



STATE OF MAINE
SINGLE AUDIT SUMMARY
FOR THE YEAR ENDED JUNE 30, 2017

MAINE _____
POLA BUCKLEY
_____ STATE AUDITOR

State of Maine - Single Audit for Fiscal Year 2017

Summary of Results

The Single Audit is inherently critical of internal control processes and the results of operations. Professional standards do not allow the Office of the State Auditor (OSA) to comment on what we often find that meets or exceeds what an individual would expect from good government.

We express our appreciation for the cooperation and professional courtesy extended to us by State personnel during the course of the audit.

All activities of State government are subject to audit. The State had revenues of \$8.2 billion and expenditures of \$8.1 billion in fiscal year 2017. This includes \$3.0 billion in Federal financial assistance, as reported on the Schedule of Expenditures of Federal Awards. As a condition of receiving Federal funds, the State is subject to an annual “Single Audit” of its financial statements and of its compliance with Federal grant requirements.

What is Maine’s Single Audit?

Maine’s Single Audit is a rigorous, independent review of the State’s systems of internal control over Federally-funded programs and compliance with program regulations in accordance with the Federal Single Audit Act of 1984. OSA audited State expenditures required as a matching share for several Federal programs. We perform the Single Audit as required by MRSA Title 5 § 243. In conducting the audit, we gained an understanding of the State’s internal control structure, assessed the propriety of receipts and disbursements, and tested programs for compliance with State and Federal laws and regulations.

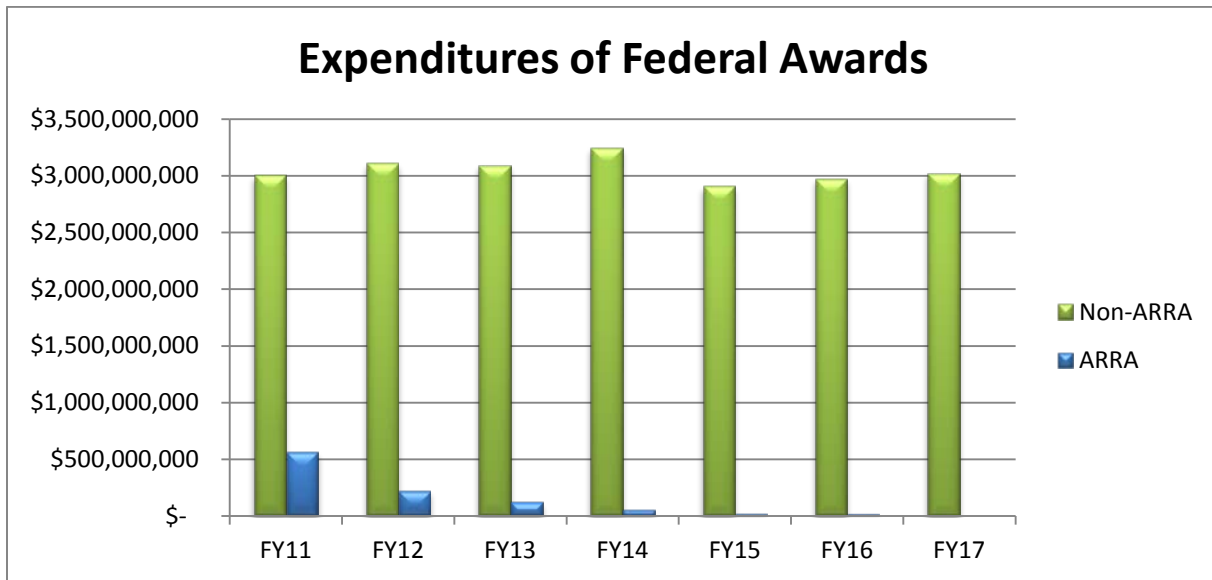
The State Auditor is independent from the Executive branch of government, and reports to the Legislature regarding the results of the Single Audit. The Single Audit Report for fiscal year 2017 includes our audit of the State’s financial statements and also includes our audit of fourteen Federal programs. These Federal programs, administered by five State agencies, represented 77% of the \$3.0 billion in Federal financial assistance expended by the State in fiscal year 2017.

