total Liabilities and Net Position	$ 848,609
Total Revenue	$ 1,324
Total Expenses	4,832
Excess (Deficit) of Revenues over Expenses	(3,508)
Other Changes in Net Assets	1,011
Increase (Decrease) in Net Assets	(2,497)
Net Position, beginning	14,710
Net Position, ending	$ 12,213

NOTE 14 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

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

Spurwink, a non-profit organization, received $58.5 million in funding from Health and Human Services programs and $3.5 million in funding from the Department of Education during fiscal year 2021. A member of the Maine Senate served on the board of directors during the fiscal year. This position receives no compensation.

The Maine Children's Trust received $10.2 million in from various Health and Human Services programs during fiscal year 2021. The spouse of an employee of the Department of Economic and Community Development served on the Board of Directors during the fiscal year. The board member received no compensation.

Children's Center of Maine received $1.7 million in funding from the MaineCare Program during fiscal year 2021. The spouse of an employee of the Department of Economic and Community Development served as the Director during the fiscal year. The Director's position is a full-time paid position.

The Maine Technology Institute (MTI), a component unit of the State of Maine, received $7.2 million in funding from the Department of Economic and Community Development. The Director of MTI is an employee of the State of Maine. One board member is a Commissioner of the State of Maine. One board member is a Deputy Commissioner of the State of Maine. The Board members receive no compensation.

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

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, $260.0 million; Maine Community College System, $89.6 million; Maine Municipal Bond Bank (MMBB), $40.2 million; Finance Authority of Maine, $20.3 million; and Maine State Housing Authority, $138.4 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $29.0 million at June 30, 2021, 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 2021, the State expended $2.2 million to FAME for State revolving loan funds.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. FAME paid approximately $8.1 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 2021, the amount billed totaled $9.4 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	$ -	$ -	$ -	$ 18,409
Refunding of Debt	1,625	-	1,625	32,846
Pension Related	544,155	3,233	547,388	19,191
OPEB Related	614,147	1,312	615,459	24,009
Total Deferred Outflows of Resources	$ 1,159,927	$ 4,545	$ 1,164,472	$ 94,455
Deferred Inflows of Resources:				
Grant Income	$ -	$ -	$ -	$ 6,292
Loan Origination Fees	-	-	-	442
Pension Related	33,283	2	33,285	5,684
OPEB Related	160,481	517	160,998	79,382
Total Deferred Inflows of Resources	$ 193,764	$ 519	$ 194,283	$ 91,800

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	$ 208,041	$ 281	$ 11,424	$ 24,379	$ -	$ 244,125
Total Deferred Inflows of Resources	$ 208,041	$ 281	$ 11,424	$ 24,379	$ -	$ 244,125

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, 2021, the State provided tax abatements through the following programs:

Program Name	Pine Tree Development Zone Tax Credit	Employment Tax Increment Financing	New Markets Capital Investment Tax Credit
Program Purpose	The program encourages capital investment and job creation in designated industries and geographic areas within the state.	The program is designed to create and prevent loss of employment in designated industries and geographic areas within the state.	The program is designed to encourage investment in qualified businesses located in economically distressed areas within the state.
Tax Types Abated	Personal income, corporate income, insurance premiums, bank franchise and sales taxes.	State income tax withholding from employee salary.	Personal income, corporate income, insurance premiums, and bank franchise taxes.
Statutory Authority	36 M.R.S. §5219-W	36 M.R.S. §6754	36 M.R.S. §5219-HH
Eligibility Criteria	Businesses apply to be certified as a qualified business, agree to conduct a qualified business activity, and hire at least one net new employee within two years.	Businesses apply for certification and agree to hire at least five net new employees within two years.	A person must make a qualified equity investment that has been certified by the Finance Authority of Maine, and execute a memorandum of agreement with the state.
Abatement Method	Allowance of credit against taxes attributable to qualified business activity, up to the amount of tax liability (nonrefundable credit).	Qualified business applies for annual reimbursement payment independent of any other tax reporting requirements.	Allowance of credit against taxes. Taxpayer receives full amount of annual credit regardless of tax liability (refundable credit).
Abatement Computation	Credit equals 100 percent of the tax liability attributable to the qualified activity of a certified business for a period of five years. Businesses located in certain areas receive a 50 percent credit for an additional five years.	Reimbursement equals 30 - 80 percent of qualified state-withheld taxes, depending on the unemployment rate in the area where the employee works, for a period of ten years.	The credit amount equals a total of 39 percent of the qualified investment, spread over a period of seven years in varying amounts each year.
Recapture Provisions	None.	Any overpayment must be applied to reduce future reimbursement payments. Overpayments must be repaid if the business no longer qualifies for future payments.	The abatement amount may be recaptured upon 1) recapture of any amount of the related federal NMTC credits; 2) early repayment of any portion of the principle amount that forms the qualified equity investment, or 3) failure to reinvest less than 85% of the qualified equity investment into a qualified business.
Estimated Revenue Reduction for FYE 6/30/2021	$2,454,351	$13,150,686	$9,375,644

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

Source: Maine Revenue Services

NOTE 17 - COMMITMENTS AND CONTINGENCIES

PRIMARY GOVERNMENT

LITIGATION

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

ACA Connects - America's Communication Assoc., et al. v. Frey. Trade associations are challenging on constitutional grounds 35-A M.R.S. §9301, which restricts internet service providers from using, disclosing, or selling customers' personal information. Although plaintiffs are not seeking monetary damages, an adverse judgement could result in an order requiring the State to pay plaintiffs' attorneys' fees. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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

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

Deferral of Federal Financial Participation. On December 28, 2020, the Centers for Medicare and Medicaid Services (CMS) issued a deferral notice to Maine DHHS for approximately $4.2 million in federal financial participation (FFP) for Medicaid expenditures for the third quarter of 2020 (7/1-9/30/2020). CMS issued three additional deferrals, totaling approximately $11.8 million, for FFP for Medicaid expenditures during the fourth quarter of 2020, and the first and second quarters of 2021 (10/1/2020-6/30/2021). The basis for the deferral is CMS's contention that a service provider tax imposed on, among others, Private Non-Medical Institutions (36 M.R.S. §2552) is an impermissible source of non-federal share. CMS will likely issue additional deferral notices for the subsequent quarters. DHHS intends to appeal the deferrals, and the probability that the case will result in future losses to the State in excess of $1 million is undetermined at this time.

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.

Irish, et al. v. Maine State Police, et. al. This lawsuit seeks damages for the fatal shooting of Kyle Hewitt, the kidnapping of Brittany Irish and the shooting of Kimberly Irish by Anthony Lord. Plaintiffs allege that defendant police officers failed to protect against the threat posed by Lord. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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

Workday, Inc. v. Department of Administrative and Financial Services. Workday asserts breach of contract and tort claims against the State of Maine but has not initiated litigation. If Workday does initiate litigation, the State has various defenses and would likely assert counterclaims. The possibility that Workday's claim will result in future losses to the State in excess of $1 million is undetermined at this time.

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

Express Scripts, Inc. v. State Tax Assessor. Taxpayers are challenging the method by which they are required to apportion certain sales to Maine under the Maine Corporate Income Tax. If the taxpayers prevail, they may be entitled to a refund of approximately $1 million from the State. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

NextEra Energy Maine, LLC v. Maine Revenue Services. NextEra has appealed to the Maine Board of Tax Appeals two MRS decisions denying corporate tax refunds totaling $4.6 million for tax years 2013, 2014 and 2015. NextEra claims that a Florida affiliate was not part of its unitary business and that affiliate's income should not have been included in NextEra's apportionable Maine income. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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

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

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

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

American Federation of County State and Municipal Employees, Council 93 v. State of Maine (21-PPC-13). This is a Prohibited Practice Complaint before the Maine Labor Relations Board, filed by the American Federation of County State and Municipal Employees, Council 93, asserting that the State engaged in a prohibited labor practice when it repudiated several agreements signed in the spring of 2020 by unilaterally ceasing to pay the employees in question the hazard pay stipends provided by the agreements. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Maine Service Employees Association, SEIU, Local 1989 and State of Maine (Grievance # 2021-004-M). This is a grievance filed by the Maine Service Employees Association, SEIU, Local 1989, asserting that the State violated various collective bargaining agreements between the parties when it repudiated several agreements signed in the spring of 2020 by unilaterally ceasing to pay employees in question the hazard pay stipends provided by the agreements. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

ENCUMBRANCES

Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds encumbrance balances are $88.8 million, $2.3 million, $657.7 million, $52.1 million and $15.3 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, 2021 is $20.8 million. Superfund sites account for approximately $7.2 million. Superfund is the federal government program to clean up hazardous waste sites.

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

Eastland Woolen Mill – The State recorded a liability for pollution remediation activities of approximately $620 thousand. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State assumed 100 percent of the operation and maintenance and long-term monitoring costs.

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately $2.0 million. Beginning in August of 2012, the State assumed 100 percent of the operation, maintenance and monitoring costs. As of June 30, 2021, the State has received $2.1 million in recoveries from the Department of Defense. The State expects to recover additional costs of $14 thousand.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately $4.5 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. The State will assume 100 percent of the cost for the operation and maintenance of the site.

The State recorded a liability for pollution remediation activities of approximately $13.4 million (net of unrealized recoveries of $298 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover $0.45 million in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

The State has the knowledge and expertise to estimate the remediation obligation based on prior experience in identifying and funding similar remediation activities. The standard requires the liability to be measured using the expected cash flow technique. The remediation obligation estimates are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statues or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

MUNICIPAL SOLID WASTE LANDFILLS

Dolby Landfills – On September 16, 2011 the State entered into an agreement with Katahdin Paper Company (KPC) to acquire the Dolby Landfill, a solid waste disposal facility, located in the Town of East Millinocket. The State, as a holder of the permits, is responsible for closure and post closure monitoring and maintenance activities and costs.

The Dolby Landfill no longer accepts solid waste. In Calendar Year 2016, the first phase of a multi-year plan to cap approximately 100 acres at the facility was completed. The State allocated $6 million of current bond funds and anticipates another $6 million in bonds funds to complete the closure of the facility. In addition to the closure of the facility, the State anticipates additional post-closure maintenance and monitoring costs of approximately $15 million over the next 30 years. Actual costs may be higher due to inflation, changes in technology or changes in applicable laws or regulations. The State's total obligation related to the Dolby Landfill as of June 30, 2021 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 FY21 the DEP received $1,257,059 from the CDD fee. As required, the entirety of this fee was used to reimburse municipalities for eligible expenses. At the beginning of FY21, DEP's total outstanding reimbursement obligation to municipalities was $3,187,658. At the end of FY21, the outstanding match obligation was $2,217,009. Although the overall outstanding debt during the year decreased, additional debt was incurred due to qualifying closure and remediation expenses which were submitted by municipalities over the course of the year. DEP incurred the oldest outstanding match obligations in 2008.

SAND AND SALT STORAGE PROGRAM

The State estimates the potential aggregate cost to comply with the environmental requirements associated with the Sand and Salt Storage program to be $800,000 thousand. The state no longer provides funding for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 MRSA §411, §411-A, and §412 establish within DEP cost-sharing programs for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the planning of municipal pollution abatement facilities; the design, engineering, and construction of private, commercial, and municipal pollution abatement facilities; and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30A §6006-A. During the 2021 fiscal year, $2.71 million of general obligation bond funds and $2.46 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2021, amounts encumbered for pollution abatement projects totaled $9.99 million, and general obligation bonds authorized for these projects, but not yet encumbered, totaled $13.59 million. As of June 30, 2021, DEP estimates the total cost (federal, State, and local) of future projects to be $1 billion.

GROUND WATER OIL CLEAN-UP FUND

The Maine Ground and Surface Waters Clean-up and Response Fund is established in Title 38 MRSA § 551. Fund activities include, but are not limited to, providing insurance to public and private entities for cleanup of oil spills. The program is funded by a per barrel assessment on petroleum products imported into the State. Coverage is up to $750 thousand per occurrence for aboveground storage tanks and $1 million per occurrence for underground storage tanks. Third party injury coverage may not exceed $200 thousand per claimant.

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

	Completed	Remaining
2020	156	494
2019	137	530
2018	91	540
2017	117	519
2016	126	525

The annual average cost per spill over the past five years ranged between $18,000 and $47,500. 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 51.78 percent of the annual payments. As of June 30, 2021, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $1.035 billion.

At June 30, 2021, the Department of Transportation had contractual commitments of approximately $351.9 million for construction of various highway projects. The State's share of that amount is expected to be approximately $95.3 million. Of these amounts, $10.6 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

TOBACCO SETTLEMENTS

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

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

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

In April 2021, Maine received an annual tobacco settlement payment of $48.6 million.

CONTINGENT LIABILITIES

Overpayments made by the Office for Family Independence (OFI) client services are recorded as accounts receivable in the State financial statements. The total overpayments for Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP), applicable to federal funds, are $29.4 million as of June 30, 2021. All overpayments that are outstanding for more than one year, $23.6 million, are fully reserved.

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

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

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, 2021, the Fund included $3.5 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2021 of approximately $274.5 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, 2021, the amount reported in the Fund for claimant liability is $50.2 million. The General Fund shows a $46.2 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, 2021, loans outstanding pursuant to these authorizations are $80.2 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, 2021.

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, 2021, 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, 2021.

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	$ 612,380	$ 58,000	NIL	22 MRSA § 2075
Finance Authority of Maine	37,028	-	765,500	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	93,530	1,042	225,000	20-A MRSA §11424
Maine Municipal Bond Bank	1,241,625	150,618	NIL	30-A MRSA §6006
Maine State Housing Authority	1,555,700	85,039	2,150,000	30-A MRSA §4906
Total	$ 3,540,263	$ 294,699		

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

COMPONENT UNITS

CONSTRUCTION CONTRACTS

At June 30, 2021, UMS and MCCS had outstanding commitments on uncompleted construction contracts. They totaled $52.4 million and $3.4 million, respectively.

At December 31, 2020, the Maine Turnpike Authority had $53.5 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, 2020 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $126.9 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2020, single-family loans being processed by lenders totaled $42.7 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, 2021, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately $117.4 million. At June 30, 2021, FAME was insuring loans with an aggregate outstanding principle balance approximating $1.1 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately $0.7 million at June 30, 2021. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2021, these commitments under the Loan Insurance Program were approximately $17.0 million. FAME provides loan insurance on direct educational loans and consolidation loans made by participating financial institutions in the Maine Private Education Loan Network. At June 30, 2021, approximately $20.1 million of loans were insured under this program. Such loans are unsecured.

NOTE 18 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On July 21, 2021, MMBB issued $35.1 million of Transportation Revenue Refunding Series 2021A bonds with an average interest rate of 5 percent to in-substance defease $43.7 million of various outstanding maturities of the 2011A bonds. The net proceeds of approximately $44.6 million, including $7.1 million of premium and $2.9 million released from debt service reserve funds, and after payment of underwriting and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the defeased bonds. All savings as a result of this refunding bond will inure to the State of Maine.

COMPONENT UNITS

Maine State Housing Authority (MSHA), has a December 31 fiscal year end. During calendar year 2021, MSHA issued at par $130.0 million of bonds in the General Mortgage Purchase Bond Resolution. MSHA redeemed, at par, $191.9 million of bonds in the General Mortgage Purchase Bond Resolution during calendar year 2021. MSHA issued $54.0 million and redeemed $214.5 million of bonds, in the Maine Energy, Housing & Economic Recovery Bond Resolution.

On August 31, 2021 Maine Health and Higher Educational Facilities Authority (MHHEFA) defeased certain maturities of Reserve Resolution bonds with a par value of $13.7 million within series 2012A, 2014A, 2017B and 2020A General Resolution bonds with a par value of $33.8 million within the series 2012, 2017A and 2017B bond issues with funds from other sources. The debt of the General Bond Resolution is considered conduit debt and neither the Authority nor the State of Maine is under obligation for repayment.

On September 21, 2021, MHHEFA defeased certain maturities of Reserve Resolution bonds with a par value of $0.7 million within the 2011C bond issues with funds from other sources. The economic benefits associated with the refunding inure to the respective institutions and not the Authority.

On December 7, 2021 the Maine Turnpike Authority (MTA) signed a forward delivery agreement to refund the Series 2012 outstanding bonds in April 2022. MTA will issue $102.3 million of new bonds that defease $124.9 million of outstanding bonds for a net present value savings of $25.3 million.

REQUIRED SUPPLEMENTARY INFORMATION


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STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Taxes	$ 4,023,941	$ 4,119,682	$ 4,474,006	$ 354,324	$ 237,427	$ 211,285	$ 209,676	$ (1,609)
Assessments and Other	90,560	89,606	97,167	7,561	96,701	100,797	111,295	10,498
Federal Grants	2,029	2,208	103	(2,105)	-	-	-	-
Service Charges	44,179	50,692	56,791	6,099	6,211	6,221	4,901	(1,320)
Income from Investments	7,689	6,296	8,510	2,214	202	261	305	44
Miscellaneous Revenue	59,415	73,513	12,554	(60,959)	3,473	5,879	386	(5,493)
Total Revenues	4,227,813	4,341,997	4,649,131	307,134	344,014	324,443	326,563	2,120
Expenditures								
Governmental Support & Operations	387,420	401,791	375,924	25,867	45,342	47,920	42,951	4,969
Economic Development & Workforce Training	46,733	46,797	44,849	1,948	-	-	-	-
Education	1,815,276	1,818,522	1,787,448	31,074	-	-	-	-
Health and Human Services	1,468,768	1,343,102	1,182,121	160,981	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	87,619	71,400	68,195	3,205	33	33	33	-
Justice and Protection	396,114	326,402	299,122	27,280	31,730	22,266	20,864	1,402
Arts, Heritage & Cultural Enrichment	9,231	9,331	9,162	169	-	-	-	-
Transportation Safety & Development	-	2,000	2,000	-	263,529	279,008	238,118	40,890
Total Expenditures	4,211,161	4,019,345	3,768,821	250,524	340,634	349,227	301,966	47,261
Revenues Over (Under) Expenditures	16,652	322,652	880,310	557,658	3,380	(24,784)	24,597	49,381
Other Financing Sources (Uses)								
Operating Transfers Net	(140,405)	(153,037)	(550,747)	(397,710)	-	(890)	1,980	2,870
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	(140,405)	(153,037)	(550,747)	(397,710)	-	(890)	1,980	2,870
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (123,753)	$ 169,615	$ 329,563	$ 159,948	$ 3,380	$ (25,674)	$ 26,577	$ 52,251
Fund balances, beginning of year			923,048				46,431	
Fund balances, end of year			$ 1,252,611				$ 73,008	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ -	$ 356,605	$ 358,019	$ 347,508	$ (10,511)
365	365	-	(365)	187,715	182,945	172,820	(10,125)
3,749,178	7,337,912	5,658,881	(1,679,031)	12,757	13,414	12,492	(922)
6,194	6,704	-	(6,704)	229,580	234,040	257,521	23,481
-	-	4,969	4,969	711	1,054	961	(93)
256	256	4,252	3,996	171,553	289,404	661,310	371,906
3,755,993	7,345,237	5,668,102	(1,677,135)	958,921	1,078,876	1,452,612	373,736
5,987	273,037	15,027	258,010	234,508	260,056	238,843	21,213
122,096	2,094,962	1,653,825	441,137	78,529	87,854	49,479	38,375
346,800	932,008	515,888	416,120	47,924	53,850	22,820	31,030
2,986,167	3,221,249	3,006,711	214,538	661,627	806,025	525,934	280,091
123	124	67	57	76,796	76,654	61,530	15,124
51,212	72,389	58,423	13,966	157,977	181,145	115,749	65,396
95,425	368,963	193,833	175,130	65,269	70,898	47,273	23,625
4,402	6,788	4,079	2,709	2,207	2,162	1,096	1,066
256,361	315,095	284,101	30,994	128,900	178,766	88,383	90,383
3,868,573	7,284,615	5,731,954	1,552,661	1,453,737	1,717,410	1,151,107	566,303
(112,580)	60,622	(63,852)	(124,474)	(494,816)	(638,534)	301,505	940,039
(5,523)	(5,558)	8,373	13,931	145,050	153,496	177,295	23,799
-	-	-	-	96,100	96,100	64,943	(31,157)
(5,523)	(5,558)	8,373	13,931	241,150	249,596	242,238	(7,358)
$ (118,103)	$ 55,064	$ (55,479)	$ (110,543)	$ (253,666)	$ (388,938)	$ 543,743	$ 932,681
		987,809				516,610	
		$ 932,330				$ 1,060,353	


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STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2021
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 1,252,611	$ 73,008	$ 932,330	$ 1,060,353
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	223,777	178	-	14,878
Other Receivables	41,784	2,539	149,790	58,670
Inventories	4,170	-	29,832	-
Due from Component Units	-	-	-	104,922
Due from Other Governments	-	-	477,181	-
Due from Other Funds	63,490	22,698	5,579	358,952
Other Assets	384	-	380	229
Unearned Revenues	-	(3,101)	(5,757)	-
Deferred Inflows - Taxes and Assessment Revenues	(208,041)	(281)	(11,424)	(24,379)
Total Revenue Accruals/Adjustments	125,564	22,033	645,581	513,272
Expenditure Accruals/Adjustments:				
Accounts Payable	(168,713)	(26,656)	(372,030)	(45,309)
Due to Component Units	(3,355)	(240)	(8,038)	(81,273)
Accrued Liabilities	(21,386)	(7,050)	(5,294)	(9,407)
Taxes Payable	(309,213)	(9)	-	-
Intergovernmental Payables	-	-	(1,016,253)	-
Due to Other Funds	(89,912)	(4,413)	(114,364)	(67,880)
Total Expenditure Accruals/Adjustments	(592,579)	(38,368)	(1,515,979)	(203,869)
Fund Balances - GAAP Basis	$ 785,596	$ 56,673	$ 61,932	$ 1,369,756

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, 2021, the legislature decreased appropriations to the General Fund by $179.5 million.

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

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

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

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

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

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2020 - 2021, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of June 17, 2019, and includes encumbrances carried forward from the prior year.

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore, updated revenue estimates available for appropriations as of June 30, 2021 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 Seven Fiscal Years
(Expressed in Thousands)

	2021	2020	2019
Total Pension Liability			
Service Cost	$ 1,609	$ 1,597	$ 1,487
Interest	4,645	4,582	4,442
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	943	(1,087)	469
Changes of Assumptions	-	-	698
Benefit Payments, Including Refunds of Member Contributions	(4,317)	(4,068)	(3,805)
Net Change in Total Pension Liability	2,880	1,024	3,291
Beginning Total Pension Liability	69,317	68,293	65,002
Ending Total Pension Liability	72,197	69,317	68,293
Plan Fiduciary Net Position			
Employer Contributions	716	1,213	1,179
Member Contributions	617	620	604
Net Investment Income	2,165	4,709	6,607
Transfers	765	(3)	-
Benefit Payments, Including Refunds of Member Contributions	(4,317)	(4,068)	(3,805)
Administrative Expense	(69)	(68)	(62)
Net Change in Plan Fiduciary Net Position	(123)	2,403	4,523
Beginning Plan Fiduciary Net Position	73,638	71,235	66,712
Ending Plan Fiduciary Net Position	73,515	73,638	71,235
Ending Net Pension Liability (Asset)	$ (1,318)	$ (4,321)	$ (2,942)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.8 %	106.2 %	104.3 %
Covered Payroll	$ 8,054	$ 8,117	$ 7,894
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(16.4)%	(53.2)%	(37.3)%

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

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

Last Seven Fiscal Years
(Expressed in Thousands)

	2021	2020	2019
Total Pension Liability			
Service Cost	$ 335	$ 297	$ 282
Interest	611	578	565
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	414	239	(91)
Changes of Assumptions	-	-	100
Benefit Payments, Including Refunds of Member Contributions	(698)	(607)	(460)
Net Change in Total Pension Liability	662	507	396
Beginning Total Pension Liability	9,067	8,560	8,164
Ending Total Pension Liability	9,729	9,067	8,560
Plan Fiduciary Net Position			
Employer Contributions	-	-	-
Member Contributions	157	221	154
Net Investment Income	391	845	1,176
Transfers	(698)	(607)	-
Benefit Payments, Including Refunds of Member Contributions	366	45	(460)
Administrative Expense	(14)	(12)	(11)
Net Change in Plan Fiduciary Net Position	202	492	859
Beginning Plan Fiduciary Net Position	13,248	12,756	11,897
Ending Plan Fiduciary Net Position	13,450	13,248	12,756
Ending Net Pension Liability (Asset)	$ (3,721)	$ (4,181)	$ (4,196)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	138.2 %	146.1 %	149.0 %
Covered Payroll	$ 2,814	$ 2,660	$ 2,711
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(132.2)%	(157.2)%	(154.8)%

	2018	2017	2016	2015
	$ 265	$ 412	$ 451	$ 450
	530	549	545	503
	-	-	4	4
	158	(246)	(508)	(93)
	-	(147)	-	86
	(469)	(446)	(439)	(318)
	484	122	53	632
	7,680	7,558	7,505	6,873
	8,164	7,680	7,558	7,505
	-	-	4	4
	202	138	193	140
	1,366	48	206	1,622
	-	-	-	-
	(469)	(446)	(439)	(318)
	(9)	(8)	(9)	(8)
	1,090	(268)	(45)	1,440
	10,807	11,075	11,120	9,680
	11,897	10,807	11,075	11,120
	$ (3,733)	$ (3,127)	$ (3,517)	$ (3,615)
	145.7 %	140.7 %	146.0 %	148.2 %
	$ 2,651	$ 2,590	$ 2,528	$ 2,535
	(140.8)%	(120.7)%	(139.0)%	(142.6)%

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

Last Eight Fiscal Years
(Expressed in Thousands)

	2021	2020	2019
Judicial Pension Plan			
Actuarially Determined Contribution	$ 739	$ 716	$ 1,213
Contributions in Relation to the Actuarially Determined Employer Contribution	(739)	(716)	(1,213)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 8,312	$ 8,054	$ 8,117
Contributions as a percentage of covered payroll	8.89 %	8.89 %	14.94 %
Legislative Pension Plan			
Actuarially Determined Contribution	$ -	$ -	$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	$ 2,802	$ 2,814	$ 2,660
Contributions as a Percentage of Covered Payroll	0.00 %	0.00 %	0.00 %

(continued)

2018	2017	2016	2015	2014
$ 1,179	$ 1,144	$ 1,078	$ 951	$ 932
(1,179)	(1,144)	(1,078)	(951)	(932)
$ -	$ -	$ -	$ -	$ -
$ 7,894	$ 7,640	$ 7,188	$ 7,186	$ 6,742
14.94 %	14.97 %	15.00 %	13.23 %	13.82 %
$ -	$ -	$ -	$ -	$ -
-	-	-	-	(4)
$ -	$ -	$ -	$ -	$ (4)
$ 2,711	$ 2,651	$ 2,590	$ 2,528	$ 2,535
0.00 %	0.00 %	0.00 %	0.00 %	0.16 %

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2021 can be found in the June 30, 2018 actuarial valuation report.

Notes to Schedule

Key Methods and Assumptions Used to Determine Contribution Rates	
Valuation date	June 30, 2017
	June 30, 2021 actuarially determined contribution rates are calculated based on 2018 liabilities developed as a roll-forward of the 2017 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2018 using assets as of June 30, 2018.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level percent of payroll, open 10-year amortization
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75%
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Most recent review of plan experience	2020
Mortality	104 percent and 120 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females.

Former and future actuarial assumptions:	
Discount rate and other information	Change in assumptions 2021: Demographic assumptions were changed based on recommendations from the July 1, 2015 to June 30, 2020 experience study as well as the actuarial audit completed of the June 30, 2020 actuarial valuation, first effective with the development of the NPL as of June 30, 2021. The annual rate of investment interest was also reduced from 6.75 percent to 6.50 percent effective as of this same date.
Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875 percent used at funding to 6.75 percent. The impact of this change is included in the TPL reconciliation as a change in assumptions.
Other information	Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

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

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

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

Last Seven Fiscal Years
(Expressed in Thousands)

	2021	2020	2019
State Employees			
Proportion of the Collective Net Pension Liability	95.090771 %	94.775523 %	94.652308 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 1,129,955	$ 991,147	$ 993,438
Covered Payroll	$ 688,817	$ 627,615	$ 608,615
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	164.04 %	157.92 %	163.23 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	77.30 %	79.41 %	78.70 %
Maine Community College System			
Proportion of the Collective Net Pension Liability	4.295313 %	4.610452 %	4.695230 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 51,041	$ 48,215	$ 49,280
Covered Payroll	$ 32,713	$ 31,535	$ 31,106
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	156.03 %	152.89 %	158.43 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	77.30 %	79.41 %	78.70 %
Non-Major and Formerly Reported Component Units			
Proportion of the Collective Net Pension Liability	0.613916 %	0.614025 %	0.652461 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 7,295	$ 6,421	$ 6,848
Covered Payroll	$ 4,571	$ 4,115	$ 4,240
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	159.59 %	156.04 %	161.51 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	77.30 %	79.41 %	78.70 %
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	$ 1,188,292	$ 1,045,784	$ 1,049,566
Covered Payroll	$ 726,101	$ 663,265	$ 643,961
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	163.65 %	157.67 %	162.99 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	77.30 %	79.41 %	78.70 %

Notes to Schedule:

As of June 30, 2021, 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, 2021 can be found in the June 30, 2018 actuarial valuation report.

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

2018	2017	2016	2015
94.829879 %	94.498857 %	92.825250 %	92.853946 %
$ 1,080,168	$ 1,269,080	$ 950,597	$ 837,743
$ 601,904	$ 588,415	$ 520,115	$ 525,765
179.46 %	215.68 %	182.77 %	159.34 %
76.10 %	71.00 %	76.80 %	79.21 %
4.605776 %	4.969634 %	6.640831 %	6.618303 %
$ 52,462	$ 66,740	$ 68,007	$ 59,710
$ 30,867	$ 32,627	$ 32,008	$ 31,679
169.96 %	204.55 %	212.47 %	188.48 %
76.10 %	71.00 %	76.80 %	79.21 %
0.564345 %	0.531509 %	0.533919 %	0.527751 %
$ 6,428	$ 7,138	$ 5,468	$ 4,760
$ 3,700	$ 3,424	$ 3,927	$ 3,776
173.73 %	208.47 %	139.24 %	126.06 %
76.10 %	71.00 %	76.80 %	79.21 %
100.000000 %	100.000000 %	100.000000 %	100.000000 %
$ 1,139,058	$ 1,342,959	$ 1,024,072	$ 902,213
$ 636,471	$ 624,466	$ 556,050	$ 561,220
178.96 %	215.06 %	184.17 %	160.76 %
76.10 %	71.00 %	76.80 %	79.21 %

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

Last Eight Fiscal Years
(Expressed in Thousands)

	2021	2020	2019	2018
State Employees				
Actuarially Determined Contribution	$ 164,103	$ 155,628	$ 152,439	$ 148,115
Contributions in Relation to the Actuarially Determined Employer Contribution	(164,103)	(155,628)	(152,439)	(148,115)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 726,579	$ 688,817	$ 627,615	$ 608,615
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.59 %	22.59 %	24.29 %	24.34 %
Maine Community College System				
Actuarially Determined Contribution	$ 7,036	$ 7,030	$ 7,416	$ 7,347
Contributions in Relation to the Actuarially Determined Employer Contribution	(7,036)	(7,030)	(7,416)	(7,347)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 32,619	$ 32,713	$ 31,535	$ 31,106
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	21.57 %	21.49 %	23.52 %	23.62 %
Combined Non-major and Formerly Reported Component Units				
Actuarially Determined Contribution	$ 1,059	$ 1,005	$ 987	$ 1,021
Contributions in Relation to the Actuarially Determined Employer Contribution	(1,059)	(1,005)	(987)	(1,021)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,768	$ 4,571	$ 4,115	$ 4,240
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.21 %	21.99 %	23.99 %	24.08 %
Total SETP - State of Maine Employees				
Actuarially Determined Contribution	$ 172,198	$ 163,663	$ 160,842	$ 156,483
Contributions in Relation to the Actuarially Determined Employer Contribution	(172,198)	(163,663)	(160,842)	(156,483)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 763,966	$ 726,101	$ 663,265	$ 643,961
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	22.54 %	22.54 %	24.25 %	24.30 %

(continued)

2017	2016	2015	2014
$ 141,295	$ 136,139	$ 107,807	$ 117,380
(141,295)	(136,139)	(107,807)	(117,380)
$ -	$ -	$ -	$ -
$ 601,904	$ 588,415	$ 521,846	$ 525,765
23.47 %	23.14 %	20.66 %	22.33 %
$ 6,863	$ 7,159	$ 8,135	$ 3,133
(6,863)	(7,159)	(8,135)	(3,133)
$ -	$ -	$ -	$ -
$ 30,867	$ 32,627	$ 30,257	$ 31,679
22.23 %	21.94 %	26.89 %	9.89 %
$ 840	$ 766	$ 635	$ 522
(840)	(766)	(635)	(522)
$ -	$ -	$ -	$ -
$ 3,700	$ 3,424	$ 3,947	$ 3,776
22.70 %	22.37 %	16.09 %	13.82 %
$ 148,998	$ 144,064	$ 116,577	$ 121,035
(148,998)	(144,064)	(116,577)	(121,035)
$ -	$ -	$ -	$ -
$ 636,471	$ 624,466	$ 556,050	$ 561,220
23.41 %	23.07 %	20.97 %	21.57 %

Notes to Schedule:

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

Valuation date	June 30, 2017
	June 30, 2021 actuarially determined contribution rates are calculated based on 2018 liabilities developed as a roll-forward of the 2017 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2018 using assets as of June 30, 2018.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed periods. Original UAL amortized over a remaining eight years from July 1, 2020. Subsequent layers of UAL are amortized over individual 20-year periods.
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	104 percent and 120 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2021 can be found in the June 30, 2018 actuarial valuation report.

Former and future actuarial assumptions:

Discount rate and other assumptions	Change in assumptions 2021: Demographic assumptions were changed based on recommendations from the July 1, 2015 to June 30, 2020 experience study as well as the actuarial audit completed of the June 30, 2020 actuarial valuation, first effective with the development of the NPL as of June 30, 2021. The annual rate of investment interest was also reduced from 6.75 percent to 6.50 percent effective as of this same date.
Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875 percent used at funding to 6.75 percent. The impact of this change is included in the TPL reconciliation as a change in assumptions.
Other information	Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

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

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

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

Last Seven Fiscal Years
(Expressed in Thousands)

	2021	2020	2019
Non-employer Contributing Entity's Proportion of:			
Percentage of the Collective Net Pension Liability	95.704826 %	95.540502 %	95.298384 %
Amount of the Collective Net Pension Liability	$ 1,632,252	$ 1,465,876	$ 1,349,443
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	83.10 %	84.50 %	85.20 %

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.

2018	2017	2016	2015
95.016790 %	95.002519 %	95.036038 %	95.069591 %
$ 1,452,536	$ 1,766,662	$ 1,350,118	$ 1,027,065
83.30 %	79.00 %	83.60 %	86.46 %

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

Last Eight Fiscal Years
(Expressed in Thousands)

	2021	2020	2019	2018
Teachers - Non-Employer Contributions				
Actuarially Determined Contribution	$ 179,330	$ 174,530	$ 132,981	$ 129,422
Contributions in Relation to the Actuarially Determined Non-Employer Contribution	(179,330)	(174,530)	(132,981)	(129,422)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Employer Contributions				
Actuarially Determined Contribution	$ 67,031	$ 61,582	$ 56,761	$ 54,472
Contributions in Relation to the Actuarially Determined Employer Contribution	(67,031)	(61,582)	(56,761)	(54,472)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Total SETP - Teachers				
Actuarially Determined Contribution	$ 246,361	$ 236,112	$ 189,742	$ 183,894
Contributions in Relation to the Actuarially Determined Employer Contribution	(246,361)	(236,112)	(189,742)	(183,894)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -

(continued)

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

Notes to Schedule:

Valuation date	June 30, 2017 June 30, 2020 actuarially determined contribution rates are calculated based on 2018 liabilities developed as a roll-forward of the 2017 valuation liability, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2018 using actual assets at June 30, 2018.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 16-year amortization of the UAL prior to 2012 and individual, closed. level percent of payroll, 20-year amortization of UAL arising each year beginning in 2012.
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	99 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table for males and females.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2021 can be found in the June 30, 2018 actuarial valuation report.

Discount rate and other information	Change in assumptions 2021: Demographic assumptions were changed based on recommendations from the July 1, 2015 to June 30, 2020 experience study as well as the actuarial audit completed of the June 30, 2020 actuarial valuation, first effective with the development of the NPL as of June 30, 2021. The annual rate of investment interest was also reduced from 6.75 percent to 6.50 percent effective as of this same date.
Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875 percent used at funding to 6.75 percent. The impact of this change is included in the TPL reconciliation as a change in assumptions.
Other information	Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

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

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

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

Last Five Fiscal Years
(Expressed in Thousands)

	2021	2020	2019	2018	2017
Total OPEB Liability					
Beginning Total Liability	$ 1,180,487	$ 1,226,111	$ 1,199,512	$ 1,161,320	$ 1,143,542
Service Cost	18,311	17,777	17,425	16,917	12,246
Interest	78,426	81,020	79,128	76,921	75,650
Differences Between Expected and Actual Experience	6,689	(56,455)	20,875	17,725	-
Changes of Assumptions Discount Rate	28,083	-	-	-	-
Changes of Assumptions Others	-	652	-	5,241	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(48,155)	(71,199)	(70,524)	(58,347)	(54,118)
Benefit Payments, Including Refunds of Member Contributions - Implicit	(26,940)	(17,419)	(20,305)	(20,265)	(16,000)
Net Change in Total OPEB Liability	56,414	(45,624)	26,599	38,192	17,778
Ending Total OPEB Liability	1,236,901	1,180,487	1,226,111	1,199,512	1,161,320
Plan Fiduciary Net Position					
Beginning Plan Fiduciary Net Position	291,559	277,703	256,860	233,596	203,088
Employer Contributions - Explicit	50,155	71,199	72,524	60,347	58,118
Employer Contributions - Implicit	26,940	17,419	20,305	20,265	16,000
Net Investment Income	89,286	13,859	18,846	21,270	26,513
Benefit Payments, Including Refunds of Member Contributions	(75,095)	(88,618)	(90,829)	(78,612)	(70,118)
Administrative Expense	(3)	(3)	(3)	(6)	(5)
Net Change in Plan Fiduciary Net Position	91,283	13,856	20,843	23,264	30,508
Ending Plan Fiduciary Net Position	382,842	291,559	277,703	256,860	233,596
Ending Net OPEB Liability	$ 854,059	$ 888,928	$ 948,408	$ 942,652	$ 927,724
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	31.0 %	24.7 %	22.6 %	21.4 %	20.1 %
Covered Payroll	$ 736,411	$ 687,595	$ 626,384	$ 612,195	$ 574,663
Net OPEB Liability as a Percentage of Covered Payroll	$ 116.0	$ 129.3	$ 151.4	$ 154.0	$ 161.4

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

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

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

Last Five Fiscal Years
(Expressed in Thousands)

	2021	2020	2019	2018	2017
Total OPEB Liability					
Beginning Total Liability	$ 213,309	$ 204,432	$ 196,263	$ 183,723	$ 175,647
Service Cost	2,683	2,191	2,132	2,122	2,065
Interest	13,847	14,275	13,155	12,531	12,015
Differences Between Expected and Actual Experience	-	589	-	1,957	-
Changes of Assumptions Discount Rate	291	-	-	3,200	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(6,614)	(8,178)	(7,118)	(7,270)	(6,004)
Net Change in Total OPEB Liability	10,207	8,877	8,169	12,540	8,076
Ending Total OPEB Liability	223,516	213,309	204,432	196,263	183,723
Plan Fiduciary Net Position					
Beginning Plan Fiduciary Net Position	105,617	100,617	94,287	86,883	77,416
Employer and Non-Employer Contributions	9,867	9,311	7,756	7,639	6,921
Net Investment Income	32,552	4,886	6,418	7,805	9,886
Benefit Payments, Including Refunds of Member Contributions	(6,614)	(8,178)	(7,118)	(7,270)	(6,004)
Administrative Expense	(822)	(1,019)	(726)	(770)	(1,336)
Net Change in Plan Fiduciary Net Position	34,983	5,000	6,330	7,404	9,467
Ending Plan Fiduciary Net Position	140,600	105,617	100,617	94,287	86,883
Ending Net OPEB Liability	$ 82,916	$ 107,692	$ 103,815	$ 101,976	$ 96,840
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	62.9 %	49.5 %	49.2 %	48.0 %	47.3 %
Covered Payroll	$ 1,525,193	$ 1,484,373	$ 1,380,619	$ 1,343,669	$ 1,277,009
Change - Increase (Decrease)	5.4 %	7.3 %	7.5 %	7.6 %	7.6 %

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

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

Last Five Fiscal Years
(Expressed in Thousands)

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

This plan is funded on a pay-as-you go basis. The State's proportionate share for fiscal years June 30, 2017 through June 30, 2020 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 Five Fiscal Years
(Expressed in Thousands)

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

The plan does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. This plan is funded on a pay-as-you go basis. The State's proportionate share for fiscal years June 30, 2017 through June 30, 2020 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 Five Fiscal Years
(Expressed in Thousands)

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

Notes to Schedule:

Actuarial assumptions for both plans:

Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. Price inflation is estimated at 2.75 percent and salary increases mirror that rate plus a merit component. Asset valuation methods include 3-year smoothed market. Their investment advisor changes interest rates simultaneously. The investment rate of interest declined from 6.875 percent in 2017 to 6.75 percent in 2018. For the valuation ended June 30, 2021, the discount rate further declined to 6.50 percent. Prior to 2021, valuations were based on the July 1, 2012 to June 30, 2015 experience study and the RP2014 Total Dataset Healthy Annuitant Mortality table. 2021 demographic assumptions changed based on recommendations from the July 1, 2015 to June 30, 2020 experience study as well as the actuarial audit completed of the June 30, 2020 actuarial valuation. Mortality rates were revised using the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. The unfunded actuarial liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. The unfunded liability will be fully recognized by June 30, 2037.

State Health Insurance

The valuation date is June 30, 2021. The participation rate for future retirees is 95 percent of active participants currently enrolled. 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. Every year thereafter through June 30, 2020, the medical trend rate dropped by .20. At June 30, 2021, the medical trend rate was 5.90. The ultimate medical trend rate 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. Beginning with this fiscal year, June 30, 2021, management adopted a change in methodology recommended by the actuary. The new methodology better estimates actual self-insured plan premiums covered by the State on behalf of participants (explicit subsidy). Total claims allocated to retirees represents the total benefit payment amount and the implied subsidy payments represent the difference.

Group Life Insurance

The valuation date is June 30, 2021. The ADC is calculated in advance of the completion of the prior biennial valuation and thus rolled forward from prior results. In this case, ADC's for 2020 and 2021 are based on the June 30, 2016 valuation rolled forward and adjusted for changes in assumptions. The participation rate for future retirees is 100 percent of those currently enrolled.

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

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

Last Five Fiscal Years

	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expense	30.60 %	6.00 %	6.60 %	9.00 %	12.88 %

Notes to Schedule:

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

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to those assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,799 highway miles or 17,874 lane miles of roads and 3,016 bridges having a total deck area of 12.4 million square feet that the State is responsible to maintain.

