STATE OF MAINE

SINGLE AUDIT REPORT
Uniform Guidance
Fiscal Year Ending June 30, 2018

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

In order to read audit findings by Federal Program, or by State Agency and Federal Compliance Area, or by Finding Type, we recommend that the reader refer to the indexes listed at E-12.

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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STATE OF MAINE
OFFICE OF THE STATE AUDITOR

66 STATE HOUSE STATION
AUGUSTA, ME 04333-0066

TEL: (207) 624-6250

Pola A. Buckley, CPA, CISA
State Auditor

B. Melissa Perkins, CPA
Deputy State Auditor

In order to read audit findings by Federal Program, or by State Agency and Federal Compliance Area, or by Finding Type, we recommend that the reader refer to the indexes listed at E-12.

Letter of Transmittal

Honorable Troy D. Jackson
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

The Honorable Janet T. Mills
Governor of Maine

I am pleased to submit the Single Audit of the State of Maine for the fiscal year ended June 30, 2018. 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 2018, $3.1 billion in Federal financial assistance was received by the State of Maine.

This document contains the following reports and schedules:

- Independent Auditor's Report

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

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

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

- Schedule of Expenditures of Federal Awards

- Schedule of Findings and Questioned Costs

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- Corrective Action Plan

- Summary Schedule of Prior Audit Findings

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

Please contact me if you have questions or comments about the 2018 Single Audit of the State of Maine.

Respectfully submitted,

Pola Buckley

Pola A. Buckley
State Auditor

March 29, 2019

STATE OF MAINE
EXECUTIVE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2018
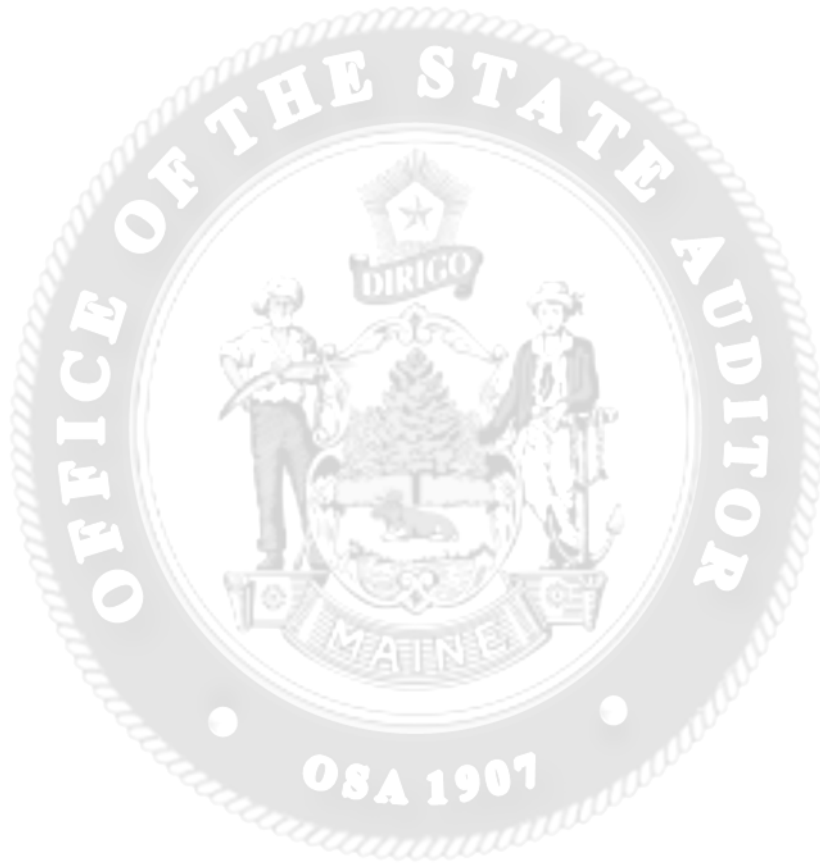
STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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 2018 includes fifteen major Federal programs that represent 73 percent of the $3.1 billion in Federal expenditures for the 2018 fiscal year. This Single Audit Report actually consists of various audit reports, the related financial statements, and Federal audit findings and recommendations.

Independent Auditor's Report

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

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

OSA reported on internal control over financial reporting and did not identify any deficiencies in internal control that we considered to be a material weakness. A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct financial statement misstatements on a timely basis. A *material weakness* is a deficiency, or 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 did not identify any significant deficiencies in this report.

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

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

Compliance with program requirements

OSA qualified the opinion on compliance with program requirements for the Child Nutrition Cluster, Children's Health Insurance Program, Crime Victim Assistance, Food Distribution Cluster, HIV Care Formula Grants, Medicaid Cluster, National Guard Military Operations and Maintenance (O&M) Projects, Social Services Block Grant, TANF Cluster, Unemployment Insurance, and WIC Special Supplemental Nutrition Program for Women, Infants, and Children because of material noncompliance. The remaining four Federal programs complied in all material respects with program requirements.

Internal control over compliance

OSA identified fifty-five 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.

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

Thirty-six 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 $17.3 million of *known questioned costs*. *Questioned costs* are amounts of Federal financial assistance that OSA believes were not spent in accordance with program requirements. The Federal government may or may not disallow these costs and 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, 2018

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General Purpose Financial Statements of the State of Maine
For the Year Ended June 30, 2018

PAGE

STATE OF MAINE

OFFICE OF THE STATE AUDITOR

66 STATE HOUSE STATION

AUGUSTA, ME 04333-0066

TEL: (207) 624-6250

Pola A. Buckley, CPA, CISA
State Auditor

Melissa Perkins, CPA
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Troy Jackson
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2018, 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, revenue and net position of the aggregate discretely presented component units; 94 percent of assets and 98 percent of fund balance/net position of the aggregate remaining fund information (Maine Public Employees Retirement System and Maine Governmental Facilities Authority); and 3% of the liabilities 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, 2018, 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.

Emphasis of a Matter

Change in Accounting Principle

As described in Note 3 to the financial statements, the State of Maine adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in 2018. Our opinion is not modified with respect to this matter.

Change in Reporting Entity

As described in Note 3 to the financial statements, the State of Maine excluded six of the smallest component units from the financial statements in an effort to streamline its reporting burden in 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages B-7 to B-17, and Budgetary Comparison Information, State Retirement Plans, Other Post-Employment Benefit Plans, and Information about Infrastructure Assets Reported Using the Modified Approach on pages B-118 to B-142, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

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

Pola Buckley

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

Augusta, Maine
December 6, 2018
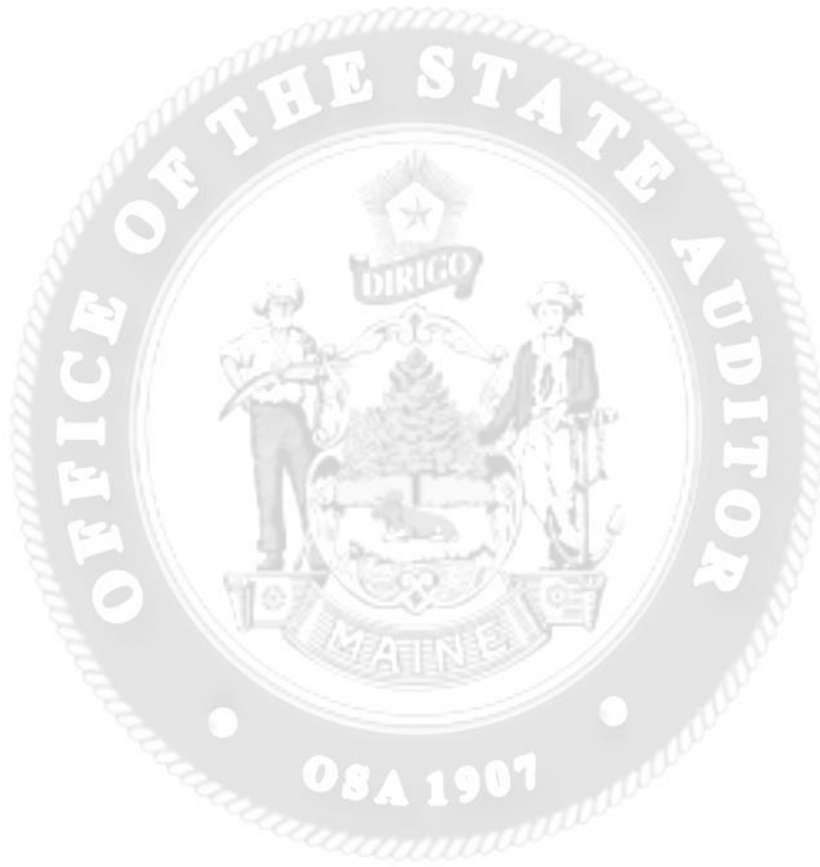
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- The net position of Governmental Activities increased by $344.8 million, while net position of Business-Type Activities increased by $40.9 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by $696.0 million at the close of fiscal year 2018. Of this amount $3.5 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 $3.0 billion, an increase of $124.7 million (4.3 percent) from the previous year. As a result of implementing GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, numerous changes were made to beginning fund balances. For additional information please refer to Note 3 - Accounting Changes and Restatements.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $1.1 billion, an increase of $110.3 million from the previous year. The General Fund's total fund balance was a $332.3 million, an increase of $158.8 million from the previous year. The Highway Fund total fund balance was $3.3 million, a decrease of $19.9 million from the prior year.

- The proprietary funds reported net position at year-end of $697.6 million, an increase of $104.8 million from the previous year. The increase is primarily the result of an increase in the Employment Security Fund of $42.1 million and an increase in four Internal Service Funds; Retiree Health Insurance of $13.3 million, Employee Health Insurance of $21.6 million, Transportation Facilities of $15.5 million and Workers' Compensation of $6.2 million.

Long-term Debt:

- The State's liability for general obligation bonds decreased by $88.4 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. The State did not issue bonds in fiscal year 2018. It made principal payments of $88.4 million.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

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

Both government-wide statements report three activities:

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

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

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

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

- Capital assets used in governmental activities are not reported on governmental fund statements but are included on government-wide statements.

- Certain tax revenues that are earned, but not available, are reported as revenues in the Governmental Activities, but are reported as deferred inflows on the governmental fund statements.

- Other long-term assets that are not available to pay for current period expenditures are recorded as deferred outflows in governmental fund statements, but not deferred on the government-wide statements.

- Internal service funds are reported as Governmental Activities in the government-wide statements, but reported as proprietary funds in the fund financial statements.

- Governmental fund long-term liabilities, such as certificates of participation, net pension liabilities, compensated absences, bonds and notes payable, and others appear as liabilities only in the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is recorded as expenditures on the governmental fund statements.

- Proceeds from bonds, notes and other long-term financing arrangements result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.

- Net position balances are allocated as follows:

  - *Net Investment in Capital Assets* are capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction or improvement of those assets.

  - *Restricted Net Position* are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation.

  - *Unrestricted Net Position* is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet any of the above restrictions.

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net position increased to $696.0 million over the course of fiscal year ended June 30, 2018, as detailed in Tables A-1 and A-2. The increase is primarily due to a decrease in total liabilities and an increase in net revenue for governmental and business-type activities.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	**2017***	**2018**	**2017***	**2018**	**2017***
Current and other noncurrent assets	$ 2,545,222	$ 2,353,405	$ 519,249	$ 474,048	$ 3,064,471	$ 2,827,453
Total capital assets net of accum depr	4,277,998	4,179,693	33,521	35,402	4,311,519	4,215,095
Total Assets	6,823,220	6,533,098	552,770	509,450	7,375,990	7,042,548
Deferred Outflows of Resources	540,136	942,510	5,579	9,144	545,715	951,654
Current liabilities	1,204,436	1,189,785	40,341	35,347	1,244,777	1,225,132
Non-current liabilities	5,711,822	6,348,762	44,818	51,229	5,756,640	6,399,991
Total Liabilities	6,916,258	7,538,547	85,159	86,576	7,001,417	7,625,123
Deferred Inflows of Resources	223,785	58,542	493	242	224,278	58,784
Net Position (Deficit)						
Net Investment in Capital Assets	3,580,547	3,501,237	33,521	35,402	3,614,068	3,536,639
Restricted	134,705	125,429	471,256	429,124	605,961	554,553
Unrestricted (deficit)	(3,491,939)	(3,748,147)	(32,080)	(32,750)	(3,524,019)	(3,780,897)
Total Net Position	$ 223,313	$ (121,481)	$ 472,697	$ 431,776	$ 696,010	$ 310,295

* As Restated

The State's fiscal year 2018 revenues totaled $8.5 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 48.2 percent and 35.5 percent, respectively. The remainder came from charges for services and other miscellaneous sources.

The total cost of all programs and services totaled $8.1 billion for the year 2018. (See Table A-2) These expenses are predominantly (68.9 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 5.3 percent of total costs. Total net position increased by $385.7 million, primarily due to an increase in tax revenue and charges for services.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Revenues:						
Program Revenues:						
Charges for Services	$ 564,220	$ 583,870	$ 623,684	$ 588,619	$ 1,187,904	$ 1,172,489
Operating grants and contributions	3,002,173	2,966,809	9,510	8,714	3,011,683	2,975,523
General Revenues:						
Taxes	4,083,891	3,944,991	-	-	4,083,891	3,944,991
Other	193,394	143,785	-	-	193,394	143,785
Total Revenues	7,843,678	7,639,455	633,194	597,333	8,476,872	8,236,788
Expenses:						
Governmental Activities:						
Governmental Support	432,870	354,421	-	-	432,870	354,421
Education	1,774,309	1,804,804	-	-	1,774,309	1,804,804
Health & Human Services	3,804,516	3,774,348	-	-	3,804,516	3,774,348
Justice & Protection	433,728	493,427	-	-	433,728	493,427
Transportation Safety	627,901	664,921	-	-	627,901	664,921
Other	482,392	495,753	-	-	482,392	495,753
Interest Expense	51,788	38,992	-	-	51,788	38,992
Business-type Activities:						
Employment Security	-	-	83,159	96,075	83,159	96,075
Lottery	-	-	230,678	214,670	230,678	214,670
Alcoholic Beverages	-	-	137,426	131,192	137,426	131,192
Military Equipment Maintenance	-	-	10,895	3,858	10,895	3,858
Other	-	-	21,495	20,581	21,495	20,581
Total Expenses	7,607,504	7,626,666	483,653	466,376	8,091,157	8,093,042
Excess (Deficiency) before Special Items and Transfers	236,174	12,789	149,541	130,957	385,715	143,746
Special Items	-	-	-	895	-	895
Transfers	108,620	93,845	(108,620)	(93,845)	-	-
Increase (Decrease) in Net Position	344,794	106,634	40,921	38,007	385,715	144,641
Net Position, beginning of year (As Restated)	(121,481)	(228,115)	431,776	393,769	310,295	165,654
Ending Net Position	$ 223,313	$ (121,481)	$ 472,697	$ 431,776	$ 696,010	$ 310,295

Governmental Activities

Revenues for the State's Governmental Activities totaled $7.8 billion while total expenses equaled $7.6 billion. The increase in net position for Governmental Activities was $344.8 million in 2018, which was primarily the result of an increase in tax revenue of $138.9 million and current year transfers from the State's Business-Type Activities of $108.6 million. The State's Business-Type Activities transfers of $108.6 million (net) to the Governmental Activities, included statutorily required profit transfers, capital contributions, and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds. These transfers are discussed further on page .

The users of the State's programs financed $564.2 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $3.0 billion. $4.3 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 2018
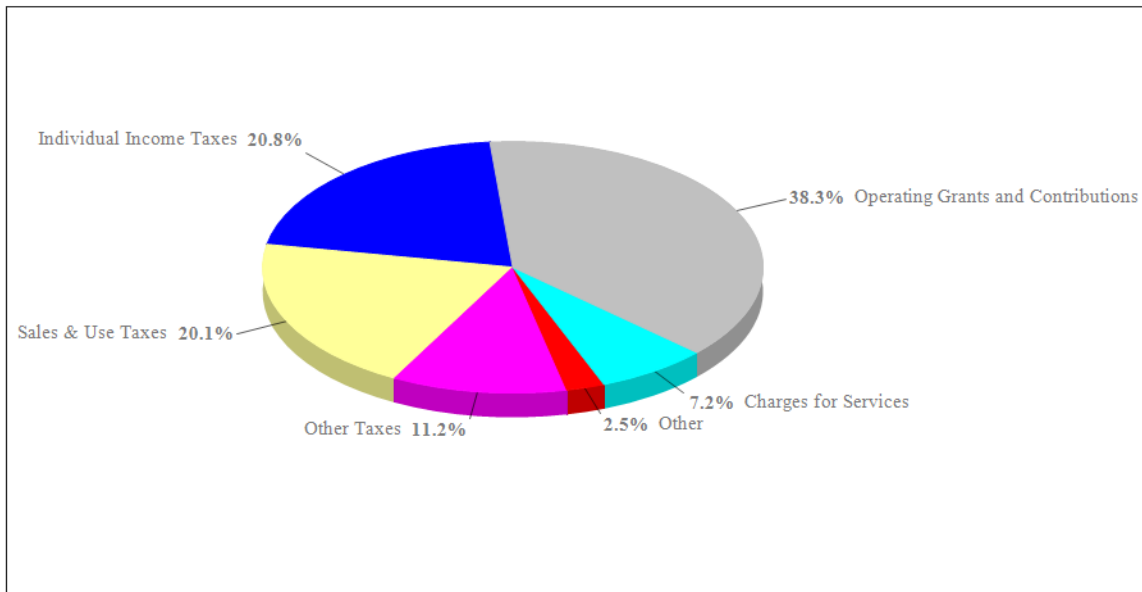
TABLE A-4: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2018
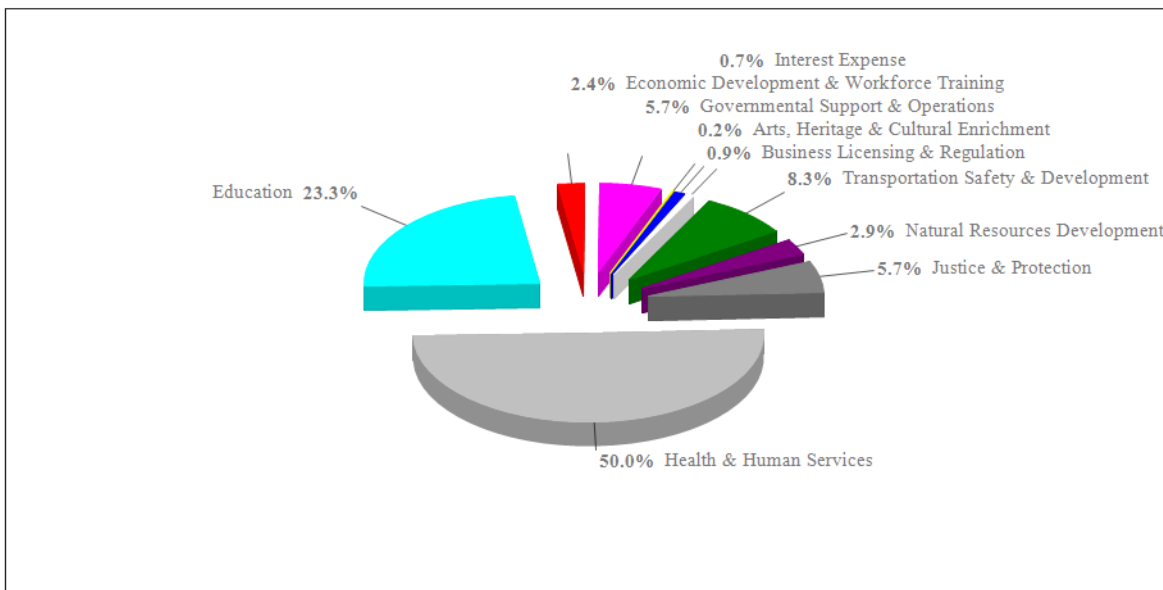
Business-Type Activities

Revenues for the State's Business-Type Activities totaled $633.2 million while expenses totaled $483.7 million. The increase in net position for Business-Type Activities was $40.9 million in 2018, due primarily to the increase in revenue for Alcoholic Beverages and Lottery of $12.1 and $18.9 million, respectively and a decrease in expense for Employment Security of $12.9 million.

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

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

	Total Cost		Net (Cost) Revenue	
	2018	**2017**	**2018**	**2017**
Employment Security	$ 83,159	$ 96,075	$ 42,404	$ 30,846
Alcoholic Beverages	137,426	131,192	51,837	45,992
Lottery	230,678	214,670	63,081	60,232
Ferry Services	12,950	12,271	(7,894)	(7,672)
Military Equipment Maintenance	10,895	3,858	333	1,230
Consolidated Emergency Communications	6,952	6,489	(674)	(83)
Other	1,593	1,821	454	412
Total	$ 483,653	$ 466,376	$ 149,541	$ 130,957

The cost of all Business-Type Activities this year was $483.7 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was $149.5 million, with Alcoholic Beverages and Lottery making up $51.8 and $63.1 million of the total, respectively. The $108.6 million (net) of State's Business-Type Activities transferred to the Governmental Activities, included statutorily required profit transfers and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

	2018	**2017**	**Change**
General	$ 332,259	$ 173,424	$ 158,835
Highway	3,280	23,155	(19,875)
Federal	18,789	23,721	(4,932)
Other Special Revenue	626,033	554,133	71,900
Other Governmental Funds	95,978	191,582	(95,604)
Total	$ 1,076,339	$ 966,015	$ 110,324

As of the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $1.1 billion, an increase of $110.3 million in comparison with the prior year. Of this total, $34.2 million (3,109.1 percent) is classified as non-spendable, either due to its form or legal constraints, and $629.8 million (57,254.5 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 2018, the unassigned fund balance of the General Fund was $169.7 million, an increase of $110.6 million.

General Fund revenues and other sources surpassed General Fund expenditures and other uses resulting in an increase in the fund balance of $158.8 million. Revenues and other sources of the General Fund increased by approximately $119.1 million (3.3 percent) which is mainly attributed to an increase in tax revenue of $118.5 million. General Fund expenditures and other financing uses increased by $64.6 million (1.9 percent). This is due, primarily, to an increase in expense for education of $14.3 million, governmental support & operations of $17.8 million and health & human services of $16.3 million.

The fund balance of the Highway Fund decreased $19.9 million from fiscal year 2017, due mainly to the increase in the Highway Fund's expenditures of $52.8 million, of which $54.8 million relates to transportation safety & development.

Budgetary Highlights

For the 2018 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $3.63 billion, an increase of about $84 million from the original legally adopted budget of approximately $3.54 billion. Actual expenditures on a budgetary basis amounted to approximately $199.0 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2018, including the budgeted starting balance for fiscal year 2018, there were funds remaining of $101.2 million to distribute in fiscal year 2018. Actual revenues exceeded final budget forecasts by $93.4 million. At year end, the State transferred $76.2 million to the Budget Stabilization Fund. Interest earnings along with legislatively and statutorily approved transfers increased the balance in the Budget Stabilization Fund to $272.9 million as of June 30, 2018. 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 2018, the State had roughly $4.3 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2018, the State acquired or constructed more than $153.5 million of capital assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 17 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Land	$ 641,049	$ 628,824	$ 2,389	$ 2,389	$ 643,438	$ 631,213
Buildings	845,476	781,762	4,655	4,655	850,131	786,417
Equipment	307,118	298,115	32,701	32,658	339,819	330,773
Improvements other than buildings	113,492	109,165	42,757	42,757	156,249	151,922
Software	76,243	75,973	-	-	76,243	75,973
Infrastructure	2,901,466	2,869,006	-	-	2,901,466	2,869,006
Construction in Progress	58,946	46,996	971	-	59,917	46,996
Total Capital Assets	4,943,790	4,809,841	83,473	82,459	5,027,263	4,892,300
Accumulated Depreciation	665,792	630,148	49,952	47,057	715,744	677,205
Capital Assets, net	$ 4,277,998	$ 4,179,693	$ 33,521	$ 35,402	$ 4,311,519	$ 4,215,095

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 8,812 highway miles or 17,897 lane miles within the State. Bridges have a deck area of 12.2 million square feet among 2,970 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2018, the actual average condition was 71.8. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 74.0 at June 30, 2018. Preservation costs for fiscal year 2018 totaled $141.2 million compared to estimated preservation costs of $154.0 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 478, PL 2015, $50 million in General Fund bonds were spent during fiscal year 2018. Of the amount authorized by Chapter 299, PL 2017, $10 million in General Fund bonds were spent during fiscal year 2018.

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 $1.3 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	
	2018	2017	2018	2017	2018	2017
General Obligation						
Bonds	$ 376,115	$ 460,240	$ -	$ -	$ 376,115	$ 460,240
Unmatured Premiums	31,631	35,892	-	-	31,631	35,892
Other Long-Term Obligations	877,487	867,812	806	755	878,293	868,567
Total	$ 1,285,233	$ 1,363,944	$ 806	$ 755	$ 1,286,039	$ 1,364,699

During the year, the State reduced outstanding long-term obligations by $88.4 million for general obligation bonds and $298.8 million for other long-term debt. Also during fiscal year 2018, the State incurred $308.5 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2018 by Moody's Investors Service as Aa2 with a stable outlook and by Standard & Poor's as AA with a stable outlook.

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

Both the national and state economies had a good year in 2017 and the available data for the first half of 2018 indicates that both the U.S. economy and Maine economy continue to grow. Since the last Consensus Economic Forecasting Commission (CEFC) meeting in late January 2018, the Bureau of Economic Analysis (BEA) has released considerable revisions to state personal income data, with the 2017 total personal income growth for Maine being revised up from 2.7% to 4.2%. Oil and gasoline prices have continued to trend upward as well.

Maine's real GDP grew 0.6% in the first quarter of 2018. Personal income in Maine grew 4.3% from the first two quarters of 2017 to the first two quarters of 2018, while wage and salary income, which is the largest component of total personal income, grew 4.1% over the same period. The debt-to-income level for Maine businesses and households continued to rise to new levels in the fourth quarter of 2017. The Consumer Price Index (CPI) was up 2.3% in September 2018 from a year ago, boosted by recent increases in energy prices.

Nationwide, consumer sentiment has been relatively stable in recent months. The August 2018 level was down 0.6% from a year ago and down 1.7% from July 2018. Small business optimism reached a new record high in August 2018 of 108.8. Compared to August 2017, the index was up by 3.3% and up by 0.8% from the previous month in July 2018.

The price of crude oil has continued increasing recently with prices in the third quarter of 2018 over $79 per barrel. As a result, heating oil prices and gasoline prices have been higher as well. Heating oil is around $3.04 per gallon while gasoline is currently averaging $2.92 per gallon.

Existing single-family home sales in Maine were down 5.1% in September 2018 compared to the same month last year and average housing permits for the September 2017 – August 2018 period were 6.9% lower than the previous 12-month period. The median home price in York, Cumberland, and Sagadahoc counties increased by 4.0, 5.7, and 7.5%, respectively, year-over-year. Mortgage delinquency rates in Maine have been declining but remain higher than the national rate. The foreclosure rate in Maine was 0.30% in the third quarter of 2018.

The Commission members continued to believe that the Moody's forecast is overly optimistic in its employment projections for the State. Moody's has moderated its population forecast to a more reasonable level and IHS has brought its employment growth down to a more realistic scenario. 2016 saw very strong employment growth in Maine, bringing non-farm payrolls back to pre-recession levels. 2017 has continued to see robust employment growth, although not as strong as 2016. While some growth is expected to continue in 2018, the primary source of concern for the CEFC continues to be Maine's demographic situation, with an aging population and little to no population growth. While 2016 and 2017 showed strong employment growth, perhaps indicating that there has been an increase in in-migration to Maine in recent years, there is little confidence that these growth rates will continue into future years, especially as the baby boom generation continues to move into retirement age.

Employment growth rates were revised upward for 2017 and 2018 based on stronger than expected employment growth year-to-date in 2017. The remaining years were left unchanged through 2020 and 2021. Employment reaches a peak level of 623,300 in 2018.

Wage and salary income growth for 2016 was revised downward by the U.S. Bureau of Economic Analysis, providing a lower baseline level for the forecast. 2017 was revised downward by 0.2 percentage points and 2018 was revised downward by 0.8 percentage points. The forecasts for 2019-2021 were left unchanged, with growth holding steady at 3.7%. The forecast for supplements to wages and salaries was revised upward by 0.9 percentage points in 2017, left unchanged in 2018, revised upward by 1.0 percentage point in 2019, revised upward by 0.8 percentage points in 2020, and left unchanged in 2021. This general trend of increases reflects the Commission's view that continued tightening of the state's labor market will likely induce employers to provide increased benefits at the same time that health insurance costs continue to increase. The overall result for total personal income was a 0.2 percentage point revision downward for 2017, a 0.5 percentage point revision downward for 2018, no change to 2019, a 0.2 percentage point revision upward for 2020, and no change to 2021. This follows a revision by the U.S. Bureau of Economic Analysis bringing the 2016 growth rate down from 3.7% to 3.0%.

The CEFC revised its forecast for inflation using the CPI downward by 0.3 percentage points in 2017 and left the remaining years unchanged from the previous forecast.

The forecast for corporate profits was revised upward by 1.5 percentage points in 2017 and 2.8 percentage points in 2018, reflecting the possibility of corporate tax cuts that would be implemented in 2018. The remaining years were left unchanged.

The Revenue Forecasting Committee (RFC) will meet to review and update the current revenue forecast to comply with the statutory reporting date in December 2018. Based on the CEFC forecast, the RFC will consider its revenue projections through the fiscal year ending June 30, 2021 for the General Fund, Highway Fund, Fund for a Healthy Maine and Medicaid/MaineCare Dedicated Revenue Taxes.

At June 30, 2018, the State of Maine reported an ending fund balance of $332.3 million in the General Fund on a GAAP basis, an increase of more than $158 million since the end of fiscal year 2017. The "unassigned" component of fund balance was $169.7 million. This is the second consecutive year that the General Fund has reflected a positive "unassigned" fund balance on a GAAP basis.