The Single Audit Report is available at <http://maine.gov/audit/osa-reports/2017SingleAuditReport.pdf>

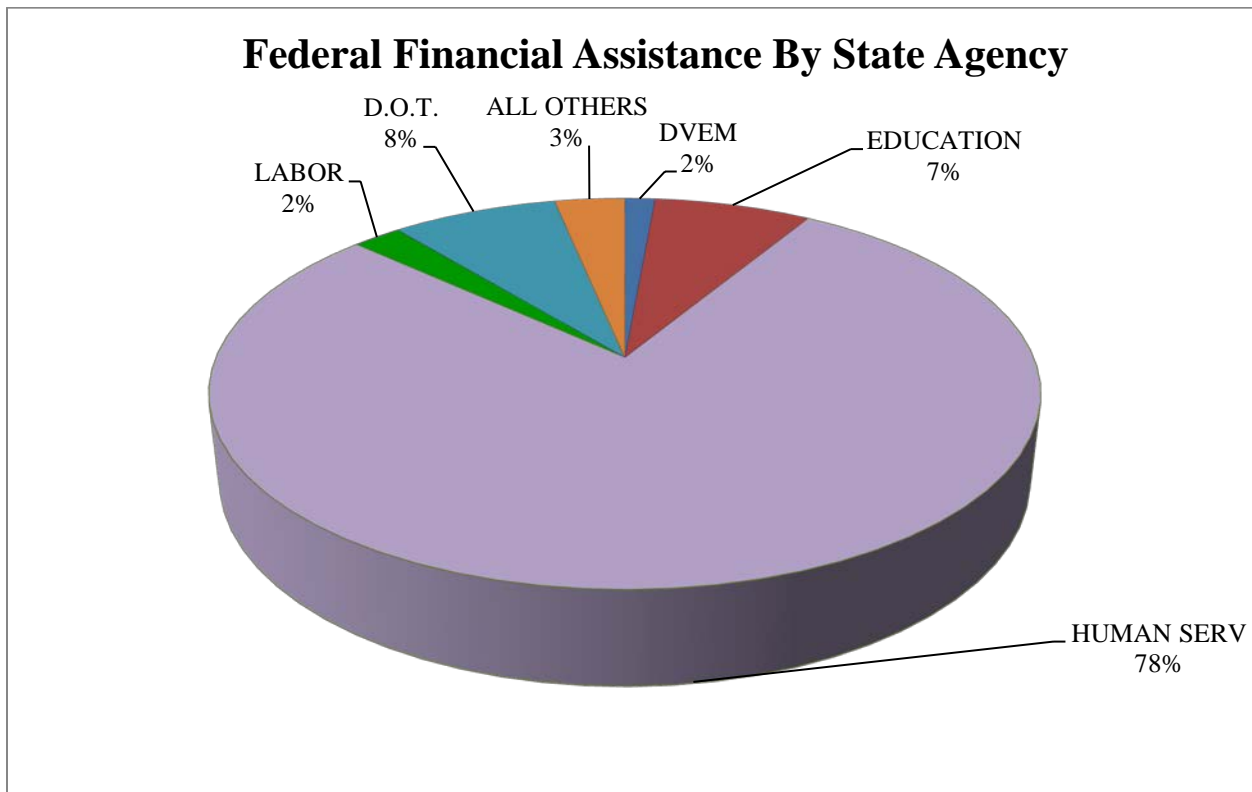
Expenditures of Federal Awards

A detailed listing of all Federal awards expended by the State is presented in the *Schedule of Expenditures of Federal Awards* (SEFA) on pages D-3 through D-12 of our Single Audit report.