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

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

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

HIGHWAYS

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

Data Element	Point Rating (%)	Description
Pavement Condition Rating (PCR)	45	PCR is defined as the composite condition of the pavement on a roadway only, and is compiled from the severity and extent of pavement distresses such as cracking, rutting and patching. It is the key indicator used to determine the optimum time to treat a particular section of road. Points decrease as PCR decreases
Safety	20	Statewide crash rates are used to allocate points. Locations with high rates get fewer points.
Backlog (Built vs. Unbuilt roadway)	15	A “Built” road is one that has been constructed to a modern standard, usually post 1950. This includes adequate drainage, base, and pavement to carry the traffic load, and adequate sight distance and width to meet current safety standards. “Unbuilt” (backlog) is defined as a roadway section that has not been built to modern standards. Yes or No (15 or 0).
Annual Average Daily Traffic divided by the hourly highway capacity (AADT/C)	10	This ratio measures how intensely a highway is utilized. As a highway facility’s AADT/C ratio increases, the average speed of vehicles on that facility tends to decrease. This decrease in average speed is evidence of reduced mobility. As congestion increases, points decrease (0-10).
Posted Speed	5	Lower speeds equal fewer points
Paved Shoulder	5	In general, roadways with paved shoulders perform at a higher level and last longer than those without shoulders or with only gravel shoulders. Yes or No (5 or 0).
	100	

BRIDGES

MDOT uses four separate factors to obtain a numerical value used to indicate the ability of bridges to remain in service at the current level of usage. The numeric value is a percentage ranging from 0 percent to represent an entirely insufficient or deficient bridge, and 100 percent to represent an entirely sufficient bridge. The four indicators and their relative point weighting are listed in the table below. The composite numeric value is based on the sufficiency rating formula in the Recording and Coding Guide for Structure Inventory and Appraisal of the Nation's Bridges.

Data Element	Point Rating (%)	Description
Structural Adequacy and Safety	55	This category considers inventory rating, superstructure, substructure and culverts.
Serviceability and Functional Obsolescence	30	Serviceability and functional obsolescence that addresses the number of lanes, average daily traffic, roadway width, bridge width, deck condition, under clearances, waterway adequacy, alignment, and defense highway designation.
Essentiality for Public Use	15	This considers detour length, average daily traffic, and defense highway designation.
Special Reduction	(13)	The sufficiency rating also includes consideration of special reductions for detour length, safety features, and type of structure.

Assessed Conditions

The following table shows adequacy ratings for maintenance levels from Excellent to Poor.

Adequacy Rating	Total
Excellent	80 - 100
Good	70 - 80
Fair	60 - 70
Poor	0 - 60

MDOT intends to maintain highways and bridges at an adequacy rating of 60 or higher. The following table shows adequacy ratings achieved by MDOT.

Fiscal Year	Highways	Bridges
2021	74.0	74.7
2020	74.0	75.0
2019	70.0	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)

	2021	2020	2019	2018	2017
Highways	$ 157.4	$ 148.3	$ 119.6	$ 124.8	$ 123.3
Bridges	34.9	32.0	13.2	16.4	18.8
Total	$ 192.3	$ 180.3	$ 132.8	$ 141.2	$ 142.1

Estimated Preservation Costs
(Expressed in millions)

	2021	2020	2019	2018	2017
Highways	$ 150.0	$ 130.0	$ 112.0	$ 133.0	$ 142.2
Bridges	35.0	15.0	13.5	21.0	23.7
Total	$ 185.0	$ 145.0	$ 125.5	$ 154.0	$ 165.9

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by PL 2019, Chapter 673, $83 million in General Fund bonds were spent during FY2021. Of the amount authorized by PL 2019, Chapter 532, $35 million in General Fund bonds were spent during FY2021.

STATE OF MAINE
INDEPENDENT AUDITOR'S REPORTS
ON INTERNAL CONTROL AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2021

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B. Melissa Perkins, CPA
Acting State Auditor

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

Honorable Troy D. Jackson
President of the Senate

Honorable Ryan M. Fecteau
Speaker of the House of Representatives

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Maine as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the State of Maine's basic financial statements, and have issued our report thereon dated December 10, 2021. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Maine's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned

Costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-011 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 through 2021-010 and 2021-012 through 2021-014 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2021-011.

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.

B.M. Perkins

B. Melissa Perkins, CPA
Acting State Auditor

Augusta, Maine
December 10, 2021

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

Honorable Members of the Legislative Council for the 130th Legislature

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* (including its Addendum) 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, 2021. The State of Maine's major Federal programs are identified in the Summary of Auditor's Results section (E-3 to E-4) of the accompanying Schedule of Findings and Questioned Costs (E-28 to E-154).

The State of Maine's basic financial statements include 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, 2021. Our audit, described below, did not include the operations of these component units because the component units engaged other auditors to perform an audit in accordance with the Uniform Guidance, if required.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on the SNAP Cluster
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the SNAP Cluster (ALN 10.551, 10.561) as described in finding number 2021-043 for Eligibility and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the SNAP Cluster
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, 2021.

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) (ALN 10.557) as described in finding numbers 2021-018 for Cash Management, 2021-019 for Subrecipient Monitoring, 2021-041 for Reporting, and 2021-042 for Cash Management and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) for the year ended June 30, 2021.

Basis for Qualified Opinion on Unemployment Insurance (UI)
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding Unemployment Insurance (UI) (ALN 17.225) as

described in finding numbers 2021-021 for Allowable Costs/Cost Principles and Eligibility, and 2021-022 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 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, 2021.

Basis for Qualified Opinion on the Emergency Rental Assistance Program
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Emergency Rental Assistance Program (ALN 21.023) as described in finding number 2021-029 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 Emergency Rental Assistance 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 Emergency Rental Assistance Program for the year ended June 30, 2021.

Basis for Qualified Opinion on Immunization Cooperative Agreements
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding Immunization Cooperative Agreements (ALN 93.268) as described in finding numbers 2021-035 for Special Tests and Provisions and 2021-041 for Reporting. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on Immunization Cooperative Agreements
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Immunization Cooperative Agreements for the year ended June 30, 2021.

Basis for Qualified Opinion on Epidemiology and Laboratory Capacity for Infectious Diseases
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (ALN 93.323) as described in finding number 2021-041 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 Epidemiology and Laboratory Capacity for Infectious Diseases
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

Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) for the year ended June 30, 2021.

Basis for Qualified Opinion on Temporary Assistance for Needy Families (TANF)
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding Temporary Assistance for Needy Families (TANF) (ALN 93.558) as described in finding numbers 2021-040 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles, 2021-041 for Reporting, 2021-042 for Cash Management and Subrecipient Monitoring, and 2021-043 for Eligibility and Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on Temporary Assistance for Needy Families (TANF)
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Temporary Assistance for Needy Families (TANF) for the year ended June 30, 2021.

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 (ALN 93.775, 93.777, 93.778) as described in finding numbers 2021-050 and 2021-051 for Special Tests and Provisions, and 2021-052 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Medicaid Cluster
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended June 30, 2021.

Basis for Qualified Opinion on the Children's Health Insurance Program (CHIP)
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Children's Health Insurance Program (CHIP) (ALN 93.767) as described in finding numbers 2021-051 for Special Tests and Provisions and 2021-052 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Children's Health Insurance Program (CHIP)
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Children's Health Insurance Program (CHIP) for the year ended June 30, 2021.

Basis for Qualified Opinion on 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 Disaster Grants – Public Assistance (Presidentially Declared Disasters) (ALN 97.036) as described in finding numbers 2021-059 for Cash Management, 2021-060 for Subrecipient Monitoring, and 2021-061 and 2021-062 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 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 Disaster Grants – Public Assistance (Presidentially Declared Disasters) for the year ended June 30, 2021.

Basis for Qualified Opinion on Presidential Declared Disaster Assistance to Individuals and Households - Other Needs

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding Presidential Declared Disaster Assistance to Individuals and Households – Other Needs (ALN 97.050) as described in finding number 2021-022 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 Presidential Declared Disaster Assistance to Individuals and Households - Other Needs

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 Presidential Declared Disaster Assistance to Individuals and Households – Other Needs for the year ended June 30, 2021.

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, 2021.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2021-023, 2021-024, 2021-045, and 2021-055. Our opinion on each major Federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the State of Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Maine's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2021-011, 2021-018, 2021-019, 2021-021, 2021-022, 2021-029, 2021-035, 2021-040 through 2021-044, 2021-050 through 2021-054, and 2021-059 through 2021-062 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2021-012 through 2021-017, 2021-020, 2021-023 through 2021-028, 2021-030 through 2021-034, 2021-036 through 2021-039, 2021-045 through 2021-049, 2021-055 through 2021-058, and 2021-063 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Jacob B. Norton, CIA
State Auditor

Augusta, Maine
March 31, 2022

STATE OF MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Agency

ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total	
Department of Agriculture					
10.025	Plant and Animal Disease, Pest Control, and Animal Care	27,092	345,033	372,126	
10.163	Market Protection and Promotion	255,087	-	255,087	
10.170	Specialty Crop Block Grant Program - Farm Bill	458,830	37,935	496,766	
10.178	Storage and Distribution Trade Mitigation Program Foods	302,000	-	302,000	
[1] 10.215	Sustainable Agriculture Research and Education	-	9,020	9,020	
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	-	387,538	387,538	
10.475	COVID-19 - Cooperative Agreements with States for Intrastate Meat and Poulty Inspection	-	5,954	5,954	
10.534	CACFP Meal Service Training Grants	17,163	26,315	43,479	
10.535	SNAP Fraud Framework Implementation Grant	-	48,157	48,157	
10.542	COVID-19 - Pandemic EBT Food Benefits	-	6,301,700	6,301,700	
10.545	Farmers' Market Supplemental Nutrition Assistance Program Support Grants	-	19,560	19,560	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	5,002,327	7,259,485	12,261,813	*
10.557	COVID-19 - Special Supplemental Nutrition Program for Women, Infants, and Children	-	1,338,412	1,338,412	*
10.558	Child and Adult Care Food Program	8,243,345	125,915	8,369,260	
10.560	State Administrative Expenses for Child Nutrition	-	1,390,941	1,390,941	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	13,836	36,285	50,121	
10.576	Senior Farmers Market Nutrition Program	724,289	80,674	804,962	
10.578	WIC Grants To States (WGS)	-	1,152,656	1,152,656	
10.582	Fresh Fruit and Vegetable Program	2,037,443	77,698	2,115,141	
10.652	Forestry Research	-	501,909	501,909	
10.652	COVID-19 - Forestry Research	-	156	156	
10.664	Cooperative Forestry Assistance	254,179	1,139,340	1,393,519	
10.674	Wood Utilization Assistance	-	17,789	17,789	
10.676	Forest Legacy Program	-	88,794	88,794	
10.680	Forest Health Protection	-	56,869	56,869	
10.689	Community Forest and Open Space Conservation Program (CFP)	-	1,500	1,500	
10.691	Good Neighbor Authority	-	11,748	11,748	
10.691	COVID-19 - Good Neighbor Authority	-	177	177	
10.902	Soil and Water Conservation	2,000	10,167	12,167	
10.904	Watershed Protection and Flood Prevention	10,456	-	10,456	
10.912	Environmental Quality Incentives Program	17,390	7,677	25,068	
10.914	Wildlife Habitat Incentive Program	-	42,097	42,097	
SNAP Cluster					
10.551	Supplemental Nutrition Assistance Program	-	374,133,544	374,133,544	*
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	3,538,834	13,916,307	17,455,141	*
SNAP Cluster Total		3,538,834	388,049,851	391,588,685	
Food Distribution Cluster					
10.565	Commodity Supplemental Food Program	4,088,064	42,837	4,130,901	
10.568	Emergency Food Assistance Program (Administrative Costs)	484,745	243,536	728,281	
10.568	COVID-19 - Emergency Food Assistance Program (Administrative Costs)	883,314	13,983	897,298	
10.569	Emergency Food Assistance Program (Food Commodities)	7,984,580	-	7,984,580	
Food Distribution Cluster Total		13,440,703	300,357	13,741,060	
Child Nutrition Cluster					
10.555	National School Lunch Program	342,349	5,249,869	5,592,217	
10.555	COVID-19 - National School Lunch Program	4,027,786	-	4,027,786	
10.559	Summer Food Service Program for Children	67,721,570	568,585	68,290,155	
10.579	Child Nutrition Discretionary Grants Limited Availability	82,361	-	82,361	
Child Nutrition Cluster Total		72,174,066	5,818,453	77,992,519	
Department of Agriculture Total		106,519,040	414,690,164	521,209,204	
Department of Commerce					
11.407	Interjurisdictional Fisheries Act of 1986	-	180,269	180,269	
[5] 11.417	Sea Grant Support	-	16,715	16,715	
11.419	Coastal Zone Management Administration Awards	324,537	2,439,907	2,764,445	
11.454	Unallied Management Projects	-	7,061	7,061	
11.472	Unallied Science Program	157,184	1,270,767	1,427,951	
[6] 11.473	Office for Coastal Management	29,101	42,511	71,613	
[7] 11.474	Atlantic Coastal Fisheries Cooperative Management Act	-	1,062,990	1,062,990	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Agency ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total
11.549	State and Local Implementation Grant Program	-	140,790	140,790
Economic Development Cluster				
11.307	Economic Adjustment Assistance	-	91,690	91,690
Economic Development Cluster Total		-	91,690	91,690
Department of Commerce Total		510,823	5,252,699	5,763,522
Department of Defense				
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	-	432,892	432,892
12.400	Military Construction, National Guard	-	8,374,700	8,374,700
12.401	National Guard Military Operations and Maintenance (O&M) Projects	-	24,371,193	24,371,193
Department of Defense Total		-	33,178,785	33,178,785
Department of Housing And Urban Development				
14.171	Manufactured Home Dispute Resolution	-	20,681	20,681
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	9,797,890	294,048	10,091,938
14.228	COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	8,349,121	128,462	8,477,583
14.267	Continuum of Care Program	7,494,277	-	7,494,277
14.401	Fair Housing Assistance Program State and Local	-	215,225	215,225
Department of Housing And Urban Development Total		25,641,288	658,417	26,299,705
Department of the Interior				
15.608	Fish and Wildlife Management Assistance	74,963	3,427	78,390
15.614	Coastal Wetlands Planning, Protection and Restoration	64,674	2,373	67,047
15.615	Cooperative Endangered Species Conservation Fund	-	55,242	55,242
15.616	Clean Vessel Act	307,108	75,309	382,418
15.622	Sportfishing and Boating Safety Act	-	53,365	53,365
15.634	State Wildlife Grants	6,063	709,514	715,577
15.657	Endangered Species Conservation – Recovery Implementation Funds	-	42,640	42,640
[2] 15.663	National Fish and Wildlife Foundation	45,442	8,648	54,090
15.676	Youth Engagement, Education, and Employment	-	3,751	3,751
15.810	National Cooperative Geologic Mapping	-	194,598	194,598
15.810	COVID-19 - National Cooperative Geologic Mapping	-	281	281
15.817	National Geospatial Program: Building The National Map	-	355,510	355,510
15.904	Historic Preservation Fund Grants-In-Aid	100,124	610,658	710,782
15.916	Outdoor Recreation Acquisition, Development and Planning	398,738	-	398,738
15.925	National Maritime Heritage Grants	3,386	6,250	9,636
[3] 15.931	Conservation Activities by Youth Service Organizations	-	6,528	6,528
15.980	National Ground-Water Monitoring Network	-	73,623	73,623
Fish and Wildlife Cluster				
15.605	Sport Fish Restoration	27,065	3,732,848	3,759,913
15.611	Wildlife Restoration and Basic Hunter Education	99,792	7,377,398	7,477,191
Fish and Wildlife Cluster Total		126,858	11,110,246	11,237,104
Department of the Interior Total		1,127,356	13,311,964	14,439,320
Department of Justice				
16.017	Sexual Assault Services Formula Program	180,495	23,587	204,081
16.034	Coronavirus Emergency Supplemental Funding Program	-	6,403	6,403
16.034	COVID-19 - Coronavirus Emergency Supplemental Funding Program	179,881	377,036	556,917
16.540	Juvenile Justice and Delinquency Prevention	100,089	142,014	242,103
16.543	Missing Children's Assistance	-	323,836	323,836
16.544	Youth Gang Prevention	-	30,332	30,332
16.554	National Criminal History Improvement Program (NCHIP)	-	332,978	332,978
16.575	Crime Victim Assistance	7,909,204	555,547	8,464,751
16.576	Crime Victim Compensation	-	193,878	193,878
16.585	Drug Court Discretionary Grant Program	-	4,717	4,717
16.588	Violence Against Women Formula Grants	739,293	128,629	867,922

Federal Agency ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total	
[4] 16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	-	485	485	
16.593	Residential Substance Abuse Treatment for State Prisoners	724	18,756	19,480	
16.606	State Criminal Alien Assistance Program	-	60,904	60,904	
16.609	Project Safe Neighborhoods	5,308	6,710	12,018	
16.710	Public Safety Partnership and Community Policing Grants	-	304,669	304,669	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	213,119	509,193	722,312	
16.741	DNA Backlog Reduction Program	-	406,015	406,015	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	-	225,902	225,902	
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	-	58,760	58,760	
16.812	Second Chance Act Reentry Initiative	252,046	-	252,046	
16.816	John R. Justice Prosecutors and Defenders Incentive Act	-	32,734	32,734	
16.922	Equitable Sharing Program	-	59,335	59,335	
Department of Justice Total		9,580,158	3,802,419	13,382,577	
Department of Labor					
17.002	Labor Force Statistics	-	1,073,969	1,073,969	
17.005	Compensation and Working Conditions	-	142,226	142,226	
17.225	Unemployment Insurance	-	323,128,139	323,128,139	*
17.225	COVID-19 - Unemployment Insurance	-	1,036,454,302	1,036,454,302	*
17.235	Senior Community Service Employment Program	284	21,239	21,523	
17.245	Trade Adjustment Assistance	-	693,263	693,263	
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects	-	322,730	322,730	
17.271	Work Opportunity Tax Credit Program (WOTC)	-	113,584	113,584	
17.273	Temporary Labor Certification for Foreign Workers	-	171,438	171,438	
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	2,393,426	144,101	2,537,527	
17.285	Apprenticeship USA Grants	-	226,712	226,712	
17.503	Occupational Safety and Health State Program	-	586,165	586,165	
17.504	Consultation Agreements	-	694,893	694,893	
17.600	Mine Health and Safety Grants	-	96,449	96,449	
WIOA Cluster					
17.258	WIA/WIOA Adult Program	2,123,839	245,427	2,369,265	
17.259	WIA/WIOA Youth Activities	1,935,624	471,378	2,407,002	
17.278	WIA/WIOA Dislocated Worker Formula Grants	1,865,929	1,076,919	2,942,848	
WIOA Cluster Total		5,925,392	1,793,723	7,719,116	
Employment Service Cluster					
17.207	Employment Service/Wagner-Peyser Funded Activities	-	3,333,016	3,333,016	
17.801	Disabled Veterans' Outreach Program (DVOP)	-	499,386	499,386	
17.804	Local Veterans' Employment Representative Program	-	356,255	356,255	
Employment Service Cluster Total		-	4,188,657	4,188,657	
Department of Labor Total		8,319,102	1,369,851,590	1,378,170,692	
Department of Transportation					
20.106	Airport Improvement Program	-	573,412	573,412	
20.106	COVID-19 - Airport Improvement Program	-	69,000	69,000	
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	2,282	107,541	109,824	
20.509	Formula Grants for Rural Areas	1,062,923	329,062	1,391,985	
20.509	COVID-19 - Formula Grants for Rural Areas	13,892,139	1,000,000	14,892,139	
20.530	Public Transportation Innovation	37,957	-	37,957	
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	-	47,503	47,503	
20.615	E-911 Grant Program	-	150,310	150,310	
20.700	Pipeline Safety Program State Base Grant	-	444,264	444,264	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	160,128	-	160,128	
20.721	PHMSA Pipeline Safety Program One Call Grant	-	46,738	46,738	
20.933	National Infrastructure Investments	-	318,516	318,516	
20.934	Nationally Significant Freight and Highway Projects	-	3,135,061	3,135,061	
Transit Services Programs Cluster					
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	318,968	1,044,001	1,362,969	
Transit Services Programs Cluster Total		318,968	1,044,001	1,362,969	

Federal Agency

ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total
Highway Safety Cluster				
20.600	State and Community Highway Safety	341,663	794,701	1,136,364
20.616	National Priority Safety Programs	493,752	2,509,450	3,003,201
Highway Safety Cluster Total		835,415	3,304,150	4,139,565
Highway Planning and Construction Cluster				
20.205	Highway Planning and Construction	-	240,400,926	240,400,926
20.205	COVID-19 - Highway Planning and Construction	-	14,637,520	14,637,520
20.219	Recreational Trails Program	480,843	70,898	551,741
Highway Planning and Construction Cluster Total		480,843	255,109,344	255,590,186
Federal Transit Cluster				
20.500	Federal Transit Capital Investment Grants	-	2,184,642	2,184,642
20.507	Federal Transit Formula Grants	393,785	-	393,785
20.507	COVID-19 - Federal Transit Formula Grants	4,090,587	-	4,090,587
20.526	Bus and Bus Facilities Formula Program	1,307,141	509,095	1,816,236
Federal Transit Cluster Total		5,791,513	2,693,737	8,485,250
Federal Motor Carrier Safety Assistance Cluster				
20.218	Motor Carrier Safety Assistance	-	1,510,491	1,510,491
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	-	939,152	939,152
Federal Motor Carrier Safety Assistance Cluster Total		-	2,449,643	2,449,643
Department of Transportation Total		22,582,169	270,822,281	293,404,450
Department of the Treasury				
21.016	Equitable Sharing	-	264,856	264,856
21.019	COVID-19 - Coronavirus Relief Fund	564,001,042	206,447,549	770,448,591 *
21.023	COVID-19 - Emergency Rental Assistance Program	66,700,000	-	66,700,000 *
21.U01	NAEP Grant	-	109,673	109,673
Department of the Treasury Total		630,701,042	206,822,078	837,523,121
Equal Employment Opportunity Commission				
30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964	-	272,574	272,574
Equal Employment Opportunity Commission Total		-	272,574	272,574
Institute Of Museum And Library Services				
45.310	Grants to States	26,000	1,949,391	1,975,391
Institute Of Museum And Library Services Total		26,000	1,949,391	1,975,391
National Endowment For The Arts				
45.025	Promotion of the Arts Partnership Agreements	668,710	238,612	907,322
45.025	COVID-19 - Promotion of the Arts Partnership Agreements	388,600	-	388,600
National Endowment For The Arts Total		1,057,310	238,612	1,295,922
National Endowment For The Humanities				
45.149	Promotion of the Humanities Division of Preservation and Access	-	87,630	87,630
National Endowment For The Humanities Total		-	87,630	87,630
National Science Foundation				
[8] 47.050	Geosciences	-	626	626
National Science Foundation Total		-	626	626
Department of Veterans Affairs				
64.203	Veterans Cemetery Grants Program	-	1,337,886	1,337,886
64.U01	Veterans Affairs	-	125,862	125,862
Department of Veterans Affairs Total		-	1,463,748	1,463,748

Federal Agency

ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total	
Environmental Protection Agency					
66.032	State Indoor Radon Grants	-	14,468	14,468	
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	-	274,667	274,667	
66.040	State Clean Diesel Grant Program	490,181	81,666	571,847	
66.204	Multipurpose Grants to States and Tribes	-	1,790	1,790	
66.432	State Public Water System Supervision	-	940,321	940,321	
66.444	Lead Testing in School and Child Care Program Drinking Water	-	121,837	121,837	
66.454	Water Quality Management Planning	48,832	73,476	122,307	
66.461	Regional Wetland Program Development Grants	-	138,047	138,047	
66.472	Beach Monitoring and Notification Program Implementation Grants	-	224,695	224,695	
66.605	Performance Partnership Grants	745,715	6,613,528	7,359,243	
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	-	27,732	27,732	
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	-	88,474	88,474	
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	-	326,934	326,934	
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	-	538,233	538,233	
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	-	119,931	119,931	
66.817	State and Tribal Response Program Grants	-	680,451	680,451	
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	213,979	16,509	230,488	
Drinking Water State Revolving Fund Cluster					
66.468	Capitalization Grants for Drinking Water State Revolving Funds	-	1,542,084	1,542,084	
Drinking Water State Revolving Fund Cluster Total		-	1,542,084	1,542,084	
Environmental Protection Agency Total		1,498,706	11,824,841	13,323,548	
Department of Energy					
81.041	State Energy Program	-	481,700	481,700	
81.138	State Heating Oil and Propane Program	-	12,901	12,901	
Department of Energy Total		-	494,601	494,601	
Department of Education					
84.002	Adult Education - Basic Grants to States	1,567,161	353,663	1,920,824	
84.010	Title I Grants to Local Educational Agencies	48,037,979	619,412	48,657,391	*
84.011	Migrant Education State Grant Program	808,233	129,261	937,494	
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	-	33,790	33,790	
84.048	Career and Technical Education -- Basic Grants to States	5,762,237	671,911	6,434,148	
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	-	297,637	297,637	
84.126A	Rehabilitation Services Vocational Rehabilitation Grants to States	-	11,237,332	11,237,332	
84.126B	Rehabilitation Services Vocational Rehabilitation Grants to States	-	2,268,777	2,268,777	
84.144	Migrant Education Coordination Program	11,406	20,088	31,494	
84.161	Rehabilitation Services Client Assistance Program	-	502	502	
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	336,769	336,769	
84.184	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	169	1,033,363	1,033,532	
84.196	Education for Homeless Children and Youth	411,060	80,911	491,971	
84.245	COVID-19 - Tribally Controlled Postsecondary Career and Technical Institutions	-	51,604	51,604	
84.287	Twenty-First Century Community Learning Centers	4,311,756	234,494	4,546,249	
84.358	Rural Education	1,175,922	26,842	1,202,764	
84.365	English Language Acquisition State Grants	567,194	-	567,194	
84.367	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	9,303,688	107,629	9,411,317	
84.369	Grants for State Assessments and Related Activities	-	1,525,309	1,525,309	
84.372	Statewide Longitudinal Data Systems	-	468,311	468,311	
84.377	School Improvement Grants	32,663	278,912	311,575	
84.421	Disability Innovation Fund (DIF)	1,382,717	354,651	1,737,368	
84.424	Student Support and Academic Enrichment Program	4,984,668	838,011	5,822,679	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Agency

ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total	
84.425B	COVID-19 - Education Stabilization Fund - Rethink K-12 Education Models	-	139,559	139,559	*
84.425C	COVID-19 - Education Stabilization Fund - Governor's Emergency Education Relief Fund	14,700	5,609,276	5,623,976	*
84.425D	COVID-19 - Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund	17,066,924	1,774,218	18,841,143	*
84.425R	COVID-19 - Education Stabilization Fund - Emergency Assistance Non-Public Schools	-	1,781	1,781	*
84.426	Randolph-Sheppard - Financial Relief and Restoration Payments	-	3,504	3,504	
Special Education Cluster (IDEA)					
84.027	Special Education Grants to States	42,983,422	4,452,941	47,436,363	
84.173	Special Education Preschool Grants	1,302,859	3,406	1,306,266	
Special Education Cluster (IDEA) Total		44,286,281	4,456,347	48,742,628	
Department of Education Total		139,724,759	32,953,862	172,678,621	
National Archives And Records Administration					
89.003	National Historical Publications and Records Grants	-	30,333	30,333	
National Archives And Records Administration Total		-	30,333	30,333	
U.S. Election Assistance Commission					
90.404	2018 HAVA Election Security Grants	-	89,951	89,951	
90.404	COVID-19 - 2018 HAVA Election Security Grants	-	939,511	939,511	
U.S. Election Assistance Commission Total		-	1,029,462	1,029,462	
Northern Border Regional Commission					
[9] 90.601	Northern Border Regional Development	26,049	186,076	212,125	
Northern Border Regional Commission Total		26,049	186,076	212,125	
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	19,071	1,210	20,281	
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	68,749	-	68,749	
93.042	COVID-19 - Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	-	78,680	78,680	
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	97,676	-	97,676	
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	222,936	28,066	251,002	
93.048	COVID-19 - Special Programs for the Aging Title IVand Title II Discretionary Projects	-	183,726	183,726	
93.052	National Family Caregiver Support, Title III, Part E	690,123	-	690,123	
93.052	COVID-19 - National Family Caregiver Support, Title III, Part E	303,575	-	303,575	
93.069	Public Health Emergency Preparedness	-	4,909,551	4,909,551	
93.070	Environmental Public Health and Emergency Response	-	1,262,218	1,262,218	
93.071	Medicare Enrollment Assistance Program	170,339	41,933	212,272	
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	-	112,906	112,906	
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	-	32,242	32,242	
93.090	Guardianship Assistance	-	663,315	663,315	
93.090	COVID-19 - Guardianship Assistance	-	63,755	63,755	
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	-	203,562	203,562	
93.103	Food and Drug Administration Research	-	408,319	408,319	
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	-	548,623	548,623	
93.110	Maternal and Child Health Federal Consolidated Programs	-	412,915	412,915	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	-	250,121	250,121	
93.127	Emergency Medical Services for Children	-	122,208	122,208	
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	-	183,865	183,865	

Federal Agency

ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total	
93.136	Injury Prevention and Control Research and State and Community Based Programs	800,029	2,674,244	3,474,273	
93.136	COVID-19 - Injury Prevention and Control Research and State and Community Based Programs	-	12,969	12,969	
93.137	Community Programs to Improve Minority Health Grant Program	8,012	34,305	42,316	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	299,302	19,874	319,176	
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	-	496,411	496,411	
93.234	Traumatic Brain Injury State Demonstration Grant Program	-	70,863	70,863	
93.241	State Rural Hospital Flexibility Program	-	301,656	301,656	
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	706,714	1,431,442	2,138,155	
93.268	Immunization Cooperative Agreements	-	18,295,509	18,295,509	*
93.268	COVID-19 - Immunization Cooperative Agreements	264,488	541,895	806,383	*
93.270	Adult Viral Hepatitis Prevention and Control	-	68,091	68,091	
93.301	Small Rural Hospital Improvement Grant Program	-	286,223	286,223	
93.301	COVID-19 - Small Rural Hospital Improvement Grant Program	-	1,433,389	1,433,389	
93.305	National State Based Tobacco Control Programs	-	44,723	44,723	
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	-	136,341	136,341	
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	-	1,767,483	1,767,483	*
93.323	COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	7,863,861	17,981,945	25,845,806	*
93.324	State Health Insurance Assistance Program	363,141	83,107	446,248	
93.334	The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels	-	9,806	9,806	
93.336	Behavioral Risk Factor Surveillance System	-	267,984	267,984	
93.354	COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	-	2,157,855	2,157,855	
93.369	ACL Independent Living State Grants	396,705	15,261	411,966	
93.387	National and State Tobacco Control Program	28,070	809,741	837,811	
93.426	Improving the Prevention and Management of Diabetes and Cardiovascular Disease	-	1,576,421	1,576,421	
93.434	Preschool Development Grants	-	239,727	239,727	
93.464	ACL Assistive Technology	129,796	166,614	296,410	
93.471	Title IV-E Kinship Navigator Program	227,034	-	227,034	
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	-	350	350	
93.556	Promoting Safe and Stable Families	542,608	479,902	1,022,510	
93.558	Temporary Assistance for Needy Families	32,831,760	46,685,890	79,517,650	*
93.563	Child Support Enforcement	-	20,306,556	20,306,556	
93.569	Community Services Block Grant	4,166,095	187,729	4,353,825	
93.569	COVID-19 - Community Services Block Grant	1,098,103	81,636	1,179,739	
93.586	State Court Improvement Program	-	255,033	255,033	
93.597	Grants to States for Access and Visitation Programs	-	85,671	85,671	
93.599	Chafee Education and Training Vouchers Program (ETV)	-	86,047	86,047	
93.603	Adoption and Legal Guardianship Incentive Payments	72,058	413,405	485,463	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	645,434	-	645,434	
93.643	Children's Justice Grants to States	14,016	24,020	38,037	
93.645	Stephanie Tubbs Jones Child Welfare Services Program	194,238	905,039	1,099,277	
93.645	COVID-19 - Stephanie Tubbs Jones Child Welfare Services Program	-	32,104	32,104	
93.658	Foster Care Title IV-E	36,429	29,173,248	29,209,677	
93.658	COVID-19 - Foster CareTitle IV-E	-	486,419	486,419	
93.659	Adoption Assistance	-	22,525,400	22,525,400	
93.659	COVID-19 - Adoption Assistance	-	1,892,106	1,892,106	
93.664	Substance Use Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act	-	498,900	498,900	
93.665	COVID-19 - Emergency Grants to Address Mental and Substance Use Discorders During COVID-19	-	46,731	46,731	
93.667	Social Services Block Grant	5,671,949	7,992,789	13,664,738	
93.669	Child Abuse and Neglect State Grants	800	121,746	122,546	

Federal Agency

ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total	
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	760,443	19,450	779,893	
93.671	COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	-	137,709	137,709	
93.674	Chafee Foster Care Independence Program	133,464	373,465	506,929	
93.674	COVID-19 - Chafee Foster Care Independence Program	-	248,967	248,967	
93.687	Maternal Opioid Misuse ModelMaine Maternal Opioid Model (MaineMOM)	-	489,627	489,627	
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	-	59,720	59,720	
93.747	Elder Abuse Prevention Interventions Program	-	287,789	287,789	
93.747	COVID-19 - Elder Abuse Prevention Interventions Program	-	389	389	
93.767	Children's Health Insurance Program	-	32,541,769	32,541,769	*
93.767	COVID-19 - Children's Health Insurance Program	-	1,891,836	1,891,836	*
93.788	Opioid STR	5,385,911	1,229,540	6,615,452	
93.800	Organized Approaches to Increase Colorectal Cancer Screening	-	174,859	174,859	
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	-	332	332	
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	5,266,185	301,425	5,567,610	
93.889	National Bioterrorism Hospital Preparedness Program	-	619,537	619,537	
93.889	COVID-19 - National Bioterrorism Hospital Preparedness Program	-	341,895	341,895	
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	-	1,640,476	1,640,476	
93.913	Grants to States for Operation of State Offices of Rural Health	-	157,594	157,594	
93.917	HIV Care Formula Grants	146,768	1,934,299	2,081,067	
93.917	COVID-19 - HIV Care Formula Grants	-	77,395	77,395	
93.940	HIV Prevention Activities Health Department Based	314,921	564,452	879,373	
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	-	239,870	239,870	
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	-	169,967	169,967	
93.958	Block Grants for Community Mental Health Services	3,720,531	346,943	4,067,475	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,882,765	2,045,515	7,928,280	
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	54,660	95,031	149,691	
93.982	Mental Health Disaster Assistance and Emergency Mental Health	-	1,567,394	1,567,394	
93.991	Preventive Health and Health Services Block Grant	36,764	1,307,282	1,344,047	
93.994	Maternal and Child Health Services Block Grant to the States	25,000	3,121,779	3,146,779	
Medicaid Cluster					
93.775	State Medicaid Fraud Control Units	-	905,797	905,797	*
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	3,830,114	3,830,114	*
93.777	COVID-19 - State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	509,139	509,139	*
93.778	Medical Assistance Program	-	2,370,386,193	2,370,386,193	*
93.778	COVID-19 - Medical Assistance Program	-	176,804,425	176,804,425	*
Medicaid Cluster Total		-	2,552,435,669	2,552,435,669	
Head Start Cluster					
93.600	Head Start	-	130,431	130,431	
Head Start Cluster Total		-	130,431	130,431	
CCDF Cluster					
93.575	Child Care and Development Block Grant	108,040	28,600,029	28,708,069	
93.575	COVID-19 - Child Care and Development Block Grant	-	12,084,299	12,084,299	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	-	5,956,976	5,956,976	
CCDF Cluster Total		108,040	46,641,304	46,749,344	
Aging Cluster					
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	1,668,913	507,016	2,175,929	
93.044	COVID-19 - Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	609,437	-	609,437	
93.045	Special Programs for the Aging Title III, Part C Nutrition Services	2,218,740	-	2,218,740	
93.045	COVID-19 - Special Programs for the Aging Title III, Part C Nutrition Services	1,754,360	-	1,754,360	
93.053	Nutrition Services Incentive Program	612,595	-	612,595	
Aging Cluster Total		6,864,046	507,016	7,371,061	
Department of Health And Human Services Total		86,632,612	2,844,582,539	2,931,215,151	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Federal Agency

ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total	
Corporation For National And Community Service					
94.003	State Commissions	-	258,306	258,306	
94.006	AmeriCorps	1,147,194	278,937	1,426,131	
94.008	Commision Investment Fund	-	224,312	224,312	
94.021	Volunteer Generation Fund	191,424	75,321	266,745	
Corporation For National And Community Service Total		1,338,618	836,876	2,175,494	
Social Security Administration					
Disability Insurance/SSI Cluster					
96.001	Social Security Disability Insurance	-	7,675,678	7,675,678	
Disability Insurance/SSI Cluster Total		-	7,675,678	7,675,678	
Social Security Administration Total		-	7,675,678	7,675,678	
Department of Homeland Security					
97.008	Non-Profit Security Program	910	-	910	
97.012	Boating Safety Financial Assistance	-	999,850	999,850	
97.032	Crisis Counseling	-	614,995	614,995	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	294,048	12,013	306,061	*
97.036	COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	19,567,237	20,017,273	39,584,510	*
97.039	Hazard Mitigation Grant	75,873	4,702	80,575	
97.041	National Dam Safety Program	-	70,674	70,674	
97.042	Emergency Management Performance Grants	2,128,725	1,408,865	3,537,590	
97.045	Cooperating Technical Partners	-	160,198	160,198	
97.047	Pre-Disaster Mitigation	73,004	-	73,004	
97.050	COVID - 19 Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	-	106,951,944	106,951,944	*
97.067	Homeland Security Grant Program	3,254,947	6,554,498	9,809,445	
Department of Homeland Security Total		25,394,744	136,795,011	162,189,756	
			-		
			-		
Total	**Federal Expenditures**	**1,060,679,777**	**5,358,812,259**	**6,419,492,035**	

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

[1] 10.215 University Of Vermont
[2] 15.663 National Fish & Wildlife Foundation
[3] 15.931 Appalachian Trail Commission
[4] 16.590 Cumberland County
[5] 11.417 Atlantic Offshore Lobstermen'S Assocation
[6] 11.473 The Nature Conservancy
[7] 11.474 Atlantic State Marine Fisheries Commission
[8] 47.050 Hood College
[9] 90.601 Northern Border Regional Commission

STATE OF MAINE
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Purpose of the Schedule

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the State's basic financial statements (BFS) and is presented for purposes of additional analysis. Total expenditures for each federal financial assistance program as identified by the Assistance Listing Number (ALN) are shown. Federal financial assistance programs, which have not been assigned a ALN number, have been identified using the two-digit federal agency number and a suffix containing a "U". Federal award amounts aggregated by federal agency, direct and pass-through amounts are reported by the primary recipient to prevent overstatement of expenditures of federal awards. This schedule is required by *Title 2 U.S. Code of Federal Regulations §200, Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

1. Significant Accounting Policies

A. *Reporting Entity* – The reporting entity is defined in Note 1 to the BFS. The accompanying Schedule includes all federal financial assistance programs of the State of Maine reporting entity for the fiscal year ended June 30, 2021, 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 $19.3 million in expenditures, distributions, or issuances for the year ended June 30, 2021. Programs audited as major programs are marked with asterisks in the accompanying schedule.

C. *Basis of Accounting* – The information presented in the Schedule of Expenditures of Federal Awards is presented primarily on the cash basis of accounting, which is consistent with the other Federal grant reports. The fund level financial statements are reported on the modified accrual basis of accounting. Consequently, the schedule's data may not be directly traceable to the financial statements.

2. Indirect Costs

The State of Maine did not elect to use the 10% de minimis indirect cost rate with the exception of the following program:

20.700 Pipeline Safety Program State Base Grant

3. Unemployment Insurance Program

The expenditures reported on the Schedule for Unemployment Insurance (ALN 17.225) include:

State Funds	$	273,117,051
Federal Funds		1,086,465,390
ALN 17.225 Total		1,359,582,441
Subsidy from ALN 21.019		
Coronavirus Relief Fund		56,743,390
Maine's UI Program Total	$	1,416,325,831

4. Supplemental Nutrition Assistance Program

In response to the COVID-19 pandemic, the Supplemental Nutrition Assistance Program (SNAP, ALN 10.551) issued emergency allotment benefits. However, the State of Maine is unable to identify the amount of emergency allotment expenditures. Therefore, emergency allotment expenditures are included in regular SNAP expenditures on the Schedule of Expenditures of Federal Awards.

5. Noncash Awards

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

ALN	Assistance Listing	Noncash Awards
10.551	SNAP (Supplemental Nutrition Assistance Program)	$374,133,544
10.555	National School Lunch Program	$5,146,881
10.565	Commodity Supplemental Food Program	$3,375,044
10.569	Emergency Food Assistance Program	$7,984,580
10.664	Cooperative Forestry Assistance	$437,567
10.542	COVID-19 – Pandemic EBT Food Benefits	$6,301,700
93.268	Immunization Grants	$15,304,574
97.067	Homeland Security Grant Program	$5,417,446

6. Donated Personal Protective Equipment

In response to the COVID 19 pandemic, the federal government donated PPE with an estimated fair market value of $3,862,000 (rounded, per ACFR adjustment GOVG024) to the State of Maine. Per the 2021 Compliance Supplement (page 8-VII-2), this amount is not included in the Schedule of Expenditures of Federal Awards and is not subject to Audit. Therefore, this amount is unaudited.

7. Disaster Grants – Public Assistance

After a Presidential-Declared Disaster, FEMA provides a Public Assistance Grant to reimburse eligible costs associated with repair, replacement, or restoration of disaster-damaged facilities; and costs associated with the State of Maine's response to the COVID-19 public health emergency. The federal government reimburses in the form of cost-shared grants which requires state matching funds. For the year ended June 30, 2021, the amount included in the accompanying schedule for Disaster Grants – Public Assistance (ALN 97.036) includes $8,400,503 of approved eligible expenditures that were incurred in a prior year.