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

DIRIGO

MAINE

BASIC FINANCIAL STATEMENTS

DIRIGO

MAINE

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

June 30, 2018
(Expressed in Thousands)

| | Primary Government | | | |
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 896,531	$ 10,634	$ 907,165	$ 41,497
Cash and Cash Equivalents	263	2,689	2,952	53,789
Cash with Fiscal Agent	143,871	-	143,871	-
Investments	114,901	-	114,901	759,304
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	30,115	-	30,115	-
Restricted Deposits and Investments	4,297	446,171	450,468	435,899
Inventories	6,650	4,472	11,122	2,014
Receivables, Net of Allowances for Uncollectibles:				
Taxes Receivable	425,628	-	425,628	-
Loans & Notes Receivable	4,990	-	4,990	106,423
Other Receivables	271,768	62,704	334,472	65,927
Internal Balances	10,898	(10,898)	-	-
Due from Other Governments	269,868	-	269,868	164,227
Due from Primary Government	-	-	-	11,010
Loans Receivable from Primary Government	-	-	-	52,609
Due from Component Units	77,823	-	77,823	-
Other Current Assets	7,195	1,122	8,317	40,652
Total Current Assets	2,264,798	516,894	2,781,692	1,733,351
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	198,536	2,355	200,891	9,189
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	6,669	-	6,669	-
Restricted Deposits and Investments	-	-	-	349,542
Pension Assets	5,443	-	5,443	-
Investments	-	-	-	549,577
Receivables, Net of Current Portion:				
Taxes Receivable	65,270	-	65,270	-
Loans & Notes Receivable	-	-	-	1,841,958
Other Receivables	465	-	465	10,729
Due from Other Governments	4,041	-	4,041	1,352,770
Loans Receivable from Primary Government	-	-	-	325,655
Due from Primary Government	-	-	-	416
Other Noncurrent Assets	-	-	-	15,788
Capital Assets:				
Land, Infrastructure, & Other Non-Depreciable Assets	3,601,461	3,360	3,604,821	658,333
Buildings, Equipment & Other Depreciable Assets	676,537	30,161	706,698	1,021,204
Total Noncurrent Assets	4,558,422	35,876	4,594,298	6,135,161
Total Assets	6,823,220	552,770	7,375,990	7,868,512
Deferred Outflows of Resources	$ 540,136	$ 5,579	$ 545,715	$ 102,686

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

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| | Primary Government | | | |
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current Liabilities:				
Accounts Payable	$ 509,580	$ 14,359	$ 523,939	$ 63,120
Accrued Payroll	50,464	823	51,287	4,491
Tax Refunds Payable	225,258	-	225,258	-
Due to Component Units	13,010	-	13,010	-
Due to Primary Government	-	-	-	77,823
Current Portion of Long-Term Obligations:				
Compensated Absences	7,510	104	7,614	3,168
Due to Other Governments	79,311	-	79,311	1,033
Amounts Held under State & Federal Loan Programs	-	-	-	22,438
Claims Payable	20,623	-	20,623	-
Bonds & Notes Payable	77,976	-	77,976	258,464
Revenue Bonds Payable	22,966	-	22,966	35,157
Obligations under Capital Leases	6,095	-	6,095	769
Certificates of Participation & Other Financing Arrangements	28,483	-	28,483	-
Loans Payable to Component Unit	52,609	-	52,609	-
Accrued Interest Payable	5,554	1	5,555	30,070
Unearned Revenue	824	260	1,084	41,189
Other Post-Employment Benefits	91,801	1,353	93,154	-
Other Current Liabilities	12,372	23,441	35,813	65,272
Total Current Liabilities	1,204,436	40,341	1,244,777	602,994
Long-Term Liabilities:				
Compensated Absences	42,101	702	42,803	-
Due to Component Units	416	-	416	-
Due to Other Governments	-	-	-	5,008
Amounts Held under State & Federal Loan Program	-	-	-	47,146
Claims Payable	46,406	-	46,406	-
Bonds & Notes Payable	329,770	-	329,770	3,423,016
Revenue Bonds Payable	186,189	-	186,189	530,365
Obligations under Capital Leases	50,423	-	50,423	2,861
Certificates of Participation & Other Financing Arrangements	43,885	-	43,885	-
Loans Payable to Component Unit	325,655	-	325,655	-
Unearned Revenue	13,376	-	13,376	-
Net Pension Liability	2,438,797	21,524	2,460,321	63,988
Other Post-Employment Benefits	2,190,262	22,592	2,212,854	90,944
Pollution Remediation & Landfill Obligations	44,542	-	44,542	-
Other Noncurrent Liabilities	-	-	-	154,957
Total Long-Term Liabilities	5,711,822	44,818	5,756,640	4,318,285
Total Liabilities	6,916,258	85,159	7,001,417	4,921,279
Deferred Inflows of Resources	223,785	493	224,278	56,430
Net Position				
Net Investment in Capital Assets	3,580,547	33,521	3,614,068	1,161,922
Restricted:				
Business Licensing & Regulation	14,271	-	14,271	-
Governmental Support & Operations	5,443	-	5,443	-
Employment Security	-	471,256	471,256	-
Other Purposes	-	-	-	1,285,747
Funds Held for Permanent Investments:				
Expendable	84,525	-	84,525	-
Nonexpendable	30,466	-	30,466	264,367
Unrestricted	(3,491,939)	(32,080)	(3,524,019)	281,453
Total Net Position	$ 223,313	$ 472,697	$ 696,010	$ 2,993,489

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

			Program Revenues	
			Operating	Capital Grants
		Charges for	Grants and	and
	Expenses	Services	Contributions	Contributions
Primary Government:				
Governmental Activities:				
Governmental Support & Operations	$ 432,870	$ 93,862	$ 4,491	$ -
Arts, Heritage & Cultural Enrichment	11,821	876	3,321	-
Business Licensing & Regulation	67,030	81,866	583	-
Economic Development & Workforce Training	185,166	6,286	71,682	-
Education	1,774,309	36,221	221,167	-
Health & Human Services	3,804,516	13,673	2,378,668	-
Justice & Protection	433,728	86,995	49,415	-
Natural Resources Development & Protection	218,375	99,351	42,817	-
Transportation Safety & Development	627,901	145,090	230,029	-
Interest Expense	51,788	-	-	-
Total Governmental Activities	7,607,504	564,220	3,002,173	-
Business-Type Activities:				
Employment Security	83,159	116,053	9,510	-
Alcoholic Beverages	137,426	189,263	-	-
Lottery	230,678	293,759	-	-
Ferry Services	12,950	5,056	-	-
Military Equipment Maintenance	10,895	11,228	-	-
Consolidated Emergency Communications	6,952	6,278	-	-
Other	1,593	2,047	-	-
Total Business-Type Activities	483,653	623,684	9,510	-
Total Primary Government	8,091,157	1,187,904	3,011,683	-
Component Units:				
Finance Authority of Maine	44,905	25,084	19,859	-
Maine Community College System	143,591	13,973	54,258	999
Maine Health & Higher Education Facilities Authority	26,557	24,510	1,258	-
Maine Municipal Bond Bank	67,883	54,827	3,097	23,181
Maine State Housing Authority	215,284	66,918	167,389	-
Maine Turnpike Authority	102,266	136,066	-	-
University of Maine System	713,195	311,752	194,768	4,370
All Other Non-Major Component Units	168,472	43,534	100,088	12,539
Total Component Units	$ 1,482,153	$ 676,664	$ 540,717	$ 41,089

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
	$ (334,517)	$ -	$ (334,517)	$ -
	(7,624)	-	(7,624)	-
	15,419	-	15,419	-
	(107,198)	-	(107,198)	-
	(1,516,921)	-	(1,516,921)	-
	(1,412,175)	-	(1,412,175)	-
	(297,318)	-	(297,318)	-
	(76,207)	-	(76,207)	-
	(252,782)	-	(252,782)	-
	(51,788)	-	(51,788)	-
	(4,041,111)	-	(4,041,111)	-
	-	42,404	42,404	-
	-	51,837	51,837	-
	-	63,081	63,081	-
	-	(7,894)	(7,894)	-
	-	333	333	-
	-	(674)	(674)	-
	-	454	454	-
	-	149,541	149,541	-
	(4,041,111)	149,541	(3,891,570)	-
	-	-	-	38
	-	-	-	(74,361)
	-	-	-	(789)
	-	-	-	13,222
	-	-	-	19,023
	-	-	-	33,800
	-	-	-	(202,305)
	-	-	-	(12,311)
	$ -	$ -	$ -	$ (223,683)
General Revenues:				
Taxes:				
Corporate Taxes	187,519	-	187,519	-
Individual Income Taxes	1,628,709	-	1,628,709	-
Fuel Taxes	249,927	-	249,927	-
Property Taxes	66,226	-	66,226	-
Sales & Use Taxes	1,573,544	-	1,573,544	-
Other Taxes	377,966	-	377,966	-
Unrestricted Investment Earnings	26,621	-	26,621	14,322
Non-Program Specific Grants, Contributions & Appropriations	-	-	-	326,643
Miscellaneous Income	99,208	-	99,208	13,218
Gain (Loss) on Sale of Assets	-	-	-	(19)
Tobacco Settlement	67,565	-	67,565	-
Special Items	-	-	-	(5,782)
Transfers - Internal Activities	108,620	(108,620)	-	-
Total General Revenues and Transfers	4,385,905	(108,620)	4,277,285	348,382
Change in Net Position	344,794	40,921	385,715	124,699
Net Position - Beginning (as restated)	(121,481)	431,776	310,295	2,868,790
Net Position - Ending	$ 223,313	$ 472,697	$ 696,010	$ 2,993,489

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, 2018
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 447,649	$ 19,859	$ 6,815	$ 346,702	$ 92	$ 821,117
Cash & Short-Term Investments	103	117	-	41	-	261
Cash with Fiscal Agent	9,422	495	-	131,417	-	141,334
Investments	-	-	-	-	114,901	114,901
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	36,784	36,784
Inventories	2,812	1	459	-	-	3,272
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	451,937	26,117	-	12,844	-	490,898
Loans Receivable	1	-	-	4,989	-	4,990
Other Receivable	96,597	3,090	80,408	75,450	-	255,545
Due from Other Funds	21,922	2,379	2,253	71,757	-	98,311
Due from Other Governments	-	-	269,284	-	-	269,284
Due from Component Units	-	-	-	77,823	-	77,823
Other Assets	672	2	149	19	-	842
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 1,031,226	$ 52,060	$ 359,368	$ 721,042	$ 151,777	$ 2,315,473
Liabilities						
Accounts Payable	$ 149,963	$ 30,796	$ 244,613	$ 28,985	$ 787	$ 455,144
Accrued Payroll	24,557	9,175	4,656	8,840	-	47,228
Tax Refunds Payable	225,251	7	-	-	-	225,258
Due to Other Governments	-	-	79,276	-	-	79,276
Due to Other Funds	58,628	4,124	6,998	10,700	54,518	134,968
Due to Component Units	948	1	2,746	6,945	489	11,129
Unearned Revenue	-	4,132	459	9,127	3	13,721
Other Accrued Liabilities	7,179	-	1,796	4,475	2	13,452
Total Liabilities	466,526	48,235	340,544	69,072	55,799	980,176
Deferred Inflows of Resources	232,441	545	35	25,937	-	258,958
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	30,466	30,466
Inventories & Prepaid Items	3,172	-	610	-	-	3,782
Restricted	16,449	3,280	18,179	474,079	117,810	629,797
Committed	23,978	-	-	101,969	-	125,947
Assigned	118,986	-	-	49,985	-	168,971
Unassigned	169,674	-	-	-	(52,298)	117,376
Total Fund Balances	332,259	3,280	18,789	626,033	95,978	1,076,339
Total Liabilities, Deferred Inflows and Fund Balances	$ 1,031,226	$ 52,060	$ 359,368	$ 721,042	$ 151,777	$ 2,315,473

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

Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

Total fund balances for governmental funds		$ 1,076,339
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.	4,497,583	
Accumulated Depreciation	439,039	
		4,058,544
Refunded Bond Deferred Outflows		3,421
Pollution Remediation Receivable		1,273
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	(616,901)	
Interest Payable Related to Long-term Financing	(3,701)	
Certificates of Participation and Other Financing Arrangements	(52,620)	
Capital Leases	(1,589)	
Loans Payable to Component Unit	(378,264)	
Compensated Absences	(45,735)	
Pension Liabilities and Deferrals	(2,022,236)	
Other Post-Employment Benefit Liabilities and Deferrals	(2,238,352)	
Pollution Remediation and Landfill Obligations	(44,542)	
		(5,403,940)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		258,958
Other Revenue		3,782
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.		224,936
Net position of governmental activities		$ 223,313

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, 2018
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 3,529,960	$ 225,828	$ -	$ 307,336	$ -	$ 4,063,124
Assessments	102,271	99,400	-	177,683	-	379,354
Federal Grants & Reimbursements	1,638	-	2,992,243	8,816	-	3,002,697
Charges for Services	44,055	4,570	454	124,414	-	173,493
Investment Income	10,048	327	12	2,276	11,026	23,689
Miscellaneous Revenues	1,484	90	2,186	152,085	-	155,845
Total Revenues	3,689,456	330,215	2,994,895	772,610	11,026	7,798,202
Expenditures						
Current:						
Governmental Support & Operations	278,502	2,456	4,569	104,353	242	390,122
Economic Development & Workforce Training	41,861	-	72,195	48,969	25,001	188,026
Education	1,518,098	-	222,955	37,280	3,644	1,781,977
Health & Human Services	1,142,645	-	2,374,399	340,036	-	3,857,080
Business Licensing & Regulation	73	-	57	69,332	-	69,462
Natural Resources Development & Protection	79,245	32	42,728	107,514	1,735	231,254
Justice & Protection	338,241	30,307	48,796	57,912	2,160	477,416
Arts, Heritage & Cultural Enrichment	7,921	-	3,169	973	-	12,063
Transportation Safety & Development	-	360,268	172,200	70,307	2,564	605,339
Debt service:						
Principal Payments	86,075	18,285	14,310	33,640	-	152,310
Interest Expense	26,074	1,480	5,093	13,049	-	45,696
Capital Outlay	-	-	-	-	68,468	68,468
Total Expenditures	3,518,735	412,828	2,960,471	883,365	103,814	7,879,213
Revenue over (under) Expenditures	170,721	(82,613)	34,424	(110,755)	(92,788)	(81,011)
Other Financing Sources (Uses)						
Transfer from Other Funds	113,151	73,732	8,415	204,796	1,407	401,501
Transfer to Other Funds	(147,142)	(11,589)	(47,771)	(81,559)	(4,223)	(292,284)
COPs & Other	22,105	595	-	883	-	23,583
Bonds Issued	-	-	-	58,535	-	58,535
Net Other Finance Sources (Uses)	(11,886)	62,738	(39,356)	182,655	(2,816)	191,335
Net Change in Fund Balances	158,835	(19,875)	(4,932)	71,900	(95,604)	110,324
Fund Balance at Beginning of Year	173,424	23,155	23,721	554,133	191,582	966,015
Fund Balances at End of Year	$ 332,259	$ 3,280	$ 18,789	$ 626,033	$ 95,978	$ 1,076,339

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, 2018
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 110,324
Amounts reported for governmental activities in the Statement of Net Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay	101,976	
Depreciation Expense	(33,535)	
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.	(898)	
		67,543
Refunded Bond Deferred Outflows		(1,014)
Pollution Remediation Receivable		171
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	(58,535)	
Proceeds from Other Financing Arrangements	(22,700)	
Repayment of Bond Principal	104,360	
Repayment of Other Financing Debt	20,246	
Repayment of Pledged Revenue Principal	50,449	
Repayment of Capitalized Lease Principal	529	
Accrued Interest	502	
Amortization of Bond Premiums	4,261	
		99,112
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Position and have been eliminated from the Statement of Position as follows:		
Compensated Absences	(1,877)	
Pension Liabilities and Deferrals	36,678	
Other Post-employment Benefit Liabilities and Deferrals	(36,487)	
Pollution Remediation and Landfill Obligations	(11,003)	
		(12,689)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		17,463
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.		63,884
Changes in net position of governmental activities		$ 344,794

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

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DIRIGO

MAINE

PROPRIETARY FUND
FINANCIAL STATEMENTS

MAJOR FUNDS

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

NON-MAJOR FUNDS

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

STATE OF MAINE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2018
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Total	Internal Service Funds
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ -	$ 10,634	$ 10,634	$ 224,301
Cash & Short-Term Investments	1,935	754	2,689	2
Cash with Fiscal Agent	-	-	-	2,537
Restricted Assets:				
Restricted Deposits & Investments	446,171	-	446,171	4,297
Inventories	-	4,472	4,472	3,378
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	26,709	35,995	62,704	11,719
Due from Other Funds	176	2,338	2,514	26,468
Other Assets	-	1,122	1,122	6,353
Total Current Assets	474,991	55,315	530,306	279,055
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	2,355	2,355	49,649
Capital Assets - Net of Depreciation	-	33,521	33,521	219,454
Total Noncurrent Assets	-	35,876	35,876	269,103
Total Assets	474,991	91,191	566,182	548,158
Deferred Outflows of Resources	$ -	$ 5,579	$ 5,579	$ 21,627
Liabilities				
Current Liabilities:				
Accounts Payable	$ 2,133	$ 12,226	$ 14,359	$ 17,107
Accrued Payroll	-	823	823	3,236
Due to Other Funds	-	14,090	14,090	11,060
Due to Component Units	-	-	-	2,297
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	9,078
Obligations under Capital Leases	-	-	-	5,566
Claims Payable	-	-	-	20,623
Compensated Absences	-	104	104	508
Unearned Revenue	-	260	260	365
Net Other Post-Employment Benefit Liability	-	1,353	1,353	4,923
Accrued Interest Payable	-	-	-	60
Other Accrued Liabilities	1,602	21,840	23,442	713
Total Current Liabilities	3,735	50,696	54,431	75,536
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Unearned Revenue	-	-	-	114
Certificates of Participation & Other Financing Arrangements	-	-	-	10,670
Obligations under Capital Leases	-	-	-	49,363
Claims Payable	-	-	-	46,406
Compensated Absences	-	702	702	3,368
Net Pension Liability	-	21,524	21,524	81,350
Net Other Post-Employment Benefit Liability	-	22,592	22,592	75,421
Total Long-Term Liabilities	-	44,818	44,818	266,803
Total Liabilities	3,735	95,514	99,249	342,339
Deferred Inflows of Resources	$ -	$ 493	$ 493	$ 1,832
Net Position				
Net Investment in Capital Assets:	-	33,521	33,521	147,314
Restricted for:				
Unemployment Compensation	471,256	-	471,256	-
Other Purposes	-	-	-	498
Unrestricted	-	(32,758)	(32,758)	77,802
Total Net Position	$ 471,256	$ 763	472,019	$ 225,614
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			678	
Net Position of Business-Type Activities			$ 472,697	

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, 2018
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Total	Internal Service Funds
Operating Revenues				
Charges for Services	$ -	$ 507,609	$ 507,609	$ 452,727
Assessments	115,968	-	115,968	-
Miscellaneous Revenues	85	7	92	704
Total Operating Revenues	116,053	507,616	623,669	453,431
Operating Expenses				
General Operations	-	398,153	398,153	373,293
Depreciation	-	2,900	2,900	23,961
Claims/Fees Expense	83,159	-	83,159	7,368
Other Operating Expenses	-	-	-	689
Total Operating Expenses	83,159	401,053	484,212	405,311
Operating Income (Loss)	32,894	106,563	139,457	48,120
Nonoperating Revenues (Expenses)				
Investment Revenue (Expenses) - net	9,510	-	9,510	2,932
Interest Expense	-	-	-	(12,477)
Other Nonoperating Revenue (Expenses) - net	-	15	15	7,013
Total Nonoperating Revenues (Expenses)	9,510	15	9,525	(2,532)
Income (Loss) Before Capital Contributions, Transfers and Special Items	42,404	106,578	148,982	45,588
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	1,021	1,021	13,487
Transfer from Other Funds	61	5,336	5,397	6,279
Transfer to Other Funds	(333)	(114,705)	(115,038)	(911)
Total Capital Contributions, Transfers and Special Items	(272)	(108,348)	(108,620)	18,855
Change in Net Position	42,132	(1,770)	40,362	64,443
Net Position - Beginning (as restated)	429,124	2,533		161,171
Net Position - End of Year	$ 471,256	$ 763		$ 225,614

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 — 559

Changes in Business-Type Net Position — $ 40,921

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

	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	$ 114,594	$ 500,570	$ 615,164	$ 39,553
Other Operating Cash Receipts (Payments)				
Cash Received from Interfund Services	-	9,314	9,314	435,252
Payments of Benefits	(82,697)	-	(82,697)	-
Payments to Prize Winners	-	(193,698)	(193,698)	-
Payments to Suppliers	-	(179,777)	(179,777)	(254,734)
Payments to Employees	-	(18,654)	(18,654)	(75,600)
Payments for Interfund Goods and Services	(165)	(7,827)	(7,992)	(54,518)
Net Cash Provided (Used) by Operating Activities	31,732	109,928	141,660	89,953
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	61	5,336	5,397	6,279
Transfers to Other Funds	(333)	(114,705)	(115,038)	(911)
Negative Cash Balance Implicitly Financed	-	2,425	2,425	-
Net Cash Provided (Used) by Noncapital Financing Activities	(272)	(106,944)	(107,216)	5,368
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	-	-	(16,289)
Proceeds from Financing Arrangements	-	-	-	5,500
Principal and Interest Paid on Financing Arrangements	-	-	-	(25,037)
Proceeds from Sale of Capital Assets	-	2	2	7,274
Net Cash Provided (Used) by Capital and Related Financing Activities	-	2	2	(28,552)
Cash Flows from Investing Activities				
Interest Revenue	9,510	15	9,525	2,932
Net Cash Provided (Used) by Investing Activities	9,510	15	9,525	2,932
Net Increase (Decrease) in Cash/Cash Equivalents	40,970	3,001	43,971	69,701
Cash/Cash Equivalents - Beginning of Year	407,136	10,742	417,878	211,085
Cash/Cash Equivalents - End of Year	$ 448,106	$ 13,743	$ 461,849	$ 280,786
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$ 32,894	$ 106,563	$ 139,457	$ 48,120
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	-	2,900	2,900	23,961
Decrease (Increase) in Assets				
Accounts Receivable	(1,459)	(1,083)	(2,542)	(1,417)
Interfund Balances	(165)	(501)	(666)	(799)
Inventories	-	222	222	910
Other Assets	-	(110)	(110)	25,689
Deferred Outflows	-	3,565	3,565	12,140
Increase (Decrease) in Liabilities				
Accounts Payable	(475)	1,909	1,434	12,175
Accrued Payroll Expense	-	(21)	(21)	114
Due to Other Governments	-	-	-	(6,495)
Compensated Absences	-	51	51	185
Deferred Inflows	-	251	251	993
Net Pension Liability	-	(6,460)	(6,460)	(15,718)
Other Accruals	937	2,630	3,567	(9,948)
Net OPEB Liability	-	12	12	43
Total Adjustments	(1,162)	3,365	2,203	41,833
Net Cash Provided (Used) by Operating Activities	$ 31,732	$ 109,928	$ 141,660	$ 89,953
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	1,756
Contributed Capital Assets	-	1,021	1,021	13,487

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

FIDUCIARY FUND
FINANCIAL STATEMENTS

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

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

STATE OF MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 540	$ 16,870
Cash & Short-Term Investments	32,417	2,527	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	31,317	-	-
Interest and Dividends	2,423	-	-
Due from Brokers for Securities Sold	2,534	-	-
Other Receivable	-	815	-
Investments at Fair Value:			
Equity Securities	2,256,044	-	-
Common/Collective Trusts	12,696,405	-	-
Investments - Other	-	20,320	-
Restricted Deposits & Investments	-	-	11
Securities Lending Collateral	208,030	-	-
Due from Other Funds	-	37,329	-
Investments Held on Behalf of Others	-	-	59,889
Capital Assets - Net of Depreciation	5,992	-	-
Other Assets	-	4,010	4,648
Total Assets	15,235,162	65,541	81,445
Liabilities			
Accounts Payable	6,819	715	5
Due to Other Funds	-	2	4,502
Agency Liabilities	-	-	74,134
Obligations Under Securities Lending	208,030	-	-
Other Accrued Liabilities	23,521	-	2,804
Total Liabilities	238,370	717	81,445
Net Position			
Restricted for Pension	14,607,379	-	-
Restricted for Other Post-Employment Benefits	389,413	-	-
Restricted for Individuals, Organizations and Other Governments	-	64,824	-
Total Net Position	$ 14,996,792	$ 64,824	$ -

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, 2018
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts
Additions:		
Contributions:		
Members	$ 196,844	$ -
State & Local Agencies	357,978	-
Other Contributing Entity	132,881	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	1,409,236	1,493
Interest & Dividends	74,736	238
Securities Lending Income	933	-
Less Investment Expense:		
Investment Activity Expense	101,485	-
Securities Lending Expense	(412)	-
Net Investment Income (Loss)	1,383,832	1,731
Miscellaneous Revenues	-	19,094
Transfer from Other Funds	-	603
Total Additions	2,071,535	21,428
Deductions:		
Benefits Paid to Participants or Beneficiaries	1,039,321	11,070
Refunds & Withdrawals	25,363	-
Administrative Expenses	13,965	351
Claims Processing Expense	986	-
Transfer to Other Funds	-	5,547
Total Deductions	1,079,635	16,968
Net Increase (Decrease)	991,900	4,460
Net Position:		
Restricted		
Beginning of Year	14,004,892	60,364
End of Year	$ 14,996,792	$ 64,824

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

COMPONENT UNIT
FINANCIAL STATEMENTS

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

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

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

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

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

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

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

STATE OF MAINE
STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2018
(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	$ 19,094	$ 7,152	$ 4,272	$ -
Cash & Short-Term Investments	3,061	15,911	1,161	383
Investments	64,758	56,498	15,961	24,374
Restricted Assets:				
Restricted Deposits & Investments	-	-	23,248	305,798
Inventories	-	18	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	40,778	-	34,735	-
Other Receivable	2,783	5,186	308	1,003
Due from Other Governments	-	-	-	145,793
Due from Primary Government	-	609	-	3,450
Loans Receivable from Primary Government	-	-	-	52,609
Other Assets	11,517	1,881	872	17,802
Total Current Assets	141,991	87,255	80,557	551,212
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	4,228	1,584	946	-
Restricted Assets:				
Restricted Assets	12,293	1,117	68,459	174,573
Investments	-	14,974	25,453	-
Receivables, Net of Current Portion:				
Loans & Notes Receivable	56,909	-	461,894	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,352,586
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	325,655
Capital Assets - Net of Depreciation	1,330	181,568	-	338
Other Non-Current Assets	-	-	-	-
Total Noncurrent Assets	74,760	199,243	556,752	1,853,152
Total Assets	216,751	286,498	637,309	2,404,364
Deferred Outflows of Resources	$ 695	$ 19,692	$ -	$ 32,673
Liabilities				
Current Liabilities:				
Accounts Payable	$ 5,163	$ 3,574	$ 24	$ 322
Accrued Payroll	-	-	-	-
Compensated Absences	-	2,532	-	-
Due to Other Governments	-	-	-	245
Due to Primary Government	-	-	-	76,745
Amounts Held Under State & Federal Loan Programs	-	-	-	22,438
Bonds & Notes Payable	7,317	804	35,095	165,542
Obligations under Capital Leases	-	14	-	-
Accrued Interest Payable	347	-	12,029	12,446
Unearned Revenue	1,633	2,789	2,592	4,988
Other Accrued Liabilities	20,411	7,141	-	-
Total Current Liabilities	34,871	16,854	49,740	282,726
Long-Term Liabilities				
Due to Other Governments	2,656	-	-	1,012
Amounts Held Under State & Federal Loan Programs	47,146	-	-	-
Bonds & Notes Payable	85,927	18,346	530,280	1,430,278
Obligations under Capital Leases	-	-	-	-
Net Pension Liability	-	52,462	-	850
Net Other Post-Employment Benefit Liability	-	12,113	-	-
Total Other Post-Employment Benefit Liability	-	-	-	885
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities	135,729	82,921	530,280	1,433,025
Total Liabilities	170,600	99,775	580,020	1,715,751
Deferred Inflows of Resources	-	22,283	-	381
Net Position				
Net Investment in Capital Assets	1,330	163,521	-	338
Restricted	18,524	42,734	-	652,336
Unrestricted	26,992	(22,123)	57,289	68,231
Total Net Position	$ 46,846	$ 184,132	$ 57,289	$ 720,905

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
$ -	$ -	$ 10,977	$ 2	$ 41,497
1,105	9,833	4,255	18,080	53,789
328,592	12,985	244,029	12,107	759,304
-	67,991	-	38,862	435,899
-	1,151	-	845	2,014
29,846	-	63	1,001	106,423
9,383	5,505	38,467	3,292	65,927
4,332	-	7,804	6,298	164,227
3,449	-	2,792	710	11,010
-	-	-	-	52,609
-	1,511	5,637	1,432	40,652
376,707	98,976	314,024	82,629	1,733,351
-	-	2,431	-	9,189
-	52,130	14,828	26,142	349,542
107,584	-	388,561	13,005	549,577
1,265,488	-	40,210	17,457	1,841,958
-	230	9,956	543	10,729
184	-	-	-	1,352,770
-	-	119	297	416
-	-	-	-	325,655
556	629,512	700,203	166,030	1,679,537
1,144	2,682	10,558	1,404	15,788
1,374,956	684,554	1,166,866	224,878	6,135,161
1,751,663	783,530	1,480,890	307,507	7,868,512
$ 13,341	$ 19,857	$ 12,571	$ 3,857	$ 102,686
$ 8,662	$ 12,165	$ 17,260	$ 15,950	$ 63,120
-	3,324	-	1,167	4,491
-	-	-	636	3,168
416	-	-	372	1,033
-	-	-	1,078	77,823
-	-	-	-	22,438
48,685	20,640	13,213	2,325	293,621
-	-	745	10	769
5,248	-	-	-	30,070
3,757	10,612	9,513	5,305	41,189
-	8,796	27,995	929	65,272
66,768	55,537	68,726	27,772	602,994
-	-	-	1,340	5,008
-	-	-	-	47,146
1,355,645	376,015	144,803	12,087	3,953,381
-	-	2,861	-	2,861
3,712	-	-	6,964	63,988
-	-	77,505	-	89,618
-	-	-	441	1,326
6,462	40,097	108,398	-	154,957
1,365,819	416,112	333,567	20,832	4,318,285
1,432,587	471,649	402,293	48,604	4,921,279
2,384	7,033	21,283	3,066	56,430
556	293,812	550,818	151,547	1,161,922
295,988	31,973	419,046	89,513	1,550,114
33,489	(1,080)	100,021	18,634	281,453
$ 330,033	$ 324,705	$ 1,069,885	$ 259,694	$ 2,993,489

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	Finance Authority Of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	$ 44,905	$ 143,591	$ 26,557	$ 67,883
Program Revenues				
Charges for Services	25,084	13,973	24,510	54,827
Program Investment Income	106	843	1,258	1,016
Operating Grants & Contributions	19,753	53,415	-	2,081
Capital Grants & Contributions	-	999	-	23,181
Net Revenue (Expense)	38	(74,361)	(789)	13,222
General Revenues				
Unrestricted Investment Earnings	315	2,725	168	170
Non-program Specific Grants, Contributions & Appropriations	-	66,891	-	-
Miscellaneous Revenues	-	2,881	119	1,313
Gain (Loss) on Assets Held for Sale	-	-	-	-
Special Items	-	-	-	-
Total General Revenues	315	72,497	287	1,483
Change in Net Position	353	(1,864)	(502)	14,705
Net Position, Beginning of Year (as restated)	46,493	185,996	57,791	706,200
Net Position, End of Year	$ 46,846	$ 184,132	$ 57,289	$ 720,905

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
$	215,284 $	102,266 $	713,195 $	168,472 $	1,482,153
	66,918	136,066	311,752	43,534	676,664
	5,216	-	19,207	9	27,655
	162,173	-	175,561	100,079	513,062
	-	-	4,370	12,539	41,089
	19,023	33,800	(202,305)	(12,311)	(223,683)
	208	1,168	6,490	3,078	14,322
	-	-	241,305	18,447	326,643
	-	6,944	-	1,961	13,218
	-	(123)	(443)	547	(19)
	-	-	-	(5,782)	(5,782)
	208	7,989	247,352	18,251	348,382
	19,231	41,789	45,047	5,940	124,699
	310,802	282,916	1,024,838	253,754	2,868,790
$	330,033 $	324,705 $	1,069,885 $	259,694 $	2,993,489

NOTES TO THE
FINANCIAL STATEMENTS

STATE OF MAINE
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

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

Blended Component Units

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

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

Discrete Component Units

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

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

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

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

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

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

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

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

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

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

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

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

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

Finance Authority of Maine 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 01338	Maine State Housing Authority 89 State House Station 353 Water Street Augusta, ME 04330	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 $606.0 million of restricted net position, of which $485.5 million is restricted by enabling legislation.

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

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

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

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

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

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

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

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

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

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

Financial Statement Presentation

The State reports the following major governmental funds:

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

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

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

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

The State reports the following major enterprise fund:

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

Additionally, the State reports the following fund types:

Governmental Fund Types:

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

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

D. FISCAL YEAR-ENDS

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

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

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

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

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

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

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

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

Investments Held on Behalf of Others
These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds $123.7 million of Workers' Compensation, $58.5 million of Bureau of Insurance, and $33.7 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

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

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

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

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

Interfund Transactions and Balances

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

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

Due from/to Primary Government/Component Units

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

Due from/to Other Governments

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

Capital Assets

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

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

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

Deferred Outflows of Resources

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

Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate recorded at June 30, 2018 is $216.9 million.

Tax Refunds Payable

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

Claims Payable

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

Compensated Employee Absences

In the government-wide statements and proprietary fund financial statements, compensated absences are recorded as a long-term liability as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2018 but paid after the fiscal year end are also reported in the funds. Approximately 56% of the governmental fund compensated absences are liquidated by the general fund. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

Net Pension Liability

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

OPEB Liability

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

Deferred Inflows of Resources

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

Loans Payable to Component Units

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

Long-Term Obligations

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

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

Net Position/Fund Balances

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

Fund Balance Restrictions

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

The State reported the following fund balance restrictions:

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

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

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

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

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

F. REVENUES AND EXPENDITURES/EXPENSES

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

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

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

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

NOTE 2 - BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Appropriation Limits

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

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

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

Budget Stabilization Fund

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the $169.7 million unassigned General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. The State Controller is required to transfer to the fund 80 percent of the amount available from the unappropriated surplus after all required deductions of appropriations, budgeted financial commitments and adjustments at the close of each fiscal year when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required transfer for fiscal year 2018. The State Controller transferred $2.0 million from the Budget Stabilization Fund to the General Fund unappropriated surplus in accordance with Public Law 2017, Chapter 284, Part CCCCCCC-2.

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 2018 actual General Fund revenue, the statutory cap at the close of fiscal year 2018 and during fiscal year 2018 was $645.8 million. At the close of fiscal year 2018, the balance of the Maine Budget Stabilization Fund was $272.9 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	$	196,290
Increase in fund balance		76,571
Balance, end of year	$	272,861

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

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as supplemental budgets or separate pieces of legislation. For the year ended June 30, 2018, the Legislature decreased appropriations to the General Fund by $26 thousand.

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, 2018 are detailed on the following pages.

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
General Fund:				
Education	$ -	$ -	$ -	$ 25,590
Economic & Community Development	-	-	3,005	-
Governmental Support & Operations	-	8,502	-	52,087
Treasury	-	-	-	13,054
Health & Human Services	-	-	20,973	23,109
Public Safety	-	920	-	-
Justice & Protection	-	-	-	2,811
Natural Resources Development & Protection	-	1,010	-	-
Inland Fisheries & Wildlife	-	6,017	-	-
Agriculture & Conservation	-	-	-	1,750
All Other	3,172	-	-	585
Total	$ 3,172	$ 16,449	$ 23,978	$ 118,986
Highway Fund:				
Transportation, Highway & Bridge Construction	$ -	$ 3,280	$ -	$ -
Total	$ -	$ 3,280	$ -	$ -

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
Federal Fund:				
Health & Human Services	$ -	$ 2,179	$ -	$ -
Centers for Disease Control	-	1,269	-	-
Office of Family Independence	-	1,902	-	-
Substance Abuse & Mental Health	-	1,820	-	-
Office of Child & Family Services	-	6,578	-	-
Justice & Protection	-	1,039	-	-
Public Safety	-	2,695	-	-
Transportation - Highway & Bridge Construction	-	628	-	-
All Other	610	69	-	-
Total	$ 610	$ 18,179	$ -	$ -
Other Special Revenue Fund:				
Business Licensing & Regulation	$ -	$ 1,904	$ -	$ -
Workers Compensation Board	-	18,527	-	-
Professional & Financial Regulation	-	60,457	-	-
Public Utilities Commission	-	11,308	-	8,359
Education	-	-	2,721	7,256
Higher Education	-	-	-	1,094
Economic & Community Development	-	34,869	6,568	-
Governmental Support & Operations	-	22,005	23,748	968
Liquor Bond	-	18,294	-	-
Bonds for Highway & Bridge Construction	-	104,226	-	-
Health & Human Services	-	1,163	-	-
Aging & Disability Services	-	-	-	1,053
Fund for Healthy Maine	-	-	38,024	-
Office of Family Independence	-	-	-	4,703
Office of the Commissioner	-	-	-	1,012
Substance Abuse & Mental Health	-	-	10,152	2,363
Centers for Disease Control & Prevention	-	1,757	3,226	-
MaineCare	-	21,701	(5,243)	-
Defense, Veterans & Emergency Management	-	1,798	-	2,396
Justice & Protection	-	74,828	-	4,872
Public Safety	-	10,989	-	1,312
Natural Resources Development & Protection	-	4,013	-	-
Agriculture & Conservation	-	2,978	9,593	10,768
Environmental Protection	-	22,323	2,295	-
Inland Fisheries & Wildlife	-	11,884	-	-
Marine Resources	-	4,576	-	3,829
Transportation Safety & Development	-	4,676	1,492	-
Transportation - Highway & Bridge Construction	-	22,861	-	-
Motor Vehicles	-	6,939	-	-
Multimodal Transportation	-	-	9,393	-
Transcap	-	6,398	-	-
All Other	-	3,605	-	-
Total	$ -	$ 474,079	$ 101,969	$ 49,985

	NSIF	Restricted	Permanent	
Other Governmental Funds:				
Capital Projects - Agriculture & Conservation	$ -	$ 7,617	$ -	$ -
Capital Projects - Justice & Protection	-	5,447	-	-
Capital Projects - Multimodal Transportation	-	16,478	-	-
Capital Projects - Environmental Protection	-	2,966	-	-
Capital Projects - Other	-	777	-	-
Permanent Funds - Baxter Park	-	-	8,325	-
Permanent Funds - All Others	-	-	22,141	-
Special Revenue Funds - Baxter Park	-	84,422	-	-
Special Revenue Funds - All Other	-	103	-	-
Total	$ -	$ 117,810	$ 30,466	$ -

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

ACCOUNTING CHANGES

During fiscal year ended June 30, 2018, the State implemented the following accounting standard that required numerous changes to beginning balances:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information.