The following chart is a graphical representation of the State's SEFA totals over the last seven fiscal years:



The following chart shows the State agencies that spent a total of \$3,026,468,651 in Federal financial assistance during fiscal year 2017:



From a high in fiscal year 2011, Federal ARRA and Non-ARRA financial assistance expended by the State decreased from \$3.6 billion to \$3.0 billion in fiscal year 2017. American Recovery and Reinvestment Act (ARRA) expenditures peaked at \$561 million in 2011 and gradually declined to \$16 million in fiscal year 2017.

Audit Findings

The Uniform Guidance defines several conditions that must be reported as audit findings. The three major types of audit findings are noncompliance with Federal laws and regulations, weaknesses in internal controls, and questioned costs.

Questioned costs are monies that may need to be refunded to the Federal government because of unallowable expenditures. The total amount of questioned costs represents a small portion of the total Federal financial assistance expended during the year. Questioned costs cannot always be quantified, but could still result in the need to return significant grant funds to the respective Federal grantor agency. Internal control audit findings identified weaknesses in the design or operation of policies and procedures that are necessary to safeguard public funds and ensure compliance with laws and regulations. OSA reported a total of thirty-two audit findings this year.

The Federal compliance areas associated with the findings are:

- Activities Allowed or Unallowed
- Allowable Costs/Cost Principles
- Cash Management
- Eligibility (client and provider)
- Procurement and Suspension and Debarment
- Reporting
- Subrecipient Monitoring
- Special Tests and Provisions

Summary of Key Audit Findings

Audit Findings Applicable to Financial Reporting

There were no audit findings applicable to financial reporting.

Audit Findings Applicable to Federal Program Compliance by Federal Program

Unemployment Insurance

One material weakness in internal control and material noncompliance was identified for this program. One hundred two million dollars in unemployment benefits were paid in fiscal year 2017. This includes \$96 million of employer-funded benefit payments and \$6 million in Federally-funded benefit payments. OSA issued a qualified opinion on this program because internal control procedures are not adequate to ensure continuing eligibility. For more information, see finding 2017-006 on page E-33 of the Single Audit Report.

Medicaid (MaineCare)

OSA issued nineteen MaineCare audit findings regarding internal control deficiencies or noncompliance relating to Medicaid. These are listed on pages E-13 and E-14 of the Single Audit Report and are indexed to other pages for additional detail.

Fiscal year 2017 Medicaid findings also include seven confidential findings related to information technology. These matters have been properly communicated to appropriate officials within State and Federal government.

Also included in the fiscal year 2017 findings, is a finding related to Riverview. The context of this finding states that the State continues to draw Federal funds after its decertification in September 2013. In fiscal year 2017, DHHS drew \$14 million from the Federal government that is the subject of a dispute between CMS and Maine DHHS.

TANF Cluster (Temporary Assistance for Needy Families)

OSA issued nine audit findings related to the TANF Cluster. These are listed on page E-11 and E-12 of the Single Audit Report and are indexed to other pages for additional detail. Two of these audit findings are classified as both a material weakness in internal control and as material noncompliance. Both findings indicate the need to improve the monitoring of TANF contracted subrecipients (contractors). One of the two audit findings mentioned is a prior year finding.

Aging Cluster

One of the nine TANF findings referenced in the preceding paragraph is also related to the Aging Cluster. This is reported on page E-39 to E-41 of the Single Audit Report. This finding is classified as both a material weakness in internal control and as a material noncompliance. The finding indicates the need to improve subrecipient monitoring.

Community Services Block Grant (CSBG)

One of the nine TANF findings is also related to the Community Services Block Grant. This is reported on page E-39 to E-41 of the Single Audit Report. This finding also includes CSBG, and the Aging Cluster described in the previous paragraph. The finding is classified as both a material weakness in internal control and as material noncompliance. As stated previously, the finding indicates the need to improve subrecipient monitoring.

Conclusion

We believe you will find our work informative. OSA offers you the opportunity to use the conclusions reached by the Office of the State Auditor as a tool for continuous improvement.