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section I – Summary of Auditor's Results

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	YES ☑	NO ☐
• Significant deficiencies identified that were not considered to be material weaknesses?	YES ☑	NO ☐
• Noncompliance material to financial statements noted?	YES ☐	NO ☑

Federal Awards:

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

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

<u>Unmodified</u>
Coronavirus Relief Fund
Education Stabilization Fund (ESF)
Title I Grants to Local Educational Agencies

<u>Qualified</u>
Children's Health Insurance Program (CHIP)
Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Emergency Rental Assistance Program
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
Immunization Cooperative Agreements
Medicaid Cluster
Presidential Declared Disaster Assistance to Individuals and Households – Other Needs
SNAP Cluster
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
Temporary Assistance for Needy Families (TANF)
Unemployment Insurance (UI)

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

Clusters Identified as Major Programs:

ALN	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

Medicaid Cluster

93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program

Other Major Programs:

10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
17.225	Unemployment Insurance (UI)
21.019	Coronavirus Relief Fund
21.023	Emergency Rental Assistance Program
84.010	Title I Grants to Local Educational Agencies
84.425	Education Stabilization Fund (ESF)
93.268	Immunization Cooperative Agreements
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
93.558	Temporary Assistance for Needy Families (TANF)
93.767	Children's Health Insurance Program (CHIP)
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
97.050	Presidential Declared Disaster Assistance to Individuals and Households – Other Needs

Dollar threshold used to distinguish between type A and type B programs: $19,258,476

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

Summary of Questioned Costs:

Federal Agency	Federal Program	Known Questioned Costs	Finding Number
U.S. Department of Health and Human Services	Temporary Assistance for Needy Families (TANF)	$8,377 $224	2021-040 2021-045
	Medicaid Cluster	Undeterminable	2021-055
U.S. Department of Labor	Unemployment Insurance (UI)	$2,032,324	2021-021
U.S. Department of Treasury	Coronavirus Relief Fund	$27,169 $4,867	2021-023 2021-024

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section II – Index to Financial Statement Findings

Index to Financial Statement Findings

Finding #	Brief Summary of Finding	Finding Type	Page
2021-001	Internal control over lottery receivable reconciliations needs improvement	SD	E-11
2021-002	________ over ________ within the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-13
2021-003	Internal control over financial reporting of OFI overpayments needs improvement	SD	E-14
2021-004	Internal control over accounting for personal protective equipment inventory needs improvement	SD	E-16
2021-005	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-19
2021-006	________ over ________ and ________ for the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-20
2021-007	________ over the ________ and ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-21
2021-008	Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables needs improvement	SD	E-22
2021-009	Internal control over financial reporting of unemployment insurance receivables needs improvement	SD	E-24
2021-010	________ over ________ and ________ for the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-27
2021-011	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-28
2021-012	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-29
2021-013	________ over the Office of Information Technology's ________ procedures needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-30
2021-014	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-31

Legend of Abbreviations:

MW Material Weakness
SD Significant Deficiency

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section II – Financial Statement Findings

(2021-001)

Title: Internal control over lottery receivable reconciliations needs improvement

Prior Year Findings:

FY20
2020-002

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

Type of Finding: Significant deficiency

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

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

Condition: The Maine State Liquor and Lottery Commission has a contract with a gaming vendor to administer instant ticket and draw games. The General Government Service Center (GGSC) relies on vendor reports to record revenue generated from the sale of tickets.

In fiscal year 2021, internal control was not in place to ensure that the overall balance of accounts receivable recorded in the State's general ledger reconciled to the contracted vendor's report of lottery accounts receivable by retail customer. There is an accumulated discrepancy within an estimated range of $4 to $6 million. An accounts receivable reconciliation was not performed at any point during fiscal year 2021. GGSC did not perform alternative procedures to corroborate the valuation of the accounts receivable balance.

Context: According to the State's financial records, as of June 30, 2021, the accounts receivable balance for the State Lottery Fund was $36.2 million.

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

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

Recommendation: We recommend that GGSC continue to work with the vendor to provide appropriately designed receivable reports in a timely manner. We further recommend that GGSC establish procedures to ensure timely reconciliations of accounts receivable are performed until such deliverables are satisfied.

Corrective Action Plan: See F-5

Management's Response: The Department agrees with this finding; however, we are unable, at this point, to confirm or refute the accumulated discrepancy until the conclusion of the ongoing engagement with our contractor. Due to the complexity of Lottery operations compounded by an inability to hold regular meetings in person due to the pandemic, the engagement has been extended. It is now planned that by March 31, 2022, a streamlined accounting process, an updated current procedure manual and requisite training will be concluded. Processes will be in place to provide a monthly reconciliation of Accounts Receivable by retailer.

Contact: Janre Mullins, Director, General Government Service Center, DAFS, 207-624-7399

(State Number: 21-0305-01)

(2021-002) Confidential finding, see below for more information

Title: ________ over ________ within the ________ system needs improvement

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

Prior Year Findings: None

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

Type of Finding: Significant deficiency

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-5

Management's Response: ________

Contact: Kimberly Hall, ERP Business Systems Analyst, OSC, 207-626-8427

(State Number: 21-0901-01)

(2021-003)

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

Prior Year Findings:

FY20
2020-005

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

Type of Finding: Significant deficiency

Criteria: 45 CFR 75.426

Bad debts (debts which have been determined to be uncollectible), including losses (whether actual or estimated) arising from uncollectible accounts and other claims, are unallowable.

Condition: The Office for Family Independence (OFI) tracks improper payments made to, or on behalf of, clients in a subsidiary ledger. These payments, totaling $32 million in Federal and State dollars at June 30, 2021 and dating back to 1983, are for services provided to Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) clients. OFI provides the fiscal year end subsidiary ledger to the Office of the State Controller (OSC) for financial reporting.

OSC records the overpayments made by the State for OFI client services as a receivable owed by the client to whom the service was provided. The collectability of receivables is evaluated, and an allowance is established based on that evaluation. At the end of fiscal year 2021, management estimated that $25.7 million is uncollectible, with $23.7 million in the Federal Fund and $2 million in the General Fund. The $23.7 million was recorded and disclosed as an allowance for uncollectible accounts within the Federal Fund, and the related $23.7 million expense associated with the allowance was also recorded in the Federal Fund. The related expense should have been recorded in the General Fund since Federal funds cannot be used to pay for bad debts (debts which have been determined to be uncollectible).

Context: Of the total $25.7 million management estimate of the allowance for uncollectible accounts, $23.7 million was recorded in the Federal Fund and should have been recorded in the General Fund.

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

Effect: In the State's financial statements, an expenditure of $23.7 million is reported in the Federal Fund and should be reported in the General Fund.

Recommendation: We recommend that the Department record the amount deemed uncollectible from clients in the General Fund and that Federal dollars are not utilized for bad debts (debts which have been determined to be uncollectible).

Corrective Action Plan: See F-6

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

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

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

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

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

Auditor's Concluding Remarks: This finding is over OSC's reporting of bad debts (debts which have been determined to be uncollectible). OSC has determined that $25.7 million is uncollectible. OSC recorded the Federal portion ($23.7 million) of these bad debts as expenditures in the Federal Fund, which is unallowable. Furthermore, Management's Response does not address financial reporting, rather, it erroneously focuses on improper payment recovery.

The finding remains as stated.

(State Number: 21-0203-02)

(2021-004)

Title: Internal control over accounting for personal protective equipment inventory needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services (DAFS)
Health and Human Services (DHHS)
State Bureau: Office of the State Controller, a Unit of DAFS
General Government Service Center, a Unit of DAFS
Bureau of General Services, a Unit of DAFS
Maine Center for Disease Control & Prevention, a Unit of DHHS

Type of Finding: Significant deficiency

Criteria: 2 CFR 200.303; Governmental Accounting Standards Board (GASB) 62; State Administrative and Accounting Manual (SAAM) 35.10

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

GASB 62 classifies inventory as a current asset and details the accounting for inventory consumption and acceptable inventory valuation methods. For inventory purposes, cost may be determined under any one of several assumptions regarding flow of cost factors such as average cost; first-in, first-out (FIFO); and last-in, first-out (LIFO) and should be adjusted to the lower of cost or market value when the utility of the goods is no longer commensurate with its cost.

Section 35.10 of the SAAM requires agencies to develop and implement policies to safeguard, control, and account for inventories. This includes selecting an inventory valuation method; planning, conducting and reconciling physical inventories with inventory records; and performing other duties necessary to account for and report inventories. Consumable inventories on-hand exceeding $25,000 must be physically counted, valued, and recorded in the general ledger.

Condition: As part of the State's public health emergency response to the COVID-19 pandemic, the State made several bulk purchases of personal protective equipment (PPE) in multiple warehouses at various locations. These expenditures were funded by Disaster Grants – Public Assistance and Coronavirus Relief Funds. At fiscal year-end, a majority of these purchases had not been distributed to State agencies or local hospitals and clinics and remained on hand in the warehouses.

Procedures for valuing and recording inventory in the State's accounting system do not conform with U.S. Generally Accepted Accounting Principles (GAAP) or the SAAM:

- An inventory valuation method has not been assigned (average cost, FIFO, or LIFO) to inventory assets and an evaluation has not been made as to whether the inventory should be presented at lower of cost or market value.
- Year-end physical inventory procedures were not documented and the auditor was unable to obtain evidence that a year-end physical inventory was performed.
- On hand inventory was not recorded in the State's accounting system during the year as a current asset and the year-end value of those inventory assets was not reported to the Office of the State Controller (OSC) until requested by the Office of the State Auditor.
- Year-end accounting entries recorded by OSC did not appropriately recognize revenues and expenses of inventory sale transactions in the Internal Service Funds or year-end inventory values in the Federal Fund.

Context: The State purchased approximately $34 million of PPE in fiscal year 2021 and $9 million of PPE in fiscal year 2020 utilizing Federal funds. Inventory at June 30, 2021, was reported at $26 million. In addition, the State received donated PPE valued at approximately $4 million in fiscal year 2021, $1 million of which was held as inventory at June 30, 2021.

Cause:

- The emergency response to the COVID-19 pandemic was focused on acquiring and distributing PPE as quickly as possible, not on accounting and valuing inventory on hand for financial reporting purposes.
- Lack of procedures at OSC to ensure that the agency's inventory management system was adequate to produce required reports for assurance over year-end financial reporting.

Effect:

- Noncompliance with GAAP and State accounting policies
- Internal Service Fund expenses are understated by $13 million and revenues are understated by $7 million.
- Federal Fund inventory is overstated by $7 million and expenses are understated by $7 million.
- Potential increased risk of loss and waste of Federally-funded purchases
- Potential increased risk of error and fraud when receiving inventory

Recommendation: We recommend that OSC develop policies and procedures to ensure inventory is appropriately valued and recorded in accordance with GAAP and the SAAM. Donated inventory should be assigned a fair value upon receipt and accounted for in the same manner as other inventory assets. We also recommend that warehouse personnel perform a comprehensive year-end physical inventory count and maintain documentation of the results.

Corrective Action Plan: See F-6

Management's Response: The Office of the State Controller (OSC) has existing policies and procedures that are documented in the SAAM Manual and the year end closing package. OSC usually relies on the State agencies to follow these procedures; however, OSC acknowledges that more proactive efforts could have been taken to address the elevated risks associated with the unique circumstances of the past year. OSC will work with State agencies to better understand the process they follow and offer to help them meet the requirements for financial reporting.

The PPE Central Warehouse was established under a state of emergency in just three weeks. This accelerated schedule resulted in certain administrative items to receive a lower priority. Going forward, the Bureau of General Services (BGS) will fully utilize the existing inventory management system to track inventory, record dollar values and record shipping/inventory-related documents. This system will be utilized consistently for all existing and ongoing inventory deliveries and counts. This information will be forwarded quarterly to the General Government Service Center (GGSC) to provide for compilation and forwarding to OSC. Lastly, donated inventory will be assigned a fair value upon receipt and accounted for in a manner similar to other inventory assets.

The Maine Center for Disease Control & Prevention (Maine CDC) agrees with the recommendation for warehouse personnel to perform a comprehensive year-end physical inventory count and maintain documentation of the results; however, the operational needs of the COVID19 pandemic response precluded the Maine CDC from shutting down the warehouse to perform a physical inventory at this fiscal year end.

OSC Contact: Stacey Thomas, Financial Management Coordinator, 207-626-8431
BGS Contact: Andrew Giroux, Director of Central Services, 207-287-2923
GGSC Contact: Janre Mullins, Director, 207-624-7399
Maine CDC Contact: Veronica Robichaud, Chief Operating Officer, 207-287-2923

(State Number: 21-0320-01)

(2021-005) Confidential finding, see below for more information

Title: ________ over the ________ system needs improvement

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

Prior Year Findings:

FY20	FY19	FY18
Redacted	Redacted	Redacted

State Department: Education
State Bureau: School Finance and Operations

Type of Finding: Significant deficiency

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-7

Management's Response: ________

Contact: Joanne Allen, Director of School Finance & Operations, DOE, 207-957-6796

Auditor's Concluding Remarks: ________

(State Number: 21-0909-01)

(2021-006) Confidential finding, see below for more information

Title: ________ over ________ and ________ for the ________ system needs improvement

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

Prior Year Findings:

FY20
Redacted

State Department: Education
State Bureau: School Finance and Operations

Type of Finding: Significant deficiency

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-7

Management's Response: ________

Contact: Katherine Warren, Education Data Systems Manager, DOE, 207-592-1793

(State Number: 21-0909-02)

(2021-007) Confidential finding, see below for more information

Title: ________ over the ________ and ________ system needs improvement

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

Prior Year Findings:

FY20
Redacted

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

Type of Finding: Significant deficiency

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-7

Management's Response: ________

Contact: Dennis Corliss, Chief of Finance and Administration, State of Maine Judicial Branch, 207-822-0709

Auditor's Concluding Remarks: ________

(State Number: 21-0903-01)

(2021-008)

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

Prior Year Findings:

FY20
2020-007

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

Type of Finding: Significant deficiency

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

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

Condition: The valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables reported on the State's financial statements is not supported.

The Office of the State Controller (OSC) receives the receivables aging report provided by the Judicial Branch Revenue Manager. OSC automatically deems receivables outstanding for more than 180 days as uncollectible and records the allowance in the State's financial statements. OSC could not provide their documented considerations to support this methodology.

The Office of the State Auditor (OSA) requested current and historical collection data from the Judicial Branch's Chief of Finance and Administration in order to evaluate OSC's estimate. The Judicial Branch chose not to provide collection data, citing lack of resources.

Context: Fines and fees receivables for the Judicial Branch totaled $29 million as of June 30, 2021. The financial statements present receivables net of the allowance for uncollectible amounts of $25.6 million, resulting in a presentation of approximately $3.6 million.

Cause:
- Lack of documented policies and procedures to support management's considerations in developing the estimate
- Lack of supervisory oversight
- Lack of resources

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

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

- establish a formal documented method to estimate the allowance for uncollectible receivables based on current and historical collection experience, and other factors used to support professional judgment. This includes documenting how the estimates are calculated, and how relevant data and other information is incorporated into the model.
- implement a secondary review of the estimate calculation, logic, and other supporting information. This ensures that multiple persons are responsible for the development of the estimates, which reduces the risk of management bias.

Corrective Action Plan: See F-8

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

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

Auditor's Concluding Remarks: As stated in the finding, OSC did not provide documented considerations for the valuation assumptions and methodology used to estimate the allowance for uncollectible fines and fees. Furthermore, the Judicial Branch chose not to provide collection data upon OSA's request, citing lack of resources. We continue to recommend that the Judicial Branch and OSC work together to establish a formal, documented method to estimate the allowance for uncollectible accounts based on current and historical collection experience, and other factors used to support professional judgment.

The finding remains as stated.

(State Number: 21-0203-01)

(2021-009)

Title: Internal control over financial reporting of unemployment insurance receivables needs improvement

Prior Year Findings:

FY20	FY19
2020-009	2019-004

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

Type of Finding: Significant deficiency

Criteria: 2 CFR 200.303; 5 MRSA 1547; State Administrative and Accounting Manual 80.30.05

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

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

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

Condition: The Maine Department of Labor (MDOL) utilizes the outsourced ReEmployME information system for processing and storage of data related to the Unemployment Insurance (UI) program. ReEmployME stores extensive financial and programmatic data, including records of balances owed to the State by individuals and employers. Detailed reports of receivables balances are necessary for financial reporting purposes. MDOL cannot provide an accounts receivable report from ReEmployME containing records for each debtor as of June 30, 2021.

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

OSC's review and analysis of the estimated allowances is not sufficient. The supporting documentation for this analysis does not include management's considerations of historical data, detailed collections activity, or current economic trends, including the unprecedented impacts of the COVID-19 pandemic initially seen in the fourth quarter of fiscal year 2020 that persisted for much of fiscal year 2021.

Context: UI receivables for the Employment Security Trust Fund totaled $111.1 million as of June 30, 2021, reduced by the estimated allowance for uncollectible accounts of $61.0 million. This results in management's presentation of $50.1 million in net UI receivables, not including interest and penalties as described in the following paragraph.

As of June 30, 2021, a receivable for interest and penalties related to UI totaling $57.94 million was included in the Other Special Revenue Fund, reduced by the estimated allowance for uncollectible accounts of $57.90 million. The allowance represents 99.93 percent of the total balance, and results in management's net presentation of $43 thousand in UI receivables for interest and penalties.

Cause:

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

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

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

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

Corrective Action Plan: See F-8

Management's Response: The Departments agree that detailed receivables reports should be generated and retained during the fiscal year. OSC will provide guidance to DOL to develop a reporting mechanism that will provide a more detailed analysis of the activity of the receivable balances. OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC and the Department of Labor (DOL) accumulate relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. OSC recently performed a five-year trend analysis of historical collections with information provided by DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. DOL implemented a new system and OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.

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

(State Number: 21-0308-01)

(2021-010) Confidential finding, see below for more information

Title: ________ over ________ and ________ for the ________ system needs improvement

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

Prior Year Findings:

FY20	FY19
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

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-9

Management's Response: ________

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

(State Number: 21-0908-01)

(2021-011) Confidential finding, see below for more information

Title: ________ over the ________ system needs improvement

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

Prior Year Findings:

FY20	FY19
Redacted	Redacted

State Department: Labor
State Bureau: Unemployment Compensation
Federal Agency: U.S. Department of Labor
U.S. Department of Homeland Security
Assistance Listing Title: Unemployment Insurance (UI) (COVID-19)
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs (COVID-19)
Assistance Listing Number *(CFDA)*: 17.225; 97.050
Federal Award Identification Number: Unemployment Insurance Trust Fund, Maine; 4522DRMESPLW

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness

Questioned Costs: None

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-9

Management's Response: ________

Contact: Kimberly Smith, Deputy Commissioner, Department of Labor, 207-621-5096

Auditor's Concluding Remarks: ________

(State Number: 21-0907-01)

(2021-012) Confidential finding, see below for more information

Title: ________ over the ________ system needs improvement

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

Prior Year Findings:

FY20	FY19
Redacted	Redacted

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services
Assistance Listing Title: SNAP Cluster
Temporary Assistance for Needy Families (TANF)
Assistance Listing Number *(CFDA)*: 10.551, 10.561; 93.558
Federal Award Identification Number: SNAP Benefits, Maine;
1801METANF, 1901METANF,
2001METANF, 2101METANF

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

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-9

Management's Response: ________

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

Auditor's Concluding Remarks: ________

(State Number: 21-0905-01)

(2021-013) Confidential finding, see below for more information

Title: ________ over the Office of Information Technology's ________ procedures needs improvement

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

Prior Year Findings:

FY20
Redacted

State Department: Administrative and Financial Services
State Bureau: Office of Information Technology
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number *(CFDA)*: 93.775, 93.777, 93.778
Federal Award Identification Number: 2005ME5MAP, 2105ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-9

Management's Response: ________

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

Auditor's Concluding Remarks: ________

(State Number: 21-0900-02)

(2021-014) Confidential finding, see below for more information

Title: ________ over ________ needs improvement

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

Prior Year Findings:

FY20	FY19	FY18	FY17
Redacted	Redacted	Redacted	Redacted

State Department: Administrative and Financial Services
State Bureau: Office of Information Technology
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number *(CFDA)*: 93.775, 93.777, 93.778
Federal Award Identification Number: 2005ME5MAP, 2105ME5MAP

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-10

Management's Response: ________

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

(State Number: 21-0900-01)

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section III - Indexes to Federal Program Findings

INDEXES TO FEDERAL PROGRAM FINDINGS

Four findings (2021-011 through 2021-014) included in Section II – Financial Statement Findings also relate to Section III – Federal Findings and Questioned Costs and will be included in the following indexes.

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
SNAP Cluster ALN 10.551, 10.561			
2021-012	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-29
2021-015	Internal control over the issuance of SNAP benefits needs improvement	SD	E-47
2021-016	Internal control over EBT reconciliation procedures needs improvement	SD	E-49
2021-017	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-51
2021-043	Internal control over Income Eligibility and Verification System procedures needs improvement	MW MNC	E-108
2021-054	Internal control over the eligibility determination process needs improvement	MW	E-132
2021-058	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-143
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) ALN 10.557			
2021-018	Internal control over cash balances needs improvement	MW MNC	E-52
2021-019	Internal control over subrecipient monitoring needs improvement	MW MNC	E-55
2021-020	Internal control over subrecipient awards needs improvement	SD	E-57
2021-041	Internal control over special reporting needs improvement	MW MNC	E-103
2021-042	Internal control over subrecipient cash management needs improvement	MW MNC	E-105
Unemployment Insurance (UI) ALN 17.225			
2021-011	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-28
2021-021	Internal control over Unemployment Insurance claim payments needs improvement	MW MNC QC ($2,032,324/ $29,100,000)	E-59

Unemployment Insurance continued on next page

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Unemployment Insurance continued from previous page			
2021-022	Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement	MW MNC	E-67
Coronavirus Relief Fund ALN 21.019			
2021-023	Internal control over education expenditures charged to the Coronavirus Relief Fund needs improvement	SD QC ($27,169 / UN)	E-69
2021-024	Internal control over payroll transfers to the Coronavirus Relief Fund needs improvement	SD QC ($4,867 / UN)	E-72
2021-025	Internal control over subrecipient risk evaluation procedures needs improvement	SD	E-75
2021-026	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-78
2021-027	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-79
2021-028	________ over ________, ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-80
Emergency Rental Assistance Program ALN 21.023			
2021-029	Internal control over special reporting needs improvement	MW MNC	E-81
2021-030	Internal control over suspension and debarment procedures needs improvement	SD	E-83
Title I Grants to Local Educational Agencies ALN 84.010			
2021-027	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-79
2021-028	________ over ________, ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-80
2021-031	Internal control over Title I, Part A award allocations needs improvement	SD	E-85
Title I Grants to Local Educational Agencies continued on next page			

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Title I Grants to Local Educational Agencies continued from previous page			
2021-032	Internal control over special reporting needs improvement	SD	E-87
Education Stabilization Fund (ESF) ALN 84.425			
2021-027	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-79
2021-028	________ over ________, ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-80
2021-032	Internal control over special reporting needs improvement	SD	E-87
2021-033	Internal control over cash management needs improvement	SD	E-89
2021-034	Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement	SD	E-91
Immunization Cooperative Agreements ALN 93.268			
2021-026	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-78
2021-035	Internal control over provider monitoring needs improvement	MW MNC	E-93
2021-036	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-95
2021-037	________ over ________, ________, and ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-96
2021-041	Internal control over special reporting needs improvement	MW MNC	E-103
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) ALN 93.323			
2021-026	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-78
2021-038	Internal control over reporting needs improvement	SD	E-97
2021-039	Internal control over subrecipient awards needs improvement	SD	E-99
2021-041	Internal control over special reporting needs improvement	MW MNC	E-103

State of Maine
Fiscal Year 2021
Index to Federal Findings
By Federal Program and Finding Type

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
<u>Temporary Assistance for Needy Families (TANF)</u> ALN 93.558			
2021-012	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-29
2021-017	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-51
2021-040	Internal control over payments made to and on behalf of TANF clients needs improvement	MW MNC QC ($8,377 / $667,074)	E-101
2021-041	Internal control over special reporting needs improvement	MW MNC	E-103
2021-042	Internal control over subrecipient cash management needs improvement	MW MNC	E-105
2021-043	Internal control over Income Eligibility and Verification System procedures needs improvement	MW MNC	E-108
2021-044	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-110
2021-045	Internal control over cash benefits paid to TANF clients needs improvement	SD QC ($224 / $112,657)	E-111
2021-046	Internal control over TANF client child support sanction procedures needs improvement	SD	E-113
2021-047	Internal control over TANF performance reporting and work participation procedures needs improvement	SD	E-115
2021-048	Internal control over subrecipient risk evaluation procedures needs improvement	SD	E-117
2021-049	Internal control over subrecipient audit procedures needs improvement	SD	E-119
2021-054	Internal control over the eligibility determination process needs improvement	MW	E-132
2021-058	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-143
<u>Children’s Health Insurance Program (CHIP)</u> ALN 93.767			
2021-051	Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement	MW MNC	E-125
Children’s Health Insurance Program (CHIP) continued on next page			

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Children's Health Insurance Program (CHIP) continued from previous page			
2021-052	Internal control over compliance with eligibility determination requirements needs improvement	MW MNC	E-127
2021-054	Internal control over the eligibility determination process needs improvement	MW	E-132
2021-058	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-143
Medicaid Cluster ALN 93.775, 93.777, 93.778			
2021-013	________ over the Office of Information Technology's ________ procedures needs improvements (The content of this finding has been redacted. This appears as blank underlining)	SD	E-30
2021-014	________ over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-31
2021-050	Internal control over Hospital and Long Term Care Facility audits needs improvement	MW MNC	E-121
2021-051	Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement	MW MNC	E-125
2021-052	Internal control over compliance with eligibility determination requirements needs improvement	MW MNC	E-127
2021-053	Internal control over Medicare Part B premium payments needs improvement	MW	E-130
2021-054	Internal control over the eligibility determination process needs improvement	MW	E-132
2021-055	Internal control over cost of care assessments needs improvement	SD QC (UN / UN)	E-135
2021-056	Internal control over deceased client cases and claims analysis needs improvement	SD	E-138
2021-057	Internal control over the outsourced medical claims coding process needs improvement	SD	E-141
2021-058	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	SD	E-143
Disaster Grants – Public Assistance (Presidentially Declared Disasters) ALN 97.036			
2021-059	Internal control over cash management needs improvement	MW MNC	E-145
Disaster Grants–Public Assistance (Presidentially Declared Disasters) continued on next page			

Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page
Disaster Grants–Public Assistance (Presidentially Declared Disasters) continued from previous page			
2021-060	Internal control over subrecipient audit procedures needs improvement	MW MNC	E-147
2021-061	Internal control over Schedule of Expenditures of Federal Awards reporting needs improvement	MW MNC	E-149
2021-062	Internal control over special reporting needs improvement	MW MNC	E-151
2021-063	Internal control over subrecipient risk evaluation procedures needs improvement	SD	E-153
<u>Presidential Declared Disaster Assistance to Individuals and Households – Other Needs</u> ALN 97.050			
2021-011	________ over the ________ system needs improvement (The content of this finding has been redacted. This appears as blank underlining)	MW	E-28
2021-022	Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement	MW MNC	E-67

<u>Legend of Abbreviations:</u>

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

State of Maine
Fiscal Year 2021
Index to Federal Findings
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
Department of Administrative and Financial Services														
2021-013	Medicaid Cluster		✓											E-30
2021-014	Medicaid Cluster		✓		✓									E-31
2021-018	WIC			✓										E-52
2021-022	Unemployment Insurance (UI), Presidential Declared Disaster Assistance to Individuals and Households – Other Needs										✓			E-67
2021-024	Coronavirus Relief Fund		✓					✓						E-72
2021-026	Multiple Programs		✓											E-78
2021-033	Education Stabilization Fund (ESF)			✓										E-89
2021-053	Medicaid Cluster		✓											E-130
2021-061	Disaster Grants – Public Assistance (Presidentially Declared Disasters)										✓			E-149
Department of Defense, Veterans and Emergency Management														
2021-059	Disaster Grants – Public Assistance (Presidentially Declared Disasters)			✓										E-145
2021-060	Disaster Grants – Public Assistance (Presidentially Declared Disasters)											✓		E-147
2021-061	Disaster Grants – Public Assistance (Presidentially Declared Disasters)										✓			E-149

Department of Defense, Veterans and Emergency Management continued on next page

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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 Defense, Veterans and Emergency Management continued from previous page														
2021-062	Disaster Grants – Public Assistance (Presidentially Declared Disasters)										✓			E-151
2021-063	Disaster Grants – Public Assistance (Presidentially Declared Disasters)											✓		E-153
Department of Economic and Community Development														
2021-029	Emergency Rental Assistance Program										✓			E-81
2021-030	Emergency Rental Assistance Program								✓					E-83
Department of Education														
2021-023	Coronavirus Relief Fund		✓											E-69
2021-027	Multiple Programs		✓								✓			E-79
2021-028	Multiple Programs		✓								✓			E-80
2021-031	Title I Grants to Local Educational Agencies				✓		✓						✓	E-85
2021-032	Education Stabilization Fund (ESF), Title I Grants to Local Educational Agencies										✓			E-87
2021-034	Education Stabilization Fund (ESF)										✓			E-91
Department of Health and Human Services														
2021-012	SNAP Cluster, TANF		✓								✓		✓	E-29
Department of Health and Human Services continued on next page														

State of Maine
Fiscal Year 2021
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Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
Department of Health and Human Services continued from previous page														
2021-015	SNAP Cluster		✓		✓									E-47
2021-016	SNAP Cluster												✓	E-49
2021-017	SNAP Cluster, TANF												✓	E-51
2021-018	WIC			✓										E-52
2021-019	WIC											✓		E-55
2021-020	WIC											✓		E-57
2021-025	Coronavirus Relief Fund											✓		E-75
2021-035	Immunization Cooperative Agreements												✓	E-93
2021-036	Immunization Cooperative Agreements		✓										✓	E-95
2021-037	Immunization Cooperative Agreements		✓										✓	E-96
2021-038	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)										✓			E-97
2021-039	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)											✓		E-99
2021-040	TANF	✓	✓											E-101
2021-041	Multiple Programs										✓			E-103
2021-042	TANF, WIC			✓								✓		E-105
2021-043	SNAP Cluster, TANF				✓								✓	E-108
2021-044	TANF		✓								✓		✓	E-110
2021-045	TANF	✓	✓											E-111
2021-046	TANF												✓	E-113
2021-047	TANF										✓		✓	E-115
2021-048	TANF											✓		E-117
Department of Health and Human Services Continued on next page														

State of Maine
Fiscal Year 2021
Index to Federal Findings
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Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
Department of Health and Human Services continued from previous page														
2021-049	TANF											✓		E-119
2021-050	Medicaid Cluster												✓	E-121
2021-051	Medicaid Cluster, CHIP												✓	E-125
2021-052	Medicaid Cluster, CHIP				✓									E-127
2021-053	Medicaid Cluster		✓											E-130
2021-054	Multiple Programs		✓		✓									E-132
2021-055	Medicaid Cluster		✓											E-135
2021-056	Medicaid Cluster		✓		✓									E-138
2021-057	Medicaid Cluster												✓	E-141
2021-058	Multiple Programs		✓		✓									E-143
Department of Labor														
2021-011	Unemployment Insurance (UI), Presidential Declared Disaster Assistance to Individuals and Households – Other Needs		✓		✓									E-28
2021-021	Unemployment Insurance (UI)		✓		✓									E-59
2021-022	Unemployment Insurance (UI), Presidential Declared Disaster Assistance to Individuals and Households – Other Needs										✓			E-67

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section III – Federal Findings and Questioned Costs

(2021-015)

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

Prior Year Findings:

FY20	FY19
2020-019	2019-013

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

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.403

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

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

Condition: The Department receives date of death (DOD) information from the Maine Center for Disease Control & Prevention (MeCDC) on a quarterly basis and from the Social Security Administration on a weekly basis. The Office of the State Auditor (OSA) obtained DOD information from MeCDC and compared it to clients who received Supplemental Nutrition Assistance Program (SNAP) benefits during fiscal year 2021.

Of the cases that had benefit issuances after the client's DOD, OSA identified 665 cases where SNAP benefits were issued in excess of 30 days following the client's DOD. In 16 of the 665 cases, the benefits were issued 140 days or more after the client's DOD.

Context: In fiscal year 2021, the State provided approximately 117,000 SNAP eligible clients with $374 million in Federal benefits. Of the 117,000 SNAP eligible clients, approximately 1,400 had a DOD in fiscal year 2021.

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

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

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

Corrective Action Plan: See F-10

Management's Response: Although we agree with this finding, it should be noted that all of the exceptions found were prior to the implementation of a revised standard operating procedure governing the Date of Death processing which was implemented near the end of the audit period, on April 26, 2021. This repeat finding has been fully addressed.

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

(State Number: 21-1108-02)

(2021-016)

Title: Internal control over EBT reconciliation procedures needs improvement

Prior Year Findings: None

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

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 7 CFR 274.4

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

The Department shall account for all electronic benefits transfer (EBT) issuance through a reconciliation of total funds entered into, exiting from, and remaining in the EBT system each day.

Condition: SNAP benefit information is transmitted to Electronic Payment Processing and Information Control (EPPIC), the EBT system. When EBT purchases are completed by Supplemental Nutrition Assistance Program (SNAP) clients, Federal funds are automatically drawn by EPPIC using the Automated Standard Application for Payments (ASAP) system to pay retailers.

The Department could not provide evidence that daily reconciliation procedures were performed during fiscal year 2021 for total funds entered into, exiting from, and remaining in EPPIC.

Context: In fiscal year 2021, the State provided approximately 117,000 SNAP clients with $374 million in Federal benefits.

Cause:

- Lack of supervisory oversight to ensure required reconciliations are completed
- The staff member responsible for performing this Federal requirement does not have access to the ASAP system which is needed to perform the daily reconciliation. Access to the ASAP system was requested but was never granted to the staff member.

Effect: Discrepancies between systems could go undetected which could result in an overdraw or underdraw of Federal funds.

Recommendation: We recommend that the Department implement procedures and provide oversight to ensure that all required reconciliations are completed daily.

Corrective Action Plan: See F-10

Management's Response: The Department agrees with this finding. These reconciliations were not completed during the audit period. The Department has been and will continue to work with our Federal partners to gain access to the ASAP system for both the EBT manager and Assistant Director of Business Technology to ensure business continuity in the event of planned or unplanned absences. Once both have access, those reconciliations will be completed, and reconciliations will be documented daily in accordance with Federal Regulations.

Contact: Don Ellis, Assistant Director of Business Technology, DHHS, 207-624-4155

(State Number: 21-1108-01)

(2021-017) Confidential finding, see below for more information

Title: ________ over the ________ system needs improvement

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

Prior Year Findings:

FY20	FY19
Redacted	Redacted

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services
Assistance Listing Title: SNAP Cluster
Temporary Assistance for Needy Families (TANF)
Assistance Listing Number *(CFDA)*: 10.551, 10.561; 93.558
Federal Award Identification Number: SNAP Benefits, Maine;
1801METANF, 1901METANF,
2001METANF, 2101METANF

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-10

Management's Response: ________

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

Auditor's Concluding Remarks: ________

(State Number: 21-0905-04)

(2021-018)

Title: Internal control over cash balances needs improvement

Prior Year Findings:

FY20	FY19
2020-021	2019-021

State Department: Health and Human Services
Administrative and Financial Services
State Bureau: Maine Center for Disease Control & Prevention
Health and Human Services Service Center
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (COVID-19)
Assistance Listing Number *(CFDA)*: 10.557
Federal Award Identification Number: 204ME743W5003, 204ME701W1003, 204ME701W1006, 214ME7435003, 214ME701W1003, 214ME701W1006, 214ME721W6006, 214ME721W6003

Compliance Area: Cash management

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.302; 31 CFR 205.33; State Administrative and Accounting Manual (SAAM) Section 50.40.80

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

Financial records must adequately identify the source and application of funds and provide accountability for all funds, property, and other assets related to the Federally-funded activities.

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

Condition: The Department of Health and Human Services (DHHS) Service Center assumed responsibility for the drawdown of funds for the WIC Breastfeeding Peer Counsel grant and the

WIC Nutrition Services Administration (NSA) Administrative grant in October 2020. The WIC Finance Manager retained responsibility for the drawdown of Federal funds for the WIC Food grant. The Service Center also assumed responsibility of grant tracking for all WIC grants in October 2020.

The Service Center utilizes a cash on hand analysis to ensure that the WIC program complies with Federal and State regulations. The analysis used by the Service Center combined all WIC grants into one analysis. The Office of the State Auditor performed a separate analysis for each WIC grant which resulted in:

- the Breastfeeding Peer Counsel and WIC NSA Administrative grants having a negative cash balance ranging from $10,000 to $1.1 million throughout the fiscal year; and
- the WIC Food grant having an excess cash balance ranging from $900,000 to $1.2 million throughout the fiscal year.

Context: In fiscal year 2021, the average business days cash on hand for the WIC grants were as follows:

- The Breastfeeding Peer Counsel and WIC NSA Administrative grants had an average business days cash on hand of negative 22 days.
- The WIC Food grant had an average business days cash on hand of 24 days.

Cause:

- Lack of adequate procedures to ensure that the cash balances for each individual grant are considered before requesting Federal funds
- Lack of staff resources available to reconcile and remediate prior year cash balances
- Lack of supervisory oversight

Effect:

- The Federal government may impose more stringent program-specific cash management requirements based on noncompliance.
- The State could potentially incur an interest liability on excess Federal cash balances.
- Until a reconciliation of related financial activity is completed, the Department will not know whether funds need to be returned to the Federal government for all, a portion, or none of the excess cash balance, and the Department will not know whether a General Fund appropriation is needed to clear the negative cash balance for administrative costs in the Federal Fund.
- Noncompliance with Federal and State regulations

Recommendation: We recommend that the Department:

- implement procedures and establish oversight to ensure that the individual grant cash balances are considered separately for the WIC NSA Administrative and WIC Food grants when requesting Federal funds in accordance with 31 CFR 205.33;
- complete a separate reconciliation of the cash balances for all grants issued for the WIC program to determine the cause and remediation for both the negative and excess cash balances; and
- review its staffing needs to ensure there are adequate resources allocated to the reconciliation and remediation of both the negative and excess cash balances.

Corrective Action Plan: See F-10

Management's Response: The Department and its Service Center agree with this finding. The Service Center will modify the current grant cash balance analysis to include separating the WIC NSA Admin and the WIC Food grants. This will be completed by March of 2022. They will also finalize grant reconciliations for the WIC Food grants from 2017 to present. This will be completed by December of 2022.

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

(State Number: 21-1113-03)

(2021-019)

Title: Internal control over subrecipient monitoring needs improvement

Prior Year Findings:

FY20	FY19
2020-022	2019-019

State Department: Health and Human Services
State Bureau: Maine Center for Disease Control & Prevention
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (COVID-19)
Assistance Listing Number (*CFDA*): 10.557
Federal Award Identification Number: 204ME743W5003, 204ME701W1003, 204ME701W1006, 214ME7435003, 214ME701W1003, 214ME701W1006, 214ME721W6006, 214ME721W6003

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 7 CFR 246.19

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

The Department shall establish an ongoing management evaluation system which includes the monitoring of local agency operations, the review of local agency financial and participation reports, the development of corrective action plans to resolve program deficiencies, the monitoring of implementation of the corrective action plans, and on-site visits. The results of such actions must be documented.

Monitoring of local agencies must encompass evaluation of management, certification, nutrition education, breastfeeding promotion and support, participant services, civil rights compliance, accountability, financial management systems, and food delivery systems.

The Department must conduct monitoring reviews of each local agency at least once every two years. Monitoring must include on-site reviews of a minimum of 20 percent of the clinics in each local agency, or one clinic, whichever is greater.

Condition: The Department is required to perform management evaluation reviews (MERs) of each local agency at least once every two years. The Department performed full-year MERs for five of the eight local agencies during fiscal year 2021. In the Office of the State Auditor's (OSA's) testing:

- one local agency MER due in May 2019 was not performed until September 2020;
- one local agency MER due in August 2019 was not performed until July 2020;
- one local agency MER due in October 2019 was not performed until December 2020;
- one local agency MER due in February 2020 was not performed until April 2021; and
- one local agency MER due in April 2020 was not performed until May 2021.

For all exceptions noted above, the finance portion of the review was not completed.

Two local agency MERs due to be performed in fiscal year 2021 were completed subsequent to fiscal year end. OSA did not perform audit testing on these two local agency MERs.

Prior year follow-up procedures over one local agency MER that was due but not fully completed in fiscal year 2020 found that the finance portion of the review had not been completed as of audit testing in February 2022.

Context: The Department provided $5 million to eight local agencies in fiscal year 2021.

Cause:

- Unfilled vacancies from fiscal year 2019 created a backlog of reviews.
- Lack of staff resources available to perform the financial portion of the MERs
- Lack of supervisory oversight

Effect:

- The Federal program may not be effectively and efficiently administered.
- Potential questioned costs and disallowances

Recommendation: We recommend that the Department:

- implement a process to ensure that the backlog of reviews are completed;
- review its staffing needs to ensure there are adequate resources allocated to the MER process to ensure all portions of the reviews are fully completed; and
- implement additional oversight procedures to ensure all portions of the reviews are fully completed.

Corrective Action Plan: See F-11

Management's Response: The Department agrees with this finding. The Department will implement a process to complete the MERs as time allows and prioritize current year MERs to ensure compliance with the regulation. The Department has hired additional staff to assist with the completion of the MERs. The Department will meet at least quarterly to check on the progress of the MERs.

Contact: Ginger Roberts-Scott, Senior Health Program Manager, DHHS, 207-287-5342

(State Number: 21-1113-04)

(2021-020)

Title: Internal control over subrecipient awards needs improvement

Prior Year Findings:

FY20	FY19
2020-024	2019-020

State Department: Health and Human Services
State Bureau: Maine Center for Disease Control & Prevention
Division of Contract Management
Federal Agency: U.S. Department of Agriculture
Assistance Listing Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (COVID-19)
Assistance Listing Number (*CFDA*): 10.557
Federal Award Identification Number: 204ME743W5003, 204ME701W1003, 204ME701W1006, 214ME7435003, 214ME701W1003, 214ME701W1006, 214ME721W6006, 214ME721W6003

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

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

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

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

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

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

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

For one subrecipient who administers the WIC program, the subrecipient award incorrectly identified the Federal Award Identification Number for the WIC Administrative grant.

Context: In fiscal year 2021, the Department provided $5 million to the eight subrecipients that administer the WIC program.

Cause:

- Lack of adequate internal controls
- Lack of supervisory oversight

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

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

Corrective Action Plan: See F-11

Management's Response: The Department agrees with this finding. The Division of Contract Management will collaborate with MeCDC to implement controls to ensure subrecipient awards are complete, accurate and in accordance with Federal regulations.

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

(State Number: 21-1113-02)

(2021-021)

Title: Internal control over Unemployment Insurance claim payments needs improvement

Prior Year Findings:

FY20	FY19	FY18	FY17	FY16	FY15	FY14
2020-026	2019-027	2018-023	2017-006	2016-005	2015-031	2014-039

State Department: Labor
State Bureau: Unemployment Compensation
Federal Agency: U.S. Department of Labor
Assistance Listing Title: Unemployment Insurance (UI) (COVID-19)
Assistance Listing Number (*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: Known questioned costs totaling $2,032,324 in Federal Unemployment Insurance (UI) benefit payments were identified in audit procedures. The details of these totals are included in the Effect section. Likely questioned costs totaling $29.1 million were projected within each entitlement program by dividing the identified ineligible benefit payments by the total benefit payments tested to establish an error rate. The individual error rates were then applied to each entitlement program's benefit payment totals for fiscal year 2021 to project likely questioned costs.