Primary Government As a result of implementing these new standards, numerous changes were made to beginning balances as shown in the table below. Also see Note 10 for further information on OPEB reporting.

(Expressed in Millions)

	Governmental Activities	Business-Type Activities	Total
Remove Prior Year OPEB Obligation and Asset Balances	$ 388	$ 3	$ 391
Record Deferred Outflows	87	2	89
Record Net OPEB Liabilities	(1,015)	(24)	(1,039)
Record Total OPEB Liabilities	(1,350)	-	(1,350)
Change in Net Position	$ (1,890)	$ (19)	$ (1,909)

Component Units Three major component units and one non-major component unit implemented GASB 75 and restated their beginning net position. Decreases to net position included: University of Maine System $89.6 million, Maine Community College $15.1 million, Maine Municipal Bond Bank $.3 million and non-major Northern New England Passenger Rail Authority $.3 million.

During fiscal year ended June 30, 2018, the State implemented the following accounting standards that had no impact on the State's financial statements:

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission.

GASB Statement No. 85, *Omnibus 2017*. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The requirements of this Statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance.

Change in Reporting Entity

A financial reporting entity, as defined in GASB Codification 2100.511, is "[a] primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete." Determining which discretely presented component unit disclosures are essential to fair presentation is a matter of professional judgment and should be done on a component unit-by-component unit basis.

Management reassessed its position to include all identified component units in its financial reporting entity. Inclusion is not meaningful to the readers of its financial statements and creates an undue burden for these entities to meet an accelerated deadline for publication in the State's CAFR. Management determined that six of the smallest component units could be excluded without making its financial statements misleading or incomplete. The six formerly reported component units were ConnectME Authority, Loring Development Authority, Maine Educational Center for the Deaf and Hard of Hearing, Maine Port Authority, Maine Technology Institute and the Small Enterprise Growth Fund. Their exclusion removed 2 percent of assets, 2 percent of expenses and 3 percent of net position, or $86.0 million. The Maine School of Science and Mathematics, a newly identified non-major component unit, will also be excluded from the reporting entity.

Non-GASB 75 Restatement – Component Unit
Midcoast Regional Redevelopment Authority reduced its net position $78 thousand.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

NON-MAJOR GOVERNMENTAL FUNDS
The Capital Projects fund, had a deficit unassigned fund balance of $52.3 million. The fund balance deficit was caused by expenditures for projects for which bonds had not yet been issued. On July 31, 2018 the State issued $111.3 million in General Obligation Bonds. See Note 18 - Subsequent Events for additional details.

PROPRIETARY FUNDS
Five internal service funds showed deficits for the fiscal year ended June 30, 2018. The Workers' Compensation Fund reported a deficit of $23.1 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of $5.3 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $7.0 million because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. All of the deficits mentioned above are expected to be funded by future service charges. The remaining two internal service funds, Financial and Personnel Services and Information Services, reported deficits of $34.9 million and $54.3 million, respectively. These deficits are primarily the result of the implementation of GASB Statement No. 68 in Fiscal Year 2015, which required the recognition of the entire net pension liability and the restatement of beginning net position due to the implementation of GASB Statement No. 75.

Two enterprise funds showed deficits for the fiscal year ended June 30, 2018. Maine Military Authority and Consolidated Emergency Communication Fund reported deficits of $17.6 million and $9.3 million, respectively. The deficits for these funds are primarily the result of the implementation of GASB Statement No. 68 in Fiscal Year 2015, which required the recognition of the entire net pension liability and the restatement of beginning net position due to the implementation of GASB Statement No. 75.

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 that "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, 2018 are as follows:

Primary Government Deposits and Investments
(Expressed in Thousands)

	Governmental Activities	Business-Type Activities	Private Purpose Trusts	Agency Funds	Total
Equity in Treasurer's Cash Pool	$ 1,095,067	$ 12,989	$ 540	$ 16,870	$ 1,125,466
Cash and Cash Equivalents	263	2,689	2,527	27	5,506
Cash with Fiscal Agent	143,871	-	-	-	143,871
Investments	114,901	-	20,320	-	135,221
Restricted Equity in Treasurer's Cash Pool	36,784	-	-	-	36,784
Restricted Deposits and Investments	4,297	446,171	-	11	450,479
Investments Held on Behalf of Others	-	-	-	59,889	59,889
Total Primary Government	$ 1,395,183	$ 461,849	$ 23,387	$ 76,797	$ 1,957,216

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, 2018:

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	$ 70,172	$ 180,056 $	- $	- $	- $	- $	250,228
US Treasury Notes	142,283	-	-	-	-	-	142,283
Corporate Notes and Bonds	18,390	9,143	-	-	-	-	27,533
Commercial Paper	270,093	-	-	-	-	-	270,093
Certificates of Deposit	115,771	23,154	-	-	-	-	138,925
Cash and Cash Equivalents	394	-	-	-	-	322,633	323,027
Unemployment Fund	-	-	-	-	-	446,171	446,171
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	1,045	2,701	334	354	871	-	5,305
US Treasury Notes	4,411	5,056	4,177	-	987	3,081	17,712
Corporate Notes and Bonds	7,785	3,023	256	-	359	43,403	54,826
Other Fixed Income Securities	106	-	33,568	-	-	35,351	69,025
Commercial Paper	4,107	-	-	-	-	-	4,107
Certificates of Deposit	11,258	358	-	-	-	2,539	14,155
Money Market	-	-	-	-	-	3,192	3,192
Cash and Cash Equivalents	2,527	-	-	-	-	19,704	22,231
Equities	-	-	-	-	-	18,179	18,179
Other	-	-	-	-	-	6,353	6,353
	$ 648,342	$ 223,491 $	38,335 $	354 $	2,217 $	900,606	$ 1,813,345
Other Assets							
Cash with Fiscal Agent							143,871
Total Primary Government							$ 1,957,216

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, 2018 are presented below:

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

	A1	A	AA	AAA	BB	BBB	Not Rated	Total
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds								
US Instrumentalities	$ - $	- $	246,323 $	- $	- $	- $	3,905 $	250,228
US Treasury Notes	54,526	-	87,757	-	-	-	-	142,283
Corporate Notes and Bonds	-	-	-	-	-	-	27,533	27,533
Commercial Paper	270,093	-	-	-	-	-	-	270,093
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds								
US Instrumentalities	-	-	3,770	-	-	-	1,535	5,305
US Treasury Notes	-	829	2,529	-	-	-	14,354	17,712
Corporate Notes and Bonds	-	774	466	64	-	1,218	52,304	54,826
Commercial Paper	4,107	-	-	-	-	-	-	4,107
Money Market	-	-	-	-	-	-	3,192	3,192
Other Fixed Income Securities	-	-	-	-	-	-	6,353	6,353
Total Primary Government	$ 328,726 $	1,603 $	340,845 $	64 $	- $	1,218 $	109,176 $	781,632

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, 2018, 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 $150 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% 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 the counterparty's trust department, but not in the State's name.

The fair value of the trust's investments as of June 30, 2018 was $84.3 million and was comprised of the following (expressed in thousands):

U.S. Instrumentalities	$ 1,535
U.S. Treasury Notes	1,360
Corporate Notes and Bonds	2,643
Other Fixed Income Securities	14,115
Equities	59,410
Cash and Equivalents	1,021
Other	4,223
Total	$ 84,307

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2018 these disbursements, on average, exceeded $174 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 markers;

- Quoted prices for identical or similar assets or liabilities in inactive markets;

- Inputs other than quoted prices that are observable for the asset or liability;

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

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

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

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

- *Market Approach* - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;

- *Cost Approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);

- *Income Approach* – Techniques to convert future amount to a single present amount based on market exceptions (including present value techniques).

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

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

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

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

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

The following table set forth by level, within the fair value hierarchy, the State of Maine's assets carried at fair value on a recurring basis as of June 30, 2018:

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	$ 292,453	$ -	$ 292,453	$ -
Corporate Notes and Bonds	86,879	-	32,316	54,563
U.S. Instrumentalities	267,991	-	267,991	-
U.S. Treasury Notes	155,815	155,815	-	-
Other Fixed Income Securities	25,266	25,266	-	-
Equities	98,182	98,182	-	-
Other	4,223	-	-	4,223
Total	$ 930,809	$ 279,263	$ 592,760	$ 58,786

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

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

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

Cash collateral is invested in a short-term investment pool. Cash collateral may also be invested separately in "term loans." At June 30, 2018 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, 2018 was $278.1 million and $272.0 million, respectively.

The system did not have any derivative investments as of June 30, 2018 or during the year then ended.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of investment in a single issue. The System's investment policy places no limit on the amount the System may invest in any one issuer. At June 30, 2018 one investment in BlackRock 0-5 Year TIPS pooled fixed income funds exceeded 5% of the fiduciary net position for the defined benefit 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 6 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 $50.7 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 $7.1 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

NOTE 6 - RECEIVABLES

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

Primary Government - Receivables
(Expressed in Thousands)

	Taxes	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:					
General	$ 558,178	$ 152,509	$ 1	$ (162,153)	$ 548,535
Highway	26,146	3,107	-	(46)	29,207
Federal	-	112,445	-	(32,037)	80,408
Other Special Revenue	13,003	96,304	5,040	(21,064)	93,283
Total Governmental Funds	597,327	364,365	5,041	(215,300)	751,433
Allowance for Uncollectibles	(106,429)	(108,820)	(51)		
Net Receivables	$ 490,898	$ 255,545	$ 4,990		$ 751,433
Proprietary Funds:					
Employment Security	$ -	$ 48,317	$ -	$ (21,608)	$ 26,709
Nonmajor Enterprise	-	36,143	-	(148)	35,995
Internal Service	-	11,719	-	-	11,719
Total Proprietary Funds	-	96,179	-	(21,756)	74,423
Allowance for Uncollectibles	-	(21,756)	-		
Net Receivables	$ -	$ 74,423	$ -		$ 74,423

Component Units - Receivables
(Expressed in Thousands)

	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Finance Authority of Maine	$ 2,783	$ 102,907	$ (5,220)	$ 100,470
Maine Community College System	6,220	-	(1,034)	5,186
Maine Health and Educational Facilities Authority	381	496,629	(73)	496,937
Maine Municipal Bond Bank	1,003	-	-	1,003
Maine State Housing Authority	9,383	1,304,466	(9,132)	1,304,717
Maine Turnpike Authority	5,735	-	-	5,735
University of Maine System	56,732	42,109	(10,145)	88,696
Net Receivables	$ 82,237	$ 1,946,111	$ (25,604)	$ 2,002,744

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, 2018 were:

Interfund Receivables
(Expressed in Thousands)

| | Due to Other Funds | | | | |
Due from Other Funds	General	Highway	Federal	Other Special Revenue	Other Governmental
General	$ -	$ -	$ 372	$ 2,825	$ -
Highway	2	6	2,370	-	-
Federal	5	1	100	2,147	-
Other Special Revenue	8,650	519	1,440	1,385	54,518
Other Governmental	-	-	-	-	-
Employment Security	-	-	176	-	-
Non-Major Enterprise	2,335	3	-	-	-
Internal Service	10,307	3,595	2,540	4,343	-
Fiduciary	37,329	-	-	-	-
Total	$ 58,628	$ 4,124	$ 6,998	$ 10,700	$ 54,518

| | Due to Other Funds | | | | |
Due from Other Funds	Employment Security	Non-Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General	$ -	$ 8,848	$ 5,388	$ 4,489	$ 21,922
Highway	-	-	1	-	2,379
Federal	-	-	-	-	2,253
Other Special Revenue	-	4,822	423	-	71,757
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	176
Non-Major Enterprise	-	-	-	-	2,338
Internal Service	-	420	5,248	15	26,468
Fiduciary	-	-	-	-	37,329
Total	$ -	$ 14,090	$ 11,060	$ 4,504	$ 164,622

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 to 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 2018, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The Other Special Revenue Fund transferred $17.4 million to the unappropriated surplus of the General Fund. The General Fund transferred $6.0 million to the Other Special Revenue, Maine Clean Election Fund.

Interfund transfers for the year ended June 30, 2018 consisted of the following:

Interfund Transfers
(Expressed in Thousands)

| Transferred To | | Transferred From | | | | |
	General	Highway	Federal	Other Special Revenue	Other Governmental
General	$ -	$ -	$ 6,786	$ 38,374	$ -
Highway	1,680	-	40,300	31,728	-
Federal	75	-	-	8,007	-
Other Special Revenue	139,210	6,253	624	3,450	2,213
Other Governmental Funds	-	-	-	-	1,407
Employment Security	-	-	61	-	-
Non-Major Enterprise	-	5,336	-	-	-
Internal Service	6,177	-	-	-	-
Fiduciary	-	-	-	-	603
Total	$ 147,142	$ 11,589	$ 47,771	$ 81,559	$ 4,223

| Transferred To | Transferred From | | | | |
	Employment Security	Non-Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General	$ -	$ 62,307	$ 785	$ 4,899	$ 113,151
Highway	-	-	24	-	73,732
Federal	333	-	-	-	8,415
Other Special Revenue	-	52,398	-	648	204,796
Other Governmental Funds	-	-	-	-	1,407
Employment Security	-	-	-	-	61
Non-Major Enterprise	-	-	-	-	5,336
Internal Service	-	-	102	-	6,279
Fiduciary	-	-	-	-	603
Total	$ 333	$ 114,705	$ 911	$ 5,547	$ 413,780

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, 2018:

Primary Government - Capital Assets
(Expressed in Thousands)

	Beginning Balance	Increases and Other Additions	Decreases and Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 628,824	$ 13,379	$ 1,154	$ 641,049
Construction in progress	46,996	49,269	37,319	58,946
Infrastructure	2,869,006	32,460	-	2,901,466
Total capital assets not being depreciated	3,544,826	95,108	38,473	3,601,461
Capital assets being depreciated				
Buildings	781,762	68,477	4,763	845,476
Equipment	298,115	21,586	12,583	307,118
Improvements other than buildings	109,165	4,362	35	113,492
Software	75,973	270	-	76,243
Total capital assets being depreciated	1,265,015	94,695	17,381	1,342,329
Less accumulated depreciation for				
Buildings	331,549	21,254	9,500	343,303
Equipment	197,543	25,463	13,977	209,029
Improvements other than buildings	54,975	5,112	35	60,052
Software	46,081	7,327	-	53,408
Total accumulated depreciation	630,148	59,156	23,512	665,792
Total capital assets being depreciated, net	634,867	35,539	(6,131)	676,537
Governmental Activities Capital Assets, net	$ 4,179,693	$ 130,647	$ 32,342	$ 4,277,998

	Beginning Balance	Net Additions	Net Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated				
Land	$ 2,389	$ -	$ -	$ 2,389
Construction in progress	-	971	-	971
Total capital assets not being depreciated	2,389	971	-	3,360
Capital assets being depreciated				
Buildings	4,655	-	-	4,655
Equipment	32,658	50	7	32,701
Improvements other than buildings	42,757	-	-	42,757
Total capital assets being depreciated	80,070	50	7	80,113
Less accumulated depreciation for				
Buildings	2,772	137	-	2,909
Equipment	14,352	1,264	7	15,609
Improvements other than buildings	29,933	1,501	-	31,434
Total accumulated depreciation	47,057	2,902	7	49,952
Total capital assets being depreciated, net	33,013	(2,852)	-	30,161
Business-Type Activities Capital Assets, net	$ 35,402	$ (1,881)	$ -	$ 33,521

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

Governmental Activities - Depreciation Expense
(Expressed in Thousands)

	Amount
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	$ 53
Business Licensing and Regulation	426
Economic Development and Workforce Training	1,393
Education	154
Governmental Support and Operations	13,099
Health and Human Services	8,492
Justice and Protection	15,782
Natural Resources Development and Protection	6,443
Transportation Safety and Development	11,654
Total Depreciation Expense - Governmental Activities	$ 57,496

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 administrating 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, 2018, there were 80 employers participating in these plans. The 1,084 participants individually direct the $38.0 million covered by the plans.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2018 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, 2017. 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, 2018 there were 236 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, 2017:

Employees of single employer covered by benefit terms

	Judicial	Legislative
Inactive employees or beneficiaries currently receiving benefits	75	185
Terminated participants:		
Vested	2	120
Inactive employees due refunds	1	110
Active employees	63	185
Total participants	141	600

STATE EMPLOYEES AND TEACHERS PENSION PLAN BENEFITS

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

PARTICIPATING LOCAL DISTRICTS PLAN BENEFITS

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

CONTRIBUTION INFORMATION

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

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

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

On occasion, the State may agree to pay employee pension contributions as a part of the compensation and benefits that are negotiated with employees. The employer-paid contributions are treated as part of their pension compensation. In accordance with statute, the actuary accumulates them in the Retirement Allowance Fund. Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 2.4 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, 2018 and June 30, 2017 are as follows:

	June 30, 2018	June 30, 2017
SETP - State Employees		
Employees [2]	7.65% - 8.65%	7.65% - 8.65%
Employer [1]	23.48% - 47.73%	21.99% - 42.18%
SETP - Teachers		
Employees [2]	7.65%	7.65%
Employer [1]	3.97%	3.36%
Non-employer entity [1]	11.08%	10.02%
Judicial Plan		
Employees [2]	7.65%	7.65%
Employer [1]	14.94%	14.98%
Legislative Plan		
Employees [2]	7.65%	7.65%
Employer [1]	0.00%	0.00%
Consolidated Participating Local Entities		
Employees [2]	4.00% - 9.00%	4.00% - 9.00%
Employer [1]	3.90% - 15.70%	4.60% - 14.20%

[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, 2018, 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	$ 155,416
1 Major and Non-major Component Unit and 1 formerly reported component unit. See Note 3.	7,718
Subtotal State & Component Unit Members	$ 163,134
Teacher Members (Non-employer contribution)	$ 116,415

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, 2017, 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, 2017	$ 63,723	$ 60,892	$ 2,831	$ 7,680	$ 10,807	$ (3,127)
Changes for the Year:						
Service Cost	1,466	-	1,466	265	-	265
Interest	4,358	-	4,358	530	-	530
Differences Between Expected and Actual Experience	(893)	-	(893)	158	-	158
Benefit Payments, Including Refunds	(3,652)	(3,652)	-	(469)	(469)	-
Employer Contributions	-	1,144	(1,144)	-	-	-
Member Contributions	-	585	(585)	-	202	(202)
Net Investment Income	-	7,800	(7,800)	-	1,366	(1,366)
Administrative Expense	-	(57)	57	-	(9)	9
Net Changes	1,279	5,820	(4,541)	484	1,090	(606)
Balances at June 30, 2018	$ 65,002	$ 66,712	$ (1,710)	$ 8,164	$ 11,897	$ (3,733)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			102.6 %			145.7 %
Covered Payroll			$ 7,640			$ 2,651
Net Pension Liability as a Percentage of Covered Payroll			(22.4)%			(140.8)%

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

The State's net pension liability was measured as of June 30, 2017, 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, 2018 and June 30, 2017 is as follows:

(Expressed in Thousands)

Pension Plan	Proportionate Share June 30, 2017	Proportionate Share June 30, 2018	Net Pension Asset June 30, 2018	Net Pension Liability June 30, 2018
SETP - State Employees [1]	94.498857 %	94.829879 %	$ -	$ 1,080,168
SETP - Teachers [2]	95.002519 %	95.016790 %	-	1,380,153
Total Primary Government			-	2,460,321
SETP - 1 Major and Non-major Component Unit and 1 formerly reported component unit [1]	5.501143 %	5.170121 %	$ -	$ 58,890

[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, 50 percent is posted to the General Fund, 22 percent to Other Special Revenue Funds, 15 percent to Highway Funds and 13 percent to Federal Funds.

Proportion	June 30, 2017	June 30, 2018	Change Increase (Decrease)
Governmental Funds	90.15 %	90.48 %	0.33 %
Internal Service Funds	7.65 %	7.53 %	(0.12)%
Enterprise Funds	2.20 %	1.99 %	(0.21)%

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

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

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

	SETP State of Maine	Component Units[1]	Total State of Maine Employees SETP	SETP Teachers
Total Pension Liability				
Service Cost	$ 72,058	$ 3,929	$ 75,987	$ 137,060
Interest	297,887	16,241	314,128	572,707
Differences Between Expected and Actual Experience	27,688	1,510	29,198	66,009
Benefit Payments, Including Refunds of Member Contributions	(278,606)	(15,190)	(293,796)	(486,362)
Change in Proportionate Share	15,353	(15,353)	-	-
Net Change in Total Pension Liability	134,380	(8,863)	125,517	289,414
Beginning Total Pension Liability	4,382,471	255,121	4,637,592	8,432,365
Ending Total Pension Liability	4,516,851	246,258	4,763,109	8,721,779
Plan Fiduciary Net Position				
Employer Contributions	154,700	8,434	163,134	46,800
Non-employer Contributions	-	-	-	116,415
Member Contributions	43,906	2,394	46,300	93,166
Transfers	(137)	(7)	(144)	617
Net Investment Income	395,415	21,558	416,973	839,072
Benefit Payments, Including Refunds of Member Contributions	(278,606)	(15,190)	(293,796)	(486,362)
Change in Proportionate Share	10,905	(10,905)	-	-
Administrative Expense	(2,891)	(158)	(3,049)	(6,169)
Net Change in Plan Fiduciary Net Position	323,292	6,126	329,418	603,539
Beginning Plan Fiduciary Net Position (restated)	3,113,391	181,242	3,294,633	6,665,704
Ending Plan Fiduciary Net Position	3,436,683	187,368	3,624,051	7,269,243
Ending Net Pension Liability	$ 1,080,168	$ 58,890	$ 1,139,058	$ 1,452,536
Proportion				
June 30, 2018	94.829879 %	5.170121 %	100 %	95.016790 %
June 30, 2017	94.498857 %	5.501143 %	100 %	95.002519 %
Change - Increase (Decrease)	0.331022 %	(0.331022)%	0 %	0.014271 %

[1]Includes combined totals for one major component unit, one non-major component unit, and 1 formerly reported component unit. See Note 3.

Actuarial Assumptions

Actuarial assumptions used in the June 30, 2017 and June 30, 2016 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 2014 actuarial valuation developed as a roll-forward of the 2013 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2014 using assets as of June 30, 2014. The individual entry age normal method is used to determine liabilities. A 3-year smoothed market approach is used for the asset valuation method. Each plan's unfunded actuarial liability is being amortized as a level percentage of payroll. For the SETP, a closed 18-year amortization of UAL prior to 2012 and individual, closed, level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012. The amortization period used by both the Judicial and Legislative Plans is an open 10-year amortization of the 2014 UAL. The investment rate of return used for contributions in 2014 was 7.125 percent. The investment rate of return, inflation rate and annual salary increases, including inflation were 6.875 percent, 2.75 percent and 2.75 percent plus merit component based on employee's years of service. All plans used a 2.20 percent cost-of-living. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The Judicial and Legislative Plans assume that 100 percent retirement occurs at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50 percent are assumed to retire each year after reaching age 65.

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

ANNUAL PENSION COST AND NET PENSION LIABILITY

For the year ended June 30, 2018, the State recognized pension expense of $251,816 which includes $104,166 of teacher pensions recorded in grant expense. At June 30, 2018, the State reported $403,750 of deferred outflows of resources and $55,219 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of $277,902 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, 2019. 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	$ 28,023	$ -	$ 1,528	$ -	$ 29,551	$ -
Changes of assumptions	31,134	-	1,697	-	32,831	-
Net difference between projected and actual earnings on pension plan investments	-	12,178	-	663	-	12,841
Changes in proportion and differences between State contributions and proportionate share of contributions	8,508	26	244	8,724	8,752	8,750
State and component unit contributions subsequent to the measurement date	147,703	-	7,347	-	155,050	-
Total	$ 215,368	$ 12,204	$ 10,816	$ 9,387	$ 226,184	$ 21,591

For the Year Ended			
2019	39,874	(5,481)	34,393
2020	48,200	1,341	49,541
2021	4,137	226	4,363
2022	(36,750)	(2,004)	(38,754)
2023	-	-	-

	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	$ 58,045	$ -	$ -	$ -	$ -	$ 447
Changes of assumptions	-	21,556	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	20,298	-	40	-	519
Changes in proportion and differences between State contributions and proportionate share of contributions	138	155	-	-	-	-
State and component unit contributions subsequent to the measurement date	129,016	-	5	-	1,178	-
Total	$ 187,199	$ 42,009	$ 5	$ 40	$ 1,178	$ 966

For the Year Ended			
2019	(17,233)	(56)	(819)
2020	98,064	129	590
2021	9,226	14	-
2022	(73,883)	(127)	(737)
2023	-	-	-

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. Equities	7.5 %	2.3 %
Private Equity	15.0 %	7.6 %
Real Assets:		
Real Estate	10.0 %	5.2 %
Infrastructure	10.0 %	5.3 %
Natural Resources	5.0 %	5.0 %
Traditional Credit	7.5 %	3.0 %
Alternative Credit	5.0 %	4.2 %
Diversifiers	10.0 %	5.9 %

The discount rate used to measure the collective total pension liability was 6.875 percent for the 2017 and 2016 actuarial valuations for the State Employee and Teacher Plan. The PLD Plan used 6.875 percent for the 2017 and 2016 actuarial valuation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for all plans is 6.875 percent.

(Expressed in Thousands)

Defined Benefit Plans Administered Through MPERS	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
State Employee and Teacher Pension Plan:			
State & Component Unit Members			
State Employees	$ 1,611,375	$ 1,080,168	$ 644,949
Maine Community College System	78,263	52,462	31,324
2 Formerly Reported Component Units. See Note 3.	9,590	6,428	3,838
Subtotal State & Component Unit Members	1,699,228	1,139,058	680,111
Teacher Members	2,548,771	1,452,536	547,439
Total State Employee and Teacher Pension Plan	$ 4,247,999	$ 2,591,594	$ 1,227,550
Judicial Pension Plan	4,200	(1,710)	(6,809)
Legislative Pension Plan	(2,899)	(3,733)	(4,456)

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 2017, this was one year for the Legislative Plan, two years for the Judicial Plan, three years for the State Employee and Teacher Plan and for the PLD Consolidated Plan. Prior to 2017, this was two years for the Legislative Plan and four years for the PLD Consolidated Plan.

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

Changes in Assumptions   Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the June 30, 2017 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, and the Maine Public Employees Retirement System have defined benefit pension plans. All are participating local entity participants in plans administered by the Maine Public Employees Retirement System.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS

POST RETIREMENT HEALTHCARE PLANS AND BENEFITS

State Employees

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

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

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

Teachers and First Responders

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

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

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

POST RETIREMENT GROUP LIFE INSURANCE PLAN

The Maine Public Employees Retirement System (the System) is a component unit of the State of Maine. For financial reporting purposes, the System administers two multiple-employer cost-sharing, defined benefit Group Life Insurance Plans (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers), members of the Judiciary and the Legislature, which are eligible for membership in the System. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the plan. Group life insurance benefits are also provided to employees of approximately 130 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine that elect to participate under provisions of the relevant statutes.

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2018 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349 or on-line at www.mainepers.org.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CONTRIBUTIONS AND RESERVES

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

INVESTMENTS

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

PLAN MEMBERSHIP

Membership in the OPEB plans is as follows:

	Healthcare			Group Life	
	State Employees	**Teachers**	**First Responders**	**State Employees**	**Teachers**
Actives	12,076	27,056	628	11,174	14,045
Retirees	8,568	10,473	102	8,110	7,003
Inactives Vested	182	449	-	-	-
Total	20,826	37,978	730	19,284	21,048
Number of employers	1	224	61	1	224
Contributing entities	1	1	1	1	1

STATE EMPLOYEE HEALTHCARE FUNDING POLICY

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

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

TEACHERS PLAN AND FIRST RESPONDERS PLAN HEALTHCARE FUNDING POLICY

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

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

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

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

| | **Healthcare** | |
| | Increase (Decrease) | |
	Teachers	First Responders
Balances at June 30, 2017	$ 1,323,731	$ 26,052
Changes for the Year:		
Service Cost	42,214	1,836
Interest	38,521	786
Contributions - Employee	-	(618)
Contributions - Non-Employer Contributing Entity	(28,848)	(78)
Administrative Expenses	-	99
Differences Between Expected and Actual Experience	-	(2,909)
Changes in Assumptions - Discount Rate	(170,420)	(1,325)
Changes in Assumptions - Others	-	(4,863)
Differences Between Expected and Actual Investment Earnings	43,128	-
Net Changes	(75,405)	(7,072)
Balances at June 30, 2018	$ 1,248,326	$ 18,980
Covered Payroll	$ 1,149,126	$ 62,551
Total OPEB Liability as a Percentage of Covered Payroll	108.6 %	30.3 %
State's Proportionate Share of the Collective Total OPEB Liability at June 30, 2018 and 2017	83 %	23 %

The State's proportionate share for fiscal years ended June 30, 2016 and June 30, 2017 was estimated using the same share of implicit subsidy for each school district's or municipality's OPEB Plan.

CHANGES IN NET OPEB LIABILITY

Changes in net OPEB liabilities are as follows:

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

	Healthcare	Group Life Insurance	
	State Employees	**State Employees**	**Teachers**
Total OPEB Liability			
Service Cost	$ (16,446)	$ (887)	$ (1,178)
Interest	(76,105)	(6,119)	(5,896)
Differences Between Expected and Actual Experience	(9,854)	-	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	53,118	3,712	2,292
Benefit Payments, Including Refunds of Member Contributions - Implicit	21,628	-	-
Net Change in Total OPEB Liability	(27,659)	(3,294)	(4,782)
Beginning Total OPEB Liability	(1,147,800)	(89,949)	(85,697)
Ending Total OPEB Liability	(1,175,459)	(93,243)	(90,479)
Plan Fiduciary Net Position			
Employer Contributions - Explicit	(57,118)	(3,650)	-
Employer Contributions - Implicit	(21,628)	-	-
Non-employer Contributions	-	-	(3,271)
Transfers	-	-	(6,175)
Net Investment Income	(26,514)	(3,711)	-
Benefit Payments, Including Refunds of Member Contributions	74,746	3,712	2,292
Administrative Expense	6	511	824
Net Change in Plan Fiduciary Net Position	(30,508)	(3,138)	(6,330)
Beginning Plan Fiduciary Net Position	(203,088)	(29,357)	(48,058)
Ending Plan Fiduciary Net Position	(233,596)	(32,495)	(54,388)
Ending Net OPEB Liability	$ (941,863)	$ (60,748)	$ (36,091)
Proportion			
June 30, 2018	(100.000000)%	(94.993644)%	(100.000000)%
June 30, 2017	(100.000000)%	(94.697972)%	(100.000000)%
Change - Increase (Decrease)	0.000000 %	(0.295672)%	0.000000 %
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	(19.872748)%	(34.849801)%	(60.111186)%

ACTUARIAL METHODS AND ASSUMPTIONS

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

State Health Insurance

The valuation date is June 30, 2017 rolled back to June 30, 2016. 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, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 include: a 6.75 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. 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 6.80 percent at June 30, 2016 and 6.60 percent at June 30, 2017. The ultimate medical trend rate for both years is 4.29 percent reached at 2075. The State actively manages premium increases within the statutory cap, so healthcare cost increases are limited to no more than inflation plus 3 percent in any year. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively.

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

Group Life Insurance

The valuation date is June 30, 2016 projected to June 30, 2017. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 100 percent of those currently enrolled. Actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 include: a 6.875 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2017, there were 20 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, 2017 are summarized in the following table:

The discount rate used to measure the total OPEB liability for the State Employee and Teacher Plan was 6.875 percent. The projection of cash flows used to determine the discount rate assumed that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Teachers Health Insurance
The valuation date is June 30, 2017 rolled back to June 30, 2016. 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, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 include: using a 2.75 percent inflation rate and 3.00 annual salary increases. Since the State's portion of the Teachers' postretirement medical plans are not being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the index rate as of the measurement date of a 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 3.58% as of the measurement date, June 30, 2017, (2.85% as of June 30, 2016). The initial medical trend rate had been 6.80 percent at June 30, 2016 and 6.60 percent at June 30, 2017. The ultimate medical trend rate for both years is 4.29 percent reached at 2075. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For Teachers rates are adjusted based on 99 percent for males and females.

First Responders Health Insurance
The valuation date is June 30, 2017 with a rollback to June 30, 2016. Costs are developed using the entry age normal cost method based on a level percentage of payroll. 90 percent of all active members who currently have coverage are assumed to elect coverage at retirement. No employee who has waived coverage will be assumed to be eligible for coverage at retirement. The State is currently funding the plan on a pay-as-you-go basis. The valuation assumes the State will continue this policy. Since the State's portion of the First Responders' postretirement medical plans are not being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the index rate as of the measurement date of a 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 3.58% as of the measurement date, June 30, 2017, (2.85% as of June 30, 2016). Actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Other significant actuarial assumptions employed by the actuary for June 30, 2017 and June 30, 2016 include using a 2.75 percent inflation rate and 3.00 percent annual salary increase. The initial medical trend rate had been 7.50 percent at June 30, 2016 and 6.60 percent at June 30, 2017. The ultimate medical trend rate at June 30, 2017 and June 30, 2016 was 4.29 percent and 5.00 percent, respectively, 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, 2018, the State recognized OPEB expense of $151,534. Costs related to non-State employees are charged to the General Fund. Of State employee costs charged to governmental funds, 48 percent is charged to the General Fund, 22 percent to Other Special Revenue Funds, 16 percent to the Highway Fund and 14 percent to Federal funds. At June 30, 2018, 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	$ 7,944	$ -	$ 37,292	$ -	$ -	$ 2,514
Changes of assumptions	-	-	-	147,359	-	5,348
Net difference between projected and actual earnings on OPEB plan investments	-	10,245	-	-	-	-
State and component unit contributions subsequent to the measurement date	58,347	-	26,855	-	524	-
Total	$ 66,291	$ 10,245	$ 64,147	$ 147,359	$ 524	$ 7,862

For the Year Ended			
2019	(651)	(17,225)	(1,235)
2020	(651)	(17,225)	(1,235)
2021	(651)	(17,225)	(1,235)
2022	(652)	(17,225)	(1,235)
2023	304	(17,225)	(1,235)
Thereafter	-	(23,942)	(1,687)

Group Life Insurance
(Expressed in Thousands)

	State		Teachers	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ -	$ 1,301	$ -	$ 2,292
Changes in proportion and differences between State contributions and proportionate share of contributions	154	-	-	-
State and component unit contributions subsequent to the measurement date	3,969	-	3,459	-
Total	$ 4,123	$ 1,301	$ 3,459	$ 2,292

For the Year Ended		
2019	(300)	(573)
2020	(300)	(573)
2021	(300)	(573)
2022	(300)	(573)
2023	26	-
Thereafter	27	-

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.