Criteria: 2 CFR 200.303; 20 CFR 615.8; Middle Class Tax Relief and Job Creation Act of 2012; Social Security Act (SSA) Title III, Section 303; Unemployment Insurance Program Letter (UIPL) No. 5-13; Coronavirus Aid, Relief, and Economic Security (CARES) Act; 26 MRSA 1190 through 1199; Emergency Unemployment Insurance Stabilization & Access Act, Section 4102; Unemployment Insurance Program Letter (UIPL) No. 13-20; Continued Assistance for Unemployed Workers Act of 2020; Consolidated Appropriations Act, 2021; American Rescue Plan Act of 2021

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

A State administering UI must have State laws and policies in place that are consistent with Federal provisions and required by 20 CFR 615.8; the Middle Class Tax Relief and Job Creation Act of 2012; SSA Title III, Section 303; and UIPL No. 5-13, as follows:

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

In March 2020, as a nationwide response to the effects of the COVID-19 pandemic, including rapidly increasing unemployment rates, the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act created three temporary Federal unemployment compensation entitlement programs that continued in fiscal year 2021, as follows:

- Pandemic Unemployment Assistance (PUA) provides UI benefits for individuals who are not eligible for regular UI benefits and are unemployed, partially unemployed, or unable or unavailable to work due to COVID-19. Covered individuals include the self-employed, independent contractors, part-time workers, and others not normally eligible to receive regular UI benefits.
- Pandemic Emergency Unemployment Compensation (PEUC) provides an additional 13 weeks of UI benefits for unemployed workers who have exhausted regular UI benefits. This was extended to 24 weeks through enactment of the Consolidated Appropriations Act signed into law at the end of December 2020.
- Federal Pandemic Unemployment Compensation (FPUC) initially provided an additional $600 weekly to all unemployed workers receiving traditional UI benefits, PUA or PEUC. This was changed to $300 weekly in December 2020 through enactment of the Consolidated Appropriations Act.

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

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

Subsequent to the establishment of 26 MRSA 1199, Section 4102 of the Emergency Unemployment Insurance Stabilization and Access Act (EUISAA) was enacted. This provides states with the ability to modify or waive certain aspects of their unemployment compensation law as needed to respond to the spread of COVID-19. These provisions include work search, waiting week, good cause, and employer experience rating. A state's regular eligibility requirements regarding work search, waiting week, good cause, and employer experience rating may be modified or waived for a temporary period of time in response to the spread of COVID-19, so long as the state has supporting documentation of the waivers or modifications, such as emergency legislation and Executive Orders in effect for the given period. This is also outlined in Section 5 of UIPL No. 13-20 for emergency flexibilities in response to COVID-19.

On September 17, 2020, the Governor of Maine signed additional emergency legislation that reinstated the requirement to conduct work search activities for all UI claimants as of October 4, 2020. The legislation reestablished eligibility requirements set forth in 26 MRSA 1192 Sections (2) and (3) except for individuals in quarantine or isolation due to COVID-19.

The Federal Consolidated Appropriations Act signed into law at the end of December 2020 granted extensions of the PUA, PEUC, and FPUC programs to March 2021. This Act also included the Continued Assistance for Unemployed Workers Act which extended the emergency flexibilities identified above; extended the PEUC benefit period to 24 weeks; decreased the FPUC weekly benefit from $600 to $300; and established several new requirements for the CARES Act programs, including identity verification and submission of documentation substantiating employment or self-employment for PUA claims.

The Federal American Rescue Plan Act signed into law in March 2021 granted additional extensions of the PUA, PEUC, and FPUC programs through September 2021.

Condition:

ReEmployME System:

Internal control over UI benefit claim payments includes reliance on controls within the ReEmployME information system. The Maine Department of Labor (MDOL) has a service agreement with a vendor for the management and operation of ReEmployME. ReEmployME is used by MDOL to process claims and store claimant information. The Office of the State Auditor (OSA) identified a material weakness for the ReEmployME system as issued in finding number 2021-011. This finding has been redacted in accordance with paragraph 6.63 of the U.S. Government Accountability Office's Government Auding Standards as the details are confidential under the provisions of 5 MRSA 244-C(3).

The system's embedded controls over claimant eligibility include, but are not limited to:

- verification that all information is submitted as required by the UI benefit application,
- automated application of the required one week waiting period prior to providing benefits,
- automated generation of employer verification forms for initial claimant applications,
- automated processing of monetary determinations of benefit amounts, and
- a requirement for weekly certifications by the claimant of the ability and availability to work and submission of work search information prior to weekly claim payment processing.

ReEmployME's system controls only verify that there is input into required fields which does not ensure that benefit payments to ineligible claimants are prevented or detected prior to the issuance of benefits. The system is also programmed to proceed with claims processing even when a claimant certifies that all requirements have not been met. In addition, the system cannot verify that employer information entered for verification or work search requirements is legitimate or reasonable. The ReEmployME system generates reports to identify claims requiring follow-up procedures by Department personnel; however, formal review and completion of such procedures is at the Department's discretion.

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

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

The establishment of new Federal entitlement programs and the enactment of emergency legislation required extensive claims processing modifications by MDOL. In an effort to expedite benefit payments to the citizens of Maine, the Department suspended the following controls over eligibility for all UI entitlement programs starting in March 2020:

- Requirements for weekly certifications of claimant ability and availability for work and work search information
- Requirement for a one week waiting period prior to payment of benefits
- Work search audits
- Weekly BQC Unit investigations of paid and denied claims

The Federal government provided authorization to suspend operations of the BQC Unit in fiscal year 2020 and into fiscal year 2021 to realign resources for fraudulent claim investigations. MDOL also suspended other embedded system controls and work search audits. Written authorization from the Federal government was not received prior to suspension; however, Federal legislation was subsequently enacted to authorize the Department's suspension of controls. In accordance with the State and Federal legislation noted above, MDOL reimplemented controls surrounding eligibility throughout fiscal year 2021, including full reinstatement of traditional work search requirements in May 2021.

Audit Testing Results:
As part of the initial eligibility determination process, State UI law requires MDOL to confirm claimant separation from employment through correspondence with a claimant's most recent employer. OSA's test of 60 regular UI claimants' initial eligibility noted the following exceptions:

- For two claimants, letters to confirm separation were not sent to former employers.
- For two claimants, separation letters were sent to former employers, but were not sent to the claimants' most recent employers as required by State UI law.
    - In both cases, it was subsequently discovered that the claimant was working while collecting UI benefits, but not self-reporting wages to MDOL as required by program guidelines for use in calculating and issuing partial benefit payments. OSA recognizes that MDOL has established a quarterly wage crossmatch with employer-reported wage data; however, this is not effective in preventing weekly benefit payments to ineligible claimants for the extended periods leading up to quarterly crossmatches.
    - One of these claimants was deemed ineligible to receive benefits as a result of fraudulent claims activity that was identified by MDOL subsequent to the issuance of benefits.

In OSA's test of 60 regular UI claimants' continuing eligibility, two claimants were deemed ineligible to receive benefits, one of which was identified by MDOL subsequent to the issuance of benefit payments. In addition, noncompliance with work search requirements was identified for two claimants. MDOL fully reimplemented the requirements for traditional work search activities in May 2021. This reimplementation prohibited submission of part-time employment to satisfy work search requirements; however, these two claimants submitted part-time employment as work search activities in June 2021.

In OSA's test of 60 PUA claimants, nine claimants were deemed ineligible to receive benefits. MDOL stopped benefit payments and established overpayments for all nine claimants. The nine exceptions included:

- eight claimants who did not provide proof of employment prior to issuance of benefits and were later deemed ineligible. OSA recognizes that MDOL received guidance from U.S. DOL stating that benefit payments should not be held while awaiting documentation; however, benefits were ultimately issued to ineligible claimants and therefore, are considered exceptions.
- one claimant who was identified as fraudulent subsequent to the issuance of benefits.

In OSA's test of 60 PEUC claimants, one claimant was deemed ineligible to receive benefits and was identified as a fraudulent claim by MDOL subsequent to the issuance of benefits. Benefit payments were stopped and an overpayment was established.

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

<u>Data Analytics:</u>
Additional audit procedures included data analytics relating to claimant eligibility. These procedures revealed that:

- 10 ineligible claimants received UI benefit payments from various entitlement programs after their dates of death. These benefit payments totaled over $38,000 through the end of fiscal year 2021.
- based on an analysis of claimant dates of birth, the following claimants received UI benefits during fiscal year 2021:
  - 8 claimants under the age of 10; and
  - 638 claimants over the age of 80, including:
    - 608 claimants between the ages of 80 and 89;
    - 27 claimants between the ages of 90 and 99; and
    - 3 claimants over the age of 100.

MDOL does not have adequate procedures in place to identify and review claimant dates of death as well as the reasonableness of claimant age prior to the issuance of benefit payments.

Context: The UI program provided $323 million in State UI benefits and $1 billion in Federal UI benefits during fiscal year 2021. Total UI benefits increased by $261 million from the prior year, which is a direct result of the COVID-19 pandemic.

Cause:

- Lack of resources due to the COVID-19 pandemic response prioritization
- Lack of adequate controls over initial and continuing claimant eligibility determinations
- Lack of adequate supervisory oversight over information system application controls
- Lack of adequate policies and procedures to identify and review claimant dates of death and questionable claimant ages prior to the issuance of benefit payments

Effect:

- Known Federal questioned costs of $2.03 million comprised of:
    - $1.96 million in fraudulent benefit payments;
    - approximately $39,000 in benefit payments to claimants deemed ineligible in audit testing; and
    - approximately $31,000 in Federal UI benefit payments to claimants after dates of death.
- Potential liability, and applicable interest, due to the Federal government for claims paid to ineligible or fraudulent Federal UI benefit claimants
- Potential questioned costs and disallowances
- The Federal government may impose stricter requirements or eliminate Federal funding available to the State.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement additional control procedures, including information system application controls and data analytics procedures, to ensure that eligibility requirements are met and adequately supported prior to issuance of benefit payments. While OSA recognizes the efforts of the Department to maintain program integrity while responding to the extraordinary impacts of a global pandemic, the existing control environment does not provide, and has not historically provided, assurance that all eligibility requirements are met and adequately supported prior to the issuance of benefit payments.

Corrective Action Plan: See F-11

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

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

The finding further states that the Department has insufficient controls in place to detect possible unreported employment or wages when a transitional (*back-to-back*) benefit year is filed. The Department will research the availability of any additional tools or programming needed to detect wages reported by employers that have not been reported by claimants when a transitional benefit year is filed. Given the time difference that occurs between when a claim is filed and when an employer is statutorily required to report wages or employment, overpayments that occur when the claimant willfully misrepresents facts cannot be completely avoided. In those circumstances, the repayment of benefits also includes interest and penalties.

The finding also states that working part-time should not have been considered as a work search activity after the Department's return to more traditional work search activities in May 2021. Maine was one of the first states to restore a work search requirement under the Pandemic – many continued a work search waiver through all of 2021. The Department began partially lifting a work search in 2020, and then moved closer to pre-Pandemic allowed work search activities in May 2021. Though working part-time was not considered a qualified work search activity prior to the pandemic, continued concerns regarding COVID-19 infection, lack of childcare, remote schooling, and businesses opening but not immediately returning to full employment, informed the Department's decision to continue our earlier decision to allow acceptance of part-time work to satisfy the work search requirement beyond May 2021. This encouraged those who had been unemployed for an extended period to maintain a connection to the workforce by accepting part time work. Neither Maine law nor rules fully define what constitutes a work search, this is set by the Department. People were notified of the change in the activities that would be accepted as satisfying the work search by email, website, and the press.

The finding furthermore states that the Department erred in paying benefits to individuals collecting on the Pandemic Unemployment Assistance (PUA) program pending receipt of required proof of employment documentation (POE). When the guidance around PUA POE was released in UIPL 16-20, change 4, the Department reached out via e-mail to USDOL through their dedicated COVID-19 inbox to ask whether claimants should be paid pending receipt of PUA POE. The response from USDOL clearly stated the Department should not hold up benefits pending receipt of PUA POE. States are required to follow federal guidance on these federal programs.

The finding states the Department needs additional controls for claims filed after a claimant's date of death, as well around the claimant's age when filing a claim for benefits. The Department agrees that the current crossmatch with the state's Vital Records office that identifies deceased claimants should be enhanced. As with reporting of quarterly wages, there are timing differences that cannot be avoided, and overpayments cannot be completely ruled out. Overpayments, penalties, and prosecutions are all considered when it is determined someone falsely filed for benefits using a deceased person's information. Regarding the age of the individual filing for benefits, controls will be reviewed and enhanced where appropriate. Of the three claimants identified as being over 100 years old, two were eligible for the benefits they received. The third required a correction to the person's date of birth.

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

Auditor's Concluding Remarks are on the following page.

Auditor's Concluding Remarks: Management's Response states that the Department collects necessary information to determine initial and continuing claimant eligibility prior to benefit issuance; however, several exceptions included in the finding were the result of a failure to solicit or collect required documentation in support of eligibility for claimants across multiple entitlement programs.

Regarding Management's Response relating to transitional benefit years, this finding identified four claimants where correspondence was not sent to former employers, including two with transitional benefit year filings.

Management's Response further states that Maine law does not fully define what constitutes work search activities. OSA recognizes that 26 MRSA 1192 Section (2) states that claimants must "provide evidence of work search efforts in a manner and form as prescribed by the Department of Labor." In September 2020, the Governor of Maine signed emergency legislation that reinstated the requirement to conduct work search activities for all UI claimants as of October 4, 2020. The legislation restored all eligibility requirements set forth in 26 MRSA 1192 except for individuals in quarantine or isolation due to COVID-19. While the emergency legislation specifically addresses an expanded definition of "work search" to include work-related activities such as attending skill development seminars or networking events, part-time employment is not addressed. Part-time employment was not a permissible work search activity prior to the COVID-19 pandemic; therefore, it would not be included in the full reinstatement of eligibility requirements ordered by the Governor and effective October 4, 2020.

For PUA eligibility, OSA acknowledges that MDOL received guidance from U.S. DOL stating that benefit payments should not be held while awaiting documentation; however, benefits were ultimately issued to claimants who did not provide proof of employment prior to issuance of PUA and were later determined to be ineligible. MDOL did not have controls in place to prevent payments to ineligible claimants and/or detect and correct such payments in a timely manner.

Timing differences for weekly claim filings and claimant dates of death cannot be entirely prevented; however, existing controls can be enhanced to prevent overpayments, including an increased frequency and review of the crossmatch with State Vital Records. Regarding ages of individuals filing for benefits, implementation of additional controls such as routine data analytics to identify outliers would assist in preventing, or detecting and correcting, payments to ineligible claimants.

The finding remains as stated.

(State Number: 21-1302-01)

(2021-022)

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

Prior Year Findings: None

State Department: Labor
Administrative and Financial Services
State Bureau: Unemployment Compensation
Security and Employment Service Center
Office of the State Controller
Federal Agency: U.S. Department of Labor
U.S. Department of Homeland Security
Assistance Listing Title: Unemployment Insurance (UI) (COVID-19)
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs (COVID-19)
Assistance Listing Number *(CFDA)*: 17.225; 97.050
Federal Award Identification Number: Unemployment Insurance Trust Fund, Maine; 4522DRMESPLW

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.510

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

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

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

In fiscal year 2021, the Department received funding for Lost Wages Supplemental Payment Assistance (LWSPA) under ALN 97.050 Presidential Declared Disaster Assistance to Individuals and Households - Other Needs. At the close of the fiscal year, the Department and its Service

Center provided a summary of Federal expenditures to OSC that identified amounts as LWSPA. In compiling and preparing the SEFA, OSC erroneously reported LWSPA as ALN 17.225 Unemployment Insurance (UI) expenditures. Subsequent supervisory review procedures did not detect this error. As a result, LWSPA funding from the U.S. Department of Homeland Security was omitted from the State's fiscal year 2021 SEFA when provided to the Office of the State Auditor (OSA) for audit purposes. This error was discovered by OSA while reviewing UI program activity and was subsequently corrected by OSC.

Context: LWSPA expenditures totaling $106.9 million were incorrectly reported on the SEFA as UI expenditures, resulting in an omission of a Federal program and an overstatement of UI expenditures.

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

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

Recommendation: We recommend that the Department and Service Center work with the Office of the State Controller to improve SEFA submission and subsequent review procedures to ensure Federal program expenditures are reported accurately.

Corrective Action Plan: See F-12

Management's Response: The Departments agree with this finding. An administrative oversight resulted in the reporting of one grant's expenditures as part of another grant on the SEFA. It is important to note that these expenditures were appropriately recorded separately under each ALN in the state's accounting system. The element of completeness for the total of expenditures was considered; however, the completeness by grant was not adequately reviewed. Going forward an additional control will be implemented, verifying that each ALN is accurately presented on the SEFA.

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

(State Number: 21-1302-02)

(2021-023)

Title: Internal control over education expenditures charged to the Coronavirus Relief Fund needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Office of Federal Emergency Relief Programs
Federal Agency: U.S. Department of the Treasury
Assistance Listing Title: Coronavirus Relief Fund (COVID-19)
Assistance Listing Number *(CFDA)*: 21.019
Federal Award Identification Number: SLT0029, SLT0081

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs: The Office of the State Auditor (OSA) tested a sample of 60 payments to subrecipients and contractors charged to the Coronavirus Relief Fund (CRF). OSA identified one exception with known questioned costs totaling $27,169. Likely questioned costs cannot be determined due to the variety of activity within the subrecipient expenditure population. The projection of questioned costs utilizing the error rate related to the known exception and amounts tested would not produce a reasonable estimate of likely questioned costs.

Criteria: 2 CFR 200.303; Coronavirus Aid, Relief, and Economic Security (CARES) Act Section 5001; Consolidated Appropriations Act, 2021; Federal Register Volume 86, Issue 10 (January 15, 2021)

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

Section 5001 of the CARES Act outlines the following criteria for use of funds from CRF:

- Costs must be necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19);
- Costs were not accounted for in the State's budget most recently approved as of the date of enactment of the CARES Act (March 27, 2020 for the State of Maine); and
- Costs must be incurred during the period that begins on March 1, 2020, and ends on December 31, 2020.

The original period of performance for CRF as established by the CARES Act was extended to December 31, 2021, through enactment of the Consolidated Appropriations Act in December 2020.

Final Treasury Guidance for the CRF was published in the Federal Register, Volume 86, Issue 10 in January 2021. The guidance includes information specific to real property and equipment acquisitions, by stating that the use of payments to acquire or improve property is limited to that which is necessary due to the COVID-19 public health emergency.

Condition: In April 2020, the State was advanced $1.25 billion in Federal funds from the CRF as part of the CARES Act. The Department of Education (DOE) requested and received Federal Coronavirus Relief Funding from the Department of Administrative and Financial Services and the Governor's Office to administer DOE programs in response to the COVID-19 pandemic. DOE receives, reviews, and approves funding requests and subsequent reimbursements of CRF for Local Education Agencies (LEAs).

OSA tested a sample of 60 payments to CRF subrecipients and contractors, which included 33 reimbursements to LEAs. Included in the 33 reimbursements was an April 2021 reimbursement of $27,169 for the purchase of a new 2020 GEM e6 electric vehicle for school campus athletics. Supporting documentation for the reimbursement did not provide adequate evidence to support that this was a necessary expenditure incurred due to the public health emergency as required by Federal guidance.

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

OSA completed additional procedures over LEA funding requests in December 2020, which was the original end of the CRF period of performance prior to an extension. Through these procedures, OSA identified $1.9 million in approved CRF reimbursements to LEAs for property and equipment acquisitions, including a truck, tractor, utility vehicles, snow removal equipment, permanent buildings, and building expansions. Supporting documentation for the reimbursements may or may not provide adequate evidence to support that these were necessary expenditures incurred due to the public health emergency.

Context: DOE's CRF payments to LEAs accounted for $259 million of the $777.4 million in CRF expenditures in fiscal year 2021.

Cause:

- Lack of established policies and procedures to ensure that only necessary expenditures are charged to the Federal program
- Lack of explicit Federal guidance surrounding CRF allowability

Effect:

- Potential noncompliance with Federal regulations
- Known and potential questioned costs and disallowances

Recommendation: We recommend that DOE review expenditures reimbursed to LEAs using CRF, including the above noted expenditures, to ensure that documentation supports the necessity of the costs in relation to the public health emergency and that only allowable costs are funded by the CRF. All unallowable costs should be transferred out of the CRF.

Corrective Action Plan: See F-12

Management's Response: The Department partially agrees with this finding. The Office of Federal Emergency Relief Programs has written justification of the projects and expenses that were proposed by the school administrative units to prepare, prevent, and respond to the COVID-19 pandemic. Each written justification was reviewed and discussed to determine allowability, reasonableness, and necessity during our team review sessions. The Office of Federal Emergency Relief Programs conferred with the guidance and with our US. Department of Education's program officer throughout the review process. The Office of Federal Emergency Relief Programs made the required determination related to the statutory requirements and nature of the funding but failed to document those decisions separately from the application approvals. We acknowledge that the discussions to determine allowability, reasonableness, and necessity for the intended use may not have been fully documented due to the emergency needs and time-sensitive nature of the funding. Once the applications were approved, the school may submit for reimbursement to cover approved costs that were incurred between March 1, 2020 and June 30, 2021. The reimbursement requests were reviewed by the Office of Federal Emergency Relief Programs and only purchases that aligned to the projects in the approved application were processed for payment. The process complied with US Treasury guidance on use of CRF in the following ways: The expenses to be covered through CRF reflect critical and time sensitive needs; the expenses are directly due to the Covid-19 pandemic; the expenses were not previously budgeted items and will not supplant existing resources; and the expenses will not be reimbursed by any other funding source. The approved projects and expenses were the documented justification for the expenses that were approved in the invoice review process. While the Office of Federal Emergency Relief Programs acknowledges that documentation of the discussion about the determination for allowability, reasonableness and necessity should have been maintained, the Office can confirm that these expenses were: to prepare, prevent, and respond to COVID-19; for an allowable use; and, were reasonable and necessary.

Contact: Shelly Chasse-Johndro, Director of OFERP, DOE, 207-458-3180

Auditor's Concluding Remarks: Supporting documentation provided by the State's Office of Federal Emergency Relief Programs for the reimbursement of $27,169 for a campus athletics vehicle did not provide adequate evidence that this was a necessary, reasonable, and allowable expenditure incurred due to the public health emergency.

Without documentation and evidence to substantiate that the expenditures noted in the Condition are for critical and time sensitive needs directly arising from the public health emergency, OSA cannot determine that the reimbursements were in fact to prepare for, prevent, and respond to COVID-19; were allowable; and were reasonable and necessary.

The finding remains as stated.

(State Number: 21-1690-05)

(2021-024)

Title: Internal control over payroll transfers to the Coronavirus Relief Fund needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Corrections Service Center
Security and Employment Service Center
Office of the State Controller
Federal Agency: U.S. Department of the Treasury
Assistance Listing Title: Coronavirus Relief Fund (COVID-19)
Assistance Listing Number *(CFDA)*: 21.019
Federal Award Identification Number: SLT0029, SLT0081

Compliance Area: Allowable costs/cost principles
Period of performance

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs: The Office of the State Auditor (OSA) tested a sample of 60 payroll transactions charged to the Coronavirus Relief Fund (CRF). OSA identified known questioned costs totaling $4,867. Likely questioned costs cannot be determined. The known questioned costs were a result of a nonroutine component included in the audit test sample; therefore, the projection of questioned costs utilizing the error rate related to the known exceptions and amounts tested would not produce a reasonable estimate of likely questioned costs.

Criteria: 2 CFR 200.303; Coronavirus Aid, Relief, and Economic Security (CARES) Act Section 5001; Federal Register Volume 86, Issue 10 (January 15, 2021); Consolidated Appropriations Act, 2021

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

Section 5001 of the CARES Act outlines the following criteria for use of funds from CRF:

- Costs must be necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19);
- Costs were not accounted for in the State's budget most recently approved as of the date of enactment of the CARES Act (March 27, 2020 for the State of Maine); and
- Costs must be incurred during the period that begins on March 1, 2020 and ends on December 31, 2020.

The U.S. Department of the Treasury (Treasury) published final guidance for CRF in the Federal Register, Volume 86, Issue 10, dated January 15, 2021. The Federal Register's CRF Guidance establishes the following:

- Payments from the CRF are not administered as part of a traditional grant program and thus the Cost Principles provisions of the Uniform Guidance applicable to grant agreements do not apply. As a result, the authoritative guidance for allowability of CRF costs falls to the Treasury's Guidance as published in the Federal Register.
- A cost is considered incurred when the performance or delivery of services related to an obligation occurs, and payment of funds need not be made at that time.
- The intent behind the Fund was not to provide general fiscal assistance to state governments but rather to assist them with COVID-19 related necessary expenditures.

The original period of performance for CRF as established by the CARES Act was extended to December 31, 2021, through enactment of the Consolidated Appropriations Act in December 2020.

Condition: In April 2020, the State was advanced $1.25 billion in Federal funds from the CRF as part of the CARES Act. The Governor's Office administers the CRF in conjunction with the Office of the State Controller (OSC) and other State agencies.

During fiscal year 2021, on behalf of the Department of Corrections and the Department of Public Safety, the Corrections Service Center (CSC) and the Security and Employment Service Center (SESC) prepared and processed journal transfers of payroll expenditures from the General Fund to CRF. In OSA's test of 60 payroll transactions within the journal transfers to CRF, the following exceptions were noted:

- In November 2020, CSC prepared and processed a journal transfer of payroll expenditures to the CRF which included a vacation time and compensatory time payout to an employee upon termination. This termination payout included $3,421 for vacation time and compensatory time earned and accrued by the employee prior to March 1, 2020.
- In December 2020, SESC prepared and processed a journal transfer of payroll expenditures to the CRF which included a compensatory time payout to a current employee. This payout totaled $1,446 and represented compensatory time earned and accrued by the employee prior to March 1, 2020.

The leave payouts noted above relate to obligations that the State incurred as leave time was earned by the employee. Leave time earned throughout employment and incurred prior to March 1, 2020, is not within the covered period of performance for CRF allowability. The reporting of such leave payout expenses in other Federal grant award programs would be allowable under the Uniform Guidance, but where CRF payments are not classified as such, special consideration must be given to the required period of performance and related allowability.

The Office of the State Auditor selected a haphazard sample.

Context: CSC transferred $72.8 million Department of Corrections payroll expenditures and SESC transferred $22.1 million Department of Public Safety payroll expenditures to CRF during fiscal year 2021. Payroll expenditures accounted for $118.5 million of the $777.4 million in CRF expended during fiscal year 2021.

Cause:

- Controls were not adequate to ensure that payroll transfers were in compliance with evolving Federal guidance for the newly established CRF program.
- The State believes the above noted exceptions were allowable based on its interpretation of Federal guidance surrounding CRF payroll costs.

Effect:

- Known questioned costs that the State may be required to repay to the Federal government if it is not able to replace such costs with allowable costs incurred by December 31, 2021
- Noncompliance with Federal regulations

Recommendation: We recommend that SESC, CSC and OSC review payroll expenditures transferred to the CRF to ensure that only allowable costs are funded by the CRF. All unallowable costs, including the vacation time and compensatory time payouts noted above, should be transferred out of the CRF and charged to the originating fund.

Corrective Action Plan: See F-12

Management's Response: The Departments disagree with this finding. Payroll costs are incurred when the service is provided; however, the cost of leave benefits (including vacation, sick and compensatory time) is not incurred until claimed by the employee. The cost of benefits in question were claimed by substantially dedicated public safety employees during the period of performance in accordance with CRF guidance.

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

Auditor's Concluding Remarks: The State is liable for and obligated to pay the cost of leave benefits as leave is earned by employees. The leave benefit payouts noted as exceptions and reported as questioned costs were earned throughout employment prior to March 1, 2020; therefore, the obligations existed prior to the start of the CRF period of performance and do not meet allowability requirements.

The finding remains as stated.

(State Number: 21-1690-02)

(2021-025)

Title: Internal control over subrecipient risk evaluation procedures needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Division of Audit
Division of Contract Management
Federal Agency: U.S. Department of the Treasury
Assistance Listing Title: Coronavirus Relief Fund (COVID-19)
Assistance Listing Number *(CFDA)*: 21.019
Federal Award Identification Number: SLT0029, SLT0081

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

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

The Department is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring procedures described in 2 CFR 200.332.

Condition: In April 2020, the State was advanced $1.25 billion in Federal funds from the Coronavirus Relief Fund (CRF) as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The Department requested and received Federal Coronavirus Relief Funding from the Department of Administrative and Financial Services and the Governor's Office to administer Health and Human Services (HHS) programs in response to the COVID-19 pandemic. The Department then passed through CRF to subrecipients to help support these HHS programs.

The Office of the State Auditor tested a sample of 60 subrecipients paid by various State agencies under the CRF program, including three HHS subrecipients, to ensure that proper subrecipient monitoring was performed as required by Federal regulations. HHS subrecipient monitoring procedures included providing Federal award information in grant award agreements, communicating program guidelines, establishing reporting requirements, providing technical assistance, and communicating with the subrecipients to discuss program performance; however, the Department could not provide evidence to demonstrate that monitoring procedures were established in response to an evaluation of the subrecipient's risk of noncompliance with CRF subrecipient awards for the three HHS subrecipients tested.

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

Context: The State passed through $564 million in CRF to subrecipients in fiscal year 2021, which included $14.1 million to 161 HHS subrecipients.

Cause:
- Competing priorities related to an increase in aid requests as a result of COVID-19
- Lack of adequate procedures

Effect:
- Without a documented process, subrecipient risk evaluation procedures may not be consistently followed and documentation may not be adequately maintained.
- Subrecipients that are deemed higher risk may not be monitored on a more frequent basis. Conversely, subrecipients that are deemed lower risk may not be monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.

Recommendation: We recommend that the Department implement procedures to maintain adequate documentation of subrecipient risk assessments, including the evaluation of each subrecipient's risk of noncompliance specifically for the purposes of determining the appropriate subrecipient monitoring to be performed.

Corrective Action Plan: See F-13

Management's Response: The Department disagrees with this finding. In the middle of a pandemic the Department contracted with many new providers in order to prevent the spread of COVID-19 infections by creating local prevention plans and providing education to businesses and towns. Many of these contracts were limited period contracts (4 months) and guidance from the Federal government was to promote flexibility in the disbursement of these funds. The Department, knowing that the timing of contracting and disbursing these funds was critical and that many of these providers were new to contracting with the State, recognized these providers as "high risk". Recognizing these providers as "high risk", the Department utilized 2 of the 3 suggested monitoring tools in the Uniform Guidance based on the assessment of risk posed by the subrecipients. Those tools, 1) providing subrecipients with training and technical assistance and 2) arranging for agreed-upon procedures engagements, which is built into the Department's Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) were required and performed for all of these subrecipients. The third monitoring tool identified in the Uniform Guidance related to high risk subrecipients, performing on-site visits of subrecipient's program operations, was not practical in the middle of the pandemic.

Contact: Tony Madden, Deputy Director, Division of Audit, DHHS, 207-287-2834

Auditor's Concluding Remarks: The Department disagrees with the finding; however, the deficiencies identified in the Condition are not disputed in Management's Response. Despite the COVID-19 pandemic and its impact on HHS programs, Federal regulations requiring pass-through entities 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 remained in effect.

In addition, the Department asserts that subrecipients were recognized as “high risk” in relation to noncompliance with CRF subrecipient awards. The Department did not provide evidence, including subrecipient risk evaluations demonstrating a high risk designation, to support this assertion.

The finding remains as stated.

(State Number: 21-1690-04)

(2021-026) Confidential finding, see below for more information

Title: ________ over ________ needs improvement

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

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: Office of the State Controller
Office of Information Technology
Federal Agency: U.S. Department of the Treasury
U.S. Department of Health and Human Services
Assistance Listing Title: Coronavirus Relief Fund (COVID-19)
Immunization Cooperative Agreements (COVID-19)
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (COVID-19)
Assistance Listing Number *(CFDA)*: 21.019; 93.268; 93.323
Federal Award Identification Number: SLT0029, SLT0081; NH23IP922604; NU50CK000523

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-13

Management's Response: ________

Contact: Soumia Tber, Payroll, Personnel Authorization Supervisor, OSC, 207-626-8420

(State Number: 21-0902-01)

(2021-027) Confidential finding, see below for more information

Title: ________ over the ________ system needs improvement

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

Prior Year Findings: None

State Department: Education
State Bureau: School Finance and Operations
Federal Agency: U.S. Department of Education
Assistance Listing Title: Education Stabilization Fund (ESF) (COVID-19)
Title I Grants to Local Educational Agencies
Coronavirus Relief Fund (COVID-19)
Assistance Listing Number *(CFDA)*: 84.425D; 84.010; 21.019
Federal Award Identification Number: S425D200004, S425D210004;
S010A180019, S010A190019
S010A200019; SLT0081,
SLT0029

Compliance Area: Allowable costs/cost principles
Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-13

Management's Response: ________

Contact: Katherine Warren, Education Data Systems Manager, DOE, 207-592-1793

(State Number: 21-0909-03)

(2021-028) Confidential finding, see below for more information

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

Prior Year Findings: None

State Department: Education
State Bureau: School Finance and Operations
Federal Agency: U.S. Department of Education
Assistance Listing Title: Education Stabilization Fund (ESF) (COVID-19)
Title I Grants to Local Educational Agencies
Coronavirus Relief Fund (COVID-19)
Assistance Listing Number *(CFDA)*: 84.425D; 84.010; 21.019
Federal Award Identification Number: S425D200004, S425D210004;
S010A180019, S010A190019
S010A200019; SLT0081,
SLT0029

Compliance Area: Allowable costs/cost principles
Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-14

Management's Response: ________

Contact: Katherine Warren, Education Data Systems Manager, DOE, 207-592-1793

(State Number: 21-0909-04)

(2021-029)

Title: Internal control over special reporting needs improvement

Prior Year Findings: None

State Department: Economic and Community Development
State Bureau: Commissioner's Office
Federal Agency: U.S. Department of the Treasury
Assistance Listing Title: Emergency Rental Assistance Program (COVID-19)
Assistance Listing Number *(CFDA)*: 21.023
Federal Award Identification Number: ERA0299, ERA0434

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 170

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

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

Condition: When a subaward exceeding the first-tier threshold is awarded to a subrecipient, the Department must collect and enter data into the FFATA Subaward Reporting System. The Department did not report its subawards under the Emergency Rental Assistance (ERA) program in the reporting system in fiscal year 2021.

Context: In fiscal year 2021, the Department disbursed $66.7 million in first-tier subawards from the ERA program to a subrecipient. First-tier subawards account for 100 percent of the program's fiscal year expenditures.

Cause:
- Competing priorities related to an increase in aid requests as a result of COVID-19
- Lack of resources
- Lack of policies and procedures

Effect: Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement policies and procedures to ensure that FFATA reporting is completed for all subawards that meet or exceed the first-tier threshold.

Corrective Action Plan: See F-14

Management's Response: The Department agrees with this finding. Due to the evolving reporting requirements for the Emergency Rental Assistance program the Department did not identify the FFATA requirements and did not submit accordingly. Existing policies and procedures will be modified to ensure FFATA reporting is completed for all subawards that meet or exceed the first-tier threshold.

Contact: Denise Garland, Deputy Commissioner, DECD, 207-624-7496

(State Number: 21-1695-01)

(2021-030)

Title: Internal control over suspension and debarment procedures needs improvement

Prior Year Findings: None

State Department: Economic and Community Development
State Bureau: Commissioner's Office
Federal Agency: U.S. Department of the Treasury
Assistance Listing Title: Emergency Rental Assistance Program (COVID-19)
Assistance Listing Number *(CFDA)*: 21.023
Federal Award Identification Number: ERA0299, ERA0434

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 180.220; 2 CFR 180.300

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

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR 180.220.

When a non-Federal entity enters a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

Condition: In fiscal year 2021, the Department entered into a Memorandum of Understanding with one subrecipient to administer the Emergency Rental Assistance (ERA) program. The Department did not obtain assurance that the subrecipient was not suspended or debarred before entering into the covered transaction.

Context: The Department advanced this subrecipient $66.7 million to administer the ERA program in fiscal year 2021.

Cause: The Department does not have procedures in place to ensure that subrecipients are not suspended or debarred from receiving Federal assistance.

Effect: The State could enter into a covered transaction with a suspended or debarred party, which could result in Federal disallowances.

Recommendation: We recommend that the Department establish procedures to verify that subrecipients are not suspended, debarred, or otherwise excluded from participating in Federal programs prior to issuing subawards.

Corrective Action Plan: See F-14

Management's Response: The Department agrees with this finding. The arrangement with the subrecipient was made through a Memorandum of Understanding that failed to incorporate the standard suspension and debarment language included in the normal State of Maine contract. The Department will implement policies and procedures to ensure that future engagements made with subrecipients through the use of a Memorandum of Understanding will incorporate the required suspension and debarment language. The Department will update the Memorandum of Understanding with the subrecipient administering the Emergency Rental Assistance program to obtain assurance that the subrecipient is not suspended or debarred.

Contact: Denise Garland, Deputy Commissioner, DECD, 207-624-7496

(State Number: 21-1695-02)

(2021-031)

Title: Internal control over Title I, Part A award allocations needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Learning Systems
Federal Agency: U.S. Department of Education
Assistance Listing Title: Title I Grants to Local Educational Agencies
Assistance Listing Number (*CFDA*): 84.010
Federal Award Identification Number: S010A200019

Compliance Area: Eligibility
Matching, level of effort, earmarking
Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 34 CFR 200.70 through 78; 34 CFR 200.100

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

The Department is responsible for adjusting the U.S. Department of Education (DOE) grant allocations to school districts for eligible charter schools, to reserve funds for school improvement activities, and to maintain hold harmless protection limits.

Condition: Title I Grants to Local Educational Agencies (Title I, Part A) funds are distributed to school districts to support the education of Maine's economically disadvantaged students. The allocation of grant funds is calculated annually utilizing a spreadsheet. The allocation spreadsheet adjusts the U.S. DOE's grant allocations to account for eligible new districts, set aside funds for school improvement activities, and to maintain hold harmless protection limits. Department procedures require a supervisory review of the allocation spreadsheet using a reviewer checklist to ensure the spreadsheet formulas are calculating correctly and certain programmatic requirements are met.

The Title I, Part A grant allocation spreadsheet for the 2020-2021 school year was not reviewed by a supervisor as required by Department procedures.

Context: The Department provided $48 million of Title I, Part A funds to Maine school districts in fiscal year 2021.

Cause:

- Lack of supervisory oversight due to management turnover
- Established policies and procedures were not adhered to due to a change in the control environment resulting from the COVID-19 pandemic.

Effect:

- Undetected errors in the grant allocation spreadsheet could negatively impact the ability of school districts to respond to the unique needs of economically disadvantaged students.
- Other Federal programs rely on Title I, Part A grant allocations to determine school district funding. An undetected error in the grant allocation spreadsheet could impact school district funding over multiple Federal programs.
- Potential noncompliance with eligibility and earmarking requirements

Recommendation: We recommend that the Department enhance existing policies and procedures to ensure supervisory review of the Title I, Part A grant allocation prior to finalizing allocations of grant funding to school districts.

Corrective Action Plan: See F-14

Management's Response: The Department agrees with this finding. The ESEA Federal Programs Department has policies and procedures in place to complete a comprehensive supervisory review checklist, which verifies the accuracy of Title I funding, prior to school district allocations. This finding was the result of turnover in management and the need for Department employees to work remotely due to the COVID-19 pandemic. Based on these causes, the ESEA team is reviewing and updating the policies and procedures, where necessary, regarding the supervisory review of all Title allocations, including Title I, prior to finalizing allocations of grant funding to school districts.

Contact: Cheryl L. Lang, ESEA Federal Programs Director, DOE, 207-441-8059

(State Number: 21-1208-01)

(2021-032)

Title: Internal control over special reporting needs improvement

Prior Year Findings: None

State Department: Education
State Bureau: Commissioner's Office
Learning Systems
Federal Agency: U.S. Department of Education
Assistance Listing Title: Education Stabilization Fund (ESF) (COVID-19)
Title I Grants to Local Educational Agencies
Assistance Listing Number *(CFDA)*: 84.425D; 84.010
Federal Award Identification Number: S425D210004; S010A200019
S010A190019, S010A180019

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 170

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

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

Condition: When a subaward exceeding the first-tier subaward threshold is awarded to a subrecipient, the Department must collect and enter data into the FFATA subaward Reporting System.

In the Office of the State Auditor's test of 60 subawards that exceeded the first-tier subaward threshold, the following FFATA reporting exceptions were identified:

- 27 subawards under the Education Stabilization Fund program listed an incorrect project description.
- One subaward totaling $147,794 was reported with an incorrect Data Universal Numbering System (DUNS) number.
- Two subawards totaling $397,174 were incorrectly reported for Education in the Unorganized Territories (EUT). These are not subrecipient subawards as the EUT is governed by the State.
- One subaward totaling $162,266 was reported twice.

Additionally, the Department could not provide evidence that the FFATA reports were reviewed by a secondary person prior to submission in the FFATA Subaward Reporting System to ensure that information entered was accurate and complete.

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

Context: During fiscal year 2021, the Department obligated $219.4 million in first-tier subawards to 188 subrecipients from the Education Stabilization Fund and Title I Grants to Local Educational Agencies programs. Of the 188 subrecipients, 182 subrecipients had subawards that exceeded the first-tier subaward threshold. These 182 subawards totaled approximately $218.2 million in fiscal year 2021.

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

Effect: Inaccurate, incomplete, or untimely information was and may continue to be reported to the Federal government. This information may be used for programmatic, policy or statistical purposes.

Recommendation: We recommend that the Department implement policies and procedures to ensure all subawards that meet or exceed the first-tier threshold are reported accurately, timely, and in accordance with Federal regulations. We also recommend that the Department retain documentation of supervisory review for each FFATA report submitted in the FFATA Subaward Reporting System.

Corrective Action Plan: See F-15

Management's Response: The Department agrees with this finding. The Department will implement a procedure to ensure subawards that meet or exceed the first-tier threshold are reported accurately, timely and in accordance with Federal regulations. Additionally, FFATA reports will be reviewed by a second party for completeness and accuracy and documentation of the review will be retained.

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

(State Number: 21-1235-03)

(2021-033)

Title: Internal control over cash management needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
State Bureau: General Governmental Service Center
Federal Agency: U.S. Department of Education
Assistance Listing Title: Education Stabilization Fund (ESF) (COVID-19)
Assistance Listing Number *(CFDA)*: 84.425C
Federal Award Identification Number: S425C200004; S425C210004

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.302; 31 CFR 205.33; State Administrative and Accounting Manual (SAAM) Section 50.40.80

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

Financial records must adequately identify the source and application of funds and provide accountability for all funds, property, and other assets related to the Federally funded activities.

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

Condition: The General Government Service Center (GGSC) provides services including human resources, payroll and accounting and finance to the Department of Education (DOE).

The GGSC requests Federal funds in order to reimburse ESF program expenditures multiple times each week. In December 2020, $6 million of program expenditures that had previously been reimbursed under the ESF Governor's Emergency Education Relief program were recategorized as eligible Coronavirus Relief Fund expenditures. The GGSC did not immediately return the funds that were received for these expenditures and continued to draw additional Federal funds under the ESF. As a result, the State's Federal cash balances for the ESF program exceeded the State's administratively feasible threshold of seven business days for approximately two months.

Context: In fiscal year 2021, there were approximately 236 Federal grant drawdowns totaling $26 million for the ESF.

Cause:

- Lack of adequate policies and procedures
- Lack of staff resources available to process grant drawdowns and monitor cash balances due to the increased number of COVID-19 grants managed
- Lack of supervisory oversight

Effect: The Federal government may impose more stringent program-specific cash management requirements based on noncompliance.

Recommendation: We recommend that the Department develop and implement policies and procedures to address the identification and timely return of excess grant funds to the Federal government. We also recommend the Department review its staffing needs to ensure there are adequate resources to process and provide supervisory oversight over the increased workload from COVID-19 grants.

Corrective Action Plan: See F-15

Management's Response: The Department agrees with this finding. The Department will implement additional policies and procedures to ensure the timely return of excess grant funds as well as providing supervisory oversight of these transactions.

Contact: Laurie Andre, GGSC Deputy Director, Accounting, GGSC, 207-592-0725

(State Number: 21-1235-01)

(2021-034)

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

Prior Year Findings: None

State Department: Education
State Bureau: Commissioner's Office
Federal Agency: U.S. Department of Education
Assistance Listing Title: Education Stabilization Fund (ESF) (COVID-19)
Assistance Listing Number *(CFDA)*: 84.425D
Federal Award Identification Number: S425D200004, S425D210004

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.331; 2 CFR 200.510

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

The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements. This schedule must separately identify subrecipient expenditures and direct program expenditures. Subrecipient expenditures are reimbursements made to pass-through entities who have responsibility for eligibility determinations and programmatic decision making.

Condition: The Department awarded stipends to over 100 educators under the Elementary and Secondary School Emergency Relief (ESSER) program, a sub-program of the ESF. The stipends were awarded to support the creation of content for the Maine Online Opportunities for Sustained Education (MOOSE) online learning platform. The MOOSE platform was developed to support Maine's students and educators during the COVID-19 pandemic. Stipends totaling $855,750 were paid to educators for the MOOSE platform during fiscal year 2021.

The Department is responsible for working with the General Governmental Service Center (GGSC) to communicate Federal award expenditures to the Office of the State Controller (OSC) for inclusion in the annual SEFA. The MOOSE stipends were originally reported on the SEFA as subrecipient expenditures. The educators that created content for this platform do not meet the definition of a subrecipient; therefore, these expenditures should have been reported as direct program expenditures.

Context: In fiscal year 2021, the ESSER program originally reported $17.9 million of subrecipient expenditures and $917,468 of direct expenditures on the SEFA.

Cause:

- Inaccurate coding of direct expenditures
- Lack of adequate internal control relating to Department SEFA submissions to OSC
- Lack of adequate review procedures

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

Recommendation: We recommend that the Department and its Service Center work with OSC to improve SEFA submission and subsequent review procedures to ensure Federal program expenditures are reported accurately.

Corrective Action Plan: See F-15

Management's Response: The Department agrees with this finding. The Department will coordinate the review of expenditures with the GGSC prior to submission of the SEFA report to ensure all expenditures are reported accurately.

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

(State Number: 21-1235-02)

(2021-035)

Title: Internal control over provider monitoring needs improvement

Prior Year Findings:

FY20	FY19
2020-034	2019-032

State Department: Health and Human Services
State Bureau: Maine Center for Disease Control & Prevention
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Immunization Cooperative Agreements
Assistance Listing Number (CFDA): 93.268
Federal Award Identification Number: NH23IP922604

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 42 USC 1396; Vaccines for Children Program Operations Guide

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

The Department is required to ensure effective control and accountability for all vaccines under the Vaccines for Children (VFC) program. This was previously achieved through annual provider site visits. In March 2020, the U.S. Center for Disease Control (CDC) suspended site visits in response to COVID-19 and approved the Department to work under a modified plan. The Department's modified plan requires the following:

- Ensure providers complete the annual vaccine storage and handling training published by the U.S. CDC;
- Request data logger reports for providers with an upcoming or overdue site visit to ensure vaccines have been stored at the appropriate temperature and temperatures have been accurately recorded; and
- Ensure providers are compliant with entering temperatures and reconciling vaccine inventory at least once every 30 days.

Condition: The Office of the State Auditor (OSA) reviewed compliance with the processes that replaced provider site visits and found the following:

- A complete list of providers that were identified as overdue or coming due within the Provider Engagement, Analytics & Reporting (PEAR) portal during fiscal year 2021 could not be provided. The PEAR system cannot produce a point in time report and the Department did not retain reports. As a result, OSA was unable to test a sample of data logger reports.
- The Department could not provide documentation of follow-up communications with noncompliant providers regarding monthly reconciliations and temperature logging for 3 of the 60 providers selected for testing.
- The Department did not maintain adequate documentation of supervisory review over the three required areas of provider monitoring.

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

Context: In fiscal year 2021, 375 VFC providers received vaccines valued at $15.3 million.

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

Effect:
- Noncompliance with Federal regulations
- Potential for improper vaccine storage and waste

Recommendation: We recommend that the Department implement procedures to ensure that provider monitoring and adequate supervisory oversight is completed, documented and maintained.

Corrective Action Plan: See F-16

Management's Response: The Department agrees with this finding. This finding is directly related to an alternative plan developed by the State of Maine during FY2021 when on-site VFC Compliance Visits were temporarily suspended. The Department will update procedures to ensure provider monitoring is documented and records are maintained. The Department will update procedures to ensure supervisory oversight is completed, documented, and maintained.

Contact: Jessica Shiminski, Health Program Manager, 207-287-7087

(State Number: 21-1118-01)

(2021-036) Confidential finding, see below for more information

Title: ________ over the ________ system needs improvement

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

Prior Year Findings:

FY20	FY19
Redacted	Redacted

State Department: Health and Human Services
State Bureau: Maine Center for Disease Control & Prevention
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Immunization Cooperative Agreements
Assistance Listing Number *(CFDA)*: 93.268
Federal Award Identification Number: NH23IP922604

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

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-16

Management's Response: ________

Contact: Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541

(State Number: 21-0906-01)

(2021-037) Confidential finding, see below for more information

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

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

Prior Year Findings:

FY20
Redacted

State Department: Health and Human Services
State Bureau: Maine Center for Disease Control & Prevention
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Immunization Cooperative Agreements
Assistance Listing Number *(CFDA)*: 93.268
Federal Award Identification Number: NH23IP922604

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

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-16

Management's Response: ________

Contact: Danielle Sherwood, ImmPact Manager, DHHS, 207-287-2586

(State Number: 21-0906-02)

(2021-038)

Title: Internal control over reporting needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Maine Center for Disease Control & Prevention
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (COVID-19)
Assistance Listing Number *(CFDA)*: 93.323
Federal Award Identification Number: NU50CK000523

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; Coronavirus Aid, Relief, and Economic Security (CARES) Act Section 18115; Paycheck Protection Program and Health Care Enhancement Act of 2020 (PL 116-139); Coronavirus Response and Relief Supplemental Appropriations Act of 2020 (PL 116-260)

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

The Department must ensure that every laboratory that performs or analyzes a test that is intended to detect or diagnose a possible case of COVID-19 reports the results from each test to the U.S. Department of Health and Human Services.

Condition: During fiscal year 2021, the Maine Center for Disease Control & Prevention (MeCDC) was required to complete the following reports:

- Quarterly and annual performance reports for three separate Federal awards
- Quarterly special reports for jurisdictional testing

The Office of the State Auditor selected five quarterly reports and three annual reports for testing and identified the following exceptions:

- All reports were filed without documentation of approval by a secondary person prior to submission.
- Supporting documentation could not be provided to verify the accuracy and completeness of the filed reports.
- Documentation could not be provided to verify that the reports were filed timely.

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

Context: During fiscal year 2021, twelve quarterly performance reports, three annual performance reports, and one quarterly special report were required to be filed.

Cause:

- Lack of adequate internal controls
- Lack of supervisory oversight
- Lack of staff resources due to a significant increase in workload

Effect:

- Incorrect or incomplete data may be reported to the Federal government.
- Potential Federal noncompliance due to performance and special reports not filed timely

Recommendation: We recommend that MeCDC implement a documented process over the completion, filing, review and retention of performance and special reports.

Corrective Action Plan: See F-16

Management's Response: The Department agrees with this finding. The Division of Disease Surveillance, within the Maine Center for Disease Control and Prevention, will put into place an effective process to ensure quarterly and annual progress and special reports are accurate, complete, reviewed, and recorded when filed.

Contact: Sara Robinson, Senior Program Manager, DHHS, 207-287-4610

(State Number: 21-1156-02)

(2021-039)

Title: Internal control over subrecipient awards needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Division of Contract Management
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (COVID-19)
Assistance Listing Number *(CFDA)*: 93.323
Federal Award Identification Number: NU50CK000523

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

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

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

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

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

For the two for-profit subrecipients who administer the ELC program, both subrecipient awards did not include the required Federal award information.

Context: In fiscal year 2021, the Department provided $8 million to 46 subrecipients that administer the ELC program.

Cause: Lack of established procedures over for-profit subrecipient awards

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

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

Corrective Action Plan: See F-17

Management's Response: The Department agrees with this finding. The Division of Contract Management will collaborate with the MeCDC to implement controls to ensure subrecipient awards are complete, accurate and in accordance with Federal regulations.

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

(State Number: 21-1156-03)

(2021-040)

Title: Internal control over payments made to and on behalf of TANF clients needs improvement

Prior Year Findings:

FY20	FY19	FY18
2020-039	2019-040	2018-031

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF)
Assistance Listing Number *(CFDA)*: 93.558
Federal Award Identification Number: 1801METANF, 1901METANF, 2001METANF, 2101METANF

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

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Questioned Costs: The Office of the State Auditor (OSA) tested a sample of payments to TANF clients for services other than direct cash benefits and payments to providers on behalf of TANF clients. OSA identified known questioned costs totaling $8,377. Likely questioned costs totaling $667,074 were projected by dividing the identified known overpayment in our sample by total payments tested to establish an error rate, then applying that error rate to total payments to TANF clients for these services and payments to providers on behalf of TANF clients in fiscal year 2021.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 45 CFR 263.11

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

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

The Department must use Federal TANF funds for expenditures that are reasonably calculated to accomplish the purposes of TANF. Use of funds in violation of this is considered misuse of funds.

Condition: The Department issues TANF payments directly to a TANF client for various items and services. The Department also issues TANF payments directly to providers on behalf of TANF clients for services rendered such as childcare and transportation. OSA tested 60 payments and found that:

- one payment overpaid a provider by $526 for Transitional Child Care. Upon further review, OSA found that an additional $6,030 was overpaid to the childcare provider during fiscal year 2021.
- one payment overpaid a provider by $279 for childcare services. Upon further review, OSA found that an additional $1,116 was overpaid to the childcare provider during fiscal year 2021.
- two payments overpaid TANF clients a total of $426 ($276 for automobile insurance and $150 for clothing). An advance allowance was issued to each TANF client; however, neither TANF client submitted a receipt substantiating the purchase as required.

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

Context: In fiscal year 2021, payments to TANF clients for services other than direct cash benefits and payments to providers on behalf of TANF clients totaled approximately $8 million.

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

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

Recommendation: We recommend that the Department implement procedures to ensure that payments made to TANF clients and providers are accurate, allowable, and adequately documented. We further recommend that the Department increase monitoring procedures over these payments.

Corrective Action Plan: See F-17

Management's Response: The Department agrees with the condition statement and recommendations.

Regarding client payments: During SFY 2021, the Department formalized and implemented additional supervisory case readings (two per worker per week) and call monitoring (two calls a week, randomly selected). In addition, the Work Support Team Supervisor conducts partial reviews of approximately 25 percent of the cases worked on a daily basis. The Department will provide additional guidance to eligibility and other related workers regarding notification to the Work Support Team when the Department receives information that may affect payments.

Regarding provider payments: The Department will examine the existing internal controls over payments, billing, invoice structures and mechanisms, including monitoring, to determine if the errors discovered were related to human error and/or lack of training or clarity in existing vendor payment controls.

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

(State Number: 21-1111-06)

(2021-041)

Title: Internal control over special reporting needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Division of Contract Management
Federal Agency: U.S. Department of Health and Human Services
U.S. Department of Agriculture
Assistance Listing Title: Temporary Assistance for Needy Families (TANF)
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (COVID-19)
Immunization Cooperative Agreements (COVID-19)
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (COVID-19)
Assistance Listing Number *(CFDA)*: 93.558; 93.323; 93.268; 10.557
Federal Award Identification Number: 1801METANF, 1901METANF, 2001METANF, 2101METANF; NU50CK000523; NH23IP922604; 204ME743W5003, 204ME701W1003, 204ME701W1006, 214ME7435003, 214ME701W1003, 214ME701W1006, 214ME721W6006, 214ME721W6003

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 170

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

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

Condition: When a subaward exceeding the first-tier subaward threshold is awarded to a subrecipient, the Department must collect and enter data into the FFATA Subaward Reporting System. Instead of entering data into the FFATA Subaward Reporting System when the obligating action (subaward/subcontract) exceeded the first-tier subaward threshold as required by Federal regulations, the Department reported when a Federal program's individual Federal Award Identification Number (FAIN) exceeded the first-tier subaward threshold. There can be numerous FAINs within one subaward.

Audit testing of the 27 subawards with Federal funds that exceeded the first-tier subaward threshold revealed that:

- 15 subawards totaling $8.5 million were not reported timely;
- 11 subawards totaling $25.7 million were not reported correctly;
- 5 subawards totaling $450,000 were not reported at all; and
- 1 subaward totaling $175,000 was reported with the incorrect Data Universal Numbering System (DUNS) number.

Additionally, the Department could not provide evidence that any of the FFATA reports were reviewed prior to submission in the FFATA Subaward Reporting System to ensure that information entered was accurate and complete.

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

Context: During fiscal year 2021, the Department disbursed $45.7 million in first-tier subawards to 76 subrecipients from the TANF, ELC, Immunization Cooperative Agreements, and WIC programs. Of the 76 subrecipients, 63 subrecipients received subawards exceeding the first-tier subaward threshold. These 63 subawards totaled approximately $45.5 million in fiscal year 2021.

Cause:

- Misinterpretation of Federal regulations
- Lack of adequate procedures
- Lack of supervisory review

Effect:

- Inaccurate, incomplete, and untimely information was and may continue to be reported to the Federal government. This information may be used for programmatic, policy or statistical purposes.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement policies and procedures to ensure all subawards that meet or exceed the first-tier subaward threshold are reported accurately, timely, and in accordance with Federal regulations. We further recommend that the Department retain documentation of supervisory review for each FFATA report submitted in the FFATA Subaward Reporting System.

Corrective Action Plan: See F-17

Management's Response: The Department agrees with this finding. The Department will revisit its process to ensure all subawards are reported accurately, timely, and in accordance with Federal regulations. Additionally, the Department will ensure documentation of the supervisory review is retained.

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

(State Number: 21-1100-01)

(2021-042)

Title: Internal control over subrecipient cash management needs improvement

Prior Year Findings:

FY20	FY19	FY18	FY17
2020-042	2019-035	2018-026	2017-009

State Department: Health and Human Services
State Bureau: Division of Contract Management
Federal Agency: U.S. Department of Health and Human Services
U.S. Department of Agriculture
Assistance Listing Title: Temporary Assistance for Needy Families (TANF)
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) (COVID-19)
Assistance Listing Number *(CFDA)*: 93.558; 10.557
Federal Award Identification Number: 1801METANF, 1901METANF, 2001METANF, 2101METANF; 204ME743W5003, 204ME701W1003, 204ME701W1006, 214ME7435003, 214ME701W1003, 214ME701W1006, 214ME721W6006, 214ME721W6003

Compliance Area: Cash management
Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.305

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

The Department is required to monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes is minimized.

Condition: The Department did not monitor subrecipients to ensure they were drawing Federal funds in accordance with cash management requirements.

For cost-settled subawards, Department procedures include making equal advance monthly payments and then reconciling those amounts to the quarterly financial reports submitted by the subrecipient. This procedure does not take into consideration the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes.

For "cost-settled by invoice" (reimbursement) subawards, Department procedures do not require obtaining documentation to support the monthly invoices submitted by the subrecipient for costs that were already paid by the subrecipient, thus verifying it was for reimbursement and not advance payment.

Context: In fiscal year 2021, the Department provided:

- $32.8 million to subrecipients from TANF grant funds of $79.5 million. TANF's subawards are either cost-settled, cost-settled by invoice, or fee for service.
- $5 million to subrecipients from WIC grant funds of $13.6 million. All of WIC's subawards are cost-settled.

Cause:

- Misinterpretation of Federal regulations. 2 CFR 200.305(b)(1) references that the timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity. The Department interpreted this Federal requirement to mean it applied to the State; however, the requirement is directed towards non-Federal entities other than states.
- Lack of adequate subrecipient monitoring procedures. In addition to monitoring the total amount paid to subrecipients, the Department is required to monitor the timing between when the subrecipient receives Federal funds from the Department and when the subrecipient disburses those funds for program purposes.

Effect:

- Noncompliance with subrecipient cash management requirements
- Federal programs may not be effectively and efficiently administered.
- The Federal government may require the implementation of more stringent subrecipient cash management procedures.

Recommendation: We recommend that the Department implement monitoring procedures to ensure that:

- the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes is minimized for cost-settled subawards.
- the payment of Federal funds to the subrecipient is for reimbursement purposes, and not for advance payment, for "cost-settled by invoice" subawards.

Corrective Action Plan: See F-17

Management's Response: The Department disagrees with this finding. The Department reviews budgeted expenses to determine their timing and nature (one time, recurring, allowability); reviews quarterly expense reports and alters payments to meet immediate cash needs, and finally, monitors subrecipient single audits to ensure there are no cash management findings. Additionally, our subrecipient's programs are tested more frequently and at a lower threshold than the threshold for single audits in accordance with the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP). The Department's approach is administratively reasonable and does minimize the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient’s actual disbursement for program purposes given administrative and operational needs. We believe we have procedures in place that can be corroborated by the fact that our subrecipients do not receive single audit findings related to cash management.

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

Auditor’s Concluding Remarks: The subrecipient monitoring procedures outlined in Management’s Response do not ensure that subrecipients are drawing funds in accordance with Federal cash management requirements.

- Reviewing budgeted expenses is not monitoring the subrecipient’s compliance with cash management requirements as the subrecipient has not disbursed the funds yet.
- The Department does not obtain documentation to support the timing of the subrecipient’s expenditures reported on the quarterly expense reports and to substantiate compliance.
- Though reviewing the subrecipient’s MAAP audits and Single Audits for findings is beneficial:
  - both types of audits are usually completed towards the end or after the grant award period.
  - MAAP audit requirements do not require testing of all subawards. Therefore, the subrecipient’s cash management may or may not be tested by the subrecipient’s auditor.
  - it is not guaranteed that cash management will be selected for testing by the subrecipient’s auditor; therefore, relying on the subrecipient’s auditor to discover cash management issues is not an adequate procedure to monitor the subrecipient’s compliance with that requirement.

The finding remains as stated.

(State Number: 21-1111-03)

(2021-043)

Title: Internal control over Income Eligibility and Verification System procedures needs improvement

Prior Year Findings:

FY20	FY19
2020-043	2019-037

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services
Assistance Listing Title: SNAP Cluster
Temporary Assistance for Needy Families (TANF)
Assistance Listing Number *(CFDA)*: 10.551, 10.561; 93.558
Federal Award Identification Number: SNAP Benefits, Maine;
1801METANF, 1901METANF,
2001METANF, 2101METANF

Compliance Area: Eligibility
Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 7 CFR 272.8; 45 CFR 205.56

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

The Department is required to comply with Federal Income Eligibility and Verification System (IEVS) exchange rules and regulations in accordance with program agreements. The Department is required to resolve all discrepancies identified through IEVS reports within 45 days of receipt.

Condition: IEVS is used to exchange information among State and Federal agencies to verify various information needed to determine eligibility for Federal financial assistance. This information is updated in the Automated Client Eligibility System (ACES) to ensure eligibility determinations are made based on current information.

IEVS generates various discrepancy reports on a weekly, monthly and quarterly basis. The Department is required to resolve all discrepancies identified through IEVS reports within 45 days of receipt.

Of the 194 IEVS discrepancies tested:

- 61 discrepancies were not addressed in ACES;
- 11 discrepancies were addressed between 4 and 40 days late;
- 2 discrepancies were not correctly addressed in ACES; and
- the Office of the State Auditor (OSA) was unable to confirm if one discrepancy was updated correctly in ACES.

OSA selected 44 discrepancies which were deemed significant by OSA and a non-statistical random sample of 25 discrepancies from each of the 6 IEVS reports, for a total of 194 discrepancies examined.

Context: A total of 184 IEVS reports are required to be generated annually. The number of discrepancies on each report can vary from zero to almost 20,000.

Cause:

- Lack of supervisory oversight
- Lack of resources available to respond to the significant increase in discrepancies due to the COVID-19 pandemic

Effect:

- IEVS information may not be updated timely in ACES, which could result in incorrect eligibility determinations.
- Failure to participate in IEVS information exchange may result in the U.S. Department of Health and Human Services penalizing the State for up to two percent of the grant award**.**

Recommendation: We recommend that the Department enhance oversight procedures to ensure IEVS discrepancies are properly resolved and documented on a timely basis.

Corrective Action Plan: See F-18

Management's Response: With only three disagreements regarding the discrepancies cited in the Condition statement above, the Department agrees with this finding. Four standard operating procedures governing IEVS reporting were modified in fiscal year 2021. However, largely due to the pandemic, combined with manual processing, we did witness an uptick in errors. The Department has created a Technology Roadmap workgroup and IEVS automation is a component of this project.

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

Auditor's Concluding Remarks: Of the 75 discrepancies identified in the Condition, the Department disagrees with three of them. The Department did not provide adequate documentation to support their disagreement with these three discrepancies.

The finding remains as stated.

(State Number: 21-1111-01)

(2021-044) Confidential finding, see below for more information

Title: ________ over the ________ system needs improvement

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

Prior Year Findings:

FY20	**FY19**	**FY18**
Redacted	Redacted	Redacted

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF)
Assistance Listing Number *(CFDA)*: 93.558
Federal Award Identification Number: 1801METANF, 1901METANF, 2001METANF, 2101METANF

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

Type of Finding: Material weakness

Questioned Costs: None

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Management's Response: ________

Corrective Action Plan: See F-18

Management's Response: ________

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

(State Number: 21-0905-03)

(2021-045)

Title: Internal control over cash benefits paid to TANF clients needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF)
Assistance Listing Number *(CFDA)*: 93.558
Federal Award Identification Number: 1801METANF, 1901METANF, 2001METANF, 2101METANF

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

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs: The Office of the State Auditor (OSA) tested a sample of payments issued to TANF clients as direct cash benefits. OSA identified known questioned costs totaling $224. Likely questioned costs totaling $112,657 were projected by dividing the identified known overpayment in our sample by total payments tested to establish an error rate, then applying that error rate to total payments issued to TANF clients as direct cash benefits in fiscal year 2021.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 45 CFR 263.11

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

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

The Department must use Federal TANF funds for expenditures that are reasonably calculated to accomplish the purposes of TANF. Use of funds in violation of this is considered misuse of funds.

Condition: The Department issues monthly payments to TANF clients as direct cash benefits to provide temporary assistance to families while they work towards becoming self-sufficient. OSA selected 60 payments for testing and found that one payment overpaid a TANF client by $224. Though this TANF client's case was referred to another division for overpayment in September 2020, the Department has not recouped any of the identified overpayment as of audit testing in March 2022.

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

Context: In fiscal year 2021, payments issued to TANF clients as direct cash benefits totaled approximately $18.5 million.

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

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

Recommendation: We recommend that the Department implement procedures to ensure that payments made to TANF clients are accurate, allowable, and adequately documented. We further recommend that the Department increase monitoring procedures over these payments.

Corrective Action Plan: See F-18

Management's Response: The Department disagrees with this finding. The Office of the State Auditor correctly identified an error; however, the Department has controls in place and identified the error timely. The case was referred for overpayment during the fiscal year.

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

Auditor's Concluding Remarks: Although the case was referred for a prior overpayment in September 2020, which was documented in the TANF client's electronic case record, the Department subsequently issued another payment (the $224 overpayment identified in the Condition), indicating a lack of adequate controls. As of audit testing in March 2022, the overpayment referral remains listed as pending in the TANF client's electronic case record, 18 months after the initial overpayment was referred to another division, and the Department has not recouped any of the identified overpayment.

The finding remains as stated.

(State Number: 21-1111-07)

(2021-046)

Title: Internal control over TANF client child support sanction procedures needs improvement

Prior Year Findings:

FY20
2020-040

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF)
Assistance Listing Number *(CFDA)*: 93.558
Federal Award Identification Number: 1801METANF, 1901METANF, 2001METANF, 2101METANF

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 264.30; 42 USC 608(a)(2)

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

If the Department determines that an individual is not cooperating with child support enforcement requirements, the Department is required to sanction the individual by deducting an amount equal to not less than 25 percent from the TANF assistance that would otherwise be provided to the family of the individual, and may deny the family any TANF assistance.

Condition: The Department's Division of Support Enforcement and Recovery (DSER) is responsible for enforcing child support requirements. DSER sends email notifications (sanction requests) to TANF personnel when individuals not cooperating with child support enforcement requirements are identified. If TANF personnel determine that the individual needs to be sanctioned after reviewing the individual's case, they will process the sanction request in the Automated Client Eligibility System (ACES).

Federal guidance requires the Office of the State Auditor (OSA) to develop audit procedures to test a sample of cases referred by DSER. When OSA requested the list of sanction requests from DSER for testing purposes, the Department provided a list that was generated based on noncooperation dates entered in the Child Support Enforcement of Maine (CSEME) system. However, noncooperation dates were not consistently entered into CSEME by DSER personnel during fiscal year 2021, resulting in an incomplete list. In March 2021, the Department sent DSER personnel a reminder that the noncooperation date needs to be entered when requesting a sanction.

Context: DSER personnel transmit sanction requests through email to a general inbox that receives other notifications and collects approximately 400 emails per day. The sanction requests are then forwarded by a designated supervisor to the appropriate TANF personnel to be processed in ACES. For fiscal year 2021, DSER provided a list of 403 sanction requests to OSA. The number of sanction requests that were made but omitted from the DSER list is unknown.

Cause:

- Lack of resources. The Department is unable to obtain a complete listing of sanction requests from DSER without dedicating a significant amount of time and resources sorting through the general email inbox.
- Lack of established procedures to ensure that all noncooperation dates are entered in CSEME. Additionally, reminding staff that the noncooperation date needs to be entered in CSEME prior to transmitting a sanction request through email does not guarantee that all noncooperation dates will be in CSEME.

Effect:

- Noncompliant clients may be paid benefits that they are not entitled to receive.
- Failure to comply with sanction requirements may result in the U.S. Department of Health and Human Services penalizing the State for up to five percent of the grant award.

Recommendation: We recommend that the Department establish procedures to ensure that all sanction requests are maintained in a central repository so that they can be easily retrieved for tracking and review purposes.

Corrective Action Plan: See F-19

Management's Response: The Department agrees with the condition statement noted in the audit finding for the audit period ending June 30, 2021.

The Department implemented a solution to this issue during the audited year, in March of 2021, as represented by a direct communication to staff as well as subsequent communications including a SOP governing this process.

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

(State Number: 21-1111-02)

(2021-047)

Title: Internal control over TANF performance reporting and work participation procedures needs improvement

Prior Year Findings:

FY20	FY19	FY18	FY17
2020-041	2019-039	2018-028	2017-012

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF)
Assistance Listing Number *(CFDA)*: 93.558
Federal Award Identification Number: 1801METANF, 1901METANF, 2001METANF, 2101METANF

Compliance Area: Reporting
Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 261.60 through 261.62; 45 CFR 265.7 and 265.8

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

The Department must maintain adequate documentation, perform adequate verification, and implement other control procedures for TANF client work participation. Work participation activities include unsubsidized employment, job search and job readiness, job skills training directly related to employment, vocational education, and other work-related programs.

The Department must report the actual hours that a work-eligible TANF client participates in these work-related activities, on the *ACF-199 TANF Data Report* and the *ACF-209 SSP-MOE Data Report* on a quarterly basis. These reports are required by the Federal government.

Condition: The Department reported incorrect work participation information on the *ACF-199* and *ACF-209* reports. Of the 120 clients tested, inaccurate work participation data was reported for 28 clients, including inaccurate:

- countable months towards the Federal time limit of 60 months,
- unsubsidized employment hours,
- job search and job readiness hours,

- work experience hours,
- vocational education training hours,
- job skills training directly related to employment hours, and
- education to employment with no high school diploma hours.

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

Context: The Department must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of information reported to the Federal government and used to calculate work participation rates. In fiscal year 2021, the number of clients reported on the *ACF-199* report ranged from approximately 11,000 to 13,000 clients, and the number of clients reported on the *ACF-209* report ranged from approximately 36,000 to 42,000 clients.

Cause:
- Lack of adequate procedures to ensure work participation data is accurately reflected in the Automated Client Eligibility System (ACES) and FedcapCARES case management system and reported correctly in the quarterly Federal performance reports
- Lack of supervisory oversight

Effect:
- Incorrect work participation data reported to the Federal government may affect the Federal requirement for TANF's State Maintenance of Effort.
- The Federal government may penalize the State by an amount not less than one percent and not more than five percent of the grant award for violation of work verification plan requirements.

Recommendation: We recommend that the Department implement procedures to ensure that the information reported on the *ACF-199* and *ACF-209* reports is accurate and complete prior to submission to the Federal government. This should include increased systematic monitoring to improve the reliability of work participation data that is reported to the Federal government.

Corrective Action Plan: See F-19

Management's Response: The Department agrees with this finding and recommendations regarding the 28 cases containing errors. The Department will investigate and identify the source or cause of errors found which led to incorrect month counts. The Department will modify the existing Quality Review Tool. Additionally, we will review, and edit if necessary, the existing procedures governing this process.

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

(State Number: 21-1111-05)

(2021-048)

Title: Internal control over subrecipient risk evaluation procedures needs improvement

Prior Year Findings:

FY20	FY19	FY18	FY17
2020-044	2019-038	2018-030 2018-032	2017-013

State Department: Health and Human Services
State Bureau: Office for Family Independence
Office of Child and Family Services
Division of Contract Management
Division of Audit
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF)
Assistance Listing Number *(CFDA)*: 93.558
Federal Award Identification Number: 1801METANF, 1901METANF, 2001METANF, 2101METANF

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

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

The Department is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in 2 CFR 200.332.

Condition: The Department has established subrecipient monitoring procedures depending on whether the subrecipient is competitively bid or not.

If a subaward is competitively bid, the Department seeks input from the Department of Health and Human Services Service Center, the Department's Division of Audit, and the Division of Contract Management regarding known issues with the provider who submitted the bid. Those responses are collected and provided to the evaluation team which consists of various program personnel. The subaward agreement is then drafted and the level of subrecipient monitoring is included in the agreement.

If a subaward is not competitively bid, the subaward agreement is drafted based on the level of subrecipient monitoring that the Department has established for the provided services.

For the seven TANF subrecipients selected for testing:

- two subrecipients competitively bid on the subaward. For those subrecipients:
  - no documentary evidence could be provided to support that feedback was solicited from other Bureaus for any known issues or prior noncompliance for one subrecipient.
  - no documentary evidence could be provided to support the level of subrecipient monitoring that was completed for both subrecipients.
- five subrecipients did not competitively bid on the subaward. For those five subrecipients, no documentary evidence could be provided to support the level of subrecipient monitoring that was completed.

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

Context: The Department provided $32.8 million to TANF subrecipients during fiscal year 2021.

Cause: Lack of adequate policies and procedures to ensure that subrecipient risk evaluation documentation is retained

Effect:

- Without a documented process, subrecipient risk evaluation procedures may not be consistently followed and documentation may not be adequately maintained.
- Subrecipients that are deemed higher risk may not be monitored on a more frequent basis. Conversely, subrecipients that are deemed lower risk may not be monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.

Recommendation: We recommend that the Department implement and document procedures that outline the collaborative process with all Bureaus. This policy should require evaluation of each subrecipient's risk of noncompliance specifically for the purposes of determining the appropriate subrecipient monitoring to be performed.

Corrective Action Plan: See F-19

Management's Response: The Department agrees with this finding. Although there are several layers of risk evaluation built into the subrecipient monitoring process, the Department agrees that there should be a policy regarding the evaluation of risk to determine the appropriate subrecipient monitoring.

Contact: Tony Madden, Deputy Director – Division of Audit, DHHS, 207-287-2834

(State Number: 21-1111-04)

(2021-049)

Title: Internal control over subrecipient audit procedures needs improvement

Prior Year Findings: None

State Department: Health and Human Services
State Bureau: Division of Audit
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Temporary Assistance for Needy Families (TANF)
Assistance Listing Number *(CFDA)*: 93.558
Federal Award Identification Number: 1801METANF, 1901METANF, 2001METANF, 2101METANF

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

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

When a subrecipient's Federal award expenditures are expected to equal or exceed $750,000 during the fiscal year, the Department must verify that the subrecipient is audited as required by Subpart F of 2 CFR 200.

Condition: The Department requires subrecipients to submit their Single Audit to the Department's Division of Audit (DOA). DOA maintains a database to track when subrecipient Single Audit reports are due and ensures that they are received.

The Office of the State Auditor tested eight TANF subrecipients that had a Single Audit due in fiscal year 2021 and identified that one TANF subrecipient submitted their Single Audit to the Federal Audit Clearinghouse (FAC) nine months past the Single Audit due date. DOA did not obtain the Single Audit for that subrecipient until seven months past the date of submission to the FAC. In addition, documentation could not be provided to support that DOA contacted the TANF subrecipient when the Single Audit was late.

Context: A Single Audit was due in fiscal year 2021 for eight TANF subrecipients that received $22.1 million of Federal funds in fiscal year 2020.

Cause:

- Lack of adequate procedures
- Lack of supervisory oversight

Effect: Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement procedures to ensure that subrecipients that expend $750,000 or more in Federal awards complete and submit a Single Audit within the required time requirements.

Corrective Action Plan: See F-19

Management's Response: The Department agrees with this finding. The Department has already begun implementing new procedures regarding the subrecipient monitoring to ensure Single Audits are received timely.

Contact: Tony Madden, Deputy Director, Division of Audit, DHHS, 207-287-2834

(State Number: 21-1100-02)

(2021-050)

Title: Internal control over Hospital and Long Term Care Facility audits needs improvement

Prior Year Findings:

FY20	FY19	FY18	FY17	FY16	FY15	FY14
2020-048	2019-047	2018-049	2017-025	2016-025	2015-005	2014-003

State Department: Health and Human Services
State Bureau: Division of Audit
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number *(CFDA)*: 93.775, 93.777, 93.778
Federal Award Identification Number: 2005ME5MAP, 2105ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 42 CFR 447.253(g); Maine State Plan under Title XIX of the Social Security Act (TN No. 13-020); MaineCare Benefits Manual, Chapter III, Sections 45, 50 and 67

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

The Department is required to provide for the periodic audits of the financial and statistical records of participating providers.

The Maine State Plan under Title XIX of the Social Security Act (TN No. 13-020) requires the Division of Audit to perform and issue an interim or final Cost Settlement Report within 12 months of receipt of the cost report from the Hospital Facility provider.

The MaineCare Benefits Manual (MCBM) Chapter III, Sections 45, 50 and 67 outline the documentation and support required to be included in a provider's annual cost report filing submission to the Division of Audit. The Division of Audit's requirements for reviewing the cost reports and performing uniform desk reviews is also outlined. Section 67 states that the Division of Audit must perform a uniform desk review on each Nursing Facility (NF) cost report submission within 365 days of receipt of an acceptable cost report filing.

Condition: The Division of Audit did not issue Hospital and Long Term Care Facility (LTCF) audits in accordance with Federal regulations. LTCF audits include both audits of NFs and Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IIDs).

Hospitals

The Maine State Plan under Title XIX of the Social Security Act (TN No. 13-020) requires the Division of Audit to perform an interim or final Cost Settlement Report within 12 months of receipt of the cost report submitted by the provider.

The population of Hospital Facility audits due for completion in fiscal year 2021 was 36, of which one was issued 12 days late.

LTCF – Nursing Facilities

The MCBM states uniform desk reviews shall be completed within 365 days after receipt of an acceptable cost report filing, including financial statements and other information requested from the provider except in unusual situations including, but not limited to, delays in obtaining necessary information from a provider. Unless the Division of Audit intends to schedule an on-site audit or an unusual situation referenced above exists, a written summary report of findings and adjustments shall be issued upon completion of the uniform desk review.

The population of NF uniform desk reviews due for issuance in fiscal year 2021 was 44. Of those 44 uniform desk reviews, 14 were issued 13 to 238 days late and 30 had not been issued at the time of audit testing.

LTCF – ICF/IIDs

The MCBM requires providers to submit cost reports annually based on the facility's fiscal year end. 42 CFR 447.253(g) states "[the agency] must provide for the periodic audits of the financial and statistical records of participating providers." Furthermore, 2 CFR 200.303 requires a non-Federal agency to "establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award."

Neither 42 CFR nor the MCBM specifies a specific timeframe to complete an audit of a ICF/IID cost report. The Division of Audit has stated its understanding of the periodic requirement to be that all ICF/IID cost report audits must be completed "at some point in time."

There are 16 facilities in the State that fall into the category of ICF/IID requiring audits of their annually submitted cost reports. The Division of Audit issued 21 ICF/IID cost report audits, in relation to 14 facilities, in fiscal year 2021. Of these 21 audits, 2 were issued in under 365 days and 19 were issued in a range of 401 to 940 days after receipt of the cost report. The average time between the receipt of the cost report and the completion of the related audit for audits issued in fiscal year 2021 was 590 days.

Context: The Department provided $861.8 million in Federal Medicaid funding and $119.5 million in State Medicaid funding to hospitals and LTCFs during fiscal year 2021 as follows:

- Hospital Facilities:
  - $595.1 million Federal funding
  - $62.4 million State funding

- Nursing Facilities:
  - $237.6 million Federal Funding
  - $57.1 million State Funding
- ICF/IID:
  - $29.1 million Federal Funding

Cause: Lack of resources

Effect: Noncompliance with Federal and State regulations

Recommendation: We recommend that the Department reallocate resources so additional levels of personnel can be directed to address the backlog of audits and uniform desk reviews. Additional resources and staff auditors will enable the Department to perform and issue Hospital and LTCF audits on a timely basis in compliance with statutory guidelines. Lengthy backlogs in the internal audit function risk staleness of data and untimely remedial action.

Corrective Action Plan: See F-19

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

The Department agrees with this finding in regard to LTCF - Nursing Facilities and Hospitals. The delay in completing the Nursing Facilities audits is the result of staff shortages and competing priorities due to COVID-19 funds which required audit resources to reconcile interim payments. While hospitals were not completed within the one-year timeline identified in policy, one audit being 12 days late should not be considered material. The hospital audits are tracked on a weekly basis and staff are dedicated to completing the audits. We are currently on pace to complete them all within the one-year timeline; therefore, no corrective action is necessary.

The Department disagrees with this finding in regard to LTCF - ICF/IID's. The ICF/IID audits do not have a specific time requirement in MBM for completion. The federal regulations only require that periodic audits of financial records occur. All ICF/IID cost reports submitted to the Department are recorded in a database and tracked for audit purposes. All cost reports are audited as resources are available. We have worked with our Federal partners who have agreed with our interpretation of the regulation and the timing of our audits for the ICF/IIDs.

Contact: Herb Downs, Director, Division of Audit, DHHS, 207-287-2778

Auditor's Concluding Remarks: 42 CFR 447.253(f-g) states "[the agency] must provide for the filing of uniform cost reports by each participating provider [and] periodic audits of the financial and statistical records of participating providers." The Department is correct in its assertion that the regulation does not define a timeframe for either the filing of uniform cost reports by providers or the audit of financial and statistical records; however, two factors must be considered:

Auditor's Concluding Remarks are on the following page.

- The Department requires that providers submit cost reports annually. The periodic audit of a facility's financial and statistical records should follow the same pattern as the periodic submission of those financial and statistical records. Failure to do so leads to delays in identifying funds due to or due from the provider.
- The Department's interpretation that there is no deadline for performing audits of the financial and statistical records of ICF/IIDs leads to an open-ended timeframe where audits are never required to be completed.

Delays in identifying funds due to a provider could lead to financial hardship for the facility and threaten the care Medicaid clients receive. Delays in identifying funds due from a facility postpone recoupment of overpayments by the State and postpone Federal reimbursement for those funds. Furthermore, delays in performing audits prevents the Department from providing reasonable assurance that the Department is managing the Federal award as required by 2 CFR 200.303.

The finding remains as stated.

(State Number: 21-1106-01)

(2021-051)

Title: Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement

Prior Year Findings:

FY20	FY19	FY18	FY17	FY16
2020-051	2019-048	2018-052	2017-027	2016-032

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Children's Health Insurance Premium (CHIP) (COVID-19)
Assistance Listing Number *(CFDA)*: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 2005ME5MAP, 2105ME5MAP
2005ME5021, 2105ME5021

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 42 CFR 455.13 through 15; MaineCare Benefits Manual, Sections 1.17 and 1.18

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

When the State Medicaid Agency receives a complaint of Medicaid fraud or abuse or identifies questionable practices, it must conduct a preliminary investigation to determine whether there is sufficient basis to warrant a full investigation. Additionally, if the preliminary investigation is indicative of fraud, waste, or abuse the State Medicaid Agency must take appropriate actions to fully investigate the abuse and/or refer the case to the Medicaid Fraud Control Unit.

Condition: The Office of the State Auditor (OSA) judgmentally selected ten cases related to potential fraud, abuse or questionable practices based upon the age of the case or the amount of identified recoupment. In OSA's test of ten cases, five cases were found to be inactive for an extended period, ranging from 304 to 2,173 days. There was no evidence of monitoring or supervisory review during that extended period.

Of the remaining population of cases, a non-statistical random sample of 60 cases was selected. In OSA's test of 60 cases, no exceptions were identified.

Context: In fiscal year 2021, the State paid approximately $3.3 billion to providers, including approximately $2.2 billion in Federal funds.

Cause:

- Lack of resources
- Lack of procedures to ensure that cases are continually monitored

Effect:

- Fraud, abuse or questionable practices may remain undetected.
- Costs that should be recovered may not be identified.

Recommendation: We recommend that the Department establish procedures to identify inactive cases to ensure case reviews and investigations are completed in accordance with regulatory requirements and Department procedures.

Corrective Action Plan: See F-20

Management's Response: The Department agrees that the cases identified lacked documentation to support the reason for an extended period of non-activity. Three of the five cases identified have been subsequently closed and require no additional action. The remaining two cases are being addressed by the Program Manager. Procedures will be established to run a quarterly report and evaluate outstanding cases for closure or reassignment.

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

(State Number: 21-1106-03)

(2021-052)

Title: Internal control over compliance with eligibility determination requirements needs improvement

Prior Year Findings:

FY20	FY19	FY18	FY17
2020-052	2019-046	2018-043	2017-018

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Children's Health Insurance Program (CHIP) (COVID-19)
Assistance Listing Number *(CFDA)*: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 2005ME5MAP, 2105ME5MAP;
2005ME5021, 2105ME5021

Compliance Area: Eligibility

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303: 42 CFR 435: MaineCare Eligibility Manual

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

42 CFR 435 requires that 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; and
- verify the individual's citizenship and identity.

42 CFR 435.10 states that a State plan must specify the groups to whom Medicaid is provided and the conditions of eligibility for individuals in those groups.

The MaineCare Eligibility Manual, Part 2 Section 3.2, details specific criteria for identity verification and document retention.