Asset Class:	State Employee Healthcare		Group Life Insurance	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.00 %	9.73 %	- %	- %
U.S. Government Securities	9.00 %	3.25 %	9.00 %	2.30 %
Public Equity	70.00 %	6.00 %	70.00 %	6.00 %
International Equity	25.00 %	9.42 %	- %	- %
Traditional Credit	16.00 %	4.59 %	16.00 %	3.00 %
Real Assets:				
Real Estate	5.00 %	5.20 %	5.00 %	5.20 %

For the year ended June 30, 2018, the annual money-weighted average rate of return on investments, net of investment expense was 9.00 percent for both plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

SENSITIVITY ANALYSIS

The following tables show how the collective OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The discount rate used for the funded healthcare plan is 6.75 percent. The discount rate used for unfunded healthcare plans is 3.58 percent. The discount rate used for funded group life insurance plans is 6.875 percent.

Discount Rate
(Expressed in Thousands)

	1% Decrease		Current Discount Rate		1% Increase	
Net OPEB Liabilities						
State Employee Healthcare Plan	$	1,079,593	$	941,863	$	826,944
State Employee Group Life	$	70,037	$	57,707	$	47,632
Teacher Group Life	$	49,758	$	36,091	$	25,041
Total OPEB Liabilities						
Teacher Healthcare Plan	$	1,489,680	$	1,248,326	$	1,057,488
First Responders Healthcare Plan	$	20,825	$	18,980	$	17,341

Healthcare Cost Trend Rate
(Expressed in Thousands)

	1% Decrease		Current Discount Rate		1% Increase	
Net OPEB State Employee Healthcare Plan	$	810,261	$	941,863	$	1,101,134
Total OPEB Teacher Healthcare Plan	$	1,029,272	$	1,248,326	$	1,537,004
Total OPEB First Responder Healthcare Plan	$	17,044	$	18,980	$	21,244

For all plans, the current trend rate is 6.60 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, 2018 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, 2018 were as follows:

(Expressed in Millions)

	State Employee Healthcare Plan	State and Teachers Group Life Insurance Benefit Plan
Total OPEB liability	$ 1,200	$ 196
Plan fiduciary net position	257	94
State of Maine's net OPEB liability	$ 943	$ 102
Plan fiduciary net position as a percentage of the total OPEB liability	21.42 %	47.96 %

Actuarial assumptions for both funded OPEB plans used in the June 30, 2018 valuations were based on results from an actuarial experience study for the period of June 30, 2012 to June 30, 2015. The individual entry age normal method is used to determine liabilities. Asset amounts are taken as reported to the actuaries by the System without audit or change. Specific health and group life insurance OPEB plans' actuarial assumptions are included in the plan specific section of this note. For the 2018 healthcare valuation, 2 changes were made. Actuaries increased the initial medical trend rate from 5.75 percent to 6.40 percent and decreased the ultimate medical trend rate from 4.75 percent to 4.29 percent. The only change in the 2018 group life insurance plan valuation decreased the discount rate down to 6.750 percent from 6.875 percent. The expected long-term rate of return for both plans is 6.750 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 State Employee Healthcare Benefit Plan and 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 %

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 9.0 percent for both plans. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 1,083	$ 943	$ 825
State Employee and Teacher Group Life Insurance Benefit Plan	$ 131	$ 102	$ 79

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following table shows how the collective net OPEB liabilities would change if the healthcare rate used was one percentage point lower or one percentage point higher than the current rate of 6.4 percent grading down to 4.3 percent.

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 808	$ 943	$ 1,105

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 compensated employee absences; and the State's net pension liability; other post-employment benefits; and obligations for pollution remediation and landfill closure and post-closure care costs.

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 2018 were:

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
General Obligation Debt:					
General Fund	$ 419,635	$ -	$ 65,840	$ 353,795	$ 61,215
Special Revenue Fund	40,605	-	18,285	22,320	12,500
Unamortized Premiums:					
General Fund	35,892	-	4,261	31,631	4,261
Total	$ 496,132	$ -	$ 88,386	$ 407,746	$ 77,976

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2018 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2019	$ 73,715	$ 17,005	$ 90,720
2020	60,390	14,075	74,465
2021	54,695	11,690	66,385
2022	45,860	8,956	54,816
2023	41,125	6,663	47,788
2024-2028	100,330	9,321	109,651
Total	$ 376,115	$ 67,710	$ 443,825
Unamortized Premiums	31,631		
Total Principal	$ 407,746		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2018 are as follows:

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

	Amounts Issued	Outstanding June 30, 2018	Fiscal Year Maturities First Year	Last Year	Interest Rates
General Fund:					
Series 2008	$ 46,525	$ -	2009	2018	3.00% - 5.13%
Series 2009	96,035	8,730	2011	2019	2.50% - 5.00%
Series 2010	31,755	290	2011	2020	1.41% - 4.00%
Series 2011	86,010	19,875	2012	2021	1.625% - 5.00%
Series 2012	49,265	18,940	2013	2022	1.00% - 5.00%
Series 2014	112,945	67,765	2015	2024	0.20% - 5.00%
Series 2015	102,555	71,785	2016	2025	0.85% - 5.00%
Series 2016	97,705	78,160	2017	2026	1.00% - 5.00%
Series 2017	98,060	88,250	2018	2027	2.00% - 5.00%
		353,795			
Plus Unamortized Bond Premium		31,631			
Total General Fund		$ 385,426			
Special Revenue Fund:					
Series 2008	57,550	-	2009	2018	3.00% - 5.13%
Series 2009	37,310	4,600	2011	2019	2.50% - 5.00%
Series 2010	25,080	11,090	2011	2020	1.41% - 4.00%
Series 2011	22,125	6,630	2012	2021	1.625% - 5.00%
Total Special Revenue		$ 22,320			

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, 2018, general obligation bonds authorized and unissued totaled $190.2 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY
The State included $209.2 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of $646.1 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2018, MGFA issued $58.5 million in 2017AB bonds with interest rates between 2.50 percent and 5.00 percent.

At June 30, 2018, there was $21.1 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 2018. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2018 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, 2018, are summarized as follows:

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
General Activities:					
MGFA Revenue Bonds	$ 171,870	$ 58,535	$ 21,250	$ 209,155	$ 22,966
COP's and Other Financing	74,537	28,200	30,369	72,368	28,483
Compensated Absences	47,549	8,449	6,387	49,611	7,510
Claims Payable	77,289	174,283	184,543	67,029	20,623
Capital Leases	34,276	26,848	4,606	56,518	6,095
Loans Payable to Component Unit	428,713	-	50,449	378,264	52,609
Pollution Remediation and Landfill	33,578	12,067	1,103	44,542	-
Total Government Activities	$ 867,812	$ 308,382	$ 298,707	$ 877,487	$ 138,286
Business-Type Activities:					
Compensated Absences	$ 755	$ 142	$ 91	$ 806	$ 104

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2018 until maturity, are summarized as follows:

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

Fiscal Year	Governmental Funds			Internal Service Funds		
	Principal	Interest	Total	Principal	Interest	Total
2019	$ 19,405	$ 453	$ 19,858	$ 32,044	$ 8,338	$ 40,382
2020	16,993	351	17,344	27,429	7,295	34,724
2021	4,694	269	4,963	18,796	6,477	25,273
2022	3,219	196	3,415	14,368	5,897	20,265
2023	3,278	137	3,415	13,094	5,354	18,448
2024 - 2028	5,031	92	5,123	58,174	19,031	77,205
2029 - 2033	-	-	-	40,373	8,606	48,979
2034 - 2038	-	-	-	24,625	2,232	26,857
Total	$ 52,620	$ 1,498	$ 54,118	$ 228,903	$ 63,230	$ 292,133

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 2018 were:

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Loans Payable to Components Unit:					
Federal Funds	$ 140,185	$ -	$ 15,926	$ 124,259	$ 17,015
Special Revenue Fund	288,528	-	34,523	254,005	35,594
Total	$ 428,713	$ -	$ 50,449	$ 378,264	$ 52,609

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, 2018 are as follows:

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

| | Amounts Issued | Outstanding June 30, 2018 | Fiscal Year Maturities | | Interest Rates |
			First Year	Last Year	
Federal Funds:					
Series 2008	$ 50,000	$ 14,625	2009	2020	3.25% - 4.00%
Series 2010B	24,085	24,085	2018	2022	4.52% - 5.32%
Series 2014A	44,810	36,420	2015	2026	2.00% - 5.00%
Series 2016A	44,105	41,760	2017	2028	2.63% - 5.00%
Total Federal Funds		$ 116,890			
Special Revenue Fund:					
Series 2008	$ 50,000	$ 3,590	2009	2023	3.00% - 5.50%
Series 2009A	105,000	35,760	2010	2023	2.50% - 5.00%
Series 2009B	30,000	4,120	2010	2024	2.00% - 5.00%
Series 2011A	55,000	48,865	2012	2026	2.00% - 5.00%
Series 2013	220,660	140,225	2015	2024	1.07% - 4.35%
Series 2015A	54,680	54,680	2019	2024	4.00% - 5.00%
Total Special Revenue Funds		$ 287,240			

Total principal and interest requirements over the life of the 2008 GARVEE bonds are $63.1 million, with annual requirements of up to $5.2 million; for 2010 GARVEE bonds total principal and interest requirements are $66.3 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. Total federal highway transportation funds received in federal fiscal year 2018 were $202 million. Current year payments to MMBB for GARVEE bonds were $19.6 million (9.7 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2008 TransCap Revenue bonds are $69.5 million, with annual requirements up to $4.8 million. Total principal and interest requirements over the life of the 2009A TransCap Revenue bond are $139.3 million, with annual requirements up to $10.1 million; for the 2009B TransCap Revenue bonds total principal and interest requirements are $45.2 million, with annual requirements up to $15.9 million. Total principal and interest requirements over the life of the 2011A TransCap Revenue bond are $84.2 million, with annual requirements up to $20.3 million. Total principal and interest requirements over the life of the 2015A TransCap Revenue bond are $74.4 million, with annual requirements up to $16.6 million. Total revenue received for revenue sources used as pledged revenues were $41.0 million in fiscal year 2018.

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 $51.7 million in fiscal year 2018.

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, 2018 capital assets include capitalized buildings of $98.4 million in Governmental Activities, with related accumulated depreciation of $47.0 million.

OBLIGATIONS UNDER OPERATING LEASES

The State is obligated under certain leases, accounted for as operating leases, in the proprietary funds. Operating leases do not give rise to property rights or lease obligations, and therefore assets and liabilities related to the lease agreements are not recorded in the State's financial statements. Rental expense incurred under operating leases totaled $3.2 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
2019	$ 6,095	$ 2,719
2020	5,658	2,311
2021	5,296	2,091
2022	4,382	1,640
2023	4,053	1,195
2024-2028	15,925	3,356
2029-2033	9,391	955
2034-2038	6,457	803
2039-2043	5,544	696
2044-2048	4,454	797
2049-2053	843	627
Total Minimum Payments	68,098	$ 17,190
Less: Amount Representing Interest	11,580	
Present Value of Future Minimum Payments	$ 56,518	

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, 2018 but paid after the fiscal year end is also reported in the funds.

COMPONENT UNITS

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

Component Unit Bonds Outstanding
(Expressed in Thousands)

Component Unit	Interest Rates	Amount	Maturity Dates
Finance Authority of Maine	3.300% - 5.875%	$ 93,245	2018 - 2039
Maine Community College System	2.500% - 5.000%	19,150	2018 - 2036
Maine Health and Higher Educational Facilities Authority	2.000% - 5.750%	565,375	2018 - 2040
Maine Municipal Bond Bank	0.500% - 6.120%	1,595,820	2018 - 2046
Maine State Housing Authority	0.900% - 5.000%	1,404,330	2018 - 2052
Maine Turnpike Authority	2.000% - 6.000%	396,655	2018 - 2042
University of Maine System	1.500 - 5.000	158,016	2018 - 2037

On December 28, 2017, Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $43.6 million in series 2017B reserve resolution bonds with an average interest rate of 4.4 percent, all of which was used to defease $49.0 million of outstanding reserve fund maturities within the 2007B and 2008C bond series. The net proceeds of approximately $50.4 million, respectively, including other sources of funds and after payment of underwriting fees, insurance and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on defeased bonds. The economic benefits associated with the refunding inure to the respective institutions. At June 30, 2018 there were approximately $75.6 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 securities that will provide for future payment on the debt. The U.S. Treasury obligations are deposited with the trustees of the in-substance defeased bonds.

On November 2, 2017, MMBB issued $82.7 million in General Tax-Exempt Series 2017D bonds with an average interest rate of 4.29 percent to in-substance defease $88.5 million of various outstanding maturities of the 2007A, 2007C, 2009C, and 2011A bonds. The net proceeds of approximately $93.3 million, including a bond premium of approximately $11.0 million and after payment of approximately $0.4 million in underwriting fees and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $4.0 million in the year ended June 30, 2018, the MMBB in effect reduced its aggregate debt service payments by approximately $9.5 million over the next fourteen years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $8.2 million. As a result of the in-substance defeasance, MMBB will reduce future debt service requirements of borrowers by approximately $8.7 million over a period of fourteen years.

At June 30, 2018, the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $194.1 million.

At June 30, 2018, the remaining balances of the Transportation Infrastructure Fund Group in-substance defeased bonds total approximately $56.8 million.

At June 30, 2018, Maine Community College System (MCCS) had $16.9 million principal outstanding related to debt refunded through in-substance defeasance.

For the period ended December 31, 2017, the Maine State Housing Authority redeemed prior to maturity $285.9 million of its Mortgage Purchase Fund Group bonds from surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of $54 thousand were attributed to recognition of the bond discount and debt issuance expenses associated with the redeemed bonds.

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
2019	$ 7,315	$ 126,935	$ 804	$ 48,685	$ 20,640	$ 11,090	$ 35,095
2020	5,340	142,845	765	39,335	14,945	11,888	36,560
2021	3,115	143,235	810	34,410	16,015	10,842	36,125
2022	3,815	134,800	850	49,845	17,350	11,315	36,950
2023	7,170	124,360	895	55,875	18,435	10,783	34,105
2024 - 2028	30,495	497,231	4,995	232,530	106,845	47,439	156,960
2029 - 2033	24,505	202,165	6,130	253,040	100,660	36,465	137,715
2034 - 2038	3,595	100,550	1,607	256,540	48,985	8,030	73,465
2039 - 2043	7,930	7,810	-	164,140	21,750	-	18,400
2044 - 2048	-	3,190	-	202,320	-	-	-
2049 - 2053	-	-	-	59,120	-	-	-
Net Unamortized Premium (or Deferred Amount)	(35)	112,699	2,294	8,490	31,030	10,164	-
Total Principal Payments	$ 93,245	$ 1,595,820	$ 19,150	$ 1,404,330	$ 396,655	$ 158,016	$ 565,375

NOTE 12 - SELF - INSURANCE

A. RISK MANAGEMENT

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

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

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

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

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

*These lines of insurance have commercial excess insurance covering losses above the risk retention amount up to the per occurrence amount listed. All other insurance programs are wholly self-insured.

[1] 10 million is the maximum limit for per occurrence coverage. Some agencies have chosen $400 thousand.

[2] Excess insurance is only for out of state travel.

[3] $3 million is the maximum limit for per occurrence coverage. Some agencies have chosen $500 thousand.

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

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

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

At March 31, 2018 and 2017 the present value of claims payable for the State's self-insurance plan was estimated at $8.0 million and $8.2 million, respectively. The actuary calculated this based on the State's rate on investments.

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

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	2018	2017
Liability at Beginning of Year	$ 8,196	$ 8,016
Current Year Claims and Changes in Estimates	1,455	2,903
Claims/Fees Expense	1,625	2,723
Liability at End of Year	$ 8,026	$ 8,196

As of June 30, 2018, fund assets of $26.3 million exceeded fund liabilities of $9.5 million by $16.8 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 $789 thousand for the fiscal year ended June 30, 2018.

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, 2018:

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

	2018	2017
Liability at Beginning of Year	$ 49,419	$ 48,193
Current Year Claims and Changes in Estimates	5,743	10,931
Claims Payments	9,013	9,705
Liability at End of Year	$ 46,149	$ 49,419

Based on the actuarial calculation as of June 30, 2018, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $57.1 million. The discounted amount is $46.1 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 35,500 covered individuals. This total includes approximately 26,850 active employees, retirees and their dependents in the PPO plan and 8,650 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. For the period ending June 30, 2018 the State recorded a receivable of $9.4 million for an overpayment of health care premiums.

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 $12.9 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2018 follows:

(Expressed in Thousands)

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 14,755	$ 4,919
Claims and Changes in Estimate	126,619	40,466
Claims Payments	131,733	42,172
Liability at End of Year	$ 9,641	$ 3,213

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 45, certain costs reported above were reclassified for financial statement purposes. Retiree healthcare costs of $58.3 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $21.6 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 2018, 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	$	19,517
Noncurrent Assets		23,719
Total Assets	$	43,236
Current Liabilities	$	18,297
Long-term Liabilities		18,910
Total Liabilities	$	37,207
Designated Prize Reserves	$	4,346
Reserve for Unrealized Gains		1,683
Total Net Position		6,029
Total Liabilities and Net Position	$	43,236
Total Revenue	$	68,723
Total Expenses		46,224
Allocation to Member States		22,499
Change in Unrealized Gain on Investments Held for Resale		(1,119)
Change in Net Position	$	(1,119)

Multi-State Lottery Association

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

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

The Multi-State Lottery Association's financial report for fiscal year 2018, 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	$	314,847
Investments in US Government Securities		74,288
US Government Securities Held for Prize Annuities		63,407
Due from Party Lotteries		30,607
Patent, net of accumulated amortization		3,031
Other Assets		756
Total Assets	$	486,936
Amount Held for Future Prizes	$	412,402
Grand Prize Annuities Payable		63,468
Other Liabilities		2,018
		477,888
Net Position, Unrestricted		9,048
Total Liabilities and Net Position	$	486,936
Total Revenue	$	10,421
Total Expenses		6,517
Excess of Revenues over Expenses		3,904
Net Position, beginning		5,144
Net Position, ending	$	9,048

NOTE 14 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

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

Catholic Charities of Maine, a non-profit organization, received $10.1 million in pass-through grant awards from various State agencies and $7.6 million in Medicaid claims during fiscal year 2018. An employee of Maine's Department of Environmental Protection serves as an uncompensated member of its Board of Directors.

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, $235.6 million; Maine Community College System, $72.8 million; Maine Municipal Bond Bank, $41.1 million; Finance Authority of Maine, $17.9 million; and Maine State Housing Authority, $21.8 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $29.6 million at June 30, 2018, 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 2018, the State expended $3.1 million to FAME for State revolving loan funds. The State also transferred $1.0 million from its Loan Insurance Reserves to FAME.

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

The Maine Turnpike Authority (MTA) pays the State for services rendered by the Maine State Police (MSP). MSP has a separate troop responsible for patrolling the Maine Turnpike. MTA pays all costs associated with that troop. For fiscal year 2018, the amount billed totaled $7.5 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			Component Units
	Governmental Activities	Business-Type Activities	Totals	
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ -	$ -	$ -	$ 6,462
Refunding of Debt	3,421	-	3,421	53,365
Pension Related	399,823	3,927	403,750	37,662
OPEB Related	136,892	1,652	138,544	5,197
Total Deferred Outflows of Resources	$ 540,136	$ 5,579	$ 545,715	$ 102,686
Deferred Inflows of Resources:				
Grant Income	$ -	$ -	$ -	$ 5,399
Loan Origination Fees	-	-	-	538
Pension Related	54,976	243	55,219	32,818
OPEB Related	168,809	250	169,059	17,675
Total Deferred Inflows of Resources	$ 223,785	$ 493	$ 224,278	$ 56,430

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	$ 232,441	$ 545	$ 35	$ 25,937	$ -	$ 258,958
Total Deferred Inflows of Resources	$ 232,441	$ 545	$ 35	$ 25,937	$ -	$ 258,958

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, 2018, 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.A. §5219-W	36 M.R.S.A. §6754	36 M.R.S.A. §5219-HH
Eligibility Criteria	Businesses apply to be certified as a qualified business, agree to conduct a qualified business activity, and hire at least one net new employee within two years.	Businesses apply for certification and agree to hire at least five net new employees within two years.	A person must make a qualified equity investment that has been certified by the Finance Authority of Maine, and execute a memorandum of agreement with the state.
Abatement Method	Allowance of credit against taxes attributable to qualified business activity, up to the amount of tax liability (nonrefundable credit).	Qualified business applies for annual reimbursement payment independent of any other tax reporting requirements.	Allowance of credit against taxes. Taxpayer receives full amount of annual credit regardless of tax liability (refundable credit).
Abatement Computation	Credit equals 100 percent of the tax liability attributable to the qualified activity of a certified business for a period of five years. Businesses located in certain areas receive a 50 percent credit for an additional five years.	Reimbursement equals 30 - 80 percent of qualified state-withheld taxes, depending on the unemployment rate in the area where the employee works, for a period of ten years.	The credit amount equals a total of 39 percent of the qualified investment, spread over a period of seven years in varying amounts each year.
Recapture Provisions	None.	Any overpayment must be applied to reduce future reimbursement payments. Overpayments must be repaid if the business no longer qualifies for future payments.	The abatement amount may be recaptured upon 1) recapture of any amount of the related federal NMTC credits; 2) early repayment of any portion of the principle amount that forms the qualified equity investment, or 3) failure to reinvest less than 85% of the qualified equity investment into a qualified business.
Estimated Revenue Reduction for Fiscal Year 2018	$2,783,415	$13,326,078	$15,443,152

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

NOTE 17 - COMMITMENTS AND CONTINGENCIES

PRIMARY GOVERNMENT

LITIGATION

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

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

Boland v. Rodney Bouffard et al. This case arises out of the death of Maine State Prison inmate Michael Boland. Another inmate was convicted and sentenced to life imprisonment in connection with this incident. The defendants, the warden, deputy warden and unit manager at the Maine State Prison, are being sued in their individual capacity. Plaintiff alleges that the defendants violated the 8th Amendment proscription against cruel and unusual punishment by placing him in a prison unit with the other inmate known to the defendants to have a history of violent behavior. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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

Dylan Marc Ewer v. Jeffrey Morin et al., (D. Me.). Ewer was previously incarcerated at the Maine State Prison. Ewer was released on September 29, 2017. Prior to his release, Ewer filed a civil rights claim against several officials at the Mount View Youth Development Center claiming that, when he was a juvenile resident at the facility in 2013, they failed to protect him from assault by other juvenile residents during which he suffered a broken jaw. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Eves v. LePage (1st Cir.). The Speaker of the House has filed a lawsuit in federal court alleging First Amendment retaliation based upon the claim that the Governor threatened to withhold funds from a private school unless the school terminated its employment agreement with the Speaker. The lawsuit was recently amended to include a state law claim of intentional interference with a contract. Outside counsel has been authorized to represent the Governor. The lower court ruled in favor of the Governor, and the First Circuit Court of Appeals affirmed the lower court ruling in favor of the Governor. Plaintiff filed a Petition for Rehearing in December 2016, which has not been acted on by the First Circuit Court of Appeals. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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

Jon Adams v. Scott Landry et al. The court initially dismissed this case without prejudice for failure to prosecute. Plaintiff has now re-filed it. He claims that the defendants failed to protect him from other prisoners while he was at the Maine Correctional Center in 2015 and that, as a result, he was attacked and beaten. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Maine Equal Justice Partners et al. v. Hamilton. This lawsuit seeks to require the Commissioner of the Department of Health and Human Services to implement Medicaid expansion. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Matthew Keene v. Maine Department of Corrections et al. Plaintiff claims that he was physically and mentally abused while a resident at the Maine Youth Center and Long Creek during the 1990s. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Quinn v. U.S. Prisoner Transport Inc, et al. In this lawsuit, Plaintiff alleges that she was extradited from Florida to Maine and during the transport of her by a private transport company she was injured and mistreated. The transport company was retained by the District Attorney, a State Officer. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Riverview Psychiatric Center. The United States Centers for Medicare and Medicaid Services ("CMS") has notified the Maine Department of Health and Human Services that it has disallowed $51.1 million in federal financial participation payments for Medicaid services and for disproportionate share hospital payments claimed for the quarterly periods ending ("QE") December 31, 2013 through March 31, 2017 related to the Riverview Psychiatric Center. CMS has also disallowed additional amounts as follows, $3.5 million (QE June 30, 2017), $3.5 million (QE September 30, 2017), $3.5 million (QE December 31, 2017) and $3.5 million (QE March 31, 2018). All of the disallowances are under appeal. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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

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

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

ENCUMBRANCES

Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds balances are $66.1 million, $1.7 million, $142.8 million, $30.4 million and $5.0 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, 2018 is $23.5 million. Superfund sites account for approximately $9.4 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 $750 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 will assume 100 percent of the operation and maintenance and long-term monitoring costs.

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately $2.1 million. Beginning in August of 2012, the State assumed 100 percent of the operation, maintenance and monitoring costs. As of June 30, 2018, the State has received $2.1 million in recoveries from the Department of Defense. The State expects to recover additional costs of $808 thousand.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately $6.5 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 $13.3 million (net of unrealized recoveries of $837 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover $0.46 million in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

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

MUNICIPAL SOLID WASTE LANDFILLS

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

The Dolby Landfill no longer accepts solid waste. In calendar year 2016 the first of phase of a multi-year plan to cap approximately 100 acres at the facility was completed. The State allocated $6 million of current bond funds and anticipates another $6 million in bonds funds to complete the closure of the facility. In addition to the closure of the facility, the State anticipates additional post-closure maintenance and monitoring costs of approximately $6 million over the next 30 years. Actual costs may be higher due to inflation, changes in technology or changes in applicable laws or regulations.

Cost-Sharing Program – 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 FY2018 the DEP received $1,098,157 from the CDD fee. As required, the entirety of this fee was used to reimburse municipalities for eligible expenses. At the beginning of FY18, DEP's total outstanding reimbursement obligation to municipalities was $5,955,412. At the end of FY18 the outstanding match obligation was $5,079,017. Although the overall outstanding debt during the year decreased, additional debt was incurred due primarily to landfill closure and remediation expenses which were submitted over the course of the year. DEP incurred the oldest outstanding match obligations in 2008.

SAND AND SALT STORAGE PROGRAM

The State estimates the potential aggregate cost to comply with the environmental requirements associated with the Sand and Salt Storage program to be $2.7 million. This consists of approximately $1.7 million for State-owned facilities and approximately $1.0 million for the State's share, under a cost sharing arrangement, 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 2018 fiscal year, $90 thousand of general obligation bond funds and $2.48 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2018, amounts encumbered for pollution abatement projects totaled $21 thousand, and general obligation bonds authorized for these projects, but not yet encumbered, totaled $2.28 million. As of June 30, 2018, 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.

A report to the legislature dated February 15, 2007, submitted by the Maine Department of Environmental Protection (DEP), identified 359 long-term remediation sites as of January 2007 that are covered by the insurance program. As of August 28, 2007 there were 377 sites on the long-term remediation priority list. Since it is not possible for the DEP to estimate the cost of remediation, the State has not accrued a liability in the financial statements.

CONSTRUCTION COMMITMENTS

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 49.14 percent of the annual payments. As of June 30, 2018 outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $887.4 million.

At June 30, 2018, the Department of Transportation had contractual commitments of approximately $233.3 million for construction of various highway projects. The State's share of that amount is expected to be approximately $96.3 million. Of these amounts, $7.1 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, 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 is approximately $114 million. Maine received this amount in ten annual SCP payments which began in 2008 and ended in 2017.

In April 2018, Maine received an annual tobacco settlement payment of $67.8 million.

ESCHEAT PROPERTY

The State Abandoned Property Statute requires the deposit of certain defined and unclaimed assets into a state-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Statute provides that whenever the cash balance of the fund exceeds $500 thousand 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, 2018, the Fund included $4.0 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2018 of approximately $238.5 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, 2018, the amount reported in the Fund for claimant liability is $41.8 million. The General Fund shows a $37.3 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, 2018, loans outstanding pursuant to these authorizations are $83.1 million, less than $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, 2018.

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, 2018, 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, 2018.

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	$ 565,375	$ 60,000	NIL	22 MRSA § 2075
Finance Authority of Maine	43,517	3,410	$ 642,000	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	93,280	2,581	225,000	20-A MRSA §11424
Maine Municipal Bond Bank	1,186,370	149,749	NIL	30-A MRSA §6006
Maine State Housing Authority	1,363,465	115,806	2,150,000	30-A MRSA §4906
Total	$ 3,252,007	$ 331,546		

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

COMPONENT UNITS

CONSTRUCTION CONTRACTS
At June 30, 2018, UMS had outstanding commitments on uncompleted construction contracts that totaled $10.4 million.

At December 31, 2017, the Maine Turnpike Authority had $24.1 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, 2017 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $81.5 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2017, single-family loans being processed by lenders totaled $44.1 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, 2018, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately $115.3 million. At June 30, 2018, FAME was insuring loans with an aggregate outstanding principle balance approximating $4.6 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately $3.2 million at June 30, 2018. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2018, these commitments under the Loan Insurance Program were approximately $7.0 million.

FEDERAL STUDENT LOAN RESERVE FUND
FAME holds and administers the Federal Student Loan Reserve Fund for the US Department of Education. Total outstanding guarantees issued under the FFELP approximated $330.0 million at June 30, 2018. A portion of the defaults on FFELP loan guarantees are paid by the US Department of Education. At June 30, 2018, the reserve level was approximately $3.3 million.

NOTE 18 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On July 31, 2018 the State issued $111.3 million in General Obligation Bonds, of which $95.8 million was tax exempt and $15.5 million was taxable. The bonds bear interest rates from 3.125 percent to 5.000 percent and maturities from 2019 to 2028.

On September 13, 2018, the Maine Governmental Facilities Authority issued $50.5 million of Series 2018A Lease Revenue Bonds to fund various State projects. The bonds bear interest rates from 3.50 percent to 5.00 percent and maturities from 2019 to 2038. The bonds do not constitute a legal debt or obligation of the State.

On October 25, 2018, the Maine Municipal Bond Bank issued $44.3 million of Series 2018A Grant Anticipation Bonds on behalf of the Maine Department of Transportation. The bonds bear interest rates from 4.00 percent to 5.00 percent and maturities from 2023 to 2030. The bonds do not constitute a legal debt or obligation of the State.

On October 25, 2018, the Maine Municipal Bond Bank issued $9.9 million of Series 2018B Grant Anticipation Refunding Bonds on behalf of the Maine Department of Transportation. The bonds bear an interest rate of 4.00 percent and maturities from 2019 to 2020, all of which will be used to refund $9.9 million of outstanding maturities within the 2008A bond series. The bonds do not constitute a legal debt or obligation of the State.

COMPONENT UNITS

On March 12, 2018, Maine State Housing Authority (MSHA), which has a December 31 fiscal year end, redeemed at par $59.5 million of bonds in the General Mortgage Purchase Bond Resolution.

Between July 18, 2018 and August 1, 2018, Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $216.5 million of bonds under the General Bond resolution with final maturity dates between July 1, 2036 and September 30, 2048. Interest rates averaged from 4.8 percent up to 5.5 percent. 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 26, 2018, MHHEFA committed up to $2.9 million of bonds under the General Bond resolution with a variable interest rate and a final maturity date of September 1, 2043. 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 November 1, 2018, the Maine Municipal Bond Bank closed its 2018 Series B bond issue with a par of $134.8 million.