Condition: Eligibility Specialists record applicant information in the Automated Client Eligibility System (ACES), which is used to determine eligibility. Supporting documents are maintained in electronic case records.

In the Office of the State Auditor's (OSA's) test of 60 clients with Medicaid Modified Adjusted Gross Income (MAGI)-based MaineCare coverage in fiscal year 2021:

- the identity was not recorded as verified in ACES for 17 clients; included in this are three clients whose electronic case record contained source documents supporting identity.
- the identity of four clients was recorded as verified in ACES, but supporting documents listed as verified were not retained in the electronic case record.
- the electronic case record for one client contained an application and demographic documents for another client not related to the case owner.

In OSA's test of 60 clients with CHIP-based MaineCare coverage in fiscal year 2021:

- the identity was not recorded as verified in ACES for 30 clients; and
- the identity of five clients was recorded as verified in ACES, but supporting documents listed as verified were not retained in the electronic case record.

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

42 CFR 435.407 indicates that the State may rely, without further documentation of citizenship or identity, on a verification of citizenship made by a Federal agency; however, the MaineCare Eligibility Manual does not allow for this and details specific requirements for the verification of identity and retention of documents. In order to be in compliance with 42 CFR 435.10, the Department must adhere to the requirements it has established and outlined in the MaineCare Eligibility Manual for eligibility determination.

The Office of the State Auditor also issued finding numbers 2021-054, *Internal control over the eligibility determination process needs improvement,* and 2021-058, ________ *over the* ________ *system needs improvement.*

Context: In fiscal year 2021, the State provided approximately 360,000 Medicaid/CHIP clients with $2.2 billion in Federal benefits.

Cause:

- Lack of supervisory oversight
- Lack of client identity verification policies and procedures to ensure adherence to requirements set forth in the MaineCare Eligibility Manual and 42 CFR 435

Effect:

- Benefits could potentially be provided to ineligible individuals.
- Noncompliance with Federal and State regulations

Recommendation: We recommend that the Department establish policies and procedures to ensure that the identity of an applicant is verified, and supporting documents are maintained in the electronic case records in accordance with program requirements.

Corrective Action Plan: See F-20

Management's Response: The Department disagrees with this finding. OSA has misinterpreted MaineCare policy by excluding the eligibility system (ACES) as part of the electronic case record. Electronic data sources are required per federal regulations and documentation of citizenship and identity verifications are stored within ACES. The requirement to verify identity is part of Medicaid citizenship verification requirements. Maine verifies citizenship and identity through electronic data matches in accordance with 42 CFR §435.949; the results of this match are stored in ACES. The state cannot request paper documentation from applicants after successful electronic verification for the purpose of storing it in another system, nor can we establish more restrictive verification requirements than those allowed by federal regulations. This was a prior year finding (2020-052) that the Department disagreed with and the cognizant agency, CMS, agreed with the Department's position and closed the finding.

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

Auditor's Concluding Remarks: Federal requirements for evidence of citizenship and identity are established in 42 CFR 435.407. States are provided the options of relying on, without further documentation of citizenship or identity, a verification of citizenship made by a Federal agency or another State agency, or requiring further documentary evidence of citizenship and/or identity. The MaineCare Eligibility Manual, Part 2 Section 3.2, details the Department's decision to require applicants to submit documentary evidence of identity beyond verification of citizenship made by a Federal agency or another State agency. In addition, the MaineCare Eligibility Manual, Part 2 Section 2, VIII, B, states that "copies of citizenship and identification documents shall be maintained in the case record or electronic database." We agree that ACES is part of the electronic case record, and where appropriate documentation was recorded in ACES, no exception was taken; however, the exceptions noted are for instances where copies of documentation were required to be maintained in the electronic case record and were not.

To ensure compliance with the requirements of the Federal awards, the Department must adhere to the procedures established for obtaining, using, verifying, and maintaining information relevant for eligibility determinations and the amount of assistance in accordance with 42 CFR 435.

The finding remains as stated.

(State Number: 21-1106-09)

(2021-053)

Title: Internal control over Medicare Part B premium payments needs improvement

Prior Year Findings:

FY20	FY19
2020-053	2019-050

State Department: Health and Human Services
Administrative and Financial Services
State Bureau: Office for Family Independence
Office of Information Technology
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number *(CFDA)*: 93.775, 93.777, 93.778
Federal Award Identification Number: 2005ME5MAP, 2105ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Material weakness

Questioned Costs: None

Criteria: 2 CFR 200.303; 42 CFR 431.625

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

42 CFR 431.625 outlines eligibility criteria which, if met, allows the State to pay a portion of the Federal Medicare Part B premium on behalf of the client and claim Federal financial participation in the payment. Clients may be deemed eligible by the Federal government as indicated by a Federal Buy-In code, or by the State as indicated by eligibility status in the Automated Client Eligibility System (ACES).

Condition: The Department receives monthly invoices from the Centers for Medicare and Medicaid Services (CMS) for Medicare Part B premiums. CMS provides a separate detailed listing of Medicaid members that supports the invoice to the Office of Information Technology (OIT). OIT produces a Monthly Reconciliation Report identifying potential discrepancies between the CMS detailed listing and the Department's eligibility information recorded in ACES. Office for Family Independence (OFI) personnel use this reconciliation report to identify clients for whom payment should not be made.

The Monthly Reconciliation Report and related documentation covering the CMS invoices received in four of the twelve months in fiscal year 2021 could not be provided by OFI. Of the eight reports provided, seven did not demonstrate completion of review or documentation of corrective action.

In the Office of the State Auditor's sample of 60 premium payments, one premium was paid by the Department on behalf of a client who was coded eligible on the CMS invoice but was coded not eligible in ACES. Further procedures determined that the client had been incorrectly coded in ACES and that the payment was allowable. The Monthly Reconciliation Report did not identify this discrepancy.

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

Context: In fiscal year 2021, approximately $108 million in Federal funds and $46 million in State funds were paid to CMS for Medicare Part B premiums.

Cause:
- Lack of supervisory oversight
- The Monthly Reconciliation Report is not adequately designed to identify all discrepancies.

Effect:
- Potential Medicare Part B premiums paid by the State for ineligible clients
- Potential questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department establish procedures to ensure the production, review and follow up to Monthly Reconciliation Reports, and that the Department improve procedures for the documentation and retention of those reports. We further recommend that the Department design the Monthly Reconciliation Report to identify all discrepancies.

Corrective Action Plan: See F-21

Management's Response: The Department agrees with this finding. We continue to address this repeat finding as evidenced by two substantial edits to the standard operating procedures governing Medicare Part B Buy-in reconciliation during the fiscal year. Additional work on this front includes consolidation of legacy tasks previously conducted by the IEVS team migrating to the ACES Helpdesk. Related, we have also conducted a transaction code review to ensure all CMS codes requiring state action are appropriately captured on these reports.

The Department is reviewing Information Technology processes in order to determine where system changes may enhance and further automate reconciliation for individuals with SSI and Medicare premium changes.

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

(State Number: 21-1106-06)

(2021-054)

Title: Internal control over the eligibility determination process needs improvement

Prior Year Findings:

FY20	FY19
2020-054	2019-052

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
U.S. Department of Agriculture
Assistance Listing Title: Medicaid Cluster (COVID-19)
Children's Health Insurance Program (CHIP) (COVID-19)
SNAP Cluster
Temporary Assistance for Needy Families (TANF)
Assistance Listing Number (*CFDA*): 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
Federal Award Identification Number: 2005ME5MAP, 2105ME5MAP;
2005ME5021, 2105ME5021;
SNAP Benefits, Maine;
1801METANF, 1901METANF,
2001METANF, 2101METANF

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness

Questioned Costs: None

Criteria: 2 CFR 200.303

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

Condition: The Department did not have a documented process in place throughout fiscal year 2021 to ensure information entered into the Automated Client Eligibility System (ACES) is accurate and complete.

Eligibility specialists manually enter information into ACES and initiate computerized eligibility determinations. Documentation supports that there is no process in place to ensure the accuracy of manually entered data used in eligibility determination.

Supervisors perform a case review of one eligibility determination per eligibility specialist per month. Supervisors and senior program management have the ability to monitor phone interactions between eligibility specialists and clients in real time.

Prior to February 2021, case reviews and call monitoring activities were not formalized or tracked. In February 2021, the Department implemented formal, documented case review and call monitoring procedures using standardized forms. Components of the formal case review include a review of the accuracy of data entry and resulting eligibility determinations, and appropriateness of processes.

However, the Department does not have a process in place to review a random selection of cases, track specific issues identified in the reviews, identify common errors, and determine if those errors had a broader impact on eligibility determinations. Cases subject to review are judgmentally selected by supervisors. With approximately 300 eligibility specialists, case reviews are only performed for approximately one percent of all eligibility determinations. Identified errors are corrected in individual case files, but the results of case reviews are not monitored to identify common issues.

The Office of the State Auditor (OSA) also issued finding numbers 2021-052, *Internal control over compliance with eligibility determination requirements needs improvement,* and 2021-058, ________ *over the* ________ *system needs improvement.*

Context: In fiscal year 2021, the State provided approximately:

- 360,000 Medicaid/CHIP clients with $2.2 billion in Federal benefits;
- 117,000 SNAP clients with $374 million in Federal benefits; and
- 16,000 TANF clients with $27 million in Federal benefits.

Cause: Lack of adequate procedures to prevent, or detect and correct, errors and inaccuracies affecting the overall population of eligibility determinations

Effect:

- Individuals not eligible for services could be deemed eligible or eligible individuals could be deemed ineligible.
- Potential questioned costs and disallowances

Recommendation: We recommend that the Department enhance the formal case review procedures that were implemented to increase the number of case reviews performed and include a systematic, random selection of cases for review. This will ensure that a representative sample of eligibility determinations are objectively reviewed. We further recommend that the Department implement procedures to track errors and inaccuracies identified through the review process, determine common issues and areas of concern, and apply those results to the broader population of eligibility determinations. This will ensure that eligibility determinations are performed accurately.

Corrective Action Plan: See F-21

Management's Response: The Department disagrees with this finding. The systems we have in place are both necessary and sufficient in meeting programmatic requirements to ensure accurate eligibility determinations are being made. There has been no citation of federal regulation provided by OSA during this review that contradicts this. The Department would like to note:
1. Supervisors do a minimum of 1 case reading per month and a minimum of 1 call monitoring per week for staff on phones. It is commonplace for them to do more, especially for a new employee, or known coaching issues. 2. Prior to 2021, these case readings were tracked by supervisors and units, and were tracked centrally on our Streamline Management Y-Drive. 3. Phone calls can be referenced by Supervisors in real time OR afterwards, via recording. 4. Prior to 2021 specifics of case reading and call monitoring were formalized, with specific expectations in multiple categories, which were followed up on by coaching staff if not all of the expectations were met. However, with a goal of continuous improvement, we were already working on an enhanced system to track Case Reading and Call Monitoring performance statewide which will supersede and further improve upon current practice. A new program and procedure have already been written and are in the process of being vetted and approved by Regional personnel for implementation. This example of continuous quality improvement will lead to a more holistic understanding of trends and training needs.

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

Auditor's Concluding Remarks: The results of OSA's fiscal year 2021 testing of client eligibility determination requirements, as documented in finding 2021-052, identified material noncompliance with Federal regulations. The existing control environment as described by the Department did not prevent, or detect and correct, this noncompliance. In addition, OSA requested evidence to support the Department's tracking of deficiencies identified through case reading and call monitoring procedures, the application of those results to the broader population of eligibility determinations to track the frequency and cause of deficiencies, and the implementation of broad-based corrective action taken in response to those findings. The Department did not provide evidence that this occurred.

The Department did not demonstrate the establishment and maintenance of effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards as required by 2 CFR 200.303.

The finding remains as stated.

(State Number: 21-1106-02)

(2021-055)

Title: Internal control over cost of care assessments needs improvement

Prior Year Findings:

FY20	FY19	FY18	FY17	FY16	FY15	FY14
2020-049	2019-045	2018-053	2017-017	2016-030	2015-012	2014-019

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number (*CFDA*): 93.775, 93.777, 93.778
Federal Award Identification Number: 2005ME5MAP, 2105ME5MAP

Compliance Area: Allowable costs/costs principles

Type of Finding: Significant deficiency

Questioned Costs: Undeterminable. Incorrectly calculated cost of care (COC) assessments may result in an overpayment or underpayment to the providers when the State makes a payment for long-term care. Since there is not always a claim for every assessment, a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 42 CFR 435.725; Families First Coronavirus Response Act (FFCRA) Section 6008(b)(3); MaineCare Eligibility Manual, Part 14, Section 6

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

The Department must reduce its payment to an institution for service provided to an individual by the amount that remains after deducting certain amounts from the member's total income. This remaining amount is the member's maximum share of the cost, known as COC.

Section 6008(b)(3) under the FFCRA prohibits states that claimed the temporary increase of Medicaid Federal Medical Assistance Percentages from making increases to a beneficiary's required financial responsibility prior to November 2, 2020.

Condition: A COC assessment represents the required contribution that a MaineCare recipient must pay toward care in a long-term care facility. The Office for Family Independence (OFI) is responsible for calculating COC assessments for Medicaid for all members in the State.

A COC deduction represents the amount of assessment that was deducted from a paid claim. Members may have an assessment calculated but may never have a claim with a deduction utilizing that assessment. The Office of MaineCare Services (OMS) is responsible for applying assessments to submitted claims prior to payment.

The Office of the State Auditor (OSA) selected a non-statistical random sample of 60 COC assessments and related deductions from paid claims. Three exceptions for COC assessments that were not adjusted correctly after notification of a change in income or expense were identified as follows:

- One COC was lower than it should have been by $30. The assessment was $1,477 and should have been $1,507 for six months during the fiscal year. This member had six claims where the incorrect COC was applied.
- One COC was lower than it should have been by $106. The assessment was $655 and should have been $761 for January 2021. This member did not have a qualifying claim for January 2021.
- One COC was lower than it should have been by $2. The assessment was $731 and should have been $733 for all 12 months of the fiscal year. This member had 12 claims where the incorrect COC was applied.

OSA judgmentally selected three COC assessments that increased prior to November 2, 2020, to test for compliance with FFCRA criteria and noted the following:

- One COC increased $197 from $1,275 to $1,472 for October 2020.
- One COC increased $30 from $641 to $671 for the months of August and September 2020.

Context: In fiscal year 2021, approximately:

- 34,000 COC assessments were calculated by OFI;
- 9,700 members had COC assessments; and
- $521 million was paid to nursing facilities and residential care facilities.

Cause:

- Increased oversight procedures for manually adjusted COC assessments were not in place for the entire fiscal year.
- System enhancements to reduce the number of COC assessments that require manual adjustments were not in place for the entire fiscal year.
- Lack of supervisory oversight for COC assessments that increased prior to November 2, 2020

Effect:

- Inaccurate COC assessments and retroactive changes may result in overpayments or underpayments for members or the State.
- Potential questioned costs and disallowances
- Noncompliance with the FFCRA

Recommendation: We recommend that the Department monitor newly implemented procedures and system enhancements to ensure that COC assessments are accurately calculated and that manually adjusted assessments have proper oversight. We further recommend that the Department review COC assessments that increased prior to November 2, 2020, and determine appropriate steps to ensure compliance with the FFCRA.

Corrective Action Plan: See F-21

Management's Response: The Department agrees with this finding and has a quality assurance process for monitoring manually adjusted cost of care assessments as reflected in the standard operating procedures which underwent a major revision, effective June 30, 2020. This new business process was in effect for the entire audited year. From the sample that was tested, the Department achieved a 95% compliance rate and will commit to continuing to achieve at least 95%. No corrective action is necessary.

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

(State Number: 21-1106-07)

(2021-056)

Title: Internal control over deceased client cases and claims analysis needs improvement

Prior Year Findings:

FY20
2020-056

State Department: Health and Human Services
State Bureau: Office for Family Independence
Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number (*CFDA*): 93.775, 93.777, 93.778
Federal Award Identification Number: 2005ME5MAP, 2105ME5MAP

Compliance Area: Allowable costs/costs principles
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.403

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

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

Condition: The Office for Family Independence (OFI) is responsible for maintaining complete and accurate client information in the Automated Client Eligibility System (ACES). Information entered into ACES is relied on by the Office of MaineCare Services (OMS) to approve, deny, process, and analyze claims.

OFI relies on numerous data sources for identifying and providing client date of death (DOD) information for input into ACES. In some cases where the exact DOD may not be immediately available, the DOD is entered as the last day of the month so that OFI can close the case of a known deceased client in a timely manner. OFI did not have a process in place for the entire fiscal year to identify and correct this information once a known DOD was provided. Audit procedures identified 13 clients with a DOD that was inconsistent with the actual DOD as provided by Maine Center for Disease Control & Prevention vital records.

OMS has established procedures to identify claims paid with a service date after DOD. These procedures include staff review of claims and identification of appropriate action for any claim that was improperly paid, as certain claims with service dates after death are allowable. The Office of the State Auditor (OSA) identified an additional 65 claims that had service dates after death but were not identified by OMS procedures.

OSA analyzed the entire population of medical claims paid in fiscal year 2021.

Context: The Federal Medicaid program processed approximately $1.8 billion in paid medical claims in fiscal year 2021.

Cause:
- Lack of procedures to ensure DOD information is entered accurately and appropriately updated in ACES
- Lack of adequate procedures to ensure all claims paid after a client's DOD are identified

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

Recommendation: We recommend that OFI implement procedures to identify and correct DOD information when a known DOD is not initially provided. We further recommend that OFI implement oversight to ensure DOD information is accurately entered into ACES.

We recommend that OMS enhance existing procedures to ensure that all claims with service dates after a client's DOD are identified for review to detect any claims that are not allowable.

Corrective Action Plan: See F-22

Management's Response:
OFI Response: While the Department acknowledges 13 exceptions were found during the audit period ending June 30, 2021, it should be noted that all of these occurred prior to our updated standard operating procedure governing Date of Death processing which was implemented on April 26, 2021.

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

OMS Response: The Department has procedures in place among multiple units to identify and recover claims paid with dates of service after the date of death. Starting in February 2019, the Adjustment Unit receives updates from the Change Management Unit when there is a change to a member's date of death and then adjusts/reverses any affected claims. The Program Integrity Unit runs an annual DOD report (implemented in November 2020) to identify and recover any overpayments. For context regarding the efficacy of the Department's current procedures, there was an error rate of .000003 for claims with dates of service after the date of death.

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

Auditor's Concluding Remarks are on the following page.

Auditor's Concluding Remarks: As stated in the Condition, OSA identified 65 claims that had service dates after death but were not identified by OMS procedures. Therefore, OMS procedures are not adequate to ensure claims are identified and reviewed.

The finding remains as stated.

(State Number: 21-1106-08)

(2021-057)

Title: Internal control over the outsourced medical claims coding process needs improvement

Prior Year Findings:

FY20
2020-059

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
Assistance Listing Title: Medicaid Cluster (COVID-19)
Assistance Listing Number *(CFDA)*: 93.775, 93.777, 93.778
Federal Award Identification Number: 2005ME5MAP, 2105ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; Social Security Act Section 1903(r); National Correct Coding Initiative (NCCI) Medicaid Policy Manual; NCCI Medicaid Technical Guidance Manual

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

State Medicaid Agencies (SMAs) are required to incorporate National Correct Coding Initiative (NCCI) methodologies into State Medicaid programs. States are required to completely and correctly implement six Medicaid NCCI methodologies to ensure that only proper payment of allowable procedures is reimbursed, including the use of specific edit files.

Condition: The NCCI was established by the Centers for Medicare and Medicaid Services (CMS) in an effort to promote correct coding by preventing coding errors and code manipulation and reducing improper payments and improper payment rates. The CMS NCCI Policy Manual states that SMAs must download specific confidential NCCI edit files available on the secure portal, known as MII RISSNET, rather than using publicly available files. SMAs must ensure that they or their vendors are using the appropriate Medicaid NCCI edits to adjudicate Medicaid claims.

The Office of MaineCare Services (OMS) contracts with a vendor to process medical claims. The vendor updates the claims processing system to incorporate the NCCI edit files; however, the vendor is not obtaining and applying the specific confidential files from MII RISSNET as required by CMS.

Context: OMS processed approximately $1.8 billion in Federal medical claims in fiscal year 2021.

Cause: OMS determined that the benefit of utilizing the correct coding files did not support the time and expense required to implement the change.

Effect:

- Incorrect coding could result in payment of unallowable claims or denial of allowable claims.
- Potential questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that OMS devote the necessary resources to facilitate claims processing using the MII RISSNET files as required by CMS.

Corrective Action Plan: See F-22

Management's Response: The Department agrees with this finding. A Change Request has been made with the vendor to process claims using the MII RISSNET files. OMS is currently evaluating the Change Request development schedule and estimates that this will be completed and deployed by September of 2022.

Currently the MIHMS NCCI reference tables are updated by publicly available files found on the Medicaid website. CMS requires States to update the MIHMS NCCI reference tables with NCCI edit files that are available on the Medicaid Integrity Institute (MII) secure portal (RISSNET). The Change Request was also created to set up a process to update the MIHMS NCCI reference tables with the RISSNET NCCI edit files.

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

(State Number: 21-1106-05)

(2021-058) Confidential finding, see below for more information

Title: ________ over the ________ system needs improvement

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

Prior Year Findings:

FY20
Redacted

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
U.S. Department of Agriculture
Assistance Listing Title: Medicaid Cluster (COVID-19)
Children's Health Insurance Program (CHIP) (COVID-19)
SNAP Cluster
Temporary Assistance for Needy Families (TANF)
Assistance Listing Number (*CFDA*): 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
Federal Award Identification Number: 2005ME5MAP, 2105ME5MAP;
2005ME5021, 2105ME5021;
SNAP Benefits, Maine;
1801METANF, 1901METANF,
2001METANF, 2101METANF

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: ________

Condition: ________

Context: ________

Cause: ________

Effect: ________

Recommendation: ________

Corrective Action Plan: See F-22

Management's Response: ________

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

Auditor's Concluding Remarks: ________

(State Number: 21-0905-02)

(2021-059)

Title: Internal control over cash management needs improvement

Prior Year Findings: None

State Department: Defense, Veterans and Emergency Management
State Bureau: Maine Emergency Management Agency
Federal Agency: U.S. Department of Homeland Security
Assistance Listing Title: Disaster Grants – Public Assistance
(Presidentially Declared Disasters) (COVID-19)
Assistance Listing Number (*CFDA*): 97.036
Federal Award Identification Number: 354DRMEP1SME500, 4367DRMEP1SME500, 4522DRMEP1SME500

Compliance Area: Cash management

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.302; 31 CFR 205.33; State Administrative and Accounting Manual (SAAM) Section 50.40.80

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

Financial records must adequately identify the source and application of funds and provide accountability for all funds, property, and other assets related to the Federally funded activities.

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

Condition: The Maine Emergency Management Agency (MEMA) did not minimize the time between drawdown and disbursement of Federal funds. In the Office of the State Auditor's testing of 25 drawdowns:

- the cash balance was not taken into consideration when requesting any of the Federal drawdowns; and
- eight of the disbursements for program costs ranged from 10 to 48 days after the Federal funds were received.

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

Context: During fiscal year 2021, MEMA expended approximately $39.8 million in Disaster Grants – Public Assistance grant funds.

Cause:

- Lack of adequate policies and procedures
- Lack of staff resources available to process grant drawdowns and monitor cash balances due to the increased number of COVID-19 grants managed by the agency

Effect:

- The Federal government may impose more stringent program-specific cash management requirements based on noncompliance.
- Noncompliance with Federal and State regulations

Recommendation: We recommend that the Department develop and implement policies and procedures to ensure that Federal cash is requested based on immediate cash needs which includes consideration of existing cash balances. We also recommend the Department review its staffing needs to ensure there are adequate resources to process and provide supervisory oversight over the increased workload from COVID-19 grants.

Corrective Action Plan: See F-23

Management's Response: The Department agrees with this finding. We are working to improve the cash management procedures and to implement the necessary reconciliation and draw processes.

Contact: Joe Legee, Deputy Director, MEMA, 207-215-0442

(State Number: 21-1502-01)

(2021-060)

Title: Internal control over subrecipient audit procedures needs improvement

Prior Year Findings: None

State Department: Defense, Veterans and Emergency Management
State Bureau: Maine Emergency Management Agency
Federal Agency: U.S. Department of Homeland Security
Assistance Listing Title: Disaster Grants – Public Assistance
(Presidentially Declared Disasters) (COVID-19)
Assistance Listing Number (*CFDA*): 97.036
Federal Award Identification Number: 4354DRMEP1SME500, 4367DRMEP1SME500,
4522DRMEP1SME500

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

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

When a subrecipient's Federal award expenditures are expected to equal or exceed $750,000 during the fiscal year, the Department must verify that the subrecipient is audited as required by Subpart F of 2 CFR 200.

Condition: Maine Emergency Management Agency (MEMA) uses a spreadsheet to track when subrecipient Single Audit reports are due in order to ensure that they are received and reviewed as required.

The Office of the State Auditor tested 11 subrecipients. MEMA could not provide evidence to verify that any of the subrecipients obtained Single Audits. Additional audit procedures found that at least 4 of the 11 subrecipients had Federal funding that exceeded the Single Audit requirement threshold. MEMA did not obtain or review these audits for potential subrecipient noncompliance with Federal regulations.

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

Context: MEMA provided approximately $19.8 million in Disaster Grants – Public Assistance funds to subrecipients during fiscal year 2021.

Cause: Competing priorities related to an increase in aid requests as a result of COVID-19

Effect:

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

Recommendation: We recommend that MEMA allocate resources to ensure that each subrecipient's audits are received, reviewed, and that corrective action is taken in a timely manner.

Corrective Action Plan: See F-23

Management's Response: The Department agrees with this finding. We are working to improve and implement procedures as necessary to ensure MEMA meets the subrecipient audit requirements.

Contact: Joe Legee, Deputy Director, MEMA, 207-215-0442

(State Number: 21-1502-03)

(2021-061)

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

Prior Year Findings: None

State Department: Administrative and Financial Services
Defense, Veterans and Emergency Management
State Bureau: Office of the State Controller
Maine Emergency Management Agency
Federal Agency: U.S. Department of Homeland Security
Assistance Listing Title: Disaster Grants – Public Assistance
(Presidentially Declared Disasters) (COVID-19)
Assistance Listing Number (*CFDA*): 97.036
Federal Award Identification Number: 4354DRMEP1SME500, 4367DRMEP1SME500,
4522DRMEP1SME500

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.510; 2 CFR 200, Appendix XI, Assistance Listing Number 97.036

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

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

Non-Federal entities must record expenditures on the SEFA when: (1) the Federal Emergency Management Agency has approved the non-Federal entity's Project Worksheet (PW), and (2) the non-Federal entity has incurred the eligible expenditures. Federal awards expended in years subsequent to the fiscal year in which the PW is approved are to be recorded on the non-Federal entity's SEFA in those subsequent years.

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

OSC obtained a schedule from the State's Division of Purchases identifying $29.8 million in expenditures that were expected to be reimbursed under the Disaster Grants – Public Assistance program. OSC incorrectly determined the expenditures to be recognizable by the Federal program in fiscal year 2021 and the expenditures were included on the SEFA.

The Office of the State Auditor's audit of the $29.8 million of additional expenditures identified the following:

- An overstatement of $8.3 million due to the same expenditures being included in the SEFA total twice.
- An overstatement of $21.5 million in expenditures that should not have been included as fiscal year 2021 expenditures in accordance with Federal regulations.

Additionally, approximately $19.5 million of other program expenditures were incorrectly reported as amounts provided to subrecipients. As a result of this error, subrecipient expenditures were overstated and direct expenditures were understated on the SEFA.

Context: MEMA Disaster Grants – Public Assistance program expenditures were incorrectly reported as approximately $69.7 million rather than $39.9 million in fiscal year 2021. Additionally, approximately $39.4 million of that amount was reported as subrecipient expenditures, rather than the correct total of $19.9 million.

Cause:

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

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

Recommendation: We recommend that OSC work with MEMA to improve SEFA submission and subsequent review procedures to ensure Federal program expenditures are reported accurately.

Corrective Action Plan: See F-23

Management's Response: The Department agrees with this finding. An administrative oversight resulted in $8.3 million being included in the SEFA twice. The $21.5 million are expenditures that were originally incurred in a non-federal fund, but not transferred to the federal fund until 2022. Since the SEFA is a cash basis document the $21.5 million should not be reflected in the SEFA until 2022 when the transfer was approved and recorded. OSC will work with State agencies to better understand the process they follow and offer to help them meet the requirements for SEFA reporting.

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

(State Number: 21-1502-04)

(2021-062)

Title: Internal control over special reporting needs improvement

Prior Year Findings: None

State Department: Defense, Veterans and Emergency Management
State Bureau: Maine Emergency Management Agency
Federal Agency: U.S. Department of Homeland Security
Assistance Listing Title: Disaster Grants – Public Assistance (Presidentially Declared Disasters) (COVID-19)
Assistance Listing Number (*CFDA*): 97.036
Federal Award Identification Number: 4354DRMEP1SME500, 4367DRMEP1SME500, 4522DRMEP1SME500

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 170

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

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

Condition: When a subaward exceeding the first-tier threshold is awarded to a subrecipient, Maine Emergency Management Agency (MEMA) must collect and enter data into the FFATA Subaward Reporting System. MEMA did not report any subawards in the reporting system in fiscal year 2021.

Context: MEMA provided approximately $19.8 million in Disaster Grants – Public Assistance funds to subrecipients in fiscal year 2021. Of the 105 subrecipients in fiscal year 2021, 39 received subawards exceeding the first-tier subaward threshold totaling approximately $19.1 million.

Cause:

- Competing priorities related to an increase in aid requests as a result of COVID-19
- Lack of resources
- Lack of policies and procedures

Effect: Noncompliance with Federal regulations

Recommendation: We recommend that MEMA implement policies and procedures to ensure that FFATA reporting is completed for all subawards that meet or exceed the first-tier threshold. We further recommend that MEMA allocates resources to properly report subrecipient awards as required by Federal program regulations.

Corrective Action Plan: See F-24

Management's Response: The Department agrees with this finding. We are working to create and implement the necessary policies and procedures to ensure MEMA completes FFATA reporting for all subawards that meet or exceed the first-tier threshold.

Contact: Joe Legee, Deputy Director, MEMA, 207-215-0442

(State Number: 21-1502-05)

(2021-063)

Title: Internal control over subrecipient risk evaluation procedures needs improvement

Prior Year Findings: None

State Department: Defense, Veterans and Emergency Management
State Bureau: Maine Emergency Management Agency
Federal Agency: U.S. Department of Homeland Security
Assistance Listing Title: Disaster Grants – Public Assistance (Presidentially Declared Disasters) (COVID-19)
Assistance Listing Number (*CFDA*): 97.036
Federal Award Identification Number: 4354DRMEP1SME500, 4367DRMEP1SME500, 4522DRMEP1SME500

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

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

The Department is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in 2 CFR 200.332.

Condition: When a subrecipient applies for Disaster Grants – Public Assistance funds, Maine Emergency Management Agency (MEMA) policy requires staff to use a subrecipient risk assessment form to determine the risk of subrecipient noncompliance and appropriate monitoring procedures based on the determined risk. MEMA 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 level of subrecipient monitoring. In the 26 subrecipients selected for testing, 25 did not have completed risk evaluations.

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

Context: MEMA provided approximately $19.8 million in Disaster Grants – Public Assistance funds to subrecipients in fiscal year 2021.

Cause:
- Competing priorities related to an increase in aid requests as a result of COVID-19
- Lack of resources

Effect: Subrecipients that are deemed higher risk as a result of prior noncompliance may not be monitored on a more frequent basis. Conversely, subrecipients that are deemed lower risk may not be monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.

Recommendation: We recommend that MEMA continue implementation of their 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. We further recommend that MEMA allocate resources to evaluate risk in order to properly monitor subrecipients as required by Federal program regulations.

Corrective Action Plan: See F-24

Management's Response: The Department agrees with this finding. We are working to improve the risk assessment procedures and to implement the necessary assessment and monitoring on all subrecipients.

Contact: Joe Legee, Deputy Director, MEMA, 207-215-0442

(State Number: 21-1502-02)

STATE OF MAINE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021


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, 2021

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	
2021-001	Department:	Administrative and Financial Services
	Title:	Internal control over lottery receivable reconciliations needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department continues its work with a third-party vendor. Due to the complexity of Lottery operations compounded by an inability to hold regular meetings in person due to the pandemic, the engagement has been extended. It is now planned that by March 31, 2022, a streamlined accounting process, an updated current procedure manual and requisite training will be concluded. Processes will be in place to provide a monthly reconciliation of Accounts Receivable by retailer.
	Completion Date:	March 31, 2022
	Agency Contact:	Janre Mullins, Director, General Government Service Center, DAFS, 207-624-7399
2021-002	Department:	Administrative and Financial Services
	Title:	________ over ________ within the ________ system needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with this finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	April 30, 2022
	Agency Contact:	Kimberly Hall, ERP Business Systems Analyst, OSC, 207-626-8427

2021-003	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over financial reporting of OFI overpayments needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	Management disagrees with this finding. The receivable balance in question primarily originates from two Federal programs; Temporary Assistance for Needy Families (TANF) and the Supplemental Nutrition Assistance Program (SNAP). The U.S. Department of Health and Human Services' Office of Family Assistance provides guidance on the recovery of overpayments for the TANF program. Program Instruction TANF-ACF-PI-2006-03 (Collecting and Repaying Overpayments Made to Families under the Aid to Families with Dependent Children (AFDC) Program and the Temporary Assistance for Needy Families (TANF) Program) makes it clear that as of October 1, 1996 the collection of overpayments should be utilized for program purposes. It is implicit in these same instructions that no liability is created for the State for uncollected funds. It is for these reasons that recording a general fund liability for TANF overpayments would be erroneous. The recovery of overpayments for SNAP households is covered by 7 CFR 273.18 (a)(2). This CFR specifies that claims against households, the action required to be established for the overpayment of benefits, is specifically identified as a Federal debt. This proclamation would preclude the State from recording this as a general fund liability. In addition to the citations provided above, the Office of the State Controller requested and received confirmation that supports our position that recording a liability is not necessary from the Federal Office of Administration for Children and Families, and the U.S. Department of Agriculture for the TANF and SNAP programs, respectively.
	Completion Date:	N/A
	Agency Contact:	Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
2021-004	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over accounting for personal protective equipment inventory needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Administrative and Financial Services: The Central Warehouse will provide the FIFO valuation of PPE items with individual order information to OSC-GGSC for review and approval. Once approved, item valuations will be input into the FishBowl Inventory System by the Central Warehouse. Cycle counts have been and will be completed quartley and all paperwork will be retained. The last inventory in November has been provided in advance of these findings. Inventory documents will be scanned and electronic copies retained for audit and inquiry purposes, preventing loss or misplacement.

		The Office of the State Controller will work with State agencies to better understand the process they follow and offer to help them meet the requirements for financial reporting. <u>Maine Center for Disease Control & Prevention:</u> An inventory report from the Inventory Management and Tracking System (IMATS) will be used by each warehouse personnel to cross reference the physical inventory being conducted. Using the IMATS inventory report, each warehouse person will write-in the physical count next to the product on the report. Physical inventory shall be conducted on all new, unopened cases, boxes, or pallets. Partial boxes or opened boxes will be partially allocated to the extent possible. The Maine CDC will work with the US CDC IMATS technical team to develop a "unit cost" data field within the IMATS system to record the fair value of inventory at the time of receipt. In the event the IMATS system is unable to accommodate a unit cost field, Maine CDC will utilize an Excel spreadsheet to record the unit cost for the items. Given the extreme fluctuation in pricing for each PPE item, the fair value will be recorded as the average cost for each type of PPE item in inventory.
	Completion Date:	December 10, 2021 (DAFS first item), December 31, 2021 (DAFS second item), November 30, 2021 (DAFS third and fourth item), June 30, 2022 (DAFS fifth item) and June 30, 2022 (all MCDC items)
	Agency Contact:	OSC Contact: Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431 BGS Contact: Andrew Giroux, Director of Central Services, BGS, 207-287-2923 GGSC Contact: Janre Mullins, Director, General Government Service Center, 207-624-7399 CDC Contact: Veronica Robichaud, Chief Operating Officer, Maine CDC, 207-287-2923
2021-005	Department:	Education
	Title:	________ over the ________ system needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with this finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	July 1, 2024
	Agency Contact:	Joanne Allen, Director of School Finance & Operations, DOE, 207-957-6796
2021-006	Department:	Education
	Title:	________ over ________ and ________ for the ________ system needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2022 and December 31, 2022 respectively
	Agency Contact:	Katherine Warren, Education Data Systems Manager, DOE, 207-592-1793
2021-007	Department:	Judicial Branch
	Title:	________ over the ________ and ________ system needs improvement

	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with this finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2022
	Agency Contact:	Dennis Corliss, Chief of Finance and Administration, State of Maine Judicial Branch, 207-822-0709
2021-008	Department:	Judicial Branch Administrative and Financial Services
	Title:	Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Administrative Office of the Courts and the Office of the State Controller (OSC) agree with the process description. Judicial provides the aging report and OSC calculates the reserve. OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is conservative, not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC accumulates relevant, sufficient and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. The OSC will continue to reserve 100% of all fines over 180 days old, which has been the acceptable method for many years.
	Completion Date:	N/A
	Agency Contact:	Sandra Royce, Director of Financial Reporting, OSC, 207-626-8451
2021-009	Department:	Labor Administrative and Financial Services
	Title:	Internal control over financial reporting of unemployment insurance receivables needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Office of the State Controller (OSC) will provide guidance to the Department of Labor (DOL) to develop a reporting mechanism that will provide a more detailed analysis of the activity of the receivable balances. OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC and the Department of Labor (DOL) accumulate relevant, sufficient and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. OSC recently performed a five-year trend analysis of historical collections with information provided by DOL. The OSC compared the percentages and the assumptions used

		in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. DOL implemented a new system and OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.
	Completion Date:	June 30, 2022
	Agency Contact:	Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431
2021-010	Department:	Transportation Administrative and Financial Services
	Title:	________ over ________ and ________ for the ________ system needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2022
	Agency Contact:	Kathleen Malcolm, Financial Processing Director, DOT, 207-624-3292
2021-011	Department:	Labor
	Title:	________ over the ________ system needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with this finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2023
	Agency Contact:	Kimberly Smith, Deputy Commissioner, Department of Labor, 207-621-5096
2021-012	Department:	Health and Human Services
	Title:	________ over the ________ system needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Department's explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2021-013	Department:	Administrative and Financial Services
	Title:	________ over the Office of Information Technology's ________ procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.

	Completion Date:	December 31, 2025
	Agency Contact:	Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320
2021-014	Department:	Administrative and Financial Services
	Title:	________ over ________ needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	December 1, 2022 and December 1, 2023 respectively
	Agency Contact:	Nathan Willigar, Chief Information Security Officer, OIT, 207-458-1320
2021-015	Department:	Health and Human Services
	Title:	Internal control over the issuance of SNAP benefits needs improvement
	Questioned Costs:	None
	Status:	Corrective action complete
	Corrective Action:	The revised standard operating procedure went into effect on April 26, 2021 which included increasing the cadence of matching efforts between ACES and Maine's CDC Office of Data and Vital Statistics from quarterly to monthly.
	Completion Date:	April 26, 2021
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2021-016	Department:	Health and Human Services
	Title:	Internal control over EBT reconciliation procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department has already requested access to the ASAP system from our Federal partners. The Department will implement documented procedures once access to the ASAP system is granted.
	Completion Date:	June 30, 2022
	Agency Contact:	Don Ellis, Assistant Director of Business Technology, DHHS, 207-624-4155
2021-017	Department:	Health and Human Services
	Title:	________ over the ________ system needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Department's explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2021-018	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over cash balances needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress

	Corrective Action:	The Managing Staff Accountant will modify the current grant cash balance analysis to include separating the WIC NSA Admin and the WIC Food grants. The Managing Staff Accountant will finalize grant reconciliations for the WIC Food grants from 2017 to present.
	Completion Date:	March 31, 2022 and December 31, 2022 respectively
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2021-019	Department:	Health and Human Services
	Title:	Internal control over subrecipient monitoring needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Senior Health Manager will ensure the completion of the finance component of the three local agencies. The Senior Health Manager will implement a process to ensure MERs are completed timely. The Senior Health Manager will meet quarterly to check on progress of MERs.
	Completion Date:	August 31, 2022 (first item) and December 31, 2022 (remaining two items)
	Agency Contact:	Ginger Roberts-Scott, Senior Health Program Manager, DHHS, 207-287-5342
2021-020	Department:	Health and Human Services
	Title:	Internal control over subrecipient awards needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	DCM is updating the current contracts to ensure information within the contract is accurate. DCM will coordinate with programmers for CADB 2.0 and the grants database to verify the correct information is being transferred between the systems. DCM will provide additional training to CDC Program staff on data entry of program codes and program period. A CDC Program Manager will review contracts to ensure subrecipient awards are complete, accurate and in accordance with Federal regulations.
	Completion Date:	March 31, 2022 (first item) and June 30, 2022 (remaining three items)
	Agency Contact:	Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075
2021-021	Department:	Labor
	Title:	Internal control over Unemployment Insurance claim payments needs improvement
	Questioned Costs:	Known: $2,032,324 Likely: $29.1 Million
	Status:	Corrective action in progress
	Corrective Action:	The Department will review the Maine CDC Vital Statistics Crossmatch to determine why there is a discrepancy between the records we received and what was provided to Audit for a crossmatch. The Department will add functionality for follow-up work items when a claim filing is detected after a reported date of death (DOD) and enhance blocks to prevent further filing once a DOD is reported.

		The Department will review the process where a transitional benefit year is system generated and there appears to be unreported (by the claimant) employment during the time the claimant was filing. Possibility to send wage audits sooner than when the quarterly intrastate crossmatch would pick up the issue. The Department will review a claimant's age when filing a claim. Furthermore, the Department will determine if an upper age range limit needs to be considered to allow for a review before benefits are paid. The Department will review the process that generates B-1 Separation and Wage Request notices to employers when a claim is filed.
	Completion Date:	June 30, 2023
	Agency Contact:	Laura Boyett, Director, Bureau of Unemployment Compensation, DOL, 207-621-5156
2021-022	Department:	Labor 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 existing control of verifying expenditures by Agency will be enhanced with the additional step of verifying the totals by ALN. This will ensure the accuracy and completeness of the ALN's reported on the SEFA.
	Completion Date:	March 31, 2022
	Agency Contact:	Thomas Randall, Financial Coordinator/Audit Analyst, OSC, 207-626-8492
2021-023	Department:	Education
	Title:	Internal control over education expenditures charged to the Coronavirus Relief Fund needs improvement
	Questioned Costs:	Known: $27,169 Likely: Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Office of Federal Emergency Relief Programs has developed a grant application reviewing document that will continue to be refined and tailored to the federal and state statutory requirements. The team will require strict adherence to the application reviewing document for all submissions and resubmissions of federal emergency relief funding. All determinations for allowability, reasonableness, and necessity will be documented in the application reviewing document. The Office of Federal Emergency Relief Programs will continue to follow the standard operating protocol of reviewing reimbursement requests and confirm that the request and documentation aligns to the approved applications.
	Completion Date:	July 1, 2022
	Agency Contact:	Shelly Chasse-Johndro, Director of OFERP, DOE, 207-458-3180
2021-024	Department:	Administrative and Financial Services
	Title:	Internal control over payroll transfers to the Coronavirus Relief Fund needs improvement
	Questioned Costs:	Known: $4,867 Likely: Undeterminable
	Status:	Management's opinion is that corrective action is not required

	Corrective Action:	The Departments disagrees with this finding. Payroll costs are incurred when the service is provided; however, the cost of leave benefits (including vacation, sick and compensatory time) is not incurred until claimed by the employee. The cost of benefits in question were claimed by substantially dedicated public safety employees during the period of performance in accordance with CRF guidance.
	Completion Date:	N/A
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2021-025	Department:	Health and Human Services
	Title:	Internal control over subrecipient risk evaluation procedures needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. In the middle of a pandemic the Department contracted with many new providers in order to prevent the spread of COVID-19 infections by creating local prevention plans and providing education to businesses and towns. Many of these contracts were limited period contracts (4 months) and guidance from the Federal government was to promote flexibility in the disbursement of these funds. The Department, knowing that the timing of contracting and disbursing these funds was critical and that many of these providers were new to contracting with the State, recognized these providers as "high risk". Recognizing these providers as "high risk", the Department utilized 2 of the 3 suggested monitoring tools in the Uniform Guidance based on the assessment of risk posed by the subrecipients. Those tools, 1) providing subrecipients with training and technical assistance and 2) arranging for agreed-upon procedures engagements, which is built into the Department's Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) were required and performed for all of these subrecipients. The third monitoring tool identified in the Uniform Guidance related to high risk subrecipients, performing on-site visits of subrecipient's program operations, was not practical in the middle of the pandemic.
	Completion Date:	N/A
	Agency Contact:	Tony Madden, Deputy Directory – Division of Audit, DHHS, 207-287-2834
2021-026	Department:	Administrative and Financial Services
	Title:	________ over ________ needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with this finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	July 1, 2022
	Agency Contact:	Soumia Tber, Payroll, Personnel Authorization Supervisor, OSC, 207-626-8420
2021-027	Department:	Education
	Title:	________ over the ________ system needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.

	Completion Date:	April 30, 2022 and September 30, 2022 respectively
	Agency Contact:	Katherine Warren, Education Data Systems Manager, DOE, 207-592-1793
2021-028	Department:	Education
	Title:	________ over ________, ________, and ________ needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	May 8, 2022(first item) May 15, 2022(Second item) May30, 2022(third item) and September 1, 2022 (remaining two items)
	Agency Contact:	Katherine Warren, Education Data Systems Manager, DOE, 207-592-1793
2021-029	Department:	Economic and Community Development
	Title:	Internal control over special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will modify existing policies and procedures to ensure that future engagements made with subrecipients are monitored for inclusion in FFATA reporting.
	Completion Date:	March 31, 2022
	Agency Contact:	Denise Garland, Deputy Commissioner, DECD, 207-624-7496
2021-030	Department:	Economic and Community Development
	Title:	Internal control over suspension and debarment procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will implement policies and procedures to ensure that future engagements made with subrecipients through the use of a Memorandum of Understanding will incorporate the required suspension and debarment language. The Department will update the Memorandum of Understanding with the subrecipient administering the Emergency Rental Assistance program to obtain assurance that the subrecipient is not suspended or debarred.
	Completion Date:	March 31, 2022 and May 2, 2022 respectively
	Agency Contact:	Denise Garland, Deputy Commissioner, DECD, 207-624-7496
2021-031	Department:	Education
	Title:	Internal control over Title I, Part A award allocations needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Title I Specialists updated the reviewer's checklist. The Title I Specialists will use the allocation spreadsheet to run the Title I calculations. The ESEA Federal Programs Director and Title I Specialists will meet to review the checklist and allocations.

		If discrepancies exist, the ESEA Federal Programs Director and Title I Specialists will resolve the issues by reaching out to the Federal Programs Director or the US DOE with any further questions. The ESEA Federal Programs Director will sign off on the verification of accuracy section of the reviewer's checklist.
	Completion Date:	March 11, 2022, May 13, 2022, May 20, 2022, June 10, 2022, and June 30, 2022 respectively
	Agency Contact:	Cheryl L. Lang, ESEA Federal Programs Director, DOE, 207-441-8059
2021-032	Department:	Education
	Title:	Internal control over special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department's Financial Analyst will update and maintain a listing of applicable DUNS numbers (and UEI moving forward). The Department will compare each new month's FFATA report to the prior month's report to avoid any potential duplicative entries. FFATA reports will be reviewed by a second party for completeness and accuracy, to ensure awards for state agencies are not included, and that the project description is correctly stated prior to submission. The reviewer will sign off on the review in a FFATA tracking file which includes the review date, submission date, and any errors discovered and corrected prior to submission.
	Completion Date:	April 30, 2022
	Agency Contact:	Nicole Denis, Director of Finance, DOE, 207-530-2161
2021-033	Department:	Administrative and Financial Services
	Title:	Internal control over cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will implement additional policies and procedures to ensure the timely return of excess grant funds as well as providing supervisory oversight of these transactions.
	Completion Date:	March 31, 2022
	Agency Contact:	Laurie Andre, GGSC Deputy Director, Accounting, DAFS, 207-592-0725
2021-034	Department:	Education
	Title:	Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Upon completion of the SEFA, the GGSC will forward the preliminary report to the Department for review prior to submission. The Department will review expenditures for the appropriate categorization, and the Department will notify GGSC of any recategorizations needed. Once the GGSC has made any needed revisions and received Department approval, the SEFA will be submitted.

	Completion Date:	September 1, 2022
	Agency Contact:	Nicole Denis, Director of Finance, DOE, 207-530-2161
2021-035	Department:	Health and Human Services
	Title:	Internal control over provider monitoring needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Health Program Manager will update the standard operating procedures to reflect quarterly provider monitoring. The procedures will be documented and records will be maintained. The Health Program Manager will update the standard operating procedures compliance spreadsheet to include a supervisory sign-off of the activities completed. The supervisory oversight will be documented and records will be maintained.
	Completion Date:	June 30, 2022
	Agency Contact:	Jessica Shiminski, Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-7087
2021-036	Department:	Health and Human Services
	Title:	________ over the ________ system needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	April 30, 2023
	Agency Contact:	Tonya Philbrick, Senior Health Program Manager, Maine Center for Disease Control & Prevention, DHHS, 207-287-2541
2021-037	Department:	Health and Human Services
	Title:	________ over ________, ________, and ________ needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	May31, 2022 (first item) July 31, 2022 (second item) September 30, 2022 (third item) and October 31, 2022 (remaining three items)
	Agency Contact:	Danielle Sherwood, ImmPact Manager, DHHS, 207-287-2586
2021-038	Department:	Health and Human Services
	Title:	Internal control over reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Senior Program Manager will create an internal review process to ensure that quarterly progress reports, annual progress reports, and special reports are accurate, complete, reviewed, and are recorded when filed.
	Completion Date:	February 1, 2023
	Agency Contact:	Sara Robinson, Senior Program Manager, DHHS, 207-287-4610

2021-039	Department:	Health and Human Services
	Title:	Internal control over subrecipient awards needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will update the current contracts to ensure that information within the contracts are accurate. DCM will coordinate with programmers for CADB 2.0 and the grants database to verify that the correct information is being transferred between the systems. DCM will provide additional training to the MeCDC Program staff on the data entry of program codes and program period. A MeCDC Program Manager will review contracts to ensure subrecipient awards are complete and accurate in accordance with Federal regulations.
	Completion Date:	March 31, 2022 (first item) and June 30, 2022 (remaining three items)
	Agency Contact:	Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075
2021-040	Department:	Health and Human Services
	Title:	Internal control over payments made to and on behalf of TANF clients needs improvement
	Questioned Costs:	Known: $8,377 Likely: $667,074
	Status:	Corrective action in progress
	Corrective Action:	The Department (The Work Support Team Supervisor, ASPIRE Program Manager, and Sr. Program Manager for TANF) will review protocols and training material regarding frequency of monitoring and notification of certain client changes to the Work Support Team. The Department (The Work Support Team Supervisor, ASPIRE Program Manager, and Sr. Program Manager for TANF) will review, and revise if necessary, the policies and protocols regarding our vendor payment processing system to include monitoring of activity.
	Completion Date:	June 30, 2022
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2021-041	Department:	Health and Human Services
	Title:	Internal control over special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Director will revisit and adjust the process as necessary. The Director will make technology improvements to ensure data accuracy. The Director will add a layer of review to the process to ensure accuracy and documentation is retained.
	Completion Date:	June 30, 2022 (first item) and October 31, 2022 (remaining two items)
	Agency Contact:	Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075
2021-042	Department:	Health and Human Services
	Title:	Internal control over subrecipient cash management needs improvement
	Questioned Costs:	None

	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Department reviews budgeted expenses to determine their timing and nature (one time, recurring, allowability); reviews quarterly expense reports and alters payments to meet immediate cash needs, and finally, monitors subrecipient single audits to ensure there are no cash management findings. Additionally, our subrecipient's programs are tested more frequently and at a lower threshold than the threshold for single audits in accordance with the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP). The Department's approach is administratively reasonable and does minimize the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes given administrative and operational needs. We believe we have procedures in place that can be corroborated by the fact that our subrecipients do not receive single audit findings related to cash management.
	Completion Date:	N/A
	Agency Contact:	Jim Lopatosky, Director - Division of Contract Management, DHHS, 207-287-5075
2021-043	Department:	Health and Human Services
	Title:	Internal control over Income Eligibility and Verification System procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will review the standard operating procedures governing IEVS reporting and make changes as appropriate. The Department will consider opportunities for automation of existing manual processes.
	Completion Date:	June 30, 2022 and June 30, 2023 respectively
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2021-044	Department:	Health and Human Services
	Title:	________ over the ________ system needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with this finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2022
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2021-045	Department:	Health and Human Services
	Title:	Internal control over cash benefits paid to TANF clients needs improvement
	Questioned Costs:	Known: $224; Likely: $112,657
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Office of the State Auditor correctly identified an error; however, the Department has controls in place and identified the error timely. The case was referred for overpayment during the fiscal year.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

2021-046	Department:	Health and Human Services
	Title:	Internal control over TANF client child support sanction procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Inform DSER staff on the correct utilization of the INT37 form generated by the application CSME for all DSER generated non-cooperation sanction requests. Maintain, and update as necessary, the SOP and related regular training governing this business process. Create a unique email in-box to track receipt of all DSER generated non-cooperation sanction requests.
	Completion Date:	March 1, 2021, June 30, 2022 and June 30, 2022 respectively
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2021-047	Department:	Health and Human Services
	Title:	Internal control over TANF performance reporting and work participation procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will investigate and identify issues leading to erroneous month counts. The Department will enhance the Quality Review Tool. The Department will review and modify, if necessary, the procedures governing the ACF 199 and 209 reporting.
	Completion Date:	June 30, 2022
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2021-048	Department:	Health and Human Services
	Title:	Internal control over subrecipient risk evaluation procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Deputy Director will create a policy regarding the evaluation of risk to determine the appropriate subrecipient monitoring.
	Completion Date:	December 31, 2022
	Agency Contact:	Tony Madden, Deputy Director – Division of Audit, DHHS, 207-287-2834
2021-049	Department:	Health and Human Services
	Title:	Internal control over subrecipient audit procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Deputy Director will implement new procedures to ensure single audits are received timely.
	Completion Date:	June 30, 2022
	Agency Contact:	Tony Madden, Deputy Director – Division of Audit, DHHS, 207-287-2834
2021-050	Department:	Health and Human Services
	Title:	Internal control over Hospital and Long Term Care Facility audits needs improvement

	Questioned Costs:	None
	Status:	Nursing Facilities: Corrective action in progress Hospitals and LTCF – ICF/IIDs: Management's opinion is that corrective action is not required
	Corrective Action:	LTCF - Nursing Facilities and Hospitals: The Department has hired additional staff to assist with the completion of the Nursing Facility audits. The new staff will be trained on the Nursing Facility audit process. The Audit Program Manager will assign nursing facility audits to staff, prioritizing cases within the one year timeline. The Director and Audit Program Manager will meet bi-weekly to monitor the completion of audits within the identified timeline. Hospitals and LTCF – ICF/IIDs: The Department disagrees with this finding in regard to LTCF - ICF/IID's. The ICF/IID audits do not have a specific time requirement in MBM for completion. The federal regulations only require that periodic audits of financial records occur. All ICF/IID cost reports submitted to the Department are recorded in a database and tracked for audit purposes. All cost reports are audited as resources are available. We have worked with our Federal partners who have agreed with our interpretation of the regulation and the timing of our audits for the ICF/IIDs.
	Completion Date:	March 31, 2022, March 31, 2023, June30, 2023 and June 30, 2023 respectively
	Agency Contact:	Herb Downs, Director, Division of Audit, DHHS, 207-287-2778
2021-051	Department:	Health and Human Services
	Title:	Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Program Manager, with approval from the Director of Compliance, will close cases as appropriate or reassign any cases that are not able to be closed timely. The Program Manager will run a quarterly report to identify any cases assigned to former staff and will evaluate the cases for closure or reassignment.
	Completion Date:	April 30, 2022
	Agency Contact:	Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2021-052	Department:	Health and Human Services
	Title:	Internal control over compliance with eligibility determination requirements needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Office of the State Auditor has misinterpreted MaineCare policy by excluding the eligibility system (ACES) as part of the electronic case record. Electronic data sources are required per federal regulations and documentation of citizenship and identity verifications are stored within ACES. The requirement to verify identity is part of the Medicaid citizenship verification requirements. Maine verifies citizenship and identity through electronic data matches in accordance with 42 CFR §435.949; the results of this match are stored in ACES. The state cannot request paper documentation from applicants after successful electronic verification for the purpose of storing it in

		another system, nor can we establish more restrictive verification requirements than those allowed by federal regulations. This was a prior year finding (2020-052) that the Department disagreed with and the federal cognizant agency, CMS, agreed with the Department's position and closed the finding.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2021-053	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over Medicare Part B premium payments needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will finalize standard operating procedures governing the reconciliation process to specifically include: 1. procedures to ensure the production, review and follow up to Monthly Reconciliation Reports; 2. procedures for the documentation and retention of the reports; 3. procedures to include all CMS coding requiring state action. Implement technology improvements in support of reducing manual data entry and increased regulatory compliance.
	Completion Date:	June 30, 2022 and June 30, 2023 respectively
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2021-054	Department:	Health and Human Services
	Title:	Internal control over the eligibility determination process needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The systems we have in place are both necessary and sufficient in meeting programmatic requirements to ensure accurate eligibility determinations are being made. There has been no citation of federal regulation provided by OSA during this review that contradicts this. The Department would like to note: 1. Supervisors do a minimum of 1 case reading per month and a minimum of 1 call monitoring per week for staff on phones. It is commonplace for them to do more, especially for a new employee, or known coaching issues. 2. Prior to 2021, these case readings were tracked by supervisors and units, and were tracked centrally on our Streamline Management Y-Drive. 3. Phone calls can be referenced by Supervisors in real time OR afterwards, via recording. 4. Prior to 2021 specifics of case reading and call monitoring were formalized, with specific expectations in multiple categories, which were followed up on by coaching staff if not all of the expectations were met. However, with a goal of continuous improvement, we were already working on an enhanced system to track Case Reading and Call Monitoring performance statewide which will supersede and further improve upon current practice. A new program and procedure have already been written and are in the process of being vetted and approved by Regional personnel for implementation. This example of continuous quality improvement will lead to a more holistic understanding of trends and training needs.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2021-055	Department:	Health and Human Services
	Title:	Internal control over cost of care assessments needs improvement
	Questioned Costs:	Undeterminable

	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department agrees with this finding and has a quality assurance process for monitoring manually adjusted cost of care assessments as reflected in the standard operating procedures which underwent a major revision, effective June 30, 2020. This new business process was in effect for the entire audited year. From the sample that was tested, the Department achieved a 95% compliance rate and will commit to continuing to achieve at least 95%. No corrective action is necessary.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104
2021-056	Department:	Health and Human Services
	Title:	Internal control over deceased client cases and claims analysis needs improvement
	Questioned Costs:	None
	Status:	OFI: Corrective action complete OMS: Corrective action in progress
	Corrective Action:	<u>OFI:</u> Zero exceptions occurred upon implementation of a revised standard operating procedure in April of 2021, which increased the cadence of death data matches with Maine's CDC from quarterly to monthly. Therefore, a corrective action plan is not necessary. <u>OMS:</u> The Department will continue to explore options to further improve processes and will evaluate whether those options are feasible and reasonable given the extremely low error rate described in this finding.
	Completion Date:	April 26, 2021 (OFI) and June 30, 2022 (OMS)
	Agency Contact:	OFI Contact: Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104 OMS Contact: Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2021-057	Department:	Health and Human Services
	Title:	Internal control over the outsourced medical claims coding process needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department and its vendor will deploy Change Request (CR) 106786 into production and begin using the RISSNET files.
	Completion Date:	September 30, 2022
	Agency Contact:	Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2021-058	Department:	Health and Human Services
	Title:	________ over the ________ system needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with this finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2023
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, DHHS, 207-624-4104

2021-059	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department has improved determining immediate cash needs by creating and implementing a check list to ensure and verify the necessary data on invoices for processing. The Department has improved draw procedures so that cash is drawn after invoices have been fully reviewed and sent for processing by the Service Center. The Department will hire and train the open business director position with responsibility to improve procedures and process flows. The Department will develop and implement an improved procedure for account reconciliations on cash management.
	Completion Date:	February 1, 2022 (first two items), May 1, 2022 (third item), and July 1, 2022 (fourth item)
	Agency Contact:	Joe Legee, Deputy Director, MEMA, 207-215-0442
2021-060	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over subrecipient audit procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Subrecipient single audit needs and requirements will be reviewed with the MEMA business office and PA program manager. The Department will incorporate a single audit review as part of the updated risk assessment procedure. The Department will review a subrecipient's previous single audit to evaluate their compliance with requirements. The Department will incorporate a single audit request and review as part of the updated subrecipient monitoring procedure to ensure on going compliance with the requirement. The Department will develop and implement procedures for single audit review and agency responses as needed for all new PA contracts. The Department will review single audits when received and provide agency responses as applicable for all existing PA contracts.
	Completion Date:	March 31, 2022 (first item), May 15, 2022 (second and third items), June 1, 2022 (fourth item), and September 1, 2022 (fifth item)
	Agency Contact:	Joe Legee, Deputy Director, MEMA, 207-215-0442
2021-061	Department:	Administrative and Financial Services Defense, Veterans and Emergency Management
	Title:	Internal control over Schedule of Expenditures of Federal Awards reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will work with State agencies to better understand the process they follow and offer to help them meet the requirements for SEFA reporting.

	Completion Date:	September 1, 2022
	Agency Contact:	Thomas Randall, Financial Coordinator/Audit Analyst, OSC, 207-626-8492
2021-062	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over the financial reporting process needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	FFATA needs will be reviewed with the MEMA business office and PA program manager. The Department will create a FFATA form for use with MEMA subrecipients. The Department will create FFATA procedures. The Department will implement the new FFATA procedure on all new PA contracts. The Department will review existing contracts and complete FFATA reports as applicable.
	Completion Date:	March 15, 2022, April 15, 2022, May 15, 2022, June 1, 2022 and September 1, 2022 respectively
	Agency Contact:	Joe Legee, Deputy Director, MEMA, 207-215-0442
2021-063	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over subrecipient risk evaluation procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Risk assessment needs will be reviewed with the agency business office and PA program manager. The Department will update the risk assessment form. The Department will improve the risk assessment procedure. The Department will implement the improved risk assessment procedure on all new PA contracts. The Department will review existing contracts and provide risk assessments as applicable.
	Completion Date:	March 15, 2022, April 15, 2022, May 15, 2022, June 1, 2022 and September 1, 2022 respectively
	Agency Contact:	Joe Legee, Deputy Director, MEMA, 207-215-0442

STATE OF MAINE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021


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 2021

Summary Schedule of Prior Audit Findings

The *Summary Schedule of Prior Audit Findings* (SSPAF) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of the SSPAF is to report on the status of audit findings reported in the prior: (1) audit's schedule of findings and questioned costs, and (2) audit's summary schedule of prior audit findings.

For each prior year audit finding, the SSPAF reports the current status of corrective action; for findings in which corrective action has either not been taken, or not completed, explanations are generally provided that describe the reason(s) for the finding's recurrence, the planned corrective action, and any partial corrective action taken. In the event that corrective action differs significantly from previously reported corrective action, an additional explanation has been provided. The SSPAF complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up.

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2017-017	Finding Title:	Controls over Cost of Care assessments need improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	Undeterminable
	FY21 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding
	FY 2021 Finding:	2021-055
2017-027	Finding Title:	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY21 Status:	Management believes this audit finding does not warrant further action

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding
	FY 2021 Finding:	2021-051
2018-001	Finding Title:	Procedures over subrecipient monitoring need improvement
	State Department:	Education
	ALN:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2018-002	Finding Title:	Internal control over State matching requirements needs improvement
	State Department:	Education
	ALN:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2018-005	Finding Title:	Internal control over the donated food inventory needs improvement
	State Department:	Education
	ALN:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="9">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>ALN:</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>FY21 Status:</td><td colspan="4">Corrective action was taken during FY 2021</td></tr>
<tr><td colspan="0" style="display:none"></td></tr>
<tr><td rowspan="6">2018-009</td><td>Finding Title:</td><td colspan="4">The Department has no assurance that ________ are 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>ALN:</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>FY21 Status:</td><td colspan="4">Corrective action was taken during FY 2021</td></tr>
<tr><td rowspan="8">2018-011</td><td>Finding Title:</td><td colspan="4">Subrecipient monitoring needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services
Agriculture, Conservation and Forestry</td></tr>
<tr><td>ALN:</td><td colspan="4">10.565, 10.568, 10.569</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>FY21 Status:</td><td colspan="4">Management believes this audit finding does not warrant further action</td></tr>
<tr><td>Explanation:</td><td colspan="4">1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC;
2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and
3. A management decision was not issued on this finding</td></tr>
<tr><td>FY 2021 Finding:</td><td colspan="4">No finding was issued for FY 2021; however, this program was not audited as a major program</td></tr>
<tr><td rowspan="7">2018-013</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">Agriculture, Conservation and Forestry</td></tr>
<tr><td>ALN:</td><td colspan="4">10.565, 10.568, 10.569</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>FY21 Status:</td><td colspan="4">Management believes this audit finding does not warrant further action</td></tr>
<tr><td>Explanation:</td><td colspan="4">1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC;
2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and
3. A management decision was not issued on this finding</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2018-014	Finding Title:	Internal control over Federal cash management needs improvement
	State Department:	Administrative and Financial Services Agriculture, Conservation and Forestry
	ALN:	10.565, 10.568, 10.569
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2018-016	Finding Title:	Documentation that supports payroll costs needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	12.401
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2018-021	Finding Title:	Subrecipient contract specifications are not consistent with program regulations
	State Department:	Health and Human Services
	ALN:	16.575
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	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.
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status				
2018-023	Finding Title:	________ over ________ needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)			
	State Department:	Labor			
	ALN:	16.575			
	Initial Finding FY:	2011			
	Questioned Costs:	Questioned Costs	Total	Federal*	State Trust Fund
		Known	Redacted		Redacted
		Likely	Redacted		Redacted
		*No federally funded benefit payments appeared in the randomly selected sample			
	FY21 Status:	Management believes this audit finding does not warrant further action			
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding			
	FY 2021 Finding:	2021-021			
2018-025	Finding Title:	The Department has no ________ that ________ over the ________ are adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)			
	State Department:	Education			
	ALN:	10.555, 10.559; 84.010			
	Initial Finding FY:	2018			
	Questioned Costs:	None			
	FY21 Status:	Management believes this audit finding does not warrant further action			
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding			
	FY 2021 Finding:	2021-005			
2018-026	Finding Title:	Monitoring over subrecipient cash management needs improvement			
	State Department:	Health and Human Services			
	ALN:	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			
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required.			
	Explanation:	The Department disagrees with this finding. The Department reviews budgeted expenses to determine their timing and nature (one time, recurring, allowability); reviews quarterly expense reports and alters payments to meet immediate cash needs, and finally, monitors subrecipient single audits to ensure there are no cash management findings. Additionally, our subrecipient's programs are tested more			

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		frequently and at a lower threshold than the threshold for single audits in accordance with the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP). The Department's approach is administratively reasonable and does minimize the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes given administrative and operational needs. We believe we have procedures in place that can be corroborated by the fact that our subrecipients do not receive single audit findings related to cash management.
	FY 2021 Finding:	2021-042
2018-028	Finding Title:	Procedures related to TANF performance reporting and work participation need improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021 for the secondary review portion of this finding. Management believes this audit finding does not warrant further action for the work participation and countable month portion of this finding.
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding
	FY 2021 Finding:	2021-047
2018-030	Finding Title:	Internal control over pass-through awards needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding
	FY 2021 Finding:	2021-048
2018-031	Finding Title:	Control over payments to and on behalf of TANF clients needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2018

Summary Schedule of Prior Audit Findings					
Finding Number	**Prior Audit Finding Status**				
	Questioned Costs:	Questioned Costs	Total	Federal	State
		Known	$381	$381	
		Likely	$139,925	$139,925	
	FY21 Status:	Management believes this audit finding does not warrant further action			
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding			
	FY 2021 Finding:	2021-040			
2018-032	Finding Title:	Evaluation of each subrecipient's risk of noncompliance needs improvement			
	State Department:	Health and Human Services			
	ALN:	93.558			
	Initial Finding FY:	2017			
	Questioned Costs:	None			
	FY21 Status:	Management believes this audit finding does not warrant further action			
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding			
	FY 2021 Finding:	2021-048			
2018-033	Finding Title:	The Department has no assurance that ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)			
	State Department:	Health and Human Services			
	ALN:	93.558			
	Initial Finding FY:	2018			
	Questioned Costs:	None			
	FY21 Status:	Management believes this audit finding does not warrant further action			
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding			
	FY 2021 Finding:	2021-044			
2018-037	Finding Title:	Indirect costs charged by subrecipients are not consistent with the Uniform Guidance			
	State Department:	Health and Human Services			
	ALN:	93.667; 16.575			
	Initial Finding FY:	2018			
	Questioned Costs:	Undeterminable			

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY21 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 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2018-040	Finding Title:	Evaluation of each subrecipient's risk of noncompliance needs improvement
	State Department:	Health and Human Services
	ALN:	93.667; 16.575
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	There are multiple ways the Department evaluates risk on its subrecipients, the Division of Audit's risk evaluation is one of them. The Division of Audit uses the risk assessment to determine how much testing of invoices to perform. There is also an assessment of risk built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which all of our subrecipients have reporting requirements based on their level of expenditures. These thresholds are lower than the audit requirements of 2 CFR 200 so those that fall below the single audit threshold will have agreement expenditures tested much more frequently.
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2018-042	Finding Title:	Internal control to ensure program expenditures are accounted for and reported in accordance with the Federally-approved State Plan needs improvement
	State Department:	Administrative and Financial Services Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department disagrees there is a material control weakness as the Department takes a pragmatic approach to effectively and efficiently administer the Medicaid program, which often requires working with CMS on reporting reclasses and exceptions, for a variety of reasons.
	FY 2021 Finding:	No finding was issued for FY 2021 and this program was audited as a major program.
2018-043	Finding Title:	Eligibility re-determination needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2017

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Questioned Costs:	Undeterminable
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department disagrees with this finding. OSA has misinterpreted MaineCare policy by excluding the eligibility system (ACES) as part of the electronic case record. Electronic data sources are required per federal regulations and documentation of citizenship and identity verifications are stored within ACES. The requirement to verify identity is part of Medicaid citizenship verification requirements. Maine verifies citizenship and identity through electronic data matches in accordance with 42 CFR §435.949; the results of this match are stored in ACES. The state cannot request paper documentation from applicants after successful electronic verification for the purpose of storing it in another system, nor can we establish more restrictive verification requirements than those allowed by federal regulations. This was a prior year finding (2020-052) that the Department disagreed with and the cognizant agency, CMS, agreed with the Department's position and closed the finding.
	FY 2021 Finding:	2021-052
2018-045	Finding Title:	________ and ________ over ________ need improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Administrative and Financial Services
	ALN:	93.775, 93.777, 93.778; 93.767; 10.551, 10.561
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
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
	ALN:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2018-049	Finding Title:	Procedures related to Long Term Care Facility Audits need improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY21 Status:	Management believes this audit finding does not warrant further action with the LTCF – Nursing Facilities and Hospitals portion of the finding Management disagrees with the LTCF – ICF/IID's portion of this finding and does not believe corrective action is required

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding The Department disagrees with this finding in regard to LTCF - ICF/IID's. The ICF/IID audits do not have a specific time requirement in MBM for completion. The federal regulations only require that periodic audits of financial records occur. All ICF/IID cost reports submitted to the Department are recorded in a database and tracked for audit purposes. All cost reports are audited as resources are available. We have worked with our Federal partners who have agreed with our interpretation of the regulation and the timing of our audits for the ICF/IIDs
	FY 2021 Finding:	2021-050
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
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding
	FY 2021 Finding:	2021-014
2018-052	Finding Title:	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY21 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding
	FY 2021 Finding:	2021-051
2018-053	Finding Title:	Procedures to ensure that individual client Cost of Care assessments are accurate need improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Management believes this audit finding does not warrant further action
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding
	FY 2021 Finding:	2021-055
2019-001	Finding Title:	________ does not have a ________ in place (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Administrative and Financial Services
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	This audit finding does not warrant further action
	Explanation:	This finding is no longer applicable to the Maine Revenue Services and has been directed towards the Office of Information Technology
	FY 2021 Finding:	2021-013
2019-004	Finding Title:	Internal control over the valuation of allowances for uncollectible accounts needs improvement
	State Department:	Labor Administrative and Financial Services
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Departments agree that detailed receivables reports should be generated and retained during the fiscal year. OSC will provide guidance to DOL to develop a reporting mechanism that will provide a more detailed analysis of the activity of the receivable balances. OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC and the Department of Labor (DOL) accumulate relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. OSC recently performed a five-year trend analysis of historical collections with information provided by DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
		continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. DOL implemented a new system and OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.
	FY 2021 Finding:	2021-009
2019-005	Finding Title:	The Department has not completed a ________ that complies with State ________ (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Transportation
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-010
2019-006	Finding Title:	The Department has no ________ that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Education
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-005
2019-007	Finding Title:	________ over the ________ or ________ needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Transportation Administrative and Financial Services
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-010
2019-008	Finding Title:	________ and ________ over ________ need improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)
	State Department:	Administrative and Financial Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="6">2019-010</td><td>Finding Title:</td><td colspan="4">The Department ________ that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining)</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">93.775, 93.777, 93.778; 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2016</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Corrective action was taken during FY 2021</td></tr>
<tr><td rowspan="10">2019-012</td><td>Finding Title:</td><td colspan="4">Internal control over compliance with eligibility determination requirements, and the related automated data processing system requirements, needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">10.551, 10.561</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$261</td><td>$261</td><td>$0</td></tr>
<tr><td>Likely</td><td>$5,144,620</td><td>$5,144,620</td><td>$0</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Management disagrees with this finding and does not believe that corrective action is required</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department disagrees with the assertion that there are not procedures in place to ensure that the information entered into ACES is accurate and complete. We do agree that there was one TFA client with an overpayment; however, this does not represent a structural or programmatic deficiency. Our federally funded Quality Control unit follows federal standards and requirements which further represent an additional internal control for both SNAP and TFA.

A total of 60 cases were reviewed for audit, 2 of them were TFA cases and 58 were SNAP. TFA is included in the Payment Error Rate determined by FNS and should be for the purpose of this audit. A sample size of only 2 TFA cases reviewed does not provide statistical evidence of noncompliance (or compliance).</td></tr>
<tr><td>FY 2021 Finding:</td><td colspan="4">No finding was issued for 2021 and this program was audited as a major program</td></tr>
<tr><td rowspan="7">2019-013</td><td>Finding Title:</td><td colspan="4">Internal control over the issuance of SNAP benefits needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">10.551, 10.561</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Corrective action was not completed in FY 2021</td></tr>
<tr><td>Explanation:</td><td colspan="4">Although we agree with this finding, it should be noted that all of the exceptions found were prior to the implementation of a revised standard operating procedure governing the Date of Death processing which was</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		implemented near the end of the audit period, on April 26, 2021. This repeat finding has been fully addressed.
	FY 2021 Finding:	2021-015
2019-014	Finding Title:	Internal control over ________ 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
	ALN:	10.551, 10.561, 93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department disagrees with this finding and will not be taking steps to address and remediate this condition
	FY 2021 Finding:	2021-012 and 2021-017
2019-015	Finding Title:	Internal control over State matching requirements needs improvement
	State Department:	Education
	ALN:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department modified the NEO system to ensure that the match attributable to State owned schools is funded from the General Fund. Additionally, going forward the Department will perform reconciliations to ensure compliance with the grant's matching requirements.
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2019-017	Finding Title:	Internal control over subrecipient monitoring procedures needs improvement
	State Department:	Education
	ALN:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	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 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2019-018	Finding Title:	Internal control over the donated food inventory needs improvement
	State Department:	Education
	ALN:	10.555, 10.559
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	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 was implemented in February 2021.
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2019-019	Finding Title:	Internal control over subrecipient monitoring needs improvement
	State Department:	Health and Human Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department will implement a process to complete the MERs as time allows and prioritize current year MERs to ensure compliance with the regulation. The Department has hired additional staff to assist with the completion of the MERs. The Department will meet at least quarterly to check on the progress of the MERs.
	FY 2021 Finding:	2021-019
2019-020	Finding Title:	Internal control over subrecipient contracts needs improvement
	State Department:	Health and Human Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Division of Contract Management will collaborate with MeCDC to implement controls to ensure subrecipient awards are complete, accurate and in accordance with Federal regulations.
	FY 2021 Finding:	2021-020
2019-021	Finding Title:	Internal control over Federal cash management needs improvement
	State Department:	Health and Human Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Service Center will modify the current grant cash balance analysis to include separating the WIC NSA Admin and the WIC Food grants. This

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		will be completed by March of 2022. They will also finalize grant reconciliations for the WIC Food grants from 2017 to present. This will be completed by December of 2022.
	FY 2021 Finding:	2021-018
2019-022	Finding Title:	The Department has no assurance that ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Health and Human Services
	ALN:	10.557
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2019-023	Finding Title:	Internal control over payroll costs needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	12.401
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	Procedures have been revised, improved and are being further refined to address these situations.
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2019-024	Finding Title:	Internal control over cash management for travel advances and the related reporting to the Federal government on the *SF-270* report needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	12.401
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	Procedures are being reviewed and updated as necessary to ensure that travel advances are reported accurately on the SF-270 report and drawn in accordance with cash management requirements. Additionally, procedures covering the issuance of travel advances will be reviewed and updated as necessary.
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2019-025	Finding Title:	Internal control over subrecipient monitoring procedures needs improvement
	State Department:	Health and Human Services
	ALN:	14.267
	Initial Finding FY:	2019
	Questioned Costs:	None

<table>
<tr><th colspan="3">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="2">Prior Audit Finding Status</th></tr>
<tr><td></td><td>FY21 Status:</td><td>Management disagrees with this finding and does not believe that corrective action is required</td></tr>
<tr><td></td><td>Explanation:</td><td>The Department has policies and procedures in place to ensure subrecipients use Continuum of Care funds in accordance with all award requirements and program regulations. We perform comprehensive annual on-site reviews to verify subrecipient compliance with all program rules and regulations and have the documentation to support it.</td></tr>
<tr><td></td><td>FY 2021 Finding:</td><td>No finding was issued for FY 2021; however, this program was not audited as a major program</td></tr>
<tr><td rowspan="8">2019-027</td><td>Finding Title:</td><td>Internal control over continuing eligibility needs improvement</td></tr>
<tr><td>State Department:</td><td>Labor</td></tr>
<tr><td>ALN:</td><td>17.225</td></tr>
<tr><td>Initial Finding FY:</td><td>2011</td></tr>
<tr><td>Questioned Costs:</td><td><table><tr><th>Questioned Costs</th><th>Total</th><th>Federal</th><th>State</th></tr><tr><td>Known</td><td>$10,375</td><td>$0</td><td>$10,375</td></tr><tr><td>Likely</td><td>$5,272,833</td><td>$0</td><td>$5,272,833</td></tr></table></td></tr>
<tr><td>FY21 Status:</td><td>Corrective action was not completed in FY 2021</td></tr>
<tr><td>Explanation:</td><td>The Department partially agrees with this finding.

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

The finding further states that the Department has insufficient controls in place to detect possible unreported employment or wages when a transitional (back-to-back) benefit year is filed. The Department will research the availability of any additional tools or programming needed to detect wages reported by employers that have not been reported by claimants when a transitional benefit year is filed. Given the time difference that occurs between when a claim is filed and when an employer is statutorily required to report wages or employment, overpayments that occur when the claimant willfully misrepresents facts cannot be completely avoided. In those circumstances, the repayment of benefits also includes interest and penalties.