REQUIRED
SUPPLEMENTARY
INFORMATION

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

Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Taxes	$ 3,334,527	$ 3,395,618	$ 3,480,244	$ 84,626	$ 226,821	$ 224,172	$ 226,000	$ 1,828
Assessments and Other	96,437	98,964	102,332	3,368	92,137	93,687	98,360	4,673
Federal Grants	1,785	1,785	1,638	(147)	-	-	-	-
Service Charges	42,270	40,535	42,375	1,840	6,485	5,971	6,250	279
Income from Investments	2,994	5,429	9,126	3,697	594	219	327	108
Miscellaneous Revenue	3,194	1,194	1,201	7	3,474	4,631	4,624	(7)
Total Revenues	3,481,207	3,543,525	3,636,916	93,391	329,511	328,680	335,561	6,881
Expenditures								
Governmental Support & Operations	292,216	325,415	298,663	26,752	39,399	41,593	38,286	3,307
Economic Development & Workforce Training	46,252	47,280	42,062	5,218	-	-	-	-
Education	1,540,122	1,543,043	1,516,708	26,335	-	-	-	-
Health and Human Services	1,204,908	1,249,712	1,133,294	116,418	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	81,982	85,317	79,374	5,943	33	33	33	-
Justice and Protection	370,786	369,948	351,824	18,124	31,255	31,006	29,540	1,466
Arts, Heritage & Cultural Enrichment	8,210	8,066	7,892	174	-	-	-	-
Transportation Safety & Development	-	-	-	-	259,263	305,379	277,678	27,701
Total Expenditures	3,544,476	3,628,781	3,429,817	198,964	329,950	378,011	345,537	32,474
Revenues Over (Under) Expenditures	(63,269)	(85,256)	207,099	292,355	(439)	(49,331)	(9,976)	39,355
Other Financing Sources (Uses)								
Operating Transfers Net	(47,131)	(53,659)	(28,752)	24,907	-	-	(6,253)	(6,253)
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	(47,131)	(53,659)	(28,752)	24,907	-	-	(6,253)	(6,253)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (110,400)	$ (138,915)	$ 178,347	$ 317,262	$ (439)	$ (49,331)	$ (16,229)	$ 33,102
Fund balances, beginning of year			506,363				57,564	
Fund balances, end of year			$ 684,710				$ 41,335	

	Federal Funds				Other Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
	$ -	$ -	$ -	$ -	$ 309,664	$ 310,195	$ 307,318	$ (2,877)
	324	324	-	(324)	182,880	183,652	177,094	(6,558)
	3,085,641	3,243,636	2,763,184	(480,452)	14,167	14,976	8,816	(6,160)
	5,240	5,239	454	(4,785)	192,506	197,503	180,508	(16,995)
	1	1	12	11	491	519	1,318	799
	325	2,825	10,024	7,199	289,874	308,699	344,032	35,333
	3,091,531	3,252,025	2,773,674	(478,351)	989,582	1,015,544	1,019,086	3,542
	4,356	5,806	2,557	3,249	150,057	162,885	148,620	14,265
	112,311	108,843	69,335	39,508	62,047	69,055	47,741	21,314
	299,276	309,824	220,817	89,007	50,252	52,073	36,829	15,244
	2,250,776	2,279,111	2,151,628	127,483	640,881	688,311	489,838	198,473
	123	123	56	67	73,097	82,313	68,118	14,195
	47,464	51,069	38,072	12,997	131,082	152,696	105,028	47,668
	135,492	147,093	49,731	97,362	53,398	59,540	46,638	12,902
	3,372	4,192	3,247	945	2,053	2,106	973	1,133
	210,533	265,302	233,182	32,120	47,271	128,605	97,380	31,225
	3,063,703	3,171,363	2,768,625	402,738	1,210,138	1,397,584	1,041,165	356,419
	27,828	80,662	5,049	(75,613)	(220,556)	(382,040)	(22,079)	359,961
	(11,403)	(11,396)	(6,786)	4,610	12,218	17,036	(14,188)	(31,224)
	-	-	-	-	17,520	77,520	21,396	(56,124)
	(11,403)	(11,396)	(6,786)	4,610	29,738	94,556	7,208	(87,348)
	$ 16,425	$ 69,266	$ (1,737)	$ (71,003)	$ (190,818)	$ (287,484)	$ (14,871)	$ 272,613
			11,311				422,877	
			$ 9,574				$ 408,006	

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2018
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 684,710	$ 41,335	$ 9,574	$ 408,006
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	251,636	4,442	-	12,474
Intergovernmental Receivables	-	-	267,816	-
Other Receivables	63,581	3,013	79,311	62,298
Inventories	2,803	-	459	-
Due from Component Units	-	12	-	79,496
Due from Other Funds	24,452	3,377	2,141	142,706
Other Assets	361	2	98	12
Unearned Revenues	-	(4,132)	(459)	5,898
Deferred Inflows - Taxes and Assessment Revenues	(232,441)	(545)	(35)	(25,937)
Deferred Inflows - Unearned Revenue from Enterprise Fund	-	-	-	-
Total Revenue Accruals/Adjustments	110,392	6,169	349,331	276,947
Expenditure Accruals/Adjustments:				
Accounts Payable	(154,179)	(30,918)	(246,281)	(28,364)
Due to Component Units	(228)	-	(1,113)	(8,497)
Bonds Issued	-	-	-	-
Accrued Liabilities	(24,557)	(9,175)	(6,448)	(8,840)
Taxes Payable	(225,251)	(7)	-	-
Intergovernmental Payables	-	-	(79,276)	-
Due to Other Funds	(58,628)	(4,124)	(6,998)	(13,219)
Total Expenditure Accruals/Adjustments	(462,843)	(44,224)	(340,116)	(58,920)
Fund Balances - GAAP Basis	$ 332,259	$ 3,280	$ 18,789	$ 626,033

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, 2018, the legislature decreased appropriations to the General Fund by $26.1 thousand.

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 2017 - 2018, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

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

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the "final budget" column. Therefore updated revenue estimates available for appropriations as of June 30, 2018 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 Four Fiscal Years
(Expressed in Thousands)

	2018	2017	2016	2015
Total Pension Liability				
Service Cost	$ 1,466 $	1,397 $	1,606 $	1,518
Interest	4,358	4,155	3,863	3,736
Changes in Benefit Terms	-	2,017	28	17
Differences Between Expected and Actual Experience	(893)	(1,746)	2,238	(292)
Changes of Assumptions	-	2,490	-	426
Benefit Payments, Including Refunds of Member Contributions	(3,652)	(3,502)	(3,384)	(3,219)
Net Change in Total Pension Liability	1,279	4,811	4,351	2,186
Beginning Total Pension Liability	63,723	58,912	54,561	52,375
Ending Total Pension Liability	65,002	63,723	58,912	54,561
Plan Fiduciary Net Position				
Employer Contributions	1,144	1,078	979	932
Member Contributions	585	550	550	528
Net Investment Income	7,800	130	1,055	8,416
Transfers	-	6,343	-	-
Benefit Payments, Including Refunds of Member Contributions	(3,652)	(3,502)	(3,384)	(3,219)
Administrative Expense	(57)	(48)	(49)	(42)
Net Change in Plan Fiduciary Net Position	5,820	4,551	(849)	6,615
Beginning Plan Fiduciary Net Position	60,892	56,341	57,190	50,575
Ending Plan Fiduciary Net Position	66,712	60,892	56,341	57,190
Ending Net Pension Liability (Asset)	$ (1,710) $	2,831 $	2,571 $	(2,629)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	102.6 %	95.6 %	95.6 %	104.0 %
Covered Payroll	$ 7,640 $	7,188 $	7,186 $	7,186
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(22.4)%	39.4 %	35.8 %	(36.0)%

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

Last Four Fiscal Years
(Expressed in Thousands)

	2018	2017	2016	2015
Total Pension Liability				
Service Cost	$ 265	$ 412	$ 451	$ 450
Interest	530	549	545	503
Changes in Benefit Terms	-	-	4	4
Differences Between Expected and Actual Experience	158	(246)	(508)	(93)
Changes of Assumptions	-	(147)	-	86
Benefit Payments, Including Refunds of Member Contributions	(469)	(446)	(439)	(318)
Net Change in Total Pension Liability	484	122	53	632
Beginning Total Pension Liability	7,680	7,558	7,505	6,873
Ending Total Pension Liability	8,164	7,680	7,558	7,505
Plan Fiduciary Net Position				
Employer Contributions	-	-	4	4
Member Contributions	202	138	193	140
Net Investment Income	1,366	48	206	1,622
Benefit Payments, Including Refunds of Member Contributions	(469)	(446)	(439)	(318)
Administrative Expense	(9)	(8)	(9)	(8)
Net Change in Plan Fiduciary Net Position	1,090	(268)	(45)	1,440
Beginning Plan Fiduciary Net Position	10,807	11,075	11,120	9,680
Ending Plan Fiduciary Net Position	11,897	10,807	11,075	11,120
Ending Net Pension Liability (Asset)	$ (3,733)	$ (3,127)	$ (3,517)	$ (3,615)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	145.7 %	140.7 %	146.5 %	148.2 %
Covered Payroll	$ 2,651	$ 2,590	$ 2,528	$ 2,590
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(140.8)%	(120.7)%	(139.1)%	(139.6)%

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

Last Five Fiscal Years
(Expressed in Thousands)

	2018	2017	2016	2015	2014
Judicial Pension Plan					
Actuarially Determined Contribution	$ 1,179	$ 1,144	$ 1,078	$ 951	$ 932
Contributions in Relation to the Actuarially Determined Employer Contribution	(1,179)	(1,144)	(1,078)	(951)	(932)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 7,894	$ 7,640	$ 7,188	$ 7,186	$ 6,742
Contributions as a percentage of covered payroll	14.94 %	14.97 %	15.00 %	13.23 %	13.82 %
Legislative Pension Plan					
Actuarially Determined Contribution	$ -	$ -	$ -	$ -	$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	-	-	-	-	(4)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ (4)
Covered Payroll	$ 2,711	$ 2,651	$ 2,590	$ 2,528	$ 2,535
Contributions as a Percentage of Covered Payroll	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, 2018 can be found in the June 30, 2016 actuarial valuation report.

Notes to Schedule

Key Methods and Assumptions Used to Determine Contribution Rates

Valuation date	June 30, 2015
	June 30, 2018 actuarially determined contribution rates are calculated based on a 2016 actuarial valuation developed as a roll-forward of the 2015 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2016 using assets as of June 30, 2016.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level percent of payroll, open 10-year amortization of 2016 UAL.
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75%
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Most recent review of plan experience	2015
Mortality	104 percent and 120 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females.

Former actuarial assumptions:

Discount rate

Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.

Other information

Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

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

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

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

Last Four Fiscal Years
(Expressed in Thousands)

	2018	2017	2016	2015
State Employees				
Proportion of the Collective Net Pension Liability	94.829879 %	94.498857 %	92.825250 %	92.853946 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 1,080,168	$ 1,269,080	$ 950,597	$ 837,743
Covered Payroll	$ 601,904	$ 588,415	$ 520,115	$ 525,765
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	179.46 %	215.68 %	182.77 %	159.34 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.10 %	71.00 %	76.80 %	79.21 %
Maine Community College System				
Proportion of the Collective Net Pension Liability	4.605776 %	4.969634 %	6.640831 %	6.618303 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 52,462	$ 66,740	$ 68,007	$ 59,710
Covered Payroll	$ 30,867	$ 32,627	$ 32,008	$ 31,679
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	169.96 %	204.55 %	212.47 %	188.48 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.10 %	71.00 %	76.80 %	79.21 %
Non-Major and Formerly Reported Component Units				
Proportion of the Collective Net Pension Liability	0.564345 %	0.531509 %	0.533919 %	0.527751 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 6,428	$ 7,138	$ 5,468	$ 4,760
Covered Payroll	$ 3,700	$ 3,424	$ 3,927	$ 3,776
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	173.73 %	208.47 %	139.24 %	126.06 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.10 %	71.00 %	76.80 %	79.21 %
Total SETP - State of Maine Employees				
Proportion of the Collective Net Pension Liability	100.000000 %	100.000000 %	100.000000 %	100.000000 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 1,139,058	$ 1,342,959	$ 1,024,072	$ 902,213
Covered Payroll	$ 636,471	$ 624,466	$ 556,050	$ 561,220
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	178.96 %	215.06 %	184.17 %	160.76 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.10 %	71.00 %	76.80 %	79.21 %

Notes to Schedule:

As of June 30, 2018, 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, 2018 can be found in the June 30, 2016 actuarial valuation report.

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

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 Five Fiscal Years

(Expressed in Thousands)

	2018	2017	2016	2015	2014
State Employees					
Actuarially Determined Contribution	$ 148,115	$ 141,295	$ 136,139	$ 107,807	$ 117,380
Contributions in Relation to the Actuarially Determined Employer Contribution	(148,115)	(141,295)	(136,139)	(107,807)	(117,380)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 608,615	$ 601,904	$ 588,415	$ 521,846	$ 525,765
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	24.34 %	23.47 %	23.14 %	20.66 %	22.33 %
Maine Community College System					
Actuarially Determined Contribution	$ 7,347	$ 6,863	$ 7,159	$ 8,135	$ 3,133
Contributions in Relation to the Actuarially Determined Employer Contribution	(7,347)	(6,863)	(7,159)	(8,135)	(3,133)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 31,106	$ 30,867	$ 32,627	$ 30,257	$ 31,679
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	23.62 %	22.23 %	21.94 %	26.89 %	9.89 %
Combined Non-major and Formerly Reported Component Units					
Actuarially Determined Contribution	$ 1,021	$ 840	$ 766	$ 635	$ 522
Contributions in Relation to the Actuarially Determined Employer Contribution	(1,021)	(840)	(766)	(635)	(522)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,240	$ 3,700	$ 3,424	$ 3,947	$ 3,776
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	24.08 %	22.70 %	22.37 %	16.09 %	13.82 %
Total SETP - State of Maine Employees					
Actuarially Determined Contribution	$ 156,483	$ 148,998	$ 144,064	$ 116,577	$ 121,035
Contributions in Relation to the Actuarially Determined Employer Contribution	(156,483)	(148,998)	(144,064)	(116,577)	(121,035)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 643,961	$ 636,471	$ 624,466	$ 556,050	$ 561,220
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	24.30 %	23.41 %	23.07 %	20.97 %	21.57 %

Notes to Schedule:

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

Valuation date	June 30, 2015
	June 30, 2018 actuarially determined contribution rates are calculated based on a 2016 actuarial valuation developed as a roll-forward of the 2015 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2016 using assets as of June 30, 2016.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 16-year amortization of the UAL prior to 2012 and individual, closed, level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012.
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	104 percent and 120 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2018 can be found in the June 30, 2014 actuarial valuation report.

Former actuarial assumption:

Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.
Other information	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875% used at funding to 6.75%. The impact of this change is included in the TPL reconciliation as a change in assumptions.

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 Four Fiscal Years
(Expressed in Thousands)

	2018	2017	2016	2015
Non-employer Contributing Entity's Proportion of:				
Percentage of the Collective Net Pension Liability	95.016790 %	95.002519 %	95.036038 %	95.069591 %
Amount of the Collective Net Pension Liability	$ 1,452,536	$ 1,766,662	$ 1,350,118	$ 1,027,065
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	83.30 %	79.00 %	83.60 %	86.46 %

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.

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

Last Five Fiscal Years
(Expressed in Thousands)

	2018	2017	2016	2015	2014
Teachers - Non-Employer Contributor					
Actuarially Determined Contribution	$ 129,422	$ 116,080	$ 112,478	$ 147,048	$ 146,362
Contributions in Relation to the Actuarially Determined Non-Employer Contribution	(129,422)	(116,080)	(112,478)	(147,048)	(146,362)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Employer Contributors					
Actuarially Determined Contribution	$ 54,472	$ 47,659	$ 45,349	$ 38,404	$ 36,931
Contributions in Relation to the Actuarially Determined Employer Contribution	(54,472)	(47,659)	(45,349)	(38,404)	(36,931)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Total SETP - Teachers					
Actuarially Determined Contribution	$ 183,894	$ 163,739	$ 157,827	$ 185,452	$ 183,293
Contributions in Relation to the Actuarially Determined Employer Contribution	(183,894)	(163,739)	(157,827)	(185,452)	(183,293)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -

Notes to Schedule:

Valuation date	June 30, 2015
	June 30, 2018 actuarially determined contribution rates are calculated based on a 2016 actuarial valuation developed as a roll-forward of the 2015 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2016 using assets as of June 30, 2016.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 16-year amortization of the UAL prior to 2012 and individual, closed. level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012.
Discount rate	6.75%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	99 percent of the RP-2014 Total Dataset Healthy Annuitant Mortality Table for males and females.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2018 can be found in the June 30, 2016 actuarial valuation report.

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

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

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

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

Last Two Years
(Expressed in Thousands)

	2018	2017
Total OPEB Liability		
Beginning Total Liability	$ 1,161,320	$ 1,143,542
Service Cost	16,917	12,246
Interest	76,921	75,650
Differences Between Expected and Actual Experience	17,725	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(58,347)	(54,118)
Benefit Payments, Including Refunds of Member Contributions - Implicit	(20,265)	(16,000)
Net Change in Total OPEB Liability	38,192	17,778
Ending Total OPEB Liability	1,199,512	1,161,320
Plan Fiduciary Net Position		
Beginning Plan Fiduciary Net Position	233,596	203,088
Employer Contributions - Explicit	60,347	58,118
Employer Contributions - Implicit	20,265	16,000
Net Investment Income	21,270	26,513
Benefit Payments, Including Refunds of Member Contributions	(78,612)	(70,118)
Administrative Expense	(6)	(5)
Net Change in Plan Fiduciary Net Position	23,264	30,508
Ending Plan Fiduciary Net Position	256,860	233,596
Ending Net OPEB Liability	$ 942,652	$ 927,724
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	21.4 %	20.1 %
Covered Payroll	$ 612,195	$ 574,663
Net OPEB Liability as a Percentage of Covered Payroll	154.0 %	161.4 %

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 Two Years
(Expressed in Thousands)

	2018	2017
Total OPEB Liability		
Beginning Total Liability	$ 183,723	$ 175,647
Service Cost	2,122	2,065
Interest	12,531	12,015
Differences Between Expected and Actual Experience	1,957	-
Changes of Assumptions Discount Rate	3,200	-
Benefit Payments, Including Refunds of Member Contributions - Explicit	(7,270)	(6,004)
Net Change in Total OPEB Liability	12,540	8,076
Ending Total OPEB Liability	196,263	183,723
Plan Fiduciary Net Position		
Beginning Plan Fiduciary Net Position	86,883	77,416
Employer and Non-Employer Contributions	7,639	6,921
Net Investment Income	7,805	9,886
Benefit Payments, Including Refunds of Member Contributions	(7,270)	(6,004)
Administrative Expense	(770)	(1,336)
Net Change in Plan Fiduciary Net Position	7,404	9,467
Ending Plan Fiduciary Net Position	94,287	86,883
Ending Net OPEB Liability	$ 101,976	$ 96,840
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	48.0 %	47.3 %
Covered Payroll	$ 1,343,669	$ 1,277,009
Change - Increase (Decrease)	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 Two Years
(Expressed in Thousands)

	2018	2017
Total OPEB Liability		
Beginning Total Liability	$ 1,323,731	$ -
Service Cost	42,214	-
Interest	38,521	-
Contribution - Non-Employer Contributing Entity	(28,848)	-
Changes of Assumptions Discount Rate	(170,420)	-
Differences Between Expected and Actual Investment Earnings	43,128	-
Net Change in Total OPEB Liability	(75,405)	-
Ending Total OPEB Liability	$ 1,248,326	$ 1,323,731
Covered Payroll	$ 1,149,126	$ 1,125,444
Total OPEB Liability as Percentage of Covered Payroll	108.6 %	117.6 %
State's Proportionate Share of June 30, 2016 and June 30, 2017 Collective Total OPEB	83 %	83 %

This plan is funded on a pay-as-you go basis. The State's proportionate share for fiscal years June 30, 2016 and June 30, 2017 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 Two Years
(Expressed in Thousands)

	2018	2017
Total OPEB Liability		
Beginning Total Liability	$ 26,052	$ -
Service Cost	1,836	-
Interest	786	-
Contribution - Employee	(618)	-
Contribution - Non-Employer Contributing Entity	(78)	-
Administrative Expenses	99	-
Differences Between Expected and Actual Experience	(2,909)	-
Changes of Assumptions Discount Rate	(1,325)	-
Changes of Assumptions - Others	(4,863)	-
Net Change in Total OPEB Liability	(7,072)	-
Ending Total OPEB Liability	$ 18,980	$ 26,052
State's Proportion of the Total OPEB Liability		
Covered Payroll	$ 62,551	$ 55,651
Total OPEB Liability as Percentage of Covered Payroll	30.3 %	46.8 %
State's Proportionate Share of June 30, 2016 and June 30, 2017 Collective Total OPEB	23 %	23 %

This plan is funded on a pay-as-you go basis. The State's proportionate share for fiscal years June 30, 2016 and June 30, 2017 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 TRUST FUND OPEB PLANS

Last Two Fiscal Years
(Expressed in Thousands)

	2018	2017
State Employee Healthcare		
Actuarially Determined Contribution	$ 71,179	$ 69,000
Contributions in Relation to the Actuarially Determined Employer Contribution	80,612	74,000
Contribution Deficiency (Excess)	$ (9,433)	$ (5,000)
Covered Payroll	$ 612,195	$ 582,934
Contributions as a Percentage of Covered Payroll	13.17 %	12.69 %
State Employee and Teacher Group Life Insurance Benefit Plan		
Actuarially Determined Contribution	$ 8,806	$ 8,240
Contributions in Relation to the Actuarially Determined Employer Contribution	7,638	6,921
Contribution Deficiency (Excess)	$ 1,168	$ 1,319
Covered Payroll	$ 1,343,669	$ 1,277,009
Contributions as a Percentage of Covered Payroll	0.57 %	0.54 %

Notes to Schedule:

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

State Health Insurance The valuation date is June 30, 2017 rolled back to June 30, 2016. 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, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 include: a 6.75 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. 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 6.80 percent at June 30, 2016 and 6.60 percent at June 30, 2017. The ultimate medical trend rate for both years is 4.29 percent reached at 2075. The State actively manages premium increases within the statutory cap, so healthcare cost increases are limited to no more than inflation plus 3 percent in any year. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. Changes in assumptions for 2018 included increasing the initial medical trend rate from 5.75 to 6.40 percent and decreasing the ultimate medical trend rate from 4.75 percent to 4.29 percent. The year the ultimate trend rate is reached changed from 2020 in 2017 to 2075 in 2018.

Group Life Insurance The valuation date is June 30, 2016 projected to June 30, 2017. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 100 percent of those currently enrolled. Actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 and June 30, 2016 include: a 6.875 percent investment rate of return, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2017, there were 20 years remaining in the amortization schedule for state employees and teachers. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table was used. For State employees rates are based on 104 percent and 120 percent for males and females, respectively. Teachers rates are based on 99 percent for both genders. One assumption changed in 2018. The discount rate assumption was lowered from 6.875 percent to 6.750 percent.

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

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

Last Two Fiscal Years

	2018	2017
Annual money-weighted rate of return, net of investment expense	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.

STATE OF MAINE
INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH

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 8,812 highway miles or 17,897 lane miles of roads and 2,970 bridges having a total deck area of 12.2 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	

STATE OF MAINE
INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH

BRIDGES

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

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
2018	71.8	74.0
2017	72.3	74.0
2016	75.3	76.0

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)

	2018	2017	2016	2015	2014 (1)
Highways	$ 124.8	$ 123.3	$ 110.7	$ 110.2	$ 163.0
Bridges	16.4	18.8	4.9	5.5	71.0
Total	$ 141.2	$ 142.1	$ 115.6	$ 115.7	$ 234.0

Estimated Preservation Costs
(Expressed in millions)

	2018	2017	2016	2015	2014
Highways	$ 133.0	$ 142.2	$ 113.4	$ 71.9	$ 24.7
Bridges	21.0	23.7	8.8	3.9	3.1
Total	$ 154.0	$ 165.9	$ 122.2	$ 75.8	$ 27.8

Note 1: As restated.

In 2014 it was determined that preservation costs were understated due to an incorrect process for determining the associated cost. The actual costs have been restated. The 2014 Estimated Preservation Costs are understated due to that incorrect process.

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 478, PL 2015, $50 million in General Fund bonds were spent during FY2018. Of the amount authorized by Chapter 299, PL 2017, $10 million in General Fund bonds were spent during FY2018.

**STATE OF MAINE
INDEPENDENT AUDITOR'S REPORTS
ON INTERNAL CONTROL AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2018**
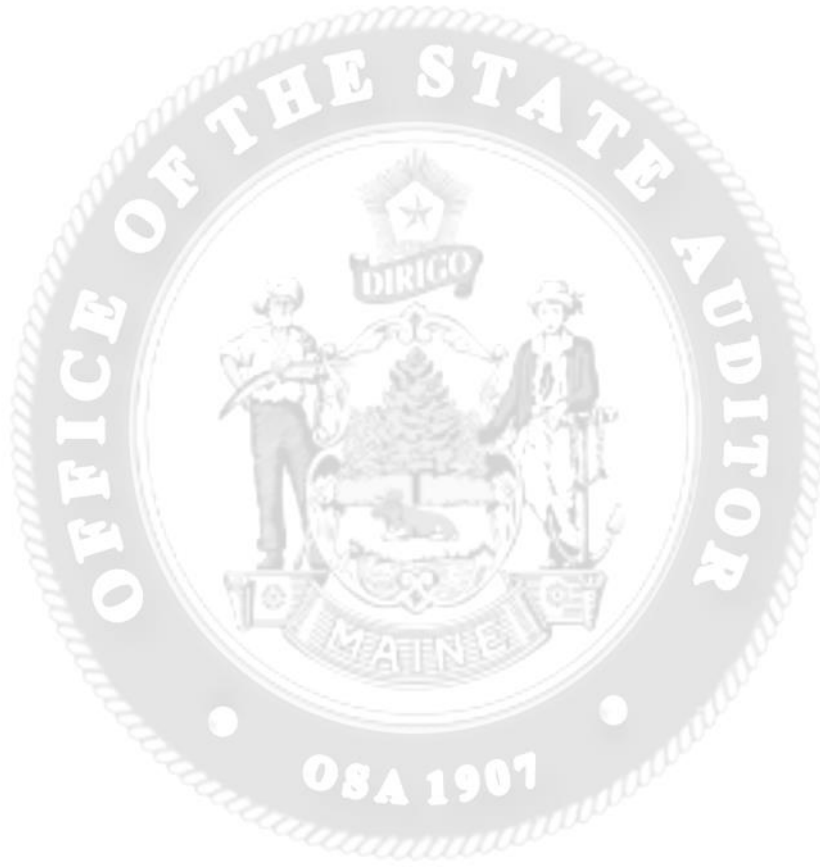
STATE OF MAINE
OFFICE OF THE STATE AUDITOR

66 STATE HOUSE STATION
AUGUSTA, ME 04333-0066

TEL: (207) 624-6250

Pola A. Buckley, CPA, CISA
State Auditor

B. Melissa Perkins, CPA
Deputy State Auditor

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

Honorable Troy D. Jackson
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine as of and for the year ended June 30, 2018, 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 06, 2018. Our report includes a reference to other auditors who audited the financial statements of the following component units: Child Development Services, Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority and the University of Maine System, as described in our report on the State of Maine's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Pola Buckley

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

Augusta, Maine
December 06, 2018

Pola A. Buckley, CPA, CISA **State Auditor**	**B. Melissa Perkins, CPA** **Deputy State Auditor**

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

Honorable Troy D. Jackson
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

Report on Compliance for Each Major Federal Program

We have audited the State of Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of Maine's major Federal programs for the year ended June 30, 2018. The State of Maine's major Federal programs are identified in the Summary of Auditor's Results (E-3 to E-5) of the accompanying Schedule of Findings and Questioned Costs (E-13 to E-154).

The State of Maine's basic financial statements included the operations of the following component units: Child Development Services, Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, and the University of Maine System. The Federal awards that these component units received are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2018. 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.

C-5

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

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

Basis for Qualified Opinion on the Child Nutrition Cluster
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Child Nutrition Cluster (CFDA #10.555, #10.559) as described in finding number 2018-001 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 Child Nutrition 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 Child Nutrition Cluster for the year ended June 30, 2018.

Basis for Qualified Opinion on the Food Distribution Cluster
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Food Distribution Cluster (CFDA #10.565, #10.568, #10.569) as described in finding number 2018-011 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Food Distribution 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 Food Distribution Cluster for the year ended June 30, 2018.

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 (CFDA #10.557) as described in finding number 2018-026 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 for the year ended June 30, 2018.

Basis for Qualified Opinion on the National Guard Military Operations and Maintenance (O & M) Projects Program

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the National Guard Military Operations and Maintenance (O & M) Projects Program (CFDA #12.401) as described in finding number 2018-015 for Cash Management and 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 National Guard Military Operations and Maintenance (O & M) Projects 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 National Guard Military Operations and Maintenance (O & M) Projects Program for the year ended June 30, 2018.

Basis for Qualified Opinion on the Crime Victim Assistance Program

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Crime Victim Assistance Program (CFDA #16.575) as described in finding number 2018-019 for Allowable Costs/Cost Principles and Procurement and Suspension and Debarment, finding number 2018-021 for Subrecipient Monitoring, finding number 2018-022 for Subrecipient Monitoring, finding number 2018-026 for Cash Management and Subrecipient Monitoring, finding number 2018-027 for Subrecipient Monitoring, finding number 2018-036 for Allowable Costs/Cost Principles and Subrecipient Monitoring, and finding number 2018-037 for Allowable Costs/Cost Principles 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 Crime Victim 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 Crime Victim Assistance Program for the year ended June 30, 2018.

Basis for Qualified Opinion on the Unemployment Insurance Program

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Unemployment Insurance Program (CFDA #17.225) as described in finding number 2018-023 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 Unemployment Insurance Program

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance Program for the year ended June 30, 2018.

Basis for Qualified Opinion on the TANF Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the TANF Cluster (CFDA #93.558) as described in finding number 2018-026 for Cash Management and Subrecipient Monitoring, finding number 2018-027 for Subrecipient Monitoring, finding number 2018-028 for Reporting and Special Tests and Provisions, finding number 2018-029 for Subrecipient Monitoring and finding number 2018-030 for Procurement and Suspension and Debarment 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 TANF Cluster

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TANF Cluster for the year ended June 30, 2018.

Basis for Qualified Opinion on the Social Services Block Grant Program

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Social Services Block Grant Program (CFDA #93.667) as described in finding number 2018-026 for Cash Management and Subrecipient Monitoring, finding number 2018-027 for Subrecipient Monitoring, finding number 2018-036 for Allowable Costs/Cost Principles and Subrecipient Monitoring, finding number 2018-037 for Allowable Costs/Cost Principles and Subrecipient Monitoring, finding number 2018-038 for Cash Management, and finding number 2018-039 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 Social Services Block Grant 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 Social Services Block Grant Program for the year ended June 30, 2018.

Basis for Qualified Opinion on the Child Health Insurance Program
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Child Health Insurance Program (CFDA #93.767) as described in finding number 2018-041 for Allowable Costs/Cost Principles and 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 Child Health Insurance Program
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Health Insurance Program for the year ended June 30, 2018.

Basis for Qualified Opinion on the Medicaid Cluster
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Medicaid Cluster (CFDA #93.775, #93.777, #93.778) as described in finding number 2018-042 for Allowable Costs/Cost Principles and 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 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, 2018.

Basis for Qualified Opinion on the HIV Care Formula Grants Program
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the HIV Care Formula Grants (CFDA #93.917) as described in finding number 2018-026 for Cash Management and Subrecipient Monitoring and finding number 2018-027 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the HIV Care Formula Grants 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 HIV Care Formula Grants for the year ended June 30, 2018.

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, 2018.

Other Matters
The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-007, 2018-012, 2018-031, 2018-043, 2018-054. Our opinion on each major Federal program is not modified with respect to these matters.

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

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

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-001, 2018-011, 2018-015, 2018-016, 2018-019, 2018-021 through 2018-023, 2018-026 through 2018-030, 2018-036 through 2018-039, 2018-041 and 2018-042 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-002 through 2018-010, 2018-012 through 2018-014, 2018-017, 2018-018, 2018-020, 2018-024, 2018-025, 2018-031 through 2018-035, 2018-040 and 2018-043 through 2018-055 to be significant deficiencies.

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

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

Pola Buckley

Pola A. Buckley, CPA, CISA
State Auditor   Augusta, Maine
Office of the State Auditor   March 29, 2019

STATE OF MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

DIRIGO

MAINE

Federal Agency

	CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
Department of Agriculture						
	10.025	Plant and Animal Disease, Pest Control, and Animal Care	16,955	303,041	319,996	
	10.156	Federal-State Marketing Improvement Program	-	747,982	747,982	
	10.162	Inspection Grading and Standardization	-	404,952	404,952	
	10.163	Market Protection and Promotion	374,758	-	374,758	
	10.170	Specialty Crop Block Grant Program - Farm Bill	351,460	-	351,460	
	10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	-	370,538	370,538	
	10.546	Supplemental Nutrition Assistance Program (SNAP) Recipient Integrity Information Technology Grants	-	59,881	59,881	
	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	4,227,440	10,091,367	14,318,807	*
	10.558	Child and Adult Care Food Program	9,887,050	50,473	9,937,523	
	10.560	State Administrative Expenses for Child Nutrition	-	1,009,369	1,009,369	
	10.572	WIC Farmers' Market Nutrition Program (FMNP)	922	48,492	49,414	
	10.576	Senior Farmers Market Nutrition Program	783,072	57,336	840,407	
	10.578	WIC Grants To States (WGS)	-	1,322,724	1,322,724	
	10.579	Child Nutrition Discretionary Grants Limited Availability	71,235	-	71,235	
	10.582	Fresh Fruit and Vegetable Program	2,045,931	78,333	2,124,264	
	10.652	Forestry Research	-	594,744	594,744	
	10.664	Cooperative Forestry Assistance	188,550	1,487,457	1,676,007	
	10.674	Wood Utilization Assistance	-	20,570	20,570	
	10.676	Forest Legacy Program	-	120,863	120,863	
	10.678	Forest Stewardship Program	-	1,830	1,830	
	10.680	Forest Health Protection	-	20,673	20,673	
	10.691	Good Neighbor Authority	-	5,058	5,058	
	10.902	Soil and Water Conservation	13,135	17,931	31,066	
	10.912	Environmental Quality Incentives Program	-	27,489	27,489	
SNAP Cluster						
	10.551	Supplemental Nutrition Assistance Program	-	222,588,641	222,588,641	
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	4,059,542	12,318,615	16,378,158	
SNAP Cluster Total			4,059,542	234,907,256	238,966,799	
Food Distribution Cluster						
	10.565	Commodity Supplemental Food Program	2,289,049	56,899	2,345,948	*
	10.568	Emergency Food Assistance Program (Administrative Costs)	155,000	40,236	195,236	*
	10.569	Emergency Food Assistance Program (Food Commodities)	3,297,527	-	3,297,527	*
Food Distribution Cluster Total			5,741,576	97,135	5,838,711	
Child Nutrition Cluster						
	10.555	National School Lunch Program	52,833,868	167,750	53,001,618	*
	10.559	Summer Food Service Program for Children	2,464,690	68,398	2,533,087	*
Child Nutrition Cluster Total			55,298,558	236,147	55,534,705	
Department of Agriculture Total			83,060,183	252,081,640	335,141,823	

	CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
Department of Commerce						
	11.407	Interjurisdictional Fisheries Act of 1986	-	145,247	145,247	
	11.419	Coastal Zone Management Administration Awards	576,701	2,073,194	2,649,895	
	11.454	Unallied Management Projects	54,387	6,138	60,525	
	11.472	Unallied Science Program	272,229	785,633	1,057,863	
[1]	11.473	Office for Coastal Management	9,885	21,969	31,854	
[2]	11.474	Atlantic Coastal Fisheries Cooperative Management Act	-	824,529	824,529	
	11.549	State and Local Implementation Grant Program	-	33,631	33,631	
Department of Commerce Total			913,202	3,890,342	4,803,544	

	CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
Department of Defense						
	12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	-	571,513	571,513	
	12.400	Military Construction, National Guard	-	7,917,546	7,917,546	
	12.401	National Guard Military Operations and Maintenance (O&M) Projects	-	22,066,632	22,066,632	*
	12.617	Economic Adjustment Assistance for State Governments	-	334,366	334,366	
Department of Defense Total			-	30,890,057	30,890,057	

Federal Agency

CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total
Department of Housing And Urban Development				
14.171	Manufactured Home Dispute Resolution	-	15,491	15,491
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	-	8,340,166	8,340,166
14.238	Shelter Plus Care	6,245,000	-	6,245,000
14.401	Fair Housing Assistance Program State and Local	-	174,987	174,987
Department of Housing And Urban Development Total		6,245,000	8,530,643	14,775,643
Department of the Interior				
15.423	Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	-	96,612	96,612
15.608	Fish and Wildlife Management Assistance	24,235	13,152	37,387
15.614	Coastal Wetlands Planning, Protection and Restoration	381,577	-	381,577
15.615	Cooperative Endangered Species Conservation Fund	-	51,870	51,870
15.616	Clean Vessel Act	229,446	78,924	308,370
15.634	State Wildlife Grants	335,299	632,878	968,177
15.637	Migratory Bird Joint Ventures	-	16,681	16,681
15.649	Service Training and Technical Assistance (Generic Training)	-	25,132	25,132
15.650	Research Grants (Generic)	-	12,367	12,367
15.657	Endangered Species Conservation – Recovery Implementation Funds	-	35,473	35,473
[3] 15.663	National Fish and Wildlife Foundation	-	51,714	51,714
15.810	National Cooperative Geologic Mapping	-	101,462	101,462
15.814	National Geological and Geophysical Data Preservation	-	37,784	37,784
15.817	National Geospatial Program: Building The National Map	-	1,188,512	1,188,512
15.904	Historic Preservation Fund Grants-In-Aid	171,615	720,680	892,296
15.916	Outdoor Recreation Acquisition, Development and Planning	326,907	-	326,907
15.925	National Maritime Heritage Grants	82,925	4,607	87,533
15.931	Conservation Activities by Youth Service Organizations	-	56,269	56,269
15.980	National Ground-Water Monitoring Network	-	11,274	11,274
15.981	Water Use and Data Research	-	16,028	16,028
Fish and Wildlife Cluster				
15.605	Sport Fish Restoration	-	3,511,439	3,511,439 *
15.611	Wildlife Restoration and Basic Hunter Education	340,186	6,534,455	6,874,641 *
Fish and Wildlife Cluster Total		340,186	10,045,894	10,386,080
Department of the Interior Total		1,892,190	13,197,313	15,089,503
Department of Justice				
16.017	Sexual Assault Services Formula Program	318,358	10,938	329,296
16.527	Supervised Visitation, Safe Havens for Children	19,260	912	20,172
16.540	Juvenile Justice and Delinquency Prevention	19,226	358,513	377,739
16.543	Missing Children's Assistance	-	168,217	168,217
16.550	State Justice Statistics Program for Statistical Analysis Centers	122,573	-	122,573
16.554	National Criminal History Improvement Program (NCHIP)	-	184,008	184,008
16.575	Crime Victim Assistance	8,757,888	1,079,107	9,836,995 *
16.576	Crime Victim Compensation	-	134,573	134,573
16.588	Violence Against Women Formula Grants	976,368	214,940	1,191,308
[4] 16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	-	818	818
16.593	Residential Substance Abuse Treatment for State Prisoners	64,305	5,993	70,298
16.606	State Criminal Alien Assistance Program	-	87,963	87,963
16.710	Public Safety Partnership and Community Policing Grants	-	479,523	479,523
[5] 16.726	Juvenile Mentoring Program	-	16,043	16,043
16.734	Special Data Collections and Statistical Studies	-	101,791	101,791
16.738	Edward Byrne Memorial Justice Assistance Grant Program	220,051	438,160	658,210
16.741	DNA Backlog Reduction Program	-	148,323	148,323
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	-	80,611	80,611
16.757	Judicial Training on Child Maltreatment for Court Personnel Juvenile Justice Programs	-	4,128	4,128
16.812	Second Chance Act Reentry Initiative	-	164,215	164,215
Department of Justice Total		10,498,027	3,678,777	14,176,804

Federal Agency

CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
Department of Labor					
17.002	Labor Force Statistics	-	962,818	962,818	
17.005	Compensation and Working Conditions	-	105,864	105,864	
17.225	Unemployment Insurance	-	106,341,834	106,341,834	*
17.235	Senior Community Service Employment Program	103,385	383	103,768	
17.245	Trade Adjustment Assistance	-	2,211,679	2,211,679	
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects	-	248,397	248,397	
17.271	Work Opportunity Tax Credit Program (WOTC)	-	84,112	84,112	
17.273	Temporary Labor Certification for Foreign Workers	-	266,651	266,651	
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	1,540,068	144,547	1,684,615	
17.281	WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	-	61,371	61,371	
17.285	Apprenticeship USA Grants	-	56,292	56,292	
17.503	Occupational Safety and Health State Program	-	418,885	418,885	
17.504	Consultation Agreements	-	724,123	724,123	
17.600	Mine Health and Safety Grants	-	78,058	78,058	
WIOA Cluster					
17.258	WIA/WIOA Adult Program	1,069,620	243,172	1,312,792	
17.259	WIA/WIOA Youth Activities	1,774,555	276,297	2,050,852	
17.278	WIA/WIOA Dislocated Worker Formula Grants	1,347,396	1,110,591	2,457,988	
WIOA Cluster Total		4,191,572	1,630,060	5,821,632	
Employment Service Cluster					
17.207	Employment Service/Wagner-Peyser Funded Activities	-	3,964,223	3,964,223	
17.801	Disabled Veterans' Outreach Program (DVOP)	-	505,770	505,770	
17.804	Local Veterans' Employment Representative Program	-	377,418	377,418	
Employment Service Cluster Total		-	4,847,411	4,847,411	
Department of Labor Total		5,835,025	118,182,486	124,017,511	
Department of Transportation					
20.106	Airport Improvement Program	-	233,253	233,253	
20.218	Motor Carrier Safety Assistance	-	874,854	874,854	
20.233	Border Enforcement Grants	-	93,552	93,552	
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	-	344,359	344,359	
20.301	Railroad Safety	-	1,685	1,685	
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	-	96,377	96,377	
20.509	Formula Grants for Rural Areas	6,931,061	903,574	7,834,635	
20.520	Paul S. Sarbanes Transit in the Parks	-	378	378	
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	-	36,216	36,216	
20.700	Pipeline Safety Program State Base Grant	-	364,547	364,547	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	124,972	2,260	127,232	
20.721	PHMSA Pipeline Safety Program One Call Grant	-	60,000	60,000	
20.933	National Infrastructure Investments	-	9,199,526	9,199,526	*
Transit Services Programs Cluster					
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	538,969	708,711	1,247,680	
Transit Services Programs Cluster Total		538,969	708,711	1,247,680	
Highway Safety Cluster					
20.600	State and Community Highway Safety	643,700	1,702,163	2,345,863	
20.616	National Priority Safety Programs	690,205	1,855,001	2,545,206	
Highway Safety Cluster Total		1,333,905	3,557,165	4,891,069	
Highway Planning and Construction Cluster					
20.205	Highway Planning and Construction	-	210,362,253	210,362,253	
20.219	Recreational Trails Program	808,720	65,749	874,468	
Highway Planning and Construction Cluster Total		808,720	210,428,002	211,236,722	
Federal Transit Cluster					
20.500	Federal Transit Capital Investment Grants	-	604,182	604,182	
20.507	Federal Transit Formula Grants	455,183	-	455,183	
20.526	Bus and Bus Facilities Formula Program	79,807	314,923	394,730	
Federal Transit Cluster Total		534,990	919,105	1,454,095	
Department of Transportation Total		10,272,617	227,823,563	238,096,180	

Federal Agency

CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total
Department of the Treasury				
21.000	Treasury Forfeiture Program	-	186,492	186,492
21.U01	NAEP Grant	-	74,699	74,699
Department of the Treasury Total		-	261,191	261,191
Equal Employment Opportunity Commission				
30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964	-	234,233	234,233
Equal Employment Opportunity Commission Total		-	234,233	234,233
General Services Administration				
39.003	Donation of Federal Surplus Personal Property	-	1,964,999	1,964,999
General Services Administration Total		-	1,964,999	1,964,999
Institute Of Museum And Library Services				
45.301	Museums for America	-	42,225	42,225
45.310	Grants to States	23,100	1,341,800	1,364,900
45.312	National Leadership Grants	-	113,147	113,147
Institute Of Museum And Library Services Total		23,100	1,497,172	1,520,272
National Endowment For The Arts				
45.025	Promotion of the Arts Partnership Agreements	363,554	379,098	742,652
National Endowment For The Arts Total		363,554	379,098	742,652
Department of Veterans Affairs				
64.038	Grants for the Rural Veterans Coordination Pilot	-	9,452	9,452
64.U01	Cemetery Plot Allowance	-	301,756	301,756
Department of Veterans Affairs Total		-	311,208	311,208
Environmental Protection Agency				
66.032	State Indoor Radon Grants	-	90,925	90,925
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	-	284,232	284,232
66.040	State Clean Diesel Grant Program	427,487	12,198	439,685
66.432	State Public Water System Supervision	-	878,581	878,581
66.454	Water Quality Management Planning	49,525	88,221	137,746
66.461	Regional Wetland Program Development Grants	-	119,562	119,562
66.472	Beach Monitoring and Notification Program Implementation Grants	140,414	81,935	222,349
66.605	Performance Partnership Grants	917,168	6,319,956	7,237,124
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	-	75,880	75,880
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	-	313,175	313,175
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	-	527,407	527,407
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	-	111,562	111,562
66.817	State and Tribal Response Program Grants	-	972,202	972,202
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	-	646,676	646,676
Drinking Water State Revolving Fund Cluster				
66.468	Capitalization Grants for Drinking Water State Revolving Funds	-	1,335,454	1,335,454
Drinking Water State Revolving Fund Cluster Total		-	1,335,454	1,335,454
Environmental Protection Agency Total		1,534,593	11,857,967	13,392,560

Federal Agency

CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total
Department of Energy				
81.041	State Energy Program	-	371,334	371,334
81.119	State Energy Program Special Projects	-	201,776	201,776
81.138	State Heating Oil and Propane Program	-	9,494	9,494
Department of Energy Total		-	582,604	582,604
Department of Education				
84.002	Adult Education - Basic Grants to States	1,525,722	257,379	1,783,101
84.010	Title I Grants to Local Educational Agencies	53,507,273	1,268,128	54,775,401 *
84.011	Migrant Education State Grant Program	842,755	168,952	1,011,707
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	-	170,821	170,821
84.048	Career and Technical Education -- Basic Grants to States	5,074,219	783,413	5,857,632
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	-	17,144,404	17,144,404
84.144	Migrant Education Coordination Program	98,552	45,991	144,543
84.161	Rehabilitation Services Client Assistance Program	-	119,806	119,806
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	120,053	120,053
84.181	Special Education-Grants for Infants and Families	2,245,000	18,421	2,263,421
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	-	31,863	31,863
84.196	Education for Homeless Children and Youth	204,244	41,531	245,775
84.287	Twenty-First Century Community Learning Centers	4,605,592	294,022	4,899,614
84.323	Special Education - State Personnel Development	222,494	127,679	350,174
84.358	Rural Education	1,292,978	111,873	1,404,851
84.365	English Language Acquisition State Grants	567,689	246,234	813,923
84.366	Mathematics and Science Partnerships	537,857	11,258	549,115
84.367	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	9,913,885	523,273	10,437,158
84.369	Grants for State Assessments and Related Activities	-	4,419,013	4,419,013
84.374	Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)	2,418,104	436,731	2,854,835
84.377	School Improvement Grants	734,675	57,085	791,760
84.419	Preschool Development Grants	3,614,627	193,697	3,808,324
84.421	Disability Innovation Fund (DIF)	-	1,565,441	1,565,441
84.424	Student Support and Academic Enrichment Program	617,729	19,396	637,125
Special Education Cluster (IDEA)				
84.027	Special Education Grants to States	51,815,322	3,924,638	55,739,959
84.173	Special Education Preschool Grants	2,511,254	4,873	2,516,127
Special Education Cluster (IDEA) Total		54,326,576	3,929,510	58,256,086
Department of Education Total		142,349,971	32,105,975	174,455,946
National Archives And Records Administration				
89.003	National Historical Publications and Records Grants	-	23,004	23,004
National Archives And Records Administration Total		-	23,004	23,004
U.S. Election Assistance Commission				
90.401	Help America Vote Act Requirements Payments	-	556	556
U.S. Election Assistance Commission Total		-	556	556
Northern Border Regional Commission				
90.601	Northern Border Regional Development	-	80,063	80,063
Northern Border Regional Commission Total		-	80,063	80,063

Federal Agency

CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total
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	13,500	8,650	22,150
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	78,543	-	78,543
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	114,703	-	114,703
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	238,536	35,591	274,128
93.052	National Family Caregiver Support, Title III, Part E	579,094	-	579,094
93.069	Public Health Emergency Preparedness	-	53,145	53,145
93.070	Environmental Public Health and Emergency Response	-	1,375,936	1,375,936
93.071	Medicare Enrollment Assistance Program	123,181	6,746	129,927
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	-	5,203,168	5,203,168
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	-	63,164	63,164
93.090	Guardianship Assistance	-	497,612	497,612
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	450,969	4,805	455,774
93.103	Food and Drug Administration Research	-	492,209	492,209
93.110	Maternal and Child Health Federal Consolidated Programs	-	94,633	94,633
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	-	206,297	206,297
93.127	Emergency Medical Services for Children	-	815	815
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	-	132,681	132,681
93.136	Injury Prevention and Control Research and State and Community Based Programs	254,526	1,100,198	1,354,725
93.150	Projects for Assistance in Transition from Homelessness (PATH)	294,871	-	294,871
93.165	Grants to States for Loan Repayment Program	-	261,210	261,210
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	-	216,979	216,979
93.234	Traumatic Brain Injury State Demonstration Grant Program	-	268,730	268,730
93.241	State Rural Hospital Flexibility Program	-	391,718	391,718
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	346,528	2,443,321	2,789,849
93.268	Immunization Cooperative Agreements	-	13,915,644	13,915,644
93.270	Adult Viral Hepatitis Prevention and Control	-	84,728	84,728
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	-	92,421	92,421
93.301	Small Rural Hospital Improvement Grant Program	-	121,455	121,455
93.305	National State Based Tobacco Control Programs	-	804,366	804,366
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	-	157,554	157,554
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	-	1,238,152	1,238,152
93.324	State Health Insurance Assistance Program	316,946	43,448	360,394
93.336	Behavioral Risk Factor Surveillance System	-	117,010	117,010
93.369	ACL Independent Living State Grants	-	260,990	260,990
93.464	ACL Assistive Technology	490,963	3,276	494,239
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	-	489,330	489,330
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	-	595,839	595,839
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	-	1,288,712	1,288,712
93.556	Promoting Safe and Stable Families	620,198	469,543	1,089,740
93.563	Child Support Enforcement	-	18,082,162	18,082,162
93.566	Refugee and Entrant Assistance State Administered Programs	-	13,942	13,942
93.569	Community Services Block Grant	3,262,111	159,733	3,421,843
93.584	Refugee and Entrant Assistance Targeted Assistance Grants	-	2,121	2,121
93.586	State Court Improvement Program	-	394,201	394,201
93.597	Grants to States for Access and Visitation Programs	-	97,308	97,308
93.599	Chafee Education and Training Vouchers Program (ETV)	-	146,683	146,683
93.600	Head Start	-	49,240	49,240
93.603	Adoption and Legal Guardianship Incentive Payments	-	162,487	162,487
93.617	Voting Access for Individuals with Disabilities Grants to States	-	991	991

Federal Agency

CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	-	1,076,624	1,076,624	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	-	466,201	466,201	
93.643	Children's Justice Grants to States	54,500	44,950	99,450	
93.645	Stephanie Tubbs Jones Child Welfare Services Program	181,334	507,306	688,639	
93.658	Foster Care Title IV-E	514,926	18,289,487	18,804,413	
93.659	Adoption Assistance	-	18,573,694	18,573,694	
93.667	Social Services Block Grant	5,383,053	15,929,326	21,312,379	*
93.669	Child Abuse and Neglect State Grants	-	32,388	32,388	
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	855,092	15,569	870,661	
93.674	Chafee Foster Care Independence Program	180,876	199,550	380,426	
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	-	78,051	78,051	
93.745	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	-	71,199	71,199	
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	-	978,317	978,317	
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	743	1,530,863	1,531,606	
93.767	Children's Health Insurance Program	-	34,869,262	34,869,262	*
93.788	Opioid STR	436,538	158,476	595,014	
93.791	Money Follows the Person Rebalancing Demonstration	324,139	564,466	888,604	
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	-	258,420	258,420	
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	-	67,566	67,566	
93.889	National Bioterrorism Hospital Preparedness Program	-	102,887	102,887	
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	9,291	1,953,859	1,963,149	
93.913	Grants to States for Operation of State Offices of Rural Health	-	69,570	69,570	
93.917	HIV Care Formula Grants	146,532	2,722,164	2,868,696	*
93.940	HIV Prevention Activities Health Department Based	300,743	335,938	636,681	
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	-	128,332	128,332	
93.945	Assistance Programs for Chronic Disease Prevention and Control	-	765,515	765,515	
93.958	Block Grants for Community Mental Health Services	1,940,169	257,076	2,197,245	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,748,124	2,371,185	8,119,309	
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	117,505	109,325	226,829	
93.994	Maternal and Child Health Services Block Grant to the States	-	2,065,073	2,065,073	
93.U01	DASIS Federal Agreement MIS Implement of Uniform Alcohol & Drug Abuse Data Collection System	-	254	254	
TANF Cluster					
93.558	Temporary Assistance for Needy Families	29,529,714	28,984,799	58,514,513	*
TANF Cluster Total		29,529,714	28,984,799	58,514,513	
Medicaid Cluster					
93.775	State Medicaid Fraud Control Units	-	767,708	767,708	*
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	4,263,681	4,263,681	*
93.778	Medical Assistance Program	1,434,976	1,834,959,685	1,836,394,661	*
Medicaid Cluster Total		1,434,976	1,839,991,074	1,841,426,050	
Maternal, Infant, and Early Childhood Home Visiting Cluster					
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	3,102,860	179,102	3,281,962	
Maternal, Infant, and Early Childhood Home Visiting Cluster Total		3,102,860	179,102	3,281,962	
CCDF Cluster					
93.575	Child Care and Development Block Grant	-	15,081,970	15,081,970	*
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	-	7,502,762	7,502,762	*
CCDF Cluster Total		-	22,584,732	22,584,732	
Aging Cluster					
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	2,378,429	294,339	2,672,768	
93.045	Special Programs for the Aging Title III, Part C Nutrition Services	3,516,845	-	3,516,845	
93.053	Nutrition Services Incentive Program	675,649	-	675,649	
Aging Cluster Total		6,570,923	294,339	6,865,262	
Department of Health And Human Services Total		64,016,704	2,048,275,881	2,112,292,585	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Agency

CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total
Corporation For National And Community Service				
94.003	State Commissions	-	264,413	264,413
94.006	AmeriCorps	982,965	409,756	1,392,722
94.009	Training and Technical Assistance	-	108,868	108,868
94.021	Volunteer Generation Fund	-	29,248	29,248
Corporation For National And Community Service Total		982,965	812,284	1,795,250
Social Security Administration				
Disability Insurance/SSI Cluster				
96.001	Social Security Disability Insurance	-	8,294,032	8,294,032
Disability Insurance/SSI Cluster Total		-	8,294,032	8,294,032
Social Security Administration Total		-	8,294,032	8,294,032
Department of Homeland Security				
97.012	Boating Safety Financial Assistance	-	1,373,891	1,373,891
[6] 97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	-	3,543	3,543
97.039	Hazard Mitigation Grant	69,061	4,176	73,237
97.041	National Dam Safety Program	-	57,878	57,878
97.042	Emergency Management Performance Grants	1,580,280	1,382,382	2,962,662
97.045	Cooperating Technical Partners	-	222,061	222,061
[7] 97.047	Pre-Disaster Mitigation	24,935	18,982	43,917
97.056	Port Security Grant Program	-	17,743	17,743
97.067	Homeland Security Grant Program	2,204,563	912,224	3,116,787
97.120	Rural Emergency Medical Communications Demonstration Project	-	67	67
Department of Homeland Security Total		3,878,839	3,992,947	7,871,786
Total Federal Expenditures		331,865,972	2,768,948,036	3,100,814,008

The State of Maine spent pass-through funds received from the following external entities.

CFDA#	External Entity
[1] 11.473	NERACOOS & TNC
[2] 11.474	Atlantic States Marine Fisheries Commission
[3] 15.663	Atlantic Salmon Federation & Downeast Salmon Federation
[4] 16.590	Cumberland Cty
[5] 16.726	National CASA
[6] 97.036	State of Vermont
[7] 97.042	US Geological Survey

STATE OF MAINE
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

1. Purpose of the Schedule

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

2. 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, 2018, with the exception of the discrete component units identified in Note 1 to the BFS. The discrete component units engaged other auditors.

B. *Basis of Presentation* – The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance.

    1) Federal Awards – A federal award is defined by the Uniform Guidance as federal financial assistance and federal cost-reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance. Accordingly, non-cash federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

    2) Type A and Type B Programs – Levels of expenditures to be used in defining Type A and Type B federal financial assistance programs are specified by the Uniform Guidance. Type A programs for the State of Maine are those programs that equal or exceed $9.3 million in expenditures, distributions, or issuances for the year ended June 30, 2018. 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.

3. **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

4. **Unemployment Insurance Program**

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

    State Funds $83,266,071

    Federal Funds   23,075,763

    Total $106,341,834

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:

CFDA Number	Program Title	Noncash Awards
10.551	SNAP (Supplemental Nutrition Assistance Program)	$222,588,641
10.555	National School Lunch Program	$4,978,290
10.565	Commodity Supplemental Food Program	$1,905,233
10.569	Emergency Food Assistance Program	$3,297,527
10.664	Cooperative Forestry Assistance	$305,539
12.401	National Guard Military Operations & Maint. Proj.	$13,320
39.003	Donation of Federal Surplus Personal Property	$1,964,999
93.268	Immunization Grants	$12,997,017

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I – Summary of Auditor's Results
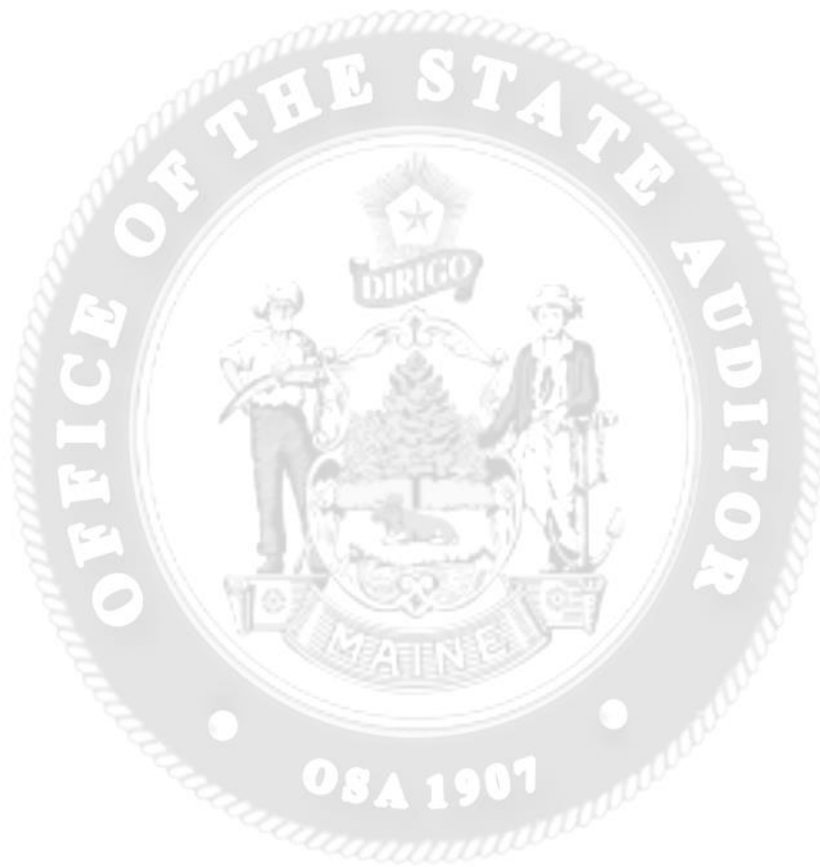
SECTION I – SUMMARY OF AUDITOR'S RESULTS

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:

> Unmodified
> CCDF Cluster
> Fish and Wildlife Cluster
> National Infrastructure Investments
> Title I Grants to Local Educational Agencies
>
> Qualified
> Child Nutrition Cluster
> Children's Health Insurance Program
> Crime Victim Assistance
> Food Distribution Cluster
> HIV Care Formula Grants
> Medicaid Cluster
> National Guard Military Operations and Maintenance (O&M) Projects
> Social Services Block Grant
> TANF Cluster
> Unemployment Insurance
> Special Supplemental Nutrition Program for Women, Infants, and Children

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:

CFDA #	**Name of Federal Program or Cluster**
Child Nutrition Cluster	
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children

Food Distribution Cluster
        10.565   Commodity Supplemental Food Program
        10.568   Emergency Food Assistance Program (Administrative Costs)
        10.569   Emergency Food Assistance Program (Food Commodities)

Fish and Wildlife Cluster
        15.605   Sport Fish Restoration Program
        15.611   Wildlife Restoration and Basic Hunter Education

TANF Cluster
        93.558   Temporary Assistance for Needy Families

CCDF Cluster
        93.575   Child Care and Development Block Grant
        93.596   Child Care Mandatory and Matching Funds of the Child Care and Development
                        Fund

Medicaid Cluster
        93.775   State Medicaid Fraud Controls 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
        12.401   National Guard Military Operations and Maintenance (O&M) Projects
        16.575   Crime Victim Assistance
        17.225   Unemployment Insurance
        20.933   National Infrastructure Investments
        84.010   Title I Grants to Local Educational Agencies
        93.667   Social Services Block Grant
        93.767   Children's Health Insurance Program
        93.917   HIV Care Formula Grants

Dollar threshold used to distinguish between type A and type B programs: $9,302,442

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

Summary of Questioned Costs:

Federal Agency	Federal Program	Known Questioned Costs	Finding Number
U.S. Department of Agriculture	Special Supplemental Nutrition Program for Women, Infants, and Children	$280,580	2018-007
	Food Distribution Cluster	$43,337	2018-012
U.S. Department of Health and Human Services	TANF Cluster	$381	2018-031
	Social Services Block Grant	Undeterminable	2018-036
		Undeterminable	2018-037
	Children's Health Insurance Program	$2,711,707	2018-041
	Medicaid Cluster	Undeterminable	2018-043
		$14,037,063	2018-054
U.S. Department of Justice	Crime Victim Assistance	$251,223	2018-019
		Undeterminable	2018-036
		Undeterminable	2018-037

E-5

**STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section II – Financial Statement Findings
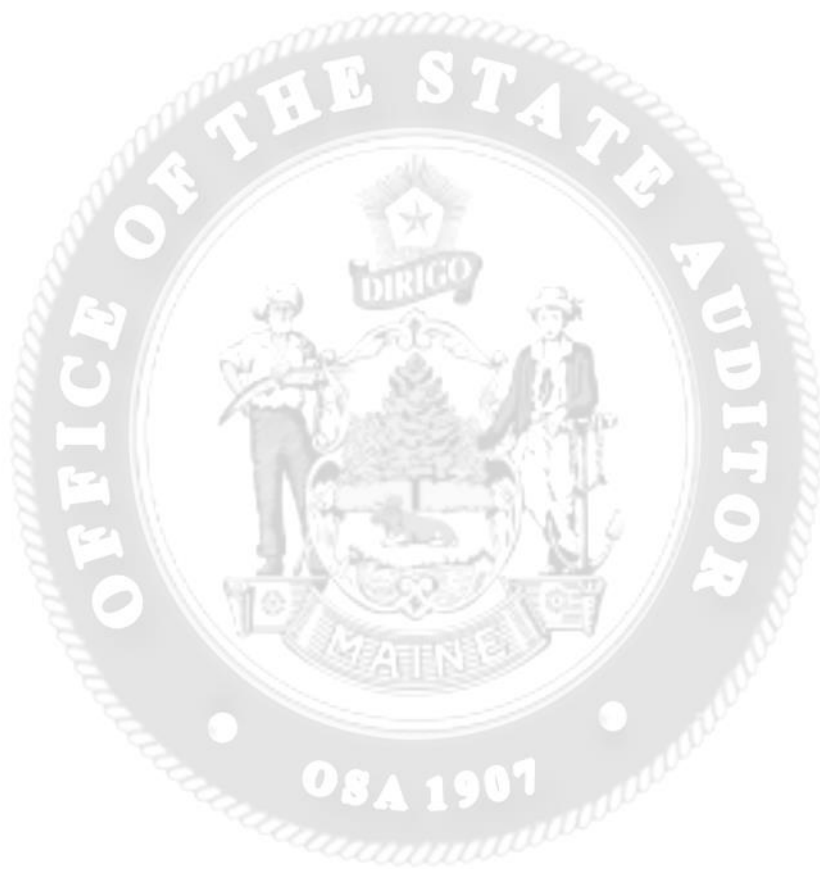
FINANCIAL STATEMENT FINDINGS

No financial statement findings were issued for the fiscal year ending June 30, 2018.
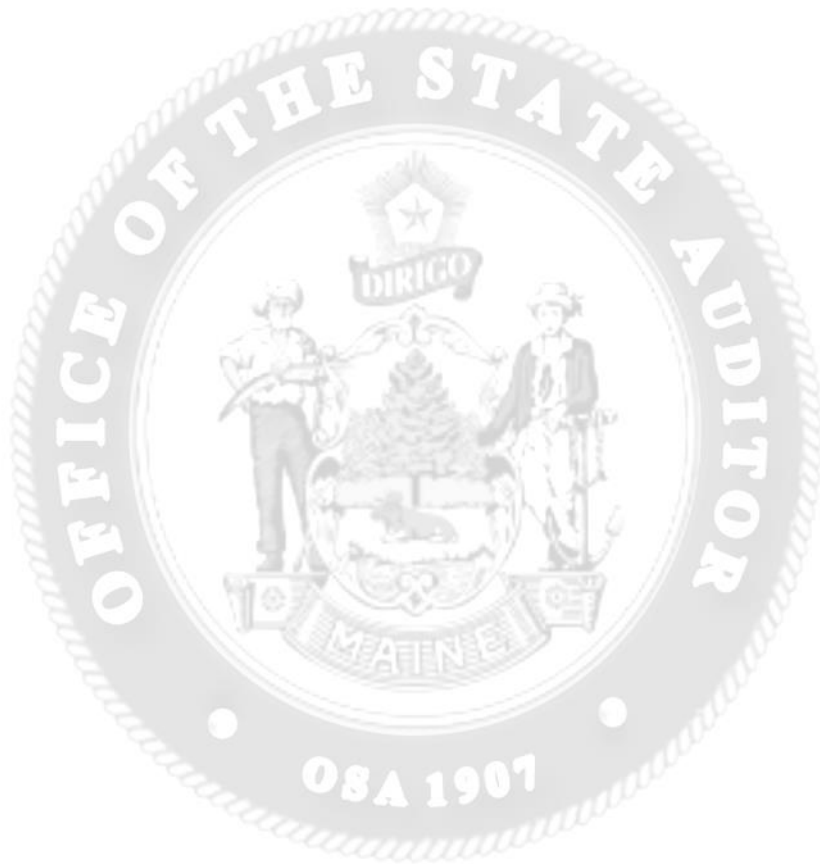
**STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

Section III - Indexes to Federal Program Findings

INDEXES TO FEDERAL PROGRAM FINDINGS

Program / Finding #	Brief Summary of Finding	State Dept	Page
SNAP Cluster CFDA# 10.551, 10.561			
2018-044	The Department does not have a _____ plan in place over the _____ that complies with government standards (The content of this finding has been redacted. This appears as blank underlining)	DAFS DHHS	E-126
2018-045	_____ and _____ over _____ need improvement (The content of this finding has been redacted. This appears as blank underlining)	DAFS	E-129
Child Nutrition Cluster CFDA# 10.555, 10.559			
2018-001	Procedures over subrecipient monitoring need improvement	DOE	E-29
2018-002	Internal control over State matching requirements needs improvement	DOE	E-31
2018-003	Eligibility documentation procedures need improvement	DOE	E-33
2018-004	_____ over _____ to the _____ is not adequate (The content of this finding has been redacted. This appears as blank underlining)	DAFS DOE	E-35
2018-005	Internal control over the donated food inventory needs improvement	DOE	E-37
2018-006	National School Lunch Program and Summer Food Program Policy Statements and State-Sponsor Agreements are not consistent with Federal regulations	DOE	E-39
2018-025	The Department has no assurance that vendor-provided internal controls over the financial and Federal data collection system are adequate	DOE	E-82
Special Supplemental Nutrition Program for Women, Infants, and Children CFDA# 10.557			
2018-007	Control over WIC's infant food and formula rebate process needs improvement	DHHS	E-41
2018-008	Control over WIC's food instrument disposition process needs improvement	DHHS	E-43
2018-009	The Department has no assurance that vendor-provided internal controls over the outsourced WIC program subsidy system are adequate	DHHS	E-46
2018-010	Internal control over WIC's high-risk vendor compliance investigations needs improvement	DHHS	E-48
Special Supplemental Nutrition Program for Women, Infants, and Children continued on next page			

Program / Finding #	Brief Summary of Finding	State Dept	Page
Special Supplemental Nutrition Program for Women, Infants, and Children continued from previous page			
2018-026	Monitoring over subrecipient cash management needs improvement	DHHS	E-84
Food Distribution Cluster CFDA# 10.565, 10.568, 10.569			
2018-011	Subrecipient monitoring needs improvement	DACF DAFS	E-50
2018-012	Internal control over earmarking of administrative grant funds needs improvement	DACF DAFS	E-53
2018-013	Internal control over suspension and debarment needs improvement	DACF	E-55
2018-014	Internal control over Federal cash management needs improvement	DACF DAFS	E-57
National Guard Military Operations and Maintenance (O&M) Projects CFDA# 12.401			
2018-015	Internal control related to the U.S. Treasury-State Agreement for cash management and the related reporting to the Federal government on the *SF-270* report needs improvement	DVEM	E-59
2018-016	Documentation that supports payroll costs needs improvement	DVEM	E-61
2018-017	Monitoring of cash balance needs improvement	DVEM	E-63
Fish and Wildlife Cluster CFDA# 15.605, 15.611			
2018-018	Internal control over suspension and debarment needs improvement	IFW	E-66
Crime Victim Assistance CFDA# 16.575			
2018-019	Internal control over the non-competitive bid process needs improvement	DHHS	E-68
2018-020	Internal control over Federal cash management needs improvement	DAFS	E-70
2018-021	Subrecipient contract specifications are not consistent with program regulations	DHHS	E-72
2018-022	The Department did not perform site visits for subrecipients as required	DHHS	E-75
2018-026	Monitoring over subrecipient cash management needs improvement	DHHS	E-84
2018-027	Subrecipient contracts need to be updated	DHHS	E-87
Crime Victim Assistance continued on next page			