The finding also states that working part-time should not have been considered as a work search activity after the Department’s return to more traditional work search activities in May 2021. Maine was one of the first states to restore a work search requirement under the Pandemic – many</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		continued a work search waiver through all of 2021. The Department began partially lifting a work search in 2020, and then moved closer to pre-Pandemic allowed work search activities in May 2021. Though working part-time was not considered a qualified work search activity prior to the pandemic, continued concerns regarding COVID-19 infection, lack of childcare, remote schooling, and businesses opening but not immediately returning to full employment, informed the Department's decision to continue our earlier decision to allow acceptance of part-time work to satisfy the work search requirement beyond May 2021. This encouraged those who had been unemployed for an extended period to maintain a connection to the workforce by accepting part time work. Neither Maine law nor rules fully define what constitutes a work search, this is set by the Department. People were notified of the change in the activities that would be accepted as satisfying the work search by email, website, and the press. The finding furthermore states that the Department erred in paying benefits to individuals collecting on the Pandemic Unemployment Assistance (PUA) program pending receipt of required proof of employment documentation (POE). When the guidance around PUA POE was released in UIPL 16-20, change 4, the Department reached out via e-mail to USDOL through their dedicated COVID-19 inbox to ask whether claimants should be paid pending receipt of PUA POE. The response from USDOL clearly stated the Department should not hold up benefits pending receipt of PUA POE. States are required to follow federal guidance on these federal programs. The finding states the Department needs additional controls for claims filed after a claimant's date of death, as well around the claimants age when filing a claim for benefits. The Department agrees that the current crossmatch with the state's Vital Records office that identifies deceased claimants should be enhanced. As with reporting of quarterly wages, there are timing differences that cannot be avoided, and overpayments cannot be completely ruled out. Overpayments, penalties, and prosecutions are all considered when it is determined someone falsely filed for benefits using a deceased person's information. Regarding the age of the individual filing for benefits, controls will be reviewed and enhanced where appropriate. Of the three claimants identified as being over 100 years old, two were eligible for the benefits they received. The third required a correction to the person's date of birth.
	FY 2021 Finding:	2021-021
2019-028	Finding Title:	The Department has no assurance that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Labor
	ALN:	17.225
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-011
2019-030	Finding Title:	Internal control over program income needs improvement
	State Department:	Labor
	ALN:	84.126
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	Since February of 2020, the Bureau of Rehabilitation Services (BRS) Quality Assurance (QA) Division, with assistance from Maine IT, is working closely with the AWARE case management system vendor to resolve issues with the Social Security Administration (SSA) cost reimbursement module. The QA Division does have a number of internal controls in place regarding the processing of SSA cost reimbursement claims, including the review of each payment received to confirm which client and claim it is associated with and assessing any difference between the claim and payment amount. In addition, bureau management reviews a quarterly report indicating claims submitted, potential reimbursement, number of denials and approvals and total reimbursement amount. Going forward, BRS will enhance its claims review process. On a quarterly basis the Bureau will analyze the report and identify any patterns or discrepancies to determine which need further investigation. Keeping in mind that BRS does not have access to some of the data SSA uses in determining the final claim amount, such as beneficiary eligibility periods and anticipated savings to the SSA trust fund, it is likely that differences in the claim amount requested and received will continue for a significant percentage of claims.
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2019-031	Finding Title:	Internal control over the timeliness of eligibility determinations needs improvement
	State Department:	Labor
	ALN:	84.126
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	In the Fall of 2020, the Division of Vocational Rehabilitation (DVR) issued an updated procedural directive on the eligibility process that set a maximum timeframe from date of application to date of intake. It also provides guidelines on how to streamline the eligibility process. All DVR/DBVI VR staff were trained on the streamlined process in November and December of 2020. That training is now included in the training for all new VR counselors and is posted on the bureau's intranet for future reference. BRS (DVR and DBVI) has several internal control procedures in place to monitor the requirement for a 60-day eligibility or a signed eligibility extension. There are also reports available in the AWARE case management system to assist VR counselors, supervisors

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		and managers with monitoring eligibility due dates and organizing their work. BRS will provide a refresher staff training on how to generate and use these reports. The BRS QA unit will also provide regional reports to the Division Directors and Regional Managers on a monthly basis to assist with monitoring. It should be noted that even with effective internal controls in place, BRS often faces difficulties contacting applicants to arrange for an intake to establish eligibility or to get a signature to approve an eligibility extension. The impact of the COVID pandemic has added challenges to the eligibility determination process as well. Despite the aforementioned issues, DVR and DBVI placed a higher priority on keeping cases open during this unprecedented time.
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2019-032	Finding Title:	Internal control over provider site visits and corrective action follow up needs improvement
	State Department:	Health and Human Services
	ALN:	93.268
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	This finding is directly related to an alternative plan developed by the State of Maine during FY2021 when on-site VFC Compliance Visits were temporarily suspended. The Department will update procedures to ensure provider monitoring is documented and records are maintained. The Department will update procedures to ensure supervisory oversight is completed, documented, and maintained.
	FY 2021 Finding:	2021-035
2019-033	Finding Title:	Internal control over Federal cash management needs improvement
	State Department:	Administrative and Financial Services
	ALN:	93.268
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2019-034	Finding Title:	The Department has no assurance that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Health and Human Services
	ALN:	93.268
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-036

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2019-035	Finding Title:	Monitoring over subrecipient cash management needs improvement
	State Department:	Health and Human Services
	ALN:	93.558; 10.557; 16.575; 93.044, 93.045, 93.053; 93.667; 93.569; 93.917
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department disagrees with this finding. The Department reviews budgeted expenses to determine their timing and nature (one time, recurring, allowability); reviews quarterly expense reports and alters payments to meet immediate cash needs, and finally, monitors subrecipient single audits to ensure there are no cash management findings. Additionally, our subrecipient's programs are tested more frequently and at a lower threshold than the threshold for single audits in accordance with the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP). The Department's approach is administratively reasonable and does minimize the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes given administrative and operational needs. We believe we have procedures in place that can be corroborated by the fact that our subrecipients do not receive single audit findings related to cash management.
	FY 2021 Finding:	2021-042
2019-037	Finding Title:	Internal control over Income Eligibility and Verification System procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	With only three disagreements regarding the discrepancies cited in the Condition statement above, the Department agrees with this finding. Four standard operating procedures governing IEVS reporting were modified in fiscal year 2021. However, largely due to the pandemic, combined with manual processing, we did witness an uptick in errors. The Department has created a Technology Roadmap workgroup and IEVS automation is a component of this project.
	FY 2021 Finding:	2021-043
2019-038	Finding Title:	Risk evaluation procedures to determine the extent of appropriate subrecipient monitoring need improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021

Summary Schedule of Prior Audit Findings						
Finding Number	**Prior Audit Finding Status**					
	Explanation:	Although there are several layers of risk evaluation built into the subrecipient monitoring process, the Department agrees that there should be a policy regarding the evaluation of risk to determine the appropriate subrecipient monitoring.				
	FY 2021 Finding:	2021-048				
2019-039	Finding Title:	Internal control over TANF performance reporting and work participation procedures needs improvement				
	State Department:	Health and Human Services				
	ALN:	93.558				
	Initial Finding FY:	2017				
	Questioned Costs:	None				
	FY21 Status:	Corrective action was taken in FY 2021 for the secondary review portion of this finding. Corrective action was not completed in FY 2021 for the work participation and countable month portion of this finding.				
	Explanation:	The Department agrees with this finding and recommendations regarding the 28 cases containing errors. The Department will investigate and identify the source or cause of errors found which led to incorrect month counts. The Department will modify the existing Quality Review Tool. Additionally, we will review, and edit if necessary, the existing procedures governing this process.				
	FY 2021 Finding:	2021-047				
2019-040	Finding Title:	Internal control over payments to and on behalf of TANF clients needs improvement				
	State Department:	Health and Human Services				
	ALN:	93.558				
	Initial Finding FY:	2018				
	Questioned Costs:	Questioned Costs	Total	Federal	State	
		Known	$1,120	$1,120	$0	
		Likely	$1,295,496	$1,295,496	$0	
	FY21 Status:	Corrective action was not completed in FY 2021				
	Explanation:	The Department agrees with the condition statement and recommendations. Regarding client payments: During SFY 2021, the Department formalized and implemented additional supervisory case readings (two per worker per week) and call monitoring (two calls a week, randomly selected). In addition, the Work Support Team Supervisor conducts partial reviews of approximately 25 percent of the cases worked on a daily basis. The Department will provide additional guidance to eligibility and other related workers regarding notification to the Work Support Team when the Department receives information that may affect payments. Regarding provider payments: The Department will examine the existing internal controls over payments, billing, invoice structures and mechanisms, including monitoring, to determine if the errors discovered				

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		were related to human error and/or lack of training or clarity in existing vendor payment controls.
	FY 2021 Finding:	2021-040
2019-042	Finding Title:	The Department has no assurance that ________ is adequate (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-044
2019-043	Finding Title:	Internal control over special reporting needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2019-044	Finding Title:	Internal control over monthly reconciliation procedures needs improvement
	State Department:	Administrative and Financial Services Health and Human Services
	ALN:	93.563
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2019-045	Finding Title:	Internal control over individual client Cost of Care assessments needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	Undeterminable
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department agrees with this finding and has a quality assurance process for monitoring manually adjusted cost of care assessments as reflected in the standard operating procedures which underwent a major revision, effective June 30, 2020. This new business process was in effect for the entire audited year. From the sample that was tested, the Department achieved a 95% compliance rate and will commit to continuing to achieve at least 95%. No corrective action is necessary.
	FY 2021 Finding:	2021-055

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2019-046	Finding Title:	Internal control over compliance with eligibility determination requirements needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department disagrees with this finding. OSA has misinterpreted MaineCare policy by excluding the eligibility system (ACES) as part of the electronic case record. Electronic data sources are required per federal regulations and documentation of citizenship and identity verifications are stored within ACES. The requirement to verify identity is part of Medicaid citizenship verification requirements. Maine verifies citizenship and identity through electronic data matches in accordance with 42 CFR §435.949; the results of this match are stored in ACES. The state cannot request paper documentation from applicants after successful electronic verification for the purpose of storing it in another system, nor can we establish more restrictive verification requirements than those allowed by federal regulations. This was a prior year finding (2020-052) that the Department disagreed with and the cognizant agency, CMS, agreed with the Department's position and closed the finding.
	FY 2021 Finding:	2021-052
2019-047	Finding Title:	Internal control over Long Term Care Facility Audits needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021 for the LTCF – Nursing Facilities and Hospitals portion of the finding Management disagrees with the LTCF – ICF/IID's portion of this finding and does not believe that corrective action is required
	Explanation:	The Department agrees with this finding in regard to LTCF - Nursing Facilities and Hospitals. The delay in completing the Nursing Facilities audits is the result of staff shortages and competing priorities due to COVID-19 funds which required audit resources to reconcile interim payments. While hospitals were not completed within the one-year timeline identified in policy, one audit being 12 days late should not be considered material. The hospital audits are tracked on a weekly basis and staff are dedicated to completing the audits. We are currently on pace to complete them all within the one-year timeline; therefore, no corrective action is necessary. The Department disagrees with this finding in regard to LTCF - ICF/IID's. The ICF/IID audits do not have a specific time requirement in MBM for completion. The federal regulations only require that periodic audits of financial records occur. All ICF/IID cost reports submitted to the Department are recorded in a database and tracked for audit purposes. All

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		cost reports are audited as resources are available. We have worked with our Federal partners who have agreed with our interpretation of the regulation and the timing of our audits for the ICF/IIDs.
	FY 2021 Finding:	2021-050
2019-048	Finding Title:	Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department agrees that the cases identified lacked documentation to support the reason for an extended period of non-activity. Three of the five cases identified have been subsequently closed and require no additional action. The remaining two cases are being addressed by the Program Manager. Procedures will be established to run a quarterly report and evaluate outstanding cases for closure or reassignment.
	FY 2021 Finding:	2021-051
2019-049	Finding Title:	Internal control over provider enrollment packages needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The system upgrade was a process enhancement and not the result of a control or compliance deficiency. The Department's longstanding licensure verification process is to term a provider's contract with MaineCare concurrent to the period of licensure for that provider as supplied during enrollment. In other words, the licensed provider's ability to bill and be reimbursed by MaineCare would end with the last effective date of the provider's license as supplied by the provider, unless the provider subsequently updates that licensure information. If a provider updates licensure information via an enrollment case, the Department would then review that information under its normal enrollment processes, verify/confirm the licensure, and update the provider's contract accordingly. If a provider fails to update the license information, the licensed provider's contract would expire, and any claims associated with that provider would deny and not be paid. The Department notes that this audit did not find any instances in which a provider was reimbursed during the audit year during a period of non-licensure. The Department maintains that its processes were adequate to meet its obligations under the applicable federal regulations. While the Department did implement an automated licensure verification process during the audit year, that system upgrade does not mean that, before the implementation of the upgrade, the Department lacked a process to ensure a provider was licensed.

Summary Schedule of Prior Audit Findings					
Finding Number	**Prior Audit Finding Status**				
	FY 2021 Finding:	No finding was issued for 2021 and this program was audited as a major program.			
2019-050	Finding Title:	Internal control over Medicare Part B premium payments needs improvement			
	State Department:	Health and Human Services			
	ALN:	93.775, 93.777, 93.778			
	Initial Finding FY:	2019			
	Questioned Costs:	Questioned Costs	Total	Federal	State
		Known	$134	$86	$48
		Likely	$2,163,872	$1,395,265	$768,607
	FY21 Status:	Corrective action was not completed in FY 2021			
	Explanation:	We continue to address this repeat finding as evidenced by two substantial edits to the standard operating procedures governing Medicare Part B Buy-in reconciliation during the fiscal year. Additional work on this front includes consolidation of legacy tasks previously conducted by the IEVS team migrating to the ACES Helpdesk. Related, we have also conducted a transaction code review to ensure all CMS codes requiring state action are appropriately captured on these reports. The Department is reviewing Information Technology processes in order to determine where system changes may enhance and further automate reconciliation for individuals with SSI and Medicare premium changes.			
	FY 2021 Finding:	2021-053			
2019-051	Finding Title:	Internal control over Acute Care Critical Access Hospital supplemental pool payments needs improvement			
	State Department:	Health and Human Services			
	ALN:	93.775, 93.777, 93.778			
	Initial Finding FY:	2019			
	Questioned Costs:	None			
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required			
	Explanation:	The MaineCare Benefits Manual Section 45, chapter III, 45.04C identifies the data used to determine the relative share will relate to the latest state fiscal year for which there exists an As-Filed Medicare Cost Report or a Final Cost Settlement Report for all critical access hospitals at the time the pool allocation is done. However, the Medicare as filed cost report does not include any MaineCare payment information, so it cannot be used to allocate the pool. The rule then identifies that allocation will be based on the last year when all Finals Cost Settlement reports have been issued. The last year for Maine would be 2011 since we still have outstanding reports from the Fiscal Intermediary for 2012. The Department utilized the 2014 interim audit report data since it would allocate the pool utilizing the same data as the tax is calculated on. The Department is amending the language on the allocation of the pool to better identify the Medicaid payments to be utilized for this calculation.			
	FY 2021 Finding:	No finding was issued for 2021 and this program was audited as a major program			

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2019-052	Finding Title:	Internal control over the eligibility determination process needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The systems we have in place are both necessary and sufficient in meeting programmatic requirements to ensure accurate eligibility determinations are being made. There has been no citation of federal regulation provided by OSA during this review that contradicts this. The Department would like to note: 1. Supervisors do a minimum of 1 case reading per month and a minimum of 1 call monitoring per week for staff on phones. It is commonplace for them to do more, especially for a new employee, or known coaching issues. 2. Prior to 2021, these case readings were tracked by supervisors and units, and were tracked centrally on our Streamline Management Y-Drive. 3. Phone calls can be referenced by Supervisors in real time OR afterwards, via recording. 4. Prior to 2021 specifics of case reading and call monitoring were formalized, with specific expectations in multiple categories, which were followed up on by coaching staff if not all of the expectations were met. However, with a goal of continuous improvement, we were already working on an enhanced system to track Case Reading and Call Monitoring performance statewide which will supersede and further improve upon current practice. A new program and procedure have already been written and are in the process of being vetted and approved by Regional personnel for implementation. This example of continuous quality improvement will lead to a more holistic understanding of trends and training needs.
	FY 2021 Finding:	2021-054
2019-057	Finding Title:	Internal control over ________ assigned to ________ needs improvement (The title of this finding has been redacted to protect confidential information. These redactions appear as blank underlining.)
	State Department:	Administrative and Financial Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-014
2019-061	Finding Title:	Internal control over cash management needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	97.036
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	The Department is working to improve the cash management procedures and to implement the necessary reconciliation and draw processes.
	FY 2021 Finding:	2021-059
2019-062	Finding Title:	Internal control over the evaluation of each subrecipient's risk of noncompliance needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	97.036
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is working to improve the risk assessment procedures and to implement the necessary assessment and monitoring on all subrecipients.
	FY 2021 Finding:	2021-063
2019-063	Finding Title:	Internal control over monitoring subrecipient Single Audits needs to be established
	State Department:	Defense, Veterans and Emergency Management
	ALN:	97.036
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is working to improve and implement procedures as necessary to ensure MEMA meets the subrecipient audit requirements.
	FY 2021 Finding:	2021-060
2020-001	Finding Title:	Internal control over the valuation of the allowance for uncollectible taxes receivable needs improvement
	State Department:	Administrative and Financial Services
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-002	Finding Title:	Internal control over receivable reconciliations needs improvement
	State Department:	Administrative and Financial Services
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department agrees with this finding; however, we are unable, at this point, to confirm or refute the accumulated discrepancy until the conclusion of the ongoing engagement with our contractor. Due to the complexity of Lottery operations compounded by an inability to hold regular meetings in person due to the pandemic, the engagement has been extended. It is now planned that by March 31, 2022, a streamlined accounting process, an updated current procedure manual and requisite

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		training will be concluded. Processes will be in place to provide a monthly reconciliation of Accounts Receivable by retailer.
	FY 2021 Finding:	2021-001
2020-003	Finding Title:	The Department of Administrative and Financial Services' ________ over the ________ and ________ of ________ needs improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Administrative and Financial Services
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	ML-21-0903-02
2020-004	Finding Title:	________ over the Maine Revenue Services ________ needs improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Administrative and Financial Services
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	This audit finding does not warrant further action
	Explanation:	This finding is no longer applicable to the Maine Revenue Services and has been directed towards the Office of Information Technology
	FY 2021 Finding:	2021-013
2020-005	Finding Title:	Internal control over the recording of OFI overpayments needs improvement
	State Department:	Administrative and Financial Services Health and Human Services
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The receivable balance in question primarily originates from two Federal programs: Temporary Assistance for Needy Families (TANF) and the Supplemental Nutrition Assistance Program (SNAP). The U.S. Department of Health and Human Services' Office of Family Assistance provides guidance on the recovery of overpayments for the TANF program. Program Instruction TANF-ACF-PI-2006-03 (Collecting and Repaying Overpayments Made to Families under the Aid to Families with Dependent Children (AFDC) Program and the Temporary Assistance for Needy Families (TANF) Program) makes it clear that as of October 1, 1996 the collection of overpayments should be utilized for program purposes. It is implicit in these same instructions that no liability is

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
		created for the State for uncollected funds. It is for these reasons that recording a general fund liability for TANF overpayments would be erroneous. The recovery of overpayments for SNAP households is covered by 7 CFR 273.18 (a)(2). This CFR specifies that claims against households, the action required to be established for the overpayment of benefits, is specifically identified as a Federal debt. This proclamation would preclude the State from recording this as a general fund liability. In addition to the citations provided above, the Office of the State Controller requested and received confirmation that supports our position that recording a liability is not necessary from the Federal Office of Administration for Children and Families, and, the U.S. Department of Agriculture for the TANF and SNAP programs, respectively.
	FY 2021 Finding:	2021-003
2020-006	Finding Title:	The State has ________ that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Judicial Branch
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-007
2020-007	Finding Title:	Internal control over the valuation of the allowance for uncollectible fines and fees receivable needs improvement
	State Department:	Judicial Branch Administrative and Financial Services
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Administrative Office of the Courts and OSC agree with the process description. Judicial provides the aging report and OSC calculates the reserve. OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is conservative, not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC accumulates relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. The OSC will continue to reserve 100% of all fines over 180 days old, which has been the acceptable method for many years.

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY 2021 Finding:	2021-008
2020-008	Finding Title:	Internal control over unemployment insurance financial reporting needs improvement
	State Department:	Labor Administrative and Financial Services
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-009	Finding Title:	Internal control over the valuations of the allowances for uncollectible unemployment insurance-related receivables needs improvement
	State Department:	Labor Administrative and Financial Services
	ALN:	N/A - Financial Statement Finding
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Departments agree that detailed receivables reports should be generated and retained during the fiscal year. OSC will provide guidance to DOL to develop a reporting mechanism that will provide a more detailed analysis of the activity of the receivable balances. OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC and the Department of Labor (DOL) accumulate relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. OSC recently performed a five-year trend analysis of historical collections with information provided by DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. DOL implemented a new system and OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.
	FY 2021 Finding:	2021-009
2020-010	Finding Title:	________ and ________ over ________ need improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Administrative and Financial Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2014

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-011	Finding Title:	The Department has no ________ that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Education
	ALN:	84.027, 84.173
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-005
2020-012	Finding Title:	The Department of Health and Human Services has no ________ that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-013	Finding Title:	The Department of Labor has no ________ that ________ over the ________ is adequate (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Labor
	ALN:	17.225
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-011
2020-014	Finding Title:	________ over the Department of Transportation ________ needs improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Transportation Administrative and Financial Services
	ALN:	20.205, 20.219, 20.509
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-010

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="8">2020-015</td><td>Finding Title:</td><td colspan="4">The Department of Transportation has not completed a ________ that complies with State policy or industry best practice (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)</td></tr>
<tr><td>State Department:</td><td colspan="4">Transportation
Administrative and Financial Services</td></tr>
<tr><td>ALN:</td><td colspan="4">20.205, 20.219; 20.509</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Corrective action was not completed in FY 2021</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department is taking steps to address and remediate this condition</td></tr>
<tr><td>FY 2021 Finding:</td><td colspan="4">2021-010</td></tr>
<tr><td rowspan="8">2020-016</td><td>Finding Title:</td><td colspan="4">________ over the ________ needs improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)</td></tr>
<tr><td>State Department:</td><td colspan="4">Transportation
Administrative and Financial Services</td></tr>
<tr><td>ALN:</td><td colspan="4">20.205, 20.219; 20.509</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2020</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Corrective action was not completed in FY 2021</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department is taking steps to address and remediate this condition</td></tr>
<tr><td>FY 2021 Finding:</td><td colspan="4">2021-010</td></tr>
<tr><td rowspan="6">2020-017</td><td>Finding Title:</td><td colspan="4">Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services</td></tr>
<tr><td>ALN:</td><td colspan="4">10.551, 10.561; 93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2020</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Corrective action was taken during FY 2021</td></tr>
<tr><td rowspan="9">2020-018</td><td>Finding Title:</td><td colspan="4">Internal control over SNAP benefit calculations within the automated data processing system needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">10.551, 10.561</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$74</td><td>$74</td><td>$0</td></tr>
<tr><td>Likely</td><td>$111,273</td><td>$111,273</td><td>$0</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Management disagrees with this finding and does not believe that corrective action is required</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department disagrees with this finding. We do not agree that this finding rises to the level of a significant deficiency; additionally, we disagree with the assertion that there are not procedures in place to ensure</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		that the information entered into ACES is accurate and complete. We do agree that there was one TFA client with an overpayment; however, this does not represent a structural or programmatic deficiency. Our federally funded Quality Control unit follows federal standards and requirements which further represent an additional internal control for both SNAP and TFA. A total of 60 cases were reviewed for audit, 2 of them were TFA cases and 58 were SNAP. TFA is included in the Payment Error Rate determined by FNS and should be for the purpose of this audit. A sample size of only 2 TFA cases reviewed does not provide statistical evidence of noncompliance (or compliance).
	FY 2021 Finding:	No finding was issued for 2021 and this program was audited as a major program.
2020-019	Finding Title:	Internal control over the issuance of SNAP benefits needs improvement
	State Department:	Health and Human Services
	ALN:	10.551, 10.561
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	Although we agree with this finding, it should be noted that all of the exceptions found were prior to the implementation of a revised standard operating procedure governing the Date of Death processing which was implemented near the end of the audit period, on April 26, 2021. This repeat finding has been fully addressed.
	FY 2021 Finding:	2021-015
2020-020	Finding Title:	________ over the ________ system needs improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Health and Human Services
	ALN:	10.551, 10.561; 93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department disagrees with this finding and will not be taking steps to address and remediate this condition
	FY 2021 Finding:	2021-012 and 2021-017
2020-021	Finding Title:	Internal control over cash balances needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	The Service Center will modify the current grant cash balance analysis to include separating the WIC NSA Admin and the WIC Food grants. This will be completed by March of 2022. They will also finalize grant reconciliations for the WIC Food grants from 2017 to present. This will be completed by December of 2022.
	FY 2021 Finding:	2021-018
2020-022	Finding Title:	Internal control over subrecipient monitoring needs improvement
	State Department:	Health and Human Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department will implement a process to complete the MERs as time allows and prioritize current year MERs to ensure compliance with the regulation. The Department has hired additional staff to assist with the completion of the MERs. The Department will meet at least quarterly to check on the progress of the MERs.
	FY 2021 Finding:	2021-019
2020-023	Finding Title:	Internal control over the WIC infant formula rebate process needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	10.557
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-024	Finding Title:	Internal control over subrecipient awards needs improvement
	State Department:	Health and Human Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Division of Contract Management will collaborate with MeCDC to implement controls to ensure subrecipient awards are complete, accurate and in accordance with Federal regulations.
	FY 2021 Finding:	2021-020
2020-025	Finding Title:	________ over the ________ system needs improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Health and Human Services
	ALN:	10.557
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status				
2020-026	Finding Title:	Internal control over Unemployment Insurance claim payments needs improvement			
	State Department:	Labor			
	ALN:	17.225			
	Initial Finding FY:	2011			
	Questioned Costs:	Questioned Cost	Total	Federal	State
		Known	$63,371,162	$37,047,183	$26,323,979
		Likely	Undeterminable	Undeterminable	Undeterminable
	FY21 Status:	Corrective action was not completed in FY 2021			
	Explanation:	The Department partially agrees with this finding. The finding states that the Department's system does not ensure that benefit payments to ineligible claimants are prevented or detected prior to the issuance of payments. The Department collects the necessary information to determine initial and ongoing eligibility. It is important to note that both federal and state law prohibit the withholding of payment from someone who is already receiving benefits when a potential eligibility issue is identified. The Department must gather additional information and issue a written determination, which also includes notification of the right to appeal the determination. In the meantime, payments must be made. If the Department issues a determination that the individual was ineligible, an overpayment is created, and repayment is required. The finding further states that the Department has insufficient controls in place to detect possible unreported employment or wages when a transitional (back-to-back) benefit year is filed. The Department will research the availability of any additional tools or programming needed to detect wages reported by employers that have not been reported by claimants when a transitional benefit year is filed. Given the time difference that occurs between when a claim is filed and when an employer is statutorily required to report wages or employment, overpayments that occur when the claimant willfully misrepresents facts cannot be completely avoided. In those circumstances, the repayment of benefits also includes interest and penalties. The finding also states that working part-time should not have been considered as a work search activity after the Department's return to more traditional work search activities in May 2021. Maine was one of the first states to restore a work search requirement under the Pandemic – many continued a work search waiver through all of 2021. The Department began partially lifting a work search in 2020, and then moved closer to pre-Pandemic allowed work search activities in May 2021. Though working part-time was not considered a qualified work search activity prior to the pandemic, continued concerns regarding COVID-19 infection, lack of childcare, remote schooling, and businesses opening but not immediately returning to full employment, informed the Department's decision to continue our earlier decision to allow acceptance of part-time work to satisfy the work search requirement beyond May 2021. This encouraged those who had been unemployed for an extended period to maintain a connection to the workforce by accepting part time work. Neither Maine			

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
		law nor rules fully define what constitutes a work search, this is set by the Department. People were notified of the change in the activities that would be accepted as satisfying the work search by email, website, and the press. The finding furthermore states that the Department erred in paying benefits to individuals collecting on the Pandemic Unemployment Assistance (PUA) program pending receipt of required proof of employment documentation (POE). When the guidance around PUA POE was released in UIPL 16-20, change 4, the Department reached out via e-mail to USDOL through their dedicated COVID-19 inbox to ask whether claimants should be paid pending receipt of PUA POE. The response from USDOL clearly stated the Department should not hold up benefits pending receipt of PUA POE. States are required to follow federal guidance on these federal programs. The finding states the Department needs additional controls for claims filed after a claimant's date of death, as well around the claimants age when filing a claim for benefits. The Department agrees that the current crossmatch with the state's Vital Records office that identifies deceased claimants should be enhanced. As with reporting of quarterly wages, there are timing differences that cannot be avoided, and overpayments cannot be completely ruled out. Overpayments, penalties, and prosecutions are all considered when it is determined someone falsely filed for benefits using a deceased person's information. Regarding the age of the individual filing for benefits, controls will be reviewed and enhanced where appropriate. Of the three claimants identified as being over 100 years old, two were eligible for the benefits they received. The third required a correction to the person's date of birth.
	FY 2021 Finding:	2021-021
2020-027	Finding Title:	________ for the ________ system need improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Labor
	ALN:	17.225
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-028	Finding Title:	Internal control over subrecipient monitoring procedures needs improvement
	State Department:	Transportation
	ALN:	20.509
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-029	Finding Title:	Internal control over cash management needs improvement
	State Department:	Administrative and Financial Services
	ALN:	84.027, 84.173
	Initial Finding FY:	2020

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-030	Finding Title:	________ and ________ for the ________ system need improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Education
	ALN:	84.173, 84.027
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-006
2020-031	Finding Title:	Internal control over claim reimbursements needs improvement
	State Department:	Labor
	ALN:	84.126
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	Since February of 2020, the Bureau of Rehabilitation Services (BRS) Quality Assurance (QA) Division, with assistance from Maine IT, is working closely with the AWARE case management system vendor to resolve issues with the Social Security Administration (SSA) cost reimbursement module. The QA Division does have a number of internal controls in place regarding the processing of SSA cost reimbursement claims, including the review of each payment received to confirm which client and claim it is associated with and assessing any difference between the claim and payment amount. In addition, bureau management reviews a quarterly report indicating claims submitted, potential reimbursement, number of denials and approvals and total reimbursement amount. Going forward, BRS will enhance its claims review process. On a quarterly basis the Bureau will analyze the report and identify any patterns or discrepancies to determine which need further investigation. Keeping in mind that BRS does not have access to some of the data SSA uses in determining the final claim amount, such as beneficiary eligibility periods and anticipated savings to the SSA trust fund, it is likely that differences in the claim amount requested and received will continue for a significant percentage of claims.
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2020-032	Finding Title:	Internal control over the timeliness of eligibility determinations needs improvement
	State Department:	Labor
	ALN:	84.126
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	In the Fall of 2020, the Division of Vocational Rehabilitation (DVR) issued an updated procedural directive on the eligibility process that set a maximum timeframe from date of application to date of intake. It also provides guidelines on how to streamline the eligibility process. All DVR/DBVI VR staff were trained on the streamlined process in November and December of 2020. That training is now included in the training for all new VR counselors and is posted on the bureau's intranet for future reference. BRS (DVR and DBVI) has several internal control procedures in place to monitor the requirement for a 60-day eligibility or a signed eligibility extension. There are also reports available in the AWARE case management system to assist VR counselors, supervisors and managers with monitoring eligibility due dates and organizing their work. BRS will provide a refresher staff training on how to generate and use these reports. The BRS QA unit will also provide regional reports to the Division Directors and Regional Managers on a monthly basis to assist with monitoring. It should be noted that even with effective internal controls in place, BRS often faces difficulties contacting applicants to arrange for an intake to establish eligibility or to get a signature to approve an eligibility extension. The impact of the COVID pandemic has added challenges to the eligibility determination process as well. Despite the aforementioned issues, DVR and DBVI placed a higher priority on keeping cases open during this unprecedented time.
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2020-033	Finding Title:	Internal control over Federal cash management needs improvement
	State Department:	Administrative and Financial Services Labor
	ALN:	84.126
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	Cash on hand exceeded the administratively feasible time of seven business days. In seven business days, 77% of the cash drawn was expended. The cash drawn was fully expended in 17 business days. As stated in the Context section, 149 draws were processed in compliance with the cash management requirements. This one anomaly occurred at the end of the state fiscal year when the focus was on processing as many documents as possible within the applicable fiscal year. In addition, staff were still adjusting to working remotely in the pandemic environment. The internal controls in place identified the error. Because the process to return funds is administratively burdensome and the Department anticipated expending within a reasonable amount of time, the decision was made to not return the funds. The Department recognizes the need to accurately calculate the amount of cash being requested, especially considering that funds cannot be returned in the same manner that they are drawn.
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program
2020-034	Finding Title:	Internal control over provider site visits needs improvement
	State Department:	Health and Human Services

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	ALN:	93.268
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	This finding is directly related to an alternative plan developed by the State of Maine during FY2021 when on-site VFC Compliance Visits were temporarily suspended. The Department will update procedures to ensure provider monitoring is documented and records are maintained. The Department will update procedures to ensure supervisory oversight is completed, documented, and maintained.
	FY 2021 Finding:	2021-035
2020-035	Finding Title:	Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement
	State Department:	Health and Human Services
	ALN:	93.268
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-036	Finding Title:	Internal control over Federal cash management needs improvement
	State Department:	Administrative and Financial Services
	ALN:	93.268
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-037	Finding Title:	________ over the ________ system needs improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Health and Human Services
	ALN:	93.268
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-036
2020-038	Finding Title:	________ and ________ for the ___________ system need improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Health and Human Services
	ALN:	93.268
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition

<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></td><td>FY 2021 Finding:</td><td colspan="4">2021-037</td></tr>
<tr><td rowspan="9">2020-039</td><td>Finding Title:</td><td colspan="4">Internal control over payments made on behalf of TANF clients needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2018</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$18,606</td><td>$18,606</td><td>$0</td></tr>
<tr><td>Likely</td><td>$608,524</td><td>$608,524</td><td>$0</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Corrective action was not completed in FY 2021</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department agrees with the condition statement and recommendations.

Regarding client payments: During SFY 2021, the Department formalized and implemented additional supervisory case readings (two per worker per week) and call monitoring (two calls a week, randomly selected). In addition, the Work Support Team Supervisor conducts partial reviews of approximately 25 percent of the cases worked on a daily basis. The Department will provide additional guidance to eligibility and other related workers regarding notification to the Work Support Team when the Department receives information that may affect payments.

Regarding provider payments: The Department will examine the existing internal controls over payments, billing, invoice structures and mechanisms, including monitoring, to determine if the errors discovered were related to human error and/or lack of training or clarity in existing vendor payment controls.</td></tr>
<tr><td></td><td>FY 2021 Finding:</td><td colspan="4">2021-040</td></tr>
<tr><td rowspan="8">2020-040</td><td>Finding Title:</td><td colspan="4">Internal control over TANF client child support sanction procedures needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2020</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Corrective action was not completed in FY 2021</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department agrees with the condition statement noted in the audit finding for the audit period ending June 30, 2021.

The Department implemented a solution to this issue during the audited year, in March of 2021, as represented by a direct communication to staff as well as subsequent communications including an SOP governing this process</td></tr>
<tr><td>FY 2021 Finding:</td><td colspan="4">2021-046</td></tr>
<tr><td rowspan="3">2020-041</td><td>Finding Title:</td><td colspan="4">Internal control over TANF performance reporting and work participation procedures needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">93.558</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken in FY 2021 for the secondary review portion of this finding Corrective action was not completed in FY 2021 for the work participation and countable month portion of this finding
	Explanation:	The Department agrees with this finding and recommendations regarding the 28 cases containing errors. The Department will investigate and identify the source or cause of errors found which led to incorrect month counts. The Department will modify the existing Quality Review Tool. Additionally, we will review, and edit if necessary, the existing procedures governing this process.
	FY 2021 Finding:	2021-047
2020-042	Finding Title:	Internal control over subrecipient cash management needs improvement
	State Department:	Health and Human Services
	ALN:	93.558; 10.557; 93.044, 93.045, 93.053; 93.667; 93.569; 93.917
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department disagrees with this finding. The Department reviews budgeted expenses to determine their timing and nature (one time, recurring, allowability); reviews quarterly expense reports and alters payments to meet immediate cash needs, and finally, monitors subrecipient single audits to ensure there are no cash management findings. Additionally, our subrecipient's programs are tested more frequently and at a lower threshold than the threshold for single audits in accordance with the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP). The Department's approach is administratively reasonable and does minimize the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes given administrative and operational needs. We believe we have procedures in place that can be corroborated by the fact that our subrecipients do not receive single audit findings related to cash management.
	FY 2021 Finding:	2021-042
2020-043	Finding Title:	Internal control over Income Eligibility and Verification System procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	With only three disagreements regarding the discrepancies cited in the Condition statement above, the Department agrees with this finding. Four standard operating procedures governing IEVS reporting were modified in

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		fiscal year 2021. However, largely due to the pandemic, combined with manual processing, we did witness an uptick in errors. The Department has created a Technology Roadmap workgroup and IEVS automation is a component of this project.
	FY 2021 Finding:	2021-043
2020-044	Finding Title:	Internal control over risk evaluation procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	Although there are several layers of risk evaluation built into the subrecipient monitoring process, the Department agrees that there should be a policy regarding the evaluation of risk to determine the appropriate subrecipient monitoring.
	FY 2021 Finding:	2021-048
2020-045	Finding Title:	Internal control over special reporting needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-046	Finding Title:	________ over the ________ system needs improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2018
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-044
2020-047	Finding Title:	________ and ________ for the ________ system need improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Health and Human Services
	ALN:	93.659, 93.658, 93.596, 93.575
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	No finding was issued for FY 2021; however, this program was not audited as a major program

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2020-048	Finding Title:	Internal control over Hospital and Long Term Care Facility audits needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021 for the LTCF – Nursing Facilities and Hospitals portion of the finding Management disagrees with the LTCF – ICF/IID's portion of this finding and does not believe that corrective action is required
	Explanation:	The Department agrees with this finding in regard to LTCF - Nursing Facilities and Hospitals. The delay in completing the Nursing Facilities audits is the result of staff shortages and competing priorities due to COVID-19 funds which required audit resources to reconcile interim payments. While hospitals were not completed within the one-year timeline identified in policy, one audit being 12 days late should not be considered material. The hospital audits are tracked on a weekly basis and staff are dedicated to completing the audits. We are currently on pace to complete them all within the one-year timeline; therefore, no corrective action is necessary. The Department disagrees with this finding in regard to LTCF - ICF/IID's. The ICF/IID audits do not have a specific time requirement in MBM for completion. The federal regulations only require that periodic audits of financial records occur. All ICF/IID cost reports submitted to the Department are recorded in a database and tracked for audit purposes. All cost reports are audited as resources are available. We have worked with our Federal partners who have agreed with our interpretation of the regulation and the timing of our audits for the ICF/IIDs.
	FY 2021 Finding:	2021-050
2020-049	Finding Title:	Internal control over Medicaid Cost of Care assessments and deductions needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department agrees with this finding and has a quality assurance process for monitoring manually adjusted cost of care assessments as reflected in the standard operating procedures which underwent a major revision, effective June 30, 2020. This new business process was in effect for the entire audited year. From the sample that was tested, the Department achieved a 95% compliance rate and will commit to continuing to achieve at least 95%. No corrective action is necessary.
	FY 2021 Finding:	2021-055
2020-050	Finding Title:	Internal control over Automated Data Processing Risk Analysis and System Security Reviews needs improvement
	State Department:	Health and Human Services

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		Administrative and Financial Services
	ALN:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-051	Finding Title:	Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department agrees that the cases identified lacked documentation to support the reason for an extended period of non-activity. Three of the five cases identified have been subsequently closed and require no additional action. The remaining two cases are being addressed by the Program Manager. Procedures will be established to run a quarterly report and evaluate outstanding cases for closure or reassignment.
	FY 2021 Finding:	2021-051
2020-052	Finding Title:	Internal control over compliance with eligibility determination requirements needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department disagrees with this finding. OSA has misinterpreted MaineCare policy by excluding the eligibility system (ACES) as part of the electronic case record. Electronic data sources are required per federal regulations and documentation of citizenship and identity verifications are stored within ACES. The requirement to verify identity is part of Medicaid citizenship verification requirements. Maine verifies citizenship and identity through electronic data matches in accordance with 42 CFR §435.949; the results of this match are stored in ACES. The state cannot request paper documentation from applicants after successful electronic verification for the purpose of storing it in another system, nor can we establish more restrictive verification requirements than those allowed by federal regulations. This was a prior year finding (2020-052) that the Department disagreed with and the cognizant agency, CMS, agreed with the Department's position and closed the finding.
	FY 2021 Finding:	2021-052
2020-053	Finding Title:	Internal control over Medicare Part B premium payments needs improvement
	State Department:	Health and Human Services Administrative and Financial Services

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<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"></td><td>ALN:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$279</td><td>$187</td><td>$92</td></tr>
<tr><td>Likely</td><td>$4,675,373</td><td>$3,136,240</td><td>$1,539,133</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Corrective action was not completed in FY 2021</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department agrees with this finding. We continue to address this repeat finding as evidenced by two substantial edits to the standard operating procedures governing Medicare Part B Buy-in reconciliation during the fiscal year. Additional work on this front includes consolidation of legacy tasks previously conducted by the IEVS team migrating to the ACES Helpdesk. Related, we have also conducted a transaction code review to ensure all CMS codes requiring state action are appropriately captured on these reports.

The Department is reviewing Information Technology processes in order to determine where system changes may enhance and further automate reconciliation for individuals with SSI and Medicare premium changes</td></tr>
<tr><td>FY 2021 Finding:</td><td colspan="4">2021-053</td></tr>
<tr><td rowspan="7">2020-054</td><td>Finding Title:</td><td colspan="4">Internal control over the eligibility determination process needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2019</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY21 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 systems we have in place are both necessary and sufficient in meeting programmatic requirements to ensure accurate eligibility determinations are being made. There has been no citation of federal regulation provided by OSA during this review that contradicts this.   The Department would like to note: 1. Supervisors do a minimum of 1 case reading per month and a minimum of 1 call monitoring per week for staff on phones. It is commonplace for them to do more, especially for a new employee, or known coaching issues. 2. Prior to 2021, these case readings were tracked by supervisors and units, and were tracked centrally on our Streamline Management Y-Drive. 3. Phone calls can be referenced by Supervisors in real time OR afterwards, via recording. 4. Prior to 2021 specifics of case reading and call monitoring were formalized, with specific expectations in multiple categories, which were followed up on by coaching staff if not all of the expectations were met. However, with a goal of continuous improvement, we were already working on an enhanced system to track Case Reading and Call Monitoring performance statewide which will supersede and further improve upon current practice. A new program and procedure have already been written and are in the process of being vetted and approved by Regional personnel for implementation. This example of continuous quality improvement will lead to a more holistic understanding of trends and training needs.</td></tr>
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<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></td><td>FY 2021 Finding:</td><td colspan="4">2021-054</td></tr>
<tr><td rowspan="8">2020-055</td><td>Finding Title:</td><td colspan="4">Internal control over the Medicaid and CHIP payment files needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services
Administrative and Financial Services</td></tr>
<tr><td>ALN:</td><td colspan="4">93.775, 93.777, 93.778; 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2020</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>$448,211 Medicaid
($448,211) CHIP</td><td>$289,186 Medicaid
($439,964) CHIP</td><td>$159,025 Medicaid
($8,247) CHIP</td></tr>
<tr><td>Likely</td><td colspan="3">None</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Corrective action was taken during FY 2021</td></tr>
<tr><td rowspan="8">2020-056</td><td>Finding Title:</td><td colspan="4">Internal control over payment of claims needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2020</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Corrective action was not completed in FY 2021</td></tr>
<tr><td>Explanation:</td><td colspan="4">OFI Response: While The Department acknowledges 13 exceptions were found during the audit period ending June 30, 2021, it should be noted that all of these occurred prior to our updated standard operating procedure governing Date of Death processing which was implemented on April 26, 2021.

OMS Response: The Department has procedures in place among multiple units to identify and recover claims paid with dates of service after the date of death. Starting in February 2019, the Adjustment Unit receives updates from the Change Management Unit when there is a change to a member’s date of death and then adjusts/reverses any affected claims. The Program Integrity Unit runs an annual DOD report (implemented in November 2020) to identify and recover any overpayments. For context regarding the efficacy of the Department’s current procedures, there was an error rate of .000003 for claims with dates of service after the date of death.</td></tr>
<tr><td>FY 2021 Finding:</td><td colspan="4">2021-056</td></tr>
<tr><td rowspan="6">2020-057</td><td>Finding Title:</td><td colspan="4">Internal control over Prospective Interim Payments to hospitals needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2020</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY21 Status:</td><td colspan="4">Corrective action was taken during FY 2021</td></tr>
<tr><td rowspan="3">2020-058</td><td>Finding Title:</td><td colspan="4">Internal control over Patient Service Revenue needs improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>ALN:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The condition incorrectly states that the DHHS Division of Audit is responsible for calculating each hospital's annual PSR tax. The Division of Audit has no authority to determine the amount of tax, collect the tax or enforce the tax.
	FY 2021 Finding:	No finding was issued for 2021 and this program was audited as a major program.
2020-059	Finding Title:	Internal control over the outsourced medical claims coding process needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	A Change Request has been made with the vendor to process claims using the MII RISSNET files. OMS is currently evaluating the Change Request development schedule and estimates that this will be completed and deployed by September of 2022. Currently the MIHMS NCCI reference tables are updated by publicly available files found on the Medicaid website. CMS requires States to update the MIHMS NCCI reference tables with NCCI edit files that are available on the Medicaid Integrity Institute (MII) secure portal (RISSNET). The Change Request was also created to set up a process to update the MIHMS NCCI reference tables with the RISSNET NCCI edit files.
	FY 2021 Finding:	2021-057
2020-060	Finding Title:	Internal control over the financial reporting process needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was taken during FY 2021
2020-061	Finding Title:	Internal control over provider license verification procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY21 Status:	Management disagrees with this finding and does not believe that corrective action is required.

<table>
<tr><th colspan="3">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="2">Prior Audit Finding Status</th></tr>
<tr><td rowspan="2"></td><td>Explanation:</td><td>The system upgrade was a process enhancement and not the result of a control or compliance deficiency. The Department's longstanding licensure verification process is to term a provider's contract with MaineCare concurrent to the period of licensure for that provider as supplied during enrollment. In other words, the licensed provider's ability to bill and be reimbursed by MaineCare would end with the last effective date of the provider's license as supplied by the provider, unless the provider subsequently updates that licensure information. If a provider updates licensure information via an enrollment case, the Department would then review that information under its normal enrollment processes, verify/confirm the licensure, and update the provider's contract accordingly. If a provider fails to update the license information, the licensed provider's contract would expire, and any claims associated with that provider would deny and not be paid. The Department notes that this audit did not find any instances in which a provider was reimbursed during the audit year during a period of non-licensure. The Department maintains that its processes were adequate to meet its obligations under the applicable federal regulations. While the Department did implement an automated licensure verification process during the audit year, that system upgrade does not mean that, before the implementation of the upgrade, the Department lacked a process to ensure a provider was licensed.</td></tr>
<tr><td>FY 2021 Finding:</td><td>No finding was issued for 2021 and this program was audited as a major program.</td></tr>
<tr><td rowspan="8">2020-062</td><td>Finding Title:</td><td>________ over the Office of Information Technology’s ________ procedures needs improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)</td></tr>
<tr><td>State Department:</td><td>Administrative and Financial Services</td></tr>
<tr><td>ALN:</td><td>93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td>2020</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY21 Status:</td><td>Corrective action was not completed in FY 2021</td></tr>
<tr><td>Explanation:</td><td>The Department is taking steps to address and remediate this condition</td></tr>
<tr><td>FY 2021 Finding:</td><td>2021-013</td></tr>
<tr><td rowspan="8">2020-063</td><td>Finding Title:</td><td>________ and ________ needs improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)</td></tr>
<tr><td>State Department:</td><td>Administrative and Financial Services</td></tr>
<tr><td>ALN:</td><td>93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td>2017</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY21 Status:</td><td>Corrective action was not completed in FY 2021</td></tr>
<tr><td>Explanation:</td><td>The Department is taking steps to address and remediate this condition</td></tr>
<tr><td>FY 2021 Finding:</td><td>2021-014</td></tr>
<tr><td rowspan="2">2020-064</td><td>Finding Title:</td><td>________ over the Office for Family Independence ________ and ________ needs improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)</td></tr>
<tr><td>State Department:</td><td>Health and Human Services</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	ALN:	93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	This audit finding does not warrant further action
	Explanation:	This finding is no longer applicable to the Office for Family Independence and has been directed towards the Office of Information Technology
	FY 2021 Finding:	2021-013
2020-065	Finding Title:	________ for the ________ system need improvement (The title of this finding has been redacted to protect confidential information. This appears as blank underlining.)
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767; 93.558; 10.551, 10.561
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY21 Status:	Corrective action was not completed in FY 2021
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2021 Finding:	2021-058

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