Program / Finding #	Brief Summary of Finding	State Dept	Page
Crime Victim Assistance continued from previous page			
2018-036	Internal control over subrecipient expenditures charged to Federal awards needs improvement	DHHS	E-109
2018-037	Indirect costs charged by subrecipients are not consistent with the Uniform Guidance	DHHS	E-111
2018-040	Evaluation of each subrecipient's risk of noncompliance needs improvement	DHHS	E-118
Unemployment Insurance CFDA# 17.225			
2018-023	_____ over _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DOL	E-77
National Infrastructure Investments CFDA# 20.933			
2018-024	Internal control over the allowability of project expenditures needs improvement	DOT	E-80
Title I Grants to Local Educational Agencies CFDA# 84.010			
2018-025	The Department has no assurance that vendor-provided internal controls over the financial and Federal data collection system are adequate	DOE	E-82
Aging Cluster CFDA# 93.044, 93.045, 93.053			
2018-026	Monitoring over subrecipient cash management needs improvement	DHHS	E-84
2018-027	Subrecipient contracts need to be updated	DHHS	E-87
TANF Cluster CFDA# 93.558			
2018-026	Monitoring over subrecipient cash management needs improvement	DHHS	E-84
2018-027	Subrecipient contracts need to be updated	DHHS	E-87
2018-028	Procedures related to TANF performance reporting and work participation need improvement	DHHS	E-90
2018-029	Monitoring of subrecipient compliance, including maintaining documentation of that monitoring, needs improvement	DHHS	E-93
2018-030	Internal control over pass-through awards needs improvement	DHHS	E-96
TANF Cluster continued on next page			

Program / Finding #	Brief Summary of Finding	State Dept	Page
TANF Cluster continued from previous page			
2018-031	Control over payments to and on behalf of TANF clients needs improvement	DHHS	E-99
2018-032	Evaluation of each subrecipient's risk of noncompliance needs improvement	DHHS	E-101
2018-033	The Department has no assurance that internal control over the outsourced ASPIRE information system is adequate	DHHS	E-103
2018-034	Internal control over Federal cash management needs improvement	DAFS	E-105
2018-044	The Department does not have a _____ plan in place over the _____ that complies with government standards (The content of this finding has been redacted. This appears as blank underlining)	DAFS DHHS	E-126
2018-048	The State has no assurance that vendor-provided internal controls over the MainePays centralized payment processing system are adequate	DAFS DHHS	E-135
Community Services Block Grant CFDA# 93.569			
2018-026	Monitoring over subrecipient cash management needs improvement	DHHS	E-84
2018-027	Subrecipient contracts need to be updated	DHHS	E-87
CCDF Cluster CFDA# 93.575, 93.596			
2018-035	Internal control over Federal financial reporting needs improvement	DAFS	E-107
Social Services Block Grant CFDA# 93.667			
2018-026	Monitoring over subrecipient cash management needs improvement	DHHS	E-84
2018-027	Subrecipient contracts need to be updated	DHHS	E-87
2018-036	Internal control over subrecipient expenditures charged to Federal awards needs improvement	DHHS	E-109
2018-037	Indirect costs charged by subrecipients are not consistent with the Uniform Guidance	DHHS	E-111
2018-038	Internal control over Federal cash management needs improvement	DAFS	E-114
2018-039	Internal control over financial reporting needs improvement	DAFS	E-116
2018-040	Evaluation of each subrecipient's risk of noncompliance needs improvement	DHHS	E-118

Program / Finding #	Brief Summary of Finding	State Dept	Page
Children's Health Insurance Program CFDA# 93.767			
2018-041	Procedures over drug rebate accounting and reporting need improvement	DAFS DHHS	E-120
2018-044	The Department does not have a _____ plan in place over the _____ that complies with government standards (The content of this finding has been redacted. This appears as blank underlining)	DAFS DHHS	E-126
2018-045	_____ and _____ over _____ need improvement (The content of this finding has been redacted. This appears as blank underlining)	DAFS	E-129
2018-046	Contractor-provided _____ over _____ processing need improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-131
2018-047	Provider eligibility procedures need to further integrate Automated Data Exchange	DHHS	E-133
Medicaid Cluster CFDA# 93.775, 93.777, 93.778			
2018-041	Procedures over drug rebate accounting and reporting need improvement	DAFS DHHS	E-120
2018-042	Internal control to ensure program expenditures are accounted for and reported in accordance with the Federally-approved State Plan needs improvement	DAFS DHHS	E-122
2018-043	Eligibility re-determination needs improvement	DHHS	E-124
2018-044	The Department does not have a _____ plan in place over the _____ that complies with government standards (The content of this finding has been redacted. This appears as blank underlining)	DAFS DHHS	E-126
2018-045	_____ and _____ over _____ need improvement (The content of this finding has been redacted. This appears as blank underlining)	DAFS	E-129
2018-046	Contractor-provided _____ over _____ processing need improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-131
2018-047	Provider eligibility procedures need to further integrate Automated Data Exchange	DHHS	E-133
2018-048	The State has no assurance that vendor-provided internal controls over the MainePays centralized payment processing system are adequate	DAFS DHHS	E-135
2018-049	Procedures related to Long Term Care Facility Audits need improvement	DHHS	E-137
Medicaid Cluster continued on next page			

Program / Finding #	Brief Summary of Finding	State Dept	Page
Medicaid Cluster continued from previous page			
2018-050	Provider eligibility procedures need to address Advance Directives	DHHS	E-141
2018-051	_____ assigned to _____ need improvement (The content of this finding has been redacted. This appears as blank underlining)	DAFS	E-143
2018-052	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review	DHHS	E-146
2018-053	Procedures to ensure that individual client Cost of Care assessments are accurate need improvement	DHHS	E-148
2018-054	Riverview	DAFS DHHS	E-150
2018-055	Office of Information Technology oversight and procedures over _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining)	DAFS	E-152
HIV Care Formula Grant CFDA# 93.917			
2018-026	Monitoring over subrecipient cash management needs improvement	DHHS	E-84
2018-027	Subrecipient contracts need to be updated	DHHS	E-87

Legend of State Agency Abbreviations:

DACF   Department of Agriculture, Conservation and Forestry
DAFS   Department of Administrative and Financial Services
DHHS   Department of Health and Human Services
DOE   Department of Education
DOL   Department of Labor
DOT   Department of Transportation
DVEM   Department of Defense, Veterans and Emergency Management
IFW   Inland Fisheries and Wildlife

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														
2018-004	Child Nutrition Cluster	✓												E-35
2018-011	Food Distribution Cluster											✓		E-50
2018-012	Food Distribution Cluster						✓							E-53
2018-014	Food Distribution Cluster			✓										E-57
2018-020	Crime Victim Assistance			✓										E-70
2018-034	TANF Cluster			✓										E-105
2018-035	CCDF Cluster											✓		E-107
2018-038	Social Services Block Grant			✓										E-114
2018-039	Social Services Block Grant										✓			E-116
2018-041	Medicaid Cluster, CHIP	✓									✓			E-120
2018-042	Medicaid Cluster	✓									✓			E-122
2018-044	Multiple Programs	✓												E-126
2018-045	Multiple Programs				✓									E-129
2018-048	Medicaid Cluster										✓			E-135
2018-051	Medicaid Cluster	✓		✓										E-143
2018-054	Medicaid Cluster	✓												E-150
2018-055	Medicaid Cluster	✓		✓										E-152
Department of Agriculture, Conservation and Forestry														
2018-011	Food Distribution Cluster											✓		E-50
2018-012	Food Distribution Cluster						✓							E-53
2018-013	Food Distribution Cluster								✓					E-55
2018-014	Food Distribution Cluster			✓										E-57

State of Maine
Fiscal Year 2018
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 Defense, Veterans and Emergency Management														
2018-015	National Guard Military Operations and Maintenance (O&M) Projects			✓							✓			E-59
2018-016	National Guard Military Operations and Maintenance (O&M) Projects		✓											E-61
2018-017	National Guard Military Operations and Maintenance (O&M) Projects			✓										E-63
Department of Education														
2018-001	Child Nutrition Cluster			✓								✓		E-29
2018-002	Child Nutrition Cluster						✓				✓			E-31
2018-003	Child Nutrition Cluster				✓									E-33
2018-004	Child Nutrition Cluster		✓											E-35
2018-005	Child Nutrition Cluster												✓	E-37
2018-006	Child Nutrition Cluster				✓									E-39
2018-025	Multiple Programs										✓			E-82
Department of Health and Human Services														
2018-007	Special Supplemental Nutrition Program for Women, Infants, and Children			✓										E-41
Department of Health and Human Services continued on next page														

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														
2018-008	Special Supplemental Nutrition Program for Women, Infants, and Children												✓	E-43
2018-009	Special Supplemental Nutrition Program for Women, Infants, and Children										✓			E-46
2018-010	Special Supplemental Nutrition Program for Women, Infants, and Children												✓	E-48
2018-019	Crime Victim Assistance		✓						✓					E-68
2018-021	Crime Victim Assistance											✓		E-72
2018-022	Crime Victim Assistance											✓		E-75
2018-026	Multiple Programs			✓								✓		E-84
2018-027	Multiple Programs											✓		E-87
2018-028	TANF Cluster										✓		✓	E-90
2018-029	TANF Cluster											✓		E-93
2018-030	TANF Cluster								✓			✓		E-96
2018-031	TANF Cluster		✓											E-99
2018-032	TANF Cluster											✓		E-101
2018-033	TANF Cluster		✓											E-103
2018-036	Social Services Block Grant, Crime Victim Assistance		✓									✓		E-109
Department of Health and Human Services continued on next page														

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														
2018-037	Social Services Block Grant, Crime Victim Assistance		✓									✓		E-111
2018-040	Social Services Block Grant, Crime Victim Assistance											✓		E-118
2018-041	Medicaid Cluster, CHIP		✓								✓			E-120
2018-042	Medicaid Cluster		✓								✓			E-122
2018-043	Medicaid Cluster			✓										E-124
2018-044	Multiple Programs		✓											E-126
2018-046	Medicaid Cluster, CHIP		✓											E-131
2018-047	Medicaid Cluster, CHIP												✓	E-133
2018-048	Medicaid Cluster										✓			E-135
2018-049	Medicaid Cluster												✓	E-137
2018-050	Medicaid Cluster												✓	E-141
2018-052	Medicaid Cluster												✓	E-146
2018-053	Medicaid Cluster		✓											E-148
2018-054	Medicaid Cluster		✓											E-150
Department of Labor														
2018-023	Unemployment Insurance				✓									E-77
Department of Transportation														
2018-024	National Infrastructure Investments	✓	✓	✓										E-80
Inland Fisheries and Wildlife														
2018-018	Fish and Wildlife Cluster								✓					E-66

State of Maine
Fiscal Year 2018
Index to Federal Findings in Finding Number Order by Finding Type

Finding #	Page	Compliance Area	Material Non-compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2018-001	E-29	Cash Management/ Subrecipient Monitoring	✓	✓		
2018-002	E-31	Matching, Level of Effort, Earmarking/ Reporting			✓	
2018-003	E-33	Eligibility			✓	
2018-004	E-35	Allowable Costs/Cost Principles			✓	
2018-005	E-37	Special Tests and Provisions			✓	
2018-006	E-39	Eligibility			✓	
2018-007	E-41	Cash Management			✓	$280,580 /
2018-008	E-43	Special Tests and Provisions			✓	
2018-009	E-46	Reporting			✓	
2018-010	E-48	Special Tests and Provisions			✓	
2018-011	E-50	Subrecipient Monitoring	✓	✓		
2018-012	E-53	Matching, Level of Effort, Earmarking			✓	$43,337 /
2018-013	E-55	Procurement and Suspension and Debarment			✓	
2018-014	E-57	Cash Management			✓	
2018-015	E-59	Cash Management/ Reporting	✓	✓		
2018-016	E-61	Allowable Costs/Cost Principles		✓		
2018-017	E-63	Cash Management			✓	
2018-018	E-66	Procurement and Suspension and Debarment			✓	

State of Maine
Fiscal Year 2018
Index to Federal Findings in Finding Number Order by Finding Type

Finding #	Page	Compliance Area	Finding Type			Known / Likely Questioned Costs
			Material Non-compliance	Internal Control		
				Material Weakness	Significant Deficiency	
2018-019	E-68	Allowable Costs/ Procurement and Suspension and Debarment	✓	✓		$251,223 /
2018-020	E-70	Cash Management			✓	
2018-021	E-72	Subrecipient Monitoring	✓	✓		
2018-022	E-75	Subrecipient Monitoring	✓	✓		
2018-023	E-77	Eligibility	✓	✓		
2018-024	E-80	Activities Allowed/ Allowable Costs/ Cash Management			✓	
2018-025	E-82	Reporting			✓	
2018-026	E-84	Cash Management/ Subrecipient Monitoring	✓	✓		
2018-027	E-87	Subrecipient Monitoring	✓	✓		
2018-028	E-90	Reporting/ Special Tests and Provisions	✓	✓		
2018-029	E-93	Subrecipient Monitoring	✓	✓		
2018-030	E-96	Procurement and Suspension and Debarment/ Subrecipient Monitoring	✓	✓		
2018-031	E-99	Allowable Costs/ Cost Principles			✓	$381 / $139,925
2018-032	E-101	Subrecipient Monitoring			✓	
2018-033	E-103	Allowable Costs/ Cost Principles			✓	

State of Maine
Fiscal Year 2018
Index to Federal Findings in Finding Number Order by Finding Type

Finding #	Page	Compliance Area	Material Non-compliance	Internal Control — Material Weakness	Internal Control — Significant Deficiency	Known / Likely Questioned Costs
2018-034	E-105	Cash Management			✓	
2018-035	E-107	Reporting			✓	
2018-036	E-109	Allowable Costs/ Subrecipient Monitoring	✓	✓		Undeterminable / Undeterminable
2018-037	E-111	Allowable Costs/ Subrecipient Monitoring	✓	✓		Undeterminable / Undeterminable
2018-038	E-114	Cash Management	✓	✓		
2018-039	E-116	Reporting	✓	✓		
2018-040	E-118	Subrecipient Monitoring			✓	
2018-041	E-120	Allowable Costs/ Reporting	✓ CHIP Only	✓ CHIP Only		$2,711,707 /
2018-042	E-122	Allowable Costs/ Reporting	✓	✓		
2018-043	E-124	Eligibility			✓	Undeterminable / Undeterminable
2018-044	E-126	Allowable Costs/Cost Principles			✓	
2018-045	E-129	Eligibility			✓	
2018-046	E-131	Allowable Costs/Cost Principles			✓	
2018-047	E-133	Special Tests and Provisions			✓	
2018-048	E-135	Reporting			✓	
2018-049	E-137	Special Tests and Provisions			✓	
2018-050	E-141	Special Tests and Provisions			✓	
2018-051	E-143	Allowable Costs/ Eligibility			✓	
2018-052	E-146	Special Tests and Provisions			✓	

State of Maine
Fiscal Year 2018
Index to Federal Findings in Finding Number Order by Finding Type

| Finding # | Page | Compliance Area | Material Non-compliance | Internal Control | | Known / Likely Questioned Costs |
				Material Weakness	Significant Deficiency	
2018-053	E-148	Allowable Costs/ Cost Principles			✓	
2018-054	E-150	Allowable Costs/ Cost Principles			✓	$14,037,063 /
2018-055	E-152	Allowable Costs/ Eligibility			✓	

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section III – Federal Findings and Questioned Costs

Due to a change in Federal requirements, the Corrective Action Plan
is reported separately in Section F.
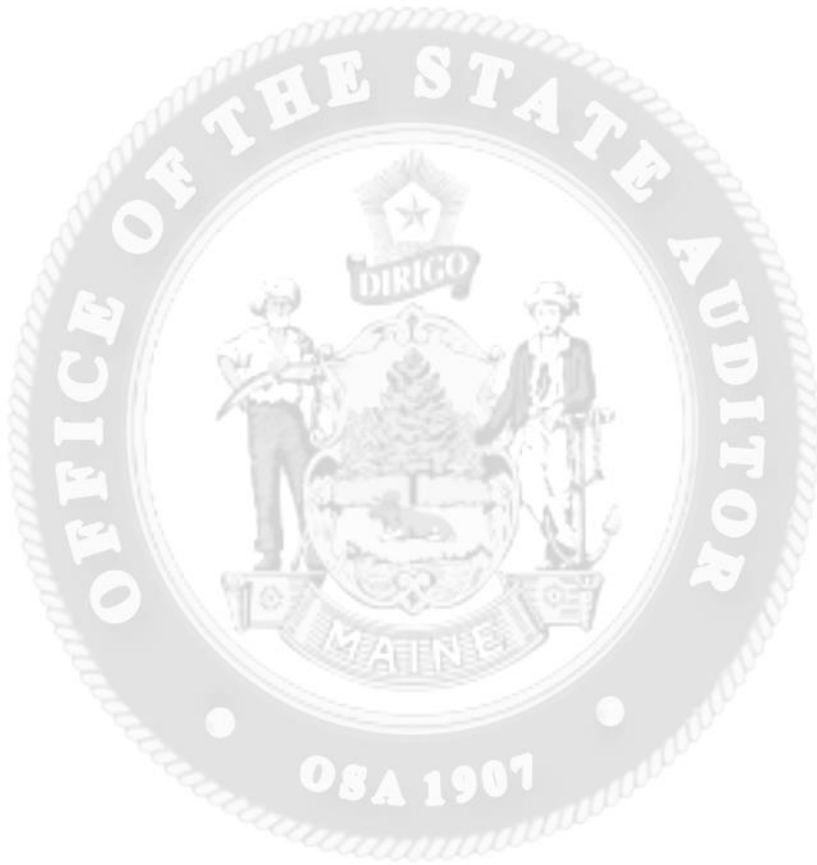
(2018-001)

Title: Procedures over subrecipient monitoring need improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Education
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
CFDA Title: Child Nutrition Cluster
CFDA #: 10.555, 10.559
Federal Award Identification Number: 174ME301N1097, 174ME301N1098, 184ME301N1099

Compliance Area: Cash management
                 Subrecipient monitoring

Type of Finding: Material weakness
                 Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 7 CFR 210.18

Condition: The Department is required to conduct administrative reviews of all School Food Authorities (SFAs) at least once during a three-year review cycle. Corrective action is required for any violation of critical or general areas identified in the review. SFAs are required to submit a corrective action plan to the Department no later than thirty days from the deadline for completion of each corrective action. If corrective action is not submitted by the deadline and the SFA has not been granted an extension, the Department shall withhold all program payments to the SFA.

The Department is required to maintain records of all administrative reviews conducted and corrective actions submitted by SFAs.

Of the seventeen administrative reviews tested by the auditor:
- the Department was unable to provide documented corrective action plans submitted by SFAs for three reviews.
- one SFA submitted their corrective action plan to the Department more than 30 days past the deadline. There is no record of the SFA requesting or being granted an extension. The Department did not withhold program payments.
- the Department was not able to provide documentation that one SFA had submitted their corrective action plan in response to the administrative review. There was no evidence that the Department withheld payments.

The Office of the State Auditor selected a non-statistical random sample.

Context: Federal funds totaling $55.3 million were passed through to subrecipients from the Child Nutrition Cluster grant during fiscal year 2018.

Cause:
- The Department does not have effective recordkeeping procedures in place.
- The Department does not have documented procedures in place to ensure that program payments are withheld when the SFA does not submit timely corrective action plans in accordance with Federal regulations.

Effect:
- Noncompliance with Federal regulations
- Program funds continued to be paid to SFAs when they should have been withheld.
- Federal funds were drawn to reimburse payments that should have been withheld from SFAs.

Recommendation: We recommend that the Department develop written policies and procedures to ensure:
- corrective action plans submitted by the SFAs are retained.
- SFAs with late corrective action plans are tracked and payments suspended until corrective action is completed and deemed acceptable by the Department.
- Federal funds are not requested to reimburse suspended payments.

Corrective Action Plan: See F-5

Management's Response: The Department agrees with this finding. Corrective action plans are now saved electronically and staff have been reminded of the requirement to keep the plans on file. Tracking is assigned to the reviewer responsible for that district's review. All corrective action plan extensions will now be tracked in one common location/spreadsheet. A column has been added for the extension date on the spreadsheet as well. The withholding procedure/policy of payments was updated on 12/2018 to comply with USDA regulations.

Contact: Walter Beesley, Child Nutrition Director, DOE, 207-624-6875

(State Number: 18-1203-02)

(2018-002)

Title: Internal control over State matching requirements needs improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
		15-1203-01					

State Department: Education (DOE)
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture (USDA)
CFDA Title: Child Nutrition Cluster
CFDA #: 10.555, 10.559
Federal Award Identification Number: 174ME301N1097, 174ME301N1098, 184ME301N1099

Compliance Area: Matching, level of effort, earmarking
Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 7 CFR 210.17; 7 CFR 210.20

Condition: States are required to match Federal program funds with State funds, in accordance with the requirements of the USDA Food and Nutrition Service (FNS). The State submits an *Annual Report of Revenues* (*FNS-13*) to the USDA FNS to report actual qualifying State matching dollars.

For the fiscal year ended June 30, 2018, qualified matching dollars expended by the State were $2,280 less than the required amount. The Department utilized Federal funds to satisfy the State's match requirement.

For fiscal year 2018, the Department reported the incorrect match to the USDA FNS on Form *FNS-13*. The matching amount as calculated by DOE's New Education Ontology (NEO) system included an unfunded matching amount attributable to a State-owned school. The match was not reconciled between NEO and the State accounting system.

Context: The USDA FNS establishes the State National School Lunch Program matching requirement annually for each State. The State of Maine's match requirement for fiscal year 2018 was $1,015,810.

Cause:
- Lack of supervisory oversight
- Lack of reconciliation procedures between NEO and the State accounting system

Effect: The Federal program funds drawn by the State and used to meet the Federal match requirement are subject to recall and repayment to FNS.

Recommendation: We recommend that the Department implement procedures to ensure the match attributable to State owned schools is funded from the General Fund. We also recommend that the match earned as calculated in DOE's NEO system is reconciled to the match recorded in the State's accounting system. This process should be completed prior to reporting to the USDA FNS.

Corrective Action Plan: See F-5

Management's Response: The Department agrees with this finding. For school year 2019, the Department has implemented a modification to the NEO system which will ensure that the match attributable to State owned schools is funded from the General Fund. The NEO state match calculation will also be reconciled to the State accounting system.

Contact: Walter Beesley, Child Nutrition Director, DOE, 207-624-6875

(State Number: 18-1203-01)

(2018-003)

Title: Eligibility documentation procedures need improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Education
State Bureau: Child Nutrition Services (CNS)
Federal Agency: U.S. Department of Agriculture (USDA)
CFDA Title: Child Nutrition Cluster
CFDA #: 10.555, 10.559
Federal Award Identification Number: 174ME301N1097, 174ME301N1098, 184ME301N1099

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 7 CFR 210.5; USDA Memo SP 54-2016 Community Eligibility Provision Guidance

Condition: The Community Eligibility Provision (CEP) of the National School Lunch Program (NSLP) and School Breakfast Program (SBP) allows participating local educational agencies (LEAs) and schools to serve breakfast and lunch at no cost to all enrolled students without collecting household applications. CEP eligibility for LEAs and schools is determined on a four-year cycle. State agencies are required to maintain complete and accurate CEP program records, which must include documentation by CNS of the review and verification of data generated by LEAs and schools from the base year of the four-year CEP eligibility cycle. Documentation is to be maintained the entire time the LEA or school participates in the CEP program and for three years after submission of the final claim for reimbursement.

Of the seven schools participating in the CEP program that were included in our testing selection, the Department was unable to provide documentation supporting the base year eligibility determinations for two schools.

The Office of the State Auditor selected a non-statistical random sample.

Context: In fiscal year 2018, CNS awarded $53 million in funding for the NSLP and SBP. Approximately thirteen percent of schools receiving school lunch and breakfast reimbursements participate in the CEP program. In order to participate in the CEP program, forty percent of students within a school and/or school district must be eligible for other needs-based Federal assistance programs such as the Supplemental Nutrition Assistance Program (SNAP) or Temporary Assistance for Needy Families (TANF).

Cause:
- The Department does not have procedures in place to ensure that the review and verification of base year data generated by LEAs and schools for CEP eligibility is properly documented and maintained in program records.

Effect:
- Noncompliance with Federal regulations
- The Department cannot provide records to support base year eligibility determination procedures for participation in the CEP. This could result in missing or incorrect information regarding whether the goals of the program are being achieved.

Recommendation: We recommend that the Department establish written policies and procedures to ensure all eligibility and student data for the CEP program is maintained in accordance with Federal regulations.

Corrective Action Plan: See F-5

Management's Response: The Department agrees with this finding. The Child Nutrition policies and procedures document has been updated to provide for accurate record retention. This policy went into effect January 2019.

Contact: Joanne Allen, Director, School Finance & Operations, 207-624-6790

(State Number: 18-1203-05)

(2018-004) Confidential finding, see Condition Section below for more information

Title: _____ over _____ to the _____ is not adequate (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
ML 17-0916-01							

State Department: Education
                    Administrative and Financial Services
State Bureau: School Finance and Operations
                  Office of Information Technology
Federal Agency: U.S. Department of Agriculture
CFDA Title: Child Nutrition Cluster
CFDA #: 10.555, 10.559
Federal Award Identification Number: 174ME301N1097, 174ME301N1098,
                                         184ME301N1099

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: _____; _____; State of Maine _____

Condition: The Department's _____ which _____ are not based on _____. In addition, the _____ does not have a _____ established within the _____ and _____ are not _____. _____, and _____ should be _____ and _____.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:
- Jessica Shahin, Associate Administrator, U.S. Department of Agriculture, Supplemental Nutrition Assistance Program, Alexandria, VA.

A copy of that correspondence has also been sent to:
- Kimberly Edwards, Audit Liaison, U.S. Department of Agriculture, Food and Nutrition Services, Northeast Regional Office, Boston, MA.

Context: This _____ maintains _____ information. Over _____ in _____ were processed during fiscal year 2018 for the _____.

Cause: The Department has not established _____ policies.

Effect: A lack of proper _____ increases the risk of _____. Users with _____ may potentially _____ in an inappropriate manner.

Recommendation: We recommend that the Department establish policies and procedures to implement adequate _____.

Corrective Action Plan: See F-5

Management's Response: The Department agrees with this finding. In 2018, this issue with _____ existed, however, the Department of Education and Office of Information Technology have worked collaboratively to resolve this issue. On January 31, 2019 all _____ users received an automated request to _____. After February 7, 2019 all _____, and the _____. This is now an automated process that will repeat every 90 days. _____ are created based on Superintendent request and require the user to have a _____ that is appropriate for the _____. The Helpdesk validates this prior to creating the _____. Departmental _____ is only by supervisor request and the _____ must have an _____ that makes that _____. Department staff _____ is removed when the Helpdesk is notified that the _____. As of September, 2018, the _____ has begun semi-annual reviews of internal (State of Maine) _____.

Contact: Charlotte Ellis, Education Data Manager, DOE, 207-624-6696

(2018-005)

Title: Internal control over the donated food inventory needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Education
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture (USDA)
CFDA Title: Child Nutrition Cluster
CFDA #: 10.555, 10.559
Federal Award Identification Number: 174ME301N1097, 174ME301N1098, 184ME301N1099

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 7 CFR 250.12; 7 CFR 250.19

Condition: The State must maintain complete and accurate records related to the receipt, distribution, and inventory of USDA-donated foods. On an annual basis, the responsible distributing State department must reconcile physical inventories to recorded inventories. The purpose of the physical inventory is to identify possible food losses and obtain subsequent reimbursement from the responsible party.

In our test of thirteen recorded June 30, 2018 inventory items that represented twenty-one percent of all inventory items, discrepancies in case counts were identified for eight inventory items. The discrepancies existed between the physical inventory count and the count recorded in the New Education Ontology (NEO) system. Program personnel did not identify and investigate discrepancies on an ongoing basis using reconciliation procedures, such as using monthly reports to detect irregularities.

Also, it was noted that:
- June and July 2018 shipping tickets were manually tracked outside the NEO system on spreadsheets and then recorded in NEO using a lump sum adjustment. Therefore, related shipping detail was not being captured in reports generated by the NEO system.

- The final 2018 school year inventory report in NEO contained several large negative inventory values with multiple instances exceeding one thousand cases of inventory.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department was responsible for the maintenance and distribution of $4.9 million of USDA-donated foods in fiscal year 2018.

Cause:
- Lack of written policies and procedures in place to ensure that:
  - Department staff are performing regular reconciliations between NEO inventory records and monthly physical inventory counts.
  - a month-end inventory report from NEO is printed and filed to provide support for inventory values at a historical point in time.
  - shipping activity occurring after the end of the school year (mid-June) and tracked on spreadsheets outside of the NEO system is captured in NEO reports.
  - non-routine transactions are recorded consistently in the NEO system.
- Lack of supervisory oversight

Effect: A lack of written policies and procedures over inventory reconciliations and recordkeeping increases the possibility of mismanagement, noncompliance with Federal award requirements, and inaccurate reporting of non-cash Federal awards.

Recommendation: We recommend that the Department design and implement written policies and procedures over monthly and annual inventory reconciliations, as well as procedures to ensure complete recordkeeping and reporting of shipments occurring after the end of the school year.

We also recommend that the Department work with NEO developers to research whether NEO can be used to track a perpetual inventory. If these persons formally conclude that NEO cannot be programmed with this functionality, we recommend that the Department investigate alternative software for this purpose.

Corrective Action Plan: See F-6

Management's Response: The Department agrees with the finding. Maine DOE Child Nutrition will continue to utilize the existing inventory policy and procedures to address annual reconciliations. Additionally, the Department will maintain documentation for year-end adjustments in a year end close out file. Records will be maintained for a period of three years as required by the USDA. Finally, a long-term plan will be developed to address whether NEO functionalities can be updated to meet the Department's inventory requirements or to replace the system.

Contact: Walter Beesley, Child Nutrition Director, DOE, 207-624-6875

(State Number: 18-1203-04)

(2018-006)

Title: National School Lunch Program and Summer Food Program Policy Statements and State-Sponsor Agreements are not consistent with Federal regulations

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Education
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture (USDA)
CFDA Title: Child Nutrition Cluster
CFDA #: 10.555, 10.559
Federal Award Identification Number: 174ME301N1097, 174ME301N1098, 184ME301N1099

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 7 CFR 225.6; 7 CFR 245.10; USDA Eligibility Manual for School Meals, Appendix A

Condition: CNS must maintain Policy Statements and State-Sponsor Agreements that are consistent with Federal regulations. We reviewed the Free and Reduced Price Policy Statement for the National School Lunch Program (NSLP) and the Free Meal Policy Statement and State-Sponsor Agreement for the Summer Food Service Program (SFSP) and noted the following exceptions:
- The SFSP Free Meal Policy Statement and State-Sponsor Agreement did not contain all elements required by 7 CFR 225.6, including:
  - for camps that charge separately for meals, statements regarding eligibility standards, prohibition of program participant identification or discrimination, application acceptance procedures, and payment collection procedures.
  - policies for hearing procedures relating to appeals.
  - requirements for meal service timeframes and offerings.
  - statements regarding the maintenance of sanitation and health standards, financial management systems, and site visit monitoring documentation.
- The NSLP Free and Reduced Price Policy Statement did not contain all required elements, including:

- o specific procedures used to document eligibility through direct certification in lieu of an application as outlined in 7 CFR 245.10.
- o a statement regarding foster child eligibility.
- o a statement that no barriers to participation exist in Programs for Limited English Proficient families.
- o a statement of measures taken to prevent disclosure of confidential program information.
- The NSLP Free and Reduced Price Policy Statement has not been updated to the Uniform Guidance.

Context: Federal funds totaling $55.3 million were passed through to subrecipients from the Child Nutrition Cluster grant during fiscal year 2018. Policy Statements and State-Sponsor Agreements define participant responsibilities for program administration. Federal regulations define the content of agreements to ensure participants are aware of and compliant with specific program requirements.

Cause:
- Lack of supervisory oversight
- Lack of established procedures to ensure policy statements and agreements are in compliance with Federal requirements

Effect: Noncompliance with Federal regulations

Recommendation: We recommend that the Department update the NSLP Free and Reduced Price Policy Statement and the SFSP Free Meal Policy Statement and State-Sponsor Agreement to include all Federal requirements, including updating references to the Uniform Guidance. We also recommend that the Department establish procedures to ensure regular review of these policies in order to remain in compliance with Federal requirements.

Corrective Action Plan: See F-6

Management's Response: The Department agrees with this finding. The NSLP and SFSP agreements have been updated and submitted to USDA for approval. Once approved by USDA, the revised agreements will replace the current agreements on file and will be uploaded to the NEO system for SY2020 which begins 7/1/2019.

Contact: Walter Beesley, Child Nutrition Director, DOE, 207-624-6875

(State Number: 18-1203-03)

(2018-007)

Title: Control over WIC's infant food and formula rebate process needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services
State Bureau: Maine Center for Disease Control & Prevention
Federal Agency: U.S. Department of Agriculture
CFDA Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA #: 10.557
Federal Award Identification Number: 201616W500344, 201717W100344,
201717W100644, 201717W500344,
201818W100344, 201818W100644

Compliance Area: Cash management

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	$ 280,580	$ 280,580	
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 7 CFR 246.14

Condition: WIC infant food and formula rebates received by the State from the manufacturers must be wire-transferred by WIC staff to the WIC Food Account in the month in which the payments are received from the manufacturers. The WIC Food Account is a bank account established by and held at WIC's banking intermediary. These rebates must be used to offset the cost of food.

Two rebates in the amounts of $276,652 and $3,928 received in June 2018 were not wire-transferred to the Food Account established at WIC's banking intermediary.

Context: The WIC program received $4 million in rebates in fiscal year 2018 that must be used to offset the cost of food.

Cause:
- Unfilled vacancy (Finance Manager)
- Lack of adequate internal control

Effect: Noncompliance with Federal regulations

Recommendation: We recommend that:
- $280,580 be immediately transferred to the Food Account at WIC's banking intermediary.
- the Department work with the manufacturers to possibly implement direct deposit of rebate payments to WIC's banking intermediary.
- the Department implement procedures to ensure proper oversight of the infant food and formula rebate process.

Corrective Action Plan: See F-6

Management's Response: The Department agrees with this finding and will transfer the rebates in the amount of $280,580.00. Regarding the recommendation to work with manufacturers for direct payment, WIC is unable to implement this but will reach out to FNS for guidance. It should be noted that procedures were in place to ensure that rebates are properly processed, however, some of these procedures were documented in a separate attachment. During a transition period, new staff were unaware of the additional procedures that were documented in the separate attachment. The Department will enhance oversight of this process and consolidate procedures to ensure that rebates are properly processed, even during periods of transition.

Contact: Ginger Roberts-Scott, Program Manager, Office of Health Equity, 207-287-5342

(**State Number: 18-1113-01**)

(2018-008)

Title: Control over WIC's food instrument disposition process needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services
State Bureau: Maine Center for Disease Control & Prevention
Federal Agency: U.S. Department of Agriculture
CFDA Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA #: 10.557
Federal Award Identification Number: 201616W500344, 201717W100344, 201717W100644, 201717W500344, 201818W100344, 201818W100644

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 7 CFR 246.12

Condition: The Department is responsible for the fiscal management of food delivery systems under its jurisdiction. A food instrument used in the food delivery system could potentially be a voucher, check, balance on a electronic benefits transfer card, coupon or other document which is used by a participant to obtain food.

WIC's banking intermediary performs a reconciliation of all food instruments. This is the primary control procedure. This reconciliation includes numerous edit checks as well as a manual review process to ensure that all food instruments issued from WIC's financial management system agree to the redemption recorded in the banking intermediary's system. The banking intermediary's edit check system detects and immediately rejects food instruments containing the following redemption issues:

- Purchase price exceeds maximum monetary purchase amount
- Purchase price missing
- Altered purchase price
- Vendor identification missing

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- Invalid/counterfeit vendor identification
- Transacted before specified time period
- Transacted after specified time period
- Redeemed after specified period
- Altered dates
- Missing signature
- Mismatched signature
- Altered signature

As a secondary control procedure, a State WIC management employee performs a monthly reconciliation. This control is performed to ensure that information within WIC's financial management system and the banking intermediary's system agree, which demonstrates that the data exchange is functioning properly. WIC management did not perform these monthly reconciliations in fiscal year 2018.

Context: The WIC program redeemed $13 million in food instruments during fiscal year 2018.

Cause:
- Unfilled vacancy (Finance Manager)
- Lack of adequate internal control

Effect:
- Potential noncompliance with Federal regulations
- Potential undetected system errors

Recommendation: We recommend that monthly redeemed food instrument reconciliations are performed by a member of WIC management, and that procedures are implemented to ensure proper oversight of the food delivery systems.

Corrective Action Plan: See F-6

Management's Response: The Department disagrees with the Auditor's assertion that monthly reconciliations were not performed. The monthly reconciliations are a required element of the monthly reports that were filed and accepted by FNS. The acceptance of these monthly reports is evidence that the reconciliations in question were completed. We acknowledge that the backup documentation for the monthly reconciliations could not be located and agree that we can improve our document retention process.

Contact: Ginger Roberts-Scott, Program Manager, Office of Health Equity, 207-287-5342

Auditor's Concluding Remarks: The reconciliations that are a required element of the monthly reports that were filed are not the reconciliations referred to in the Condition.

The recommendation to reconcile the management system and the banking intermediary's system is a control to ensure that the automated data exchange is functioning properly.

The finding remains as stated.

<div align="right">(State Number: 18-1113-02)</div>

(2018-009)

Title: The Department has no assurance that vendor-provided internal controls over the outsourced WIC program subsidy system are adequate

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services (DHHS)
State Bureau: Maine Center for Disease Control & Prevention
Federal Agency: U.S. Department of Agriculture
CFDA Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA #: 10.557
Federal Award Identification Number: 201616W500344, 201717W100344, 201717W100644, 201717W500344, 201818W100344, 201818W100644

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: National Institute of Standards and Technology (NIST) SP 800-Series; International Organization for Standardization (ISO) 9000; 7 MRSA 246.13; State of Maine Remote Hosting Policy; State of Maine Business Continuity and Disaster Recovery Policy

Condition: There is no assurance that internal control over the outsourced WIC program subsidy (checks and food) system processing operations is adequate and ensures that the resulting information is accurate, complete, and available.

Context: DHHS contracts with a vendor to provide software and to host and manage the system, including all aspects of disaster recovery. System and Organization Controls (SOC) testing results can measure the degree to which the Department is able to rely on the suitability of the design and operating effectiveness of specific controls provided by a vendor.

Of the total $19.5 million in Federal WIC Program expenditures in fiscal year 2018, $13.7 million in Federal subsidies (checks and food) were processed by this outsourced WIC program subsidy system.

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Cause: Although DHHS required the vendor to comply with Federal and State policies, rules, laws, and regulations, there was no explicit requirement to provide the results of independent SOC type testing of the adequacy and effectiveness of vendor-provided controls specific to the WIC program subsidy system.

Effect:
- Potential breach of sensitive information
- Potential corrupted, lost or inaccurate information
- Potential downtime and/or extended shutdowns

Recommendation: We recommend that the Department explicitly require the vendor to provide the results of independent annual SOC type testing which includes a system-specific audit focus on application and data processing integrity, security, and availability; and add confidentiality and privacy testing, as applicable. If provided by the vendor, DHHS would have assurance that related information is accurate, complete, and available.

Corrective Action Plan: See F-6

Management's Response: The Department disagrees with the finding. This finding has no relevance to the processes used by the WIC program as the WIC program does not use service organizations.

Contact: Ginger Roberts-Scott, Program Manager, Office of Health Equity, 207-287-5342

Auditor's Concluding Remarks: The Department has contracted with the service organization (vendor) identified in the finding to provide services for the WIC program for several years. These services include:
- intermediary WIC program food subsidy payment processing which provides daily feedback and disbursement processing alerts to the WIC program subsidy issuance (check, voucher, electronic benefits transfer) system; and
- tracking of WIC program subsidy disbursement and remaining balances by participant for communication to the WIC program subsidy issuance system.

Therefore, it is our determination that the WIC program does use service organizations.

The finding remains as stated.

<p align="right">(State Number: 18-0920-01)</p>

(2018-010)

Title: Internal control over WIC's high-risk vendor compliance investigations needs improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
			2014-028				

State Department: Health and Human Services
State Bureau: Maine Center for Disease Control & Prevention
Federal Agency: U.S. Department of Agriculture
CFDA Title: Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
CFDA #: 10.557
Federal Award Identification Number: 201616W500344, 201717W100344,
        201717W100644, 201717W500344,
        201818W100344, 201818W100644

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 7 CFR 246.12(j)(4)

Condition: The Department must conduct compliance investigations on a minimum of five percent of the number of vendors authorized. Furthermore, the Department must conduct compliance investigations on all high-risk vendors up to this five percent minimum requirement.

The WIC program had 257 authorized vendors for the Federal fiscal year ending September 30, 2017. The Department should have completed thirteen vendor compliance investigations in order to meet the five percent requirement. Since more than thirteen high-risk vendors were identified, all compliance investigations should have been on high-risk vendors. The Department only completed six high-risk vendor compliance investigations.

The Federal government determines a compliance investigation is complete at the point that the vendor has complied with program requirements or when the vendor agreement with the State is discontinued. The State, at its discretion, determines a compliance investigation complete at the point the vendor has complied with program requirements or when they have exhausted all rights to appeal. Only six high-risk vendor investigations met the State's definition of complete,

however, an additional twelve non-high-risk vendor investigations were completed. In addition, twenty investigations were in progress, including some that were in appeal.

Context: The WIC program redeemed $13 million in food instruments through authorized vendors during fiscal year 2018.

Cause:
- Lack of resources
- Lack of adequate internal control

Effect:
- Noncompliance with Federal regulations
- Increase in the Federal minimum percentage requirement of completed high-risk vendor compliance investigations
- Potential disallowance of Federal funding

Recommendation: We recommend that the Department prioritize resources to meet the Federal requirement to complete the five percent minimum compliance investigations on its high-risk vendors. Additionally, we recommend that the Department implement procedures to ensure proper oversight of the high-risk vendor compliance investigation process.

Corrective Action Plan: See F-7

Management's Response: The Department agrees with this finding. The Department will prioritize compliance investigations of high risk vendors with the goal of completing the correct number of investigations each year. The Department will update our procedures on the initiation of investigations and ensure proper oversight of the high-risk vendor compliance investigation process.

Contact: Ginger Roberts-Scott, Program Manager, Office of Health Equity, 207-287-5342

(State Number: 18-1113-03)

(2018-011)

Title: Subrecipient monitoring needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Administrative and Financial Services
    Agriculture, Conservation and Forestry
State Bureau: Natural Resources Service Center
    Agriculture, Food and Rural Resources
Federal Agency: U.S. Department of Agriculture
CFDA Title: Food Distribution Cluster
CFDA #: 10.565, 10.568, 10.569
Federal Award Identification Number: 174ME806Y8105, 184ME806Y8105

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
    Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.331; 7 CFR 247.34

Condition: The State agency must ensure that every subaward is clearly identified in subrecipient agreements. The auditor reviewed all nine administrative funding subrecipient agreements and a sample of thirty-eight donated food subrecipient agreements within the The Emergency Food Assistance Program (TEFAP) and the Commodity Supplemental Food Program (CSFP). Of the forty-seven agreements tested, none of the agreements contained appropriate award identification information.

The following Federal requirements for award identification information were missing from the administrative funding subrecipient agreements:
- The subrecipient's unique entity identifier (Data Universal Numbering System number, also known as a DUNS number)
- An updated reference to the Uniform Guidance issued by the Federal government

- A reference to the correct threshold of $750,000 or more expended in Federal awards during a fiscal year by non-Federal entities that requires them to receive a Single or program-specific audit
- Identification of whether the award is for research and development
- A Federally-approved indirect cost rate

The following Federal requirements for award identification information were missing from the donated food subrecipient agreements:
- The subrecipient's unique entity identifier (Data Universal Numbering System number also known as a DUNS number)
- The Federal award date
- The Federal award identification number
- A description of the Federal award
- The name of the Federal awarding agency, the pass-through entity, and contact information
- The CFDA number and name
- An updated reference to the Uniform Guidance issued by the Federal government
- A reference to the correct threshold of $750,000 or more expended in Federal awards during a fiscal year by non-Federal entities that requires them to receive a Single or program-specific audit
- Identification of whether the award is for research and development
- A Federally-approved indirect cost rate

The Office of the State Auditor selected a non-statistical random sample.

The agency must also verify that every subrecipient is audited when the subrecipient is expected to meet or exceed the required threshold for Federal expenditures, currently $750,000. The auditor identified one subrecipient expected to exceed the $750,000 threshold for Federal expenditures, but the agency did not verify that an audit was completed.

Additionally, a State agency must perform on-site reviews of all subrecipient agencies with which it has agreements under the CSFP at least once every two years. The auditor reviewed all fiscal year 2018 CSFP administrative funding agreements and noted that no CSFP subrecipient on-site reviews were performed within the last two years.

Context: In fiscal year 2018, TEFAP and CSFP distributed approximately $5.6 million of donated food items to food pantries, soup kitchens, and temporary shelters, and approximately $636,000 in administrative funding to local recipient agencies.

Cause:
- Lack of staff resources
- Lack of supervisory oversight
- Lack of established policies and procedures

Effect:
- Incomplete information in subrecipient agreements increases the potential that subrecipients will apply the wrong Federal guidance to the grant award.
- Noncompliance with Federal requirements for pass-through entities, including audit verification for subrecipients receiving over $750,000 in Federal funds
- A lack of on-site reviews of subrecipients could result in noncompliance by a subrecipient going undetected.

Recommendation: We recommend that the Department establish written policies and procedures to ensure that:
- subrecipient agreements are complete, accurate, and in accordance with Federal regulations.
- fiscal and programmatic monitoring of subrecipients is performed.

Corrective Action Plan: See F-7

Management's Response: The Department agrees with the finding. The Department intends to implement procedures to ensure that the elements required by the Uniform Guidance are identified and included in the subrecipient agreements. Additionally, the Department will address the issue of obtaining and reviewing audit reports from subrecipients who expend $750,000 or more during their fiscal year by enforcing the Department's existing policy. This policy states that the Resource Administrator for each Bureau will request and review the subrecipient's audit report with the appropriate Grant Program Manager, and keep a copy on file. In the instance identified in this finding, the report was obtained but not reviewed. Lastly, the Department is working towards providing the necessary resources to perform the required on-site reviews.

Contact: Aimee Carlton, Business Operations Manager, DACF, 207-287-5783

<div align="right">(State Number: 18-1553-03)</div>

(2018-012)

Title: Internal control over earmarking of administrative grant funds needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Administrative and Financial Services
Agriculture, Conservation and Forestry
State Bureau: Natural Resources Service Center
Agriculture, Food and Rural Resources
Federal Agency: U.S. Department of Agriculture (USDA)
CFDA Title: Food Distribution Cluster
CFDA #: 10.565, 10.568, 10.569
Federal Award Identification Number: 174ME806Y8105; 184ME806Y8105

Compliance Area: Matching, level of effort, earmarking

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	$ 43,337	$ 43,337	
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 7 CFR 247.23

Condition: All administrative funds provided to States through the Commodity Supplemental Food Program (CSFP) must be passed through to subrecipients, except that the State agency may retain a maximum of $30,000 for its own use.

The State retained $73,337 of administrative funds from the 2017 CSFP grant award for its own use.

Context: In fiscal year 2018, the CSFP distributed approximately $441,000 in administrative funding to local recipient agencies.

Cause: The program and financial staff were unaware of this requirement, which resulted in:
- a lack of supervisory oversight.
- a lack of policies and procedures in place for earmarking.

Effect:
- Noncompliance with Federal earmarking requirements
- Potential Federal disallowances

Recommendation: We recommend that the Department implement procedures to ensure proper oversight of the CSFP grant.

Corrective Action Plan: See F-8

Management's Response: The Department agrees with the finding, as it was unaware of the earmarking provision referenced in the finding. The Department is working with its program contacts at USDA to request approval to retain the full amount expended under the grants covered by this audit. If the request is not granted, the Department will seek guidance from the USDA regarding next steps to resolve the finding.   Going forward, prior to the start of each new grant award, the Department will submit a formal request to USDA via email to retain the admin funds needed to support the State's share of program admin costs if needs exceed allowed. The Department is also implementing procedures to ensure that only authorized amounts of admin costs are retained from grant funds.

Contact: Aimee Carlton, Business Operations Manager, DACF, 207-287-5783

(State Number: 18-1553-04)

(2018-013)

Title: Internal control over suspension and debarment needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Agriculture, Conservation and Forestry
State Bureau: Agriculture, Food and Rural Resources
Federal Agency: U.S. Department of Agriculture
CFDA Title: Food Distribution Cluster
CFDA #: 10.565, 10.568, 10.569
Federal Award Identification Number: 174ME806Y8105, 184ME806Y8105

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 180

Condition: The State is prohibited from making subawards under covered transactions to parties that are suspended or debarred. Covered transactions include contracts for goods that are awarded under a grant. The Department did not have policies and procedures in place to verify in advance that awards of donated foods were made only to parties who were not suspended or debarred from participating in Federal assistance programs.

The Department did not verify the suspension or debarment status prior to the award of the contracts for any of the fifty subrecipients tested in The Emergency Food Assistance Program (TEFAP). We reviewed the status of the fifty subrecipients and verified that none of the fifty subrecipients tested were suspended or debarred.

The Office of the State Auditor selected a non-statistical random sample.

Context: TEFAP distributes approximately $5.6 million annually in donated foods to food pantries, soup kitchens, and temporary shelters throughout the State of Maine.

Cause: The Department did not have verification procedures in place to ensure that potential subrecipients were not suspended or debarred from receiving Federal assistance.

Effect: The State could enter into a covered transaction with a suspended or debarred party, resulting in potential 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 TEFAP subawards.

Corrective Action Plan: See F-8

Management's Response: The Department agrees with this audit finding and attributes the finding to oversight by program administration. Beginning with the current grant period (FFY19), the Department will amend its Recipient Agency Agreement to include the "Certification Regarding Debarment, Suspension and Other Responsibility Matters - Primary Covered Transactions" to be reviewed and signed by its subrecipients (food pantries, soup kitchens, and temporary shelters) before receiving federal donated food. This will provide the verification required to demonstrate that they are not presently suspended, debarred or otherwise excluded from participating in covered transactions involving federal donated food. The Department does have a written policy in place regarding Suspension and Debarment for all federal contracts submitted through the State's Division of Procurement Services.

Contact: Aimee Carlton, Business Operations Manager, DACF, 207-287-5783

(State Number: 18-1553-02)

(2018-014)

Title: Internal control over Federal cash management needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Administrative and Financial Services
Agriculture, Conservation and Forestry
State Bureau: Natural Resources Service Center
Agriculture, Food and Rural Resources
Federal Agency: U.S. Department of Agriculture
CFDA Title: Food Distribution Cluster
CFDA #: 10.565, 10.568, 10.569
Federal Award Identification Number: 174ME806Y8105, 184ME806Y8105

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.

Criteria: 31 CFR 205(B)

Condition: The Department must minimize the time between the drawdown of Federal grant funds and the related disbursement for program purposes. The Office of the State Controller issued guidance to all State agencies establishing that no more than seven days between the receipt and disbursement of Federal funds demonstrates compliance.

In our review of fourteen Federal drawdowns and the resulting cash balances, the Department had excess cash on hand in three instances:
- A Federal drawdown of $82,000 was made immediately prior to the end of fiscal year 2017. The disbursement of these funds for program purposes was delayed because the movement of encumbrances to fiscal year 2018 took nearly three weeks. This caused an excessive cash balance for the first month of fiscal year 2018.
- A Federal drawdown of $114,000 in November 2017 should have been made to a different program. An excessive cash balance existed for approximately three weeks when the error was corrected in the Federal drawdown system.

- A Federal drawdown of $100,000 in April 2018 was made for a contract that had not been finalized. The subsequent contract approval process caused a delay in disbursement and an excessive cash balance for approximately five weeks.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department expended approximately $636,000 in Commodity Supplemental Food Program and Emergency Food Assistance Program administrative funds during fiscal year 2018.

Cause:
- Lack of effective policies and procedures
- Lack of supervisory oversight
- Human error

Effect:
- The Federal government may impose more stringent, program-specific cash management requirements based on prior noncompliance.
- The State could potentially incur an interest liability on excess Federal cash balances.

Recommendation: We recommend that the Department adhere to established policies and procedures to ensure that Federal funds are requested based on immediate cash needs and disbursed in accordance with Federal cash management requirements.

Corrective Action Plan: See F-8

Management's Response: The Department agrees with the condition stated in this finding. The Department has redistributed pre-existing federal draw policies to all staff drawing federal cash to ensure federal cash management requirements are being met.

Contact: Jody Breton, Acting Director, Natural Resources Service Center, 207-624-6367

(State Number: 18-1553-01)

(2018-015)

Title: Internal control related to the U.S. Treasury-State Agreement for cash management and the related reporting to the Federal government on the *SF-270* report needs improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-003							

State Department: Defense, Veterans and Emergency Management
State Bureau: Military
Federal Agency: U.S. Department of Defense
CFDA Title: National Guard Military Operations and Maintenance (O&M) Projects
CFDA #: 12.401
Federal Award Identification Number:

F7Q6SP6276MW01, F7QJCE7291MW01, W912JD-17-2-1001X, W912JD-18-2-1001X,

F7Q6SP7304MW01, F7QJCE7292MW01, W912JD-17-2-1002X, W912JD-18-2-1002X,

F7QJCE5296MD02, F7QJCE7300MW01, W912JD-17-2-1003X, W912JD-18-2-1003X,

F7QJCE6300MW01, W912JD-15-2-1001X, W912JD-17-2-1004X, W912JD-18-2-1004X,

F7QJCE6302MW01, W912JD-16-2-1001X, W912JD-17-2-1007X, W912JD-18-2-1007X,

F7QJCE6302MW02, W912JD-16-2-1007X, W912JD-17-2-1010X, W912JD-18-2-1010X,

F7QJCE7230MD01, W912JD-16-2-2001X, W912JD-17-2-1040X, W912JD-18-2-1040X

Compliance Area: Cash management
Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 31 CFR 205(A); 2018 U.S. Treasury-State Agreement (TSA); National Guard Regulation 5-1 Section 11-4

Condition: The program did not request Federal funds in compliance with the TSA. This affected Federal financial reporting requirements as well. Testing of sixty-seven *SF-270* reports revealed that:

- thirteen *SF-270* reports included expenditures for more than the required one week. The actual range of expenditure dates reported on the *SF-270* report was fourteen to sixty-five days, rather than the required one week.
- fifteen *SF-270* reports included expenditures that were paid outside of the covered period indicated on the *SF-270* report.
- ten *SF-270* reports were not submitted within a reasonable amount of time. The reports ranged from ten to twenty-one days after the last payment date.

The Office of the State Auditor selected a non-statistical random sample.

Context: The National Guard O&M Projects program is required to drawdown cash on a weekly basis based on the actual expenditures incurred in the past weekly period. Program personnel must submit an *SF-270* report to the Federal government to process the reimbursement request.

Cause: The Department did not have procedures in place to ensure Federal funds were drawn in compliance with the TSA and that *SF-270* reports were filed in accordance with those requirements and Federal reporting requirements.

Effect: Federal funds are received less frequently than required in the TSA. This has the effect of reducing the amount of cash held by the State.

Recommendation: We recommend that the Department implement procedures to ensure that *SF-270* reports include only the prior week's actual expenditures. Additionally, we recommend that the covered period, as reported on the *SF-270* report, match the payment dates included on the *SF-270* report. Finally, we recommend that the Department submit the *SF-270* reports timely so that Federal funds are requested in accordance with the TSA.

Corrective Action Plan: See F-8

Management's Response: The Department agrees that Federal funds were not requested in accordance with the Treasury State Agreement (TSA). The Maine Department of Defense, Veterans and Emergency Management and the Federal National Guard Bureau have entered into a Master Cooperative Agreement which establishes that funding requests will be made on a reimbursement basis utilizing the form SF 270. The SF270 has specific instructions that are aligned with the Department of Defense regulations but were inconsistent with the TSA in place during much of the audit period. The requests for reimbursements were submitted to and approved by our Federal partner in compliance with all Department of Defense regulations. It should be noted that the TSA was amended on April 1, 2018 to more closely align with the actual draw patterns in response to the FY2017 finding that was issued in March 2018. It should also be noted that for FY2019, CFDA# 12.401, National Guard Military Operations and Maintenance (O&M) Projects is not included in the TSA.

Contact: Frances Lapointe, Business Manager, DVEM, 207-430-5696

(State Number: 18-1503-03)

(2018-016)

Title: Documentation that supports payroll costs needs improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-002							

State Department: Defense, Veterans and Emergency Management
State Bureau: Military
Federal Agency: U.S. Department of Defense
CFDA Title: National Guard Military Operations and Maintenance (O&M) Projects
CFDA #: 12.401
Federal Award Identification Number:

    F7Q6SP6276MW01, F7QJCE7291MW01,   W912JD-17-2-1001X, W912JD-18-2-1001X,

    F7Q6SP7304MW01, F7QJCE7292MW01,   W912JD-17-2-1002X, W912JD-18-2-1002X,

    F7QJCE5296MD02, F7QJCE7300MW01,   W912JD-17-2-1003X, W912JD-18-2-1003X,

    F7QJCE6300MW01, W912JD-15-2-1001X, W912JD-17-2-1004X, W912JD-18-2-1004X,

    F7QJCE6302MW01, W912JD-16-2-1001X, W912JD-17-2-1007X, W912JD-18-2-1007X,

    F7QJCE6302MW02, W912JD-16-2-1007X, W912JD-17-2-1010X, W912JD-18-2-1010X,

    F7QJCE7230MD01, W912JD-16-2-2001X, W912JD-17-2-1040X, W912JD-18-2-1040X

Compliance Area: Allowable costs/cost principles

Type of Finding: Material weakness

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.430(i)

Condition: The Department did not have adequate procedures in place to ensure that all timesheets were signed by the employee. Of the sixty timesheets tested, seven timesheets were not signed by the employee.

The Office of the State Auditor selected a non-statistical random sample.

Context: Payroll expenditures totaled approximately $8.4 million in fiscal year 2018.

Cause: The Department did not ensure that missing employee signatures were subsequently obtained.

Effect: Salary and wages charged to the program could potentially not be:
- based on actual work performed
- allowable

Recommendation: We recommend that the Department enforce procedures to ensure that all timesheets are signed by the employee.

Corrective Action Plan: See F-9

Management's Response: The Department agrees, in part, with the finding. The fiscal year 2017 single audit identified this process deficiency in March 2018. As a result of that finding, corrective action was implemented in April 2018 and formalized in August 2018. It was confirmed by the auditor that exceptions noted were from the period before the April 2018 corrective action. The finding does not reflect that corrective action took place during the period under audit.

Contact: Scott A. Young, Deputy Commissioner, DVEM, 207-430-5997

Auditor's Concluding Remarks: The Office of the State Auditor agrees that all of the exceptions noted were prior to the implementation of corrective action in April 2018.

The finding remains as stated.

(State Number: 18-1503-01)

(2018-017)

Title: Monitoring of cash balance needs improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-004							

State Department: Defense, Veterans and Emergency Management
State Bureau: Military
Federal Agency: U.S. Department of Defense
CFDA Title: National Guard Military Operations and Maintenance (O&M) Projects
CFDA #: 12.401
Federal Award Identification Number:

F7Q6SP6276MW01, F7QJCE7291MW01, W912JD-17-2-1001X, W912JD-18-2-1001X,

F7Q6SP7304MW01, F7QJCE7292MW01, W912JD-17-2-1002X, W912JD-18-2-1002X,

F7QJCE5296MD02, F7QJCE7300MW01, W912JD-17-2-1003X, W912JD-18-2-1003X,

F7QJCE6300MW01, W912JD-15-2-1001X, W912JD-17-2-1004X, W912JD-18-2-1004X,

F7QJCE6302MW01, W912JD-16-2-1001X, W912JD-17-2-1007X, W912JD-18-2-1007X,

F7QJCE6302MW02, W912JD-16-2-1007X, W912JD-17-2-1010X, W912JD-18-2-1010X,

F7QJCE7230MD01, W912JD-16-2-2001X, W912JD-17-2-1040X, W912JD-18-2-1040X

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 32 CFR 33.20(b)(2) and (3)

Condition: The Department does not track the actual cash balance.

Context: The National Guard Military O&M Projects (CFDA #12.401) and Military Construction, National Guard (CFDA #12.400) share a general ledger account within the State accounting system. In fiscal year 2018, the beginning cash balance in this account was negative $3.6 million and the ending cash balance was negative $2.7 million.

Cause: The National Guard Military O&M Projects program does not have a unique account within the State accounting system which allows for tracking the program's cash balance, nor is it tracked in any other supporting record.

Effect: Lack of control over cash balances by the Federal program

Recommendation: We recommend that the Department establish separate cash accounts for the National Guard Military O&M Projects program and the Military Construction, National Guard program or that each Federal program track cash balances in a subsidiary record and monitor that cash balance to ensure compliance with Federal cash management requirements. We further recommend that the Department work with the Office of the State Controller to resolve the significant negative cash balance of $2.7 million as of June 30, 2018.

Corrective Action Plan: See F-9

Management's Response: The Department agrees to the stated condition but disagrees with the stated effect. The Maine Department of Defense, Veterans and Emergency Management and the Federally-controlled National Guard Bureau have entered a Master Cooperative Agreement (MCA) that, among other things, establishes that this program operates on a reimbursement method and reimbursements will be requested utilizing the form SF 270. Under the MCA, there are 11 appendices (7 for the Army and 4 for the Air National Guards) that fund the different programs within the National Guard Military Operations and Maintenance Projects – CFDA #12.401. The Military Construction, National Guard – CFDA #12.400 is managed by the Maine Army National Guard. Funding specific to the different appendices including the Military construction projects are covered by Cooperative Agreement Modification with unique identifiers, which are cross referenced on the SF270s. While it is true that both CFDA #12.401 and CFDA #12.400 share the same Appropriation Unit in the Maine State Accounting System, separate Units (Report Orgs) were established to adequately identify the source and application of funds for financially-assisted activities. Expenses and cash receipts are reconciled at the appendix level each time the SF270 forms are prepared. Additionally, a reconciliation and true up of expenditures and cash receipts is prepared during the annual closeout report process. The beginning negative cash balance of $3.6 million is the composite balance of all the different appendices including the Military Construction. This consists of the outstanding SF270s and expenses that were incurred but still without SF270s at the end of SFY2017. This same goes for the negative ending cash balance of $2.7 million. A detailed analysis of the days between outstanding SF270s showed that it takes on the average about 45 days for the Air National Guard to reimburse SF270s and 9 days for the Army National Guard. With such payment patterns, one would expect negative balances at any point in time. Beginning SFY2019, a new Appropriation Unit was established to account for new Military Construction projects and cash receipts are matched to the various appendices to track the negative cash balances in a more transparent way.

Contact: Frances Lapointe, Business Manager II, DVEM, 207-430-5696

Auditor's Concluding Remarks: The Office of the State Auditor acknowledges that the Department has a Master Cooperative Agreement that establishes the reimbursement method using the *SF-270*. However, the Department acknowledges that they do not track cash balances at the program level in the State accounting system or in a subsidiary record. The State is responsible for all Federal cash on hand by program at any time of the year, not just what was drawn and

expended during the current fiscal year. Though the cash balance in the shared general ledger account was negative in fiscal year 2018, this does not ensure that one program did not have a positive cash balance which was offset by a larger negative cash balance in the other program. Therefore, the Office of the State Auditor recommends that as part of the Department's internal control system, the Department establish periodic monitoring controls over their internal control activities for each Federal program to ensure that excess cash balances do not exist. Actual Federal cash balances by program must be known in order to accomplish this.

While an account was established for new Military Construction, National Guard project activity in fiscal year 2019, we recommend that additional research and analysis be performed to separate the National Guard Military O&M Projects program cash balance from the Military Construction, National Guard program cash balance in the shared general ledger account.

The finding remains as stated.

(State Number: 18-1503-02)

(2018-018)

Title: Internal control over suspension and debarment needs improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
		2015-040					

State Department: Inland Fisheries and Wildlife
State Bureau: Resource Management
Federal Agency: U.S. Department of Interior
CFDA Title: Fish and Wildlife Cluster
CFDA #: 15.605, 15.611
Federal Award Identification Number: F12AF01334, F13AF01142, F14AF01112,
F14AF01182, F14AF01183, F14AF01199,
F15AF01135, F16AF01107, F16AF01112,
F16AF01174, F16AF01187, F16AF01091,
F17AF00377, F17AF00426, F17AF00597,
F17AF00869, F17AF00949

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 180.3

Condition: The Department must ensure that vendors are not suspended or debarred from participating in Federal assistance programs. In our test of eight contracts, the Department could not provide evidence ensuring vendors were not suspended or debarred for seven of those contracts.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department paid $1.5 million in Federal funds to twenty-two entities that met the covered transaction criteria during fiscal year 2018. For these twenty-two entities, we reviewed the System for Award Management and found that none of these entities were suspended or debarred from participating in Federal assistance programs.

Cause: The Department did not have procedures in place that require retention of documentation of review to ensure vendors were not suspended or debarred.

Effect: The State could enter into a covered transaction with a suspended or debarred party, resulting in potential disallowances.

Recommendation: We recommend that the Department establish a process that requires retention of documentation of review of vendors that determines that they are not suspended, debarred or otherwise excluded from participating in Federal assistance programs.

Corrective Action Plan: See F-9

Management's Response: The Department agrees with this finding. The Department has developed a rider and is working with the Division of Purchases to address the necessary assurances to meet the Federal department's requirements. We are also developing a contract review checklist that would include a process to address the suspension and debarment issue.

Contact: Wendy J. Parker, Resource Administrator, IF&W, 207-287-5224

(State Number: 18-1545-01)

(2018-019)

Title: Internal control over the non-competitive bid process needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services (DHHS)
State Bureau: Office of Child and Family Services
                 Division of Contract Management
Federal Agency: U.S. Department of Justice (DOJ)
CFDA Title: Crime Victim Assistance
CFDA #: 16.575
Federal Award Identification Number: 2014-VA-GX-0020, 2015-VA-GX-0025,
                                        2016-VA-GX-0062, 2017-VA-GX-0082,
                                        2018-V2-GX-0065

Compliance Area: Allowable costs/cost principles
                          Procurement and suspension and debarment

Type of Finding: Material weakness
                   Material noncompliance
                   Questioned costs

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	$ 251,223	$ 251,223	
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.324; DOJ Grants Financial Guide, Sections 3.6 and 3.8

Condition: The Department is required to obtain prior approval from the DOJ for any non-competitive procurement in excess of the $150,000 simplified acquisition threshold.

Of the sixty Crime Victim Assistance (Victims of Crime Act, VOCA) disbursements selected for testing, one contract with a consultant was awarded non-competitively and did not contain prior approval from the DOJ.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department paid $251,223 during fiscal year 2018 to the consultant under a non-competitive contract.

Cause:
- Lack of resources
- Lack of supervisory oversight

Effect: Costs related to this contract are not allowable program expenditures and are subject to repayment.

Recommendation: We recommend that the Department implement procedures to ensure prior approval for all non-competitive contracts in excess of the simplified acquisition amount.

Corrective Action Plan: See F-9

Management's Response: DHHS agrees with the finding. In order to prevent future non-competitive compliance issues, DHHS will ensure all VOCA funded procurement contracts are obtained through competitive solicitation unless prior approval has been received by OJP. This information has been added to DHHS's VOCA Snapshot document and will be included within our VOCA Procedure Guide currently in development.

Contact: Heather Tyler, Violence Prevention Services Program Manager, OCFS, 207-624-7919

<div align="right">(State Number: 18-1154-06)</div>

(2018-020)

Title: Internal control over Federal cash management needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Administration and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Justice
CFDA Title: Crime Victim Assistance
CFDA #: 16.575
Federal Award Identification Number: 2014-VA-GX-0020, 2015-VA-GX-0025, 2016-VA-GX-0062, 2017-VA-GX-0082, 2018-V2-GX-0065

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 31 CFR 205(B)

Condition: The Department must minimize the time between the drawdown of Federal grant funds and the related disbursement for program purposes. The Office of the State Controller issued guidance to all State agencies establishing that no more than seven days between the receipt and disbursement of Federal funds demonstrates compliance.

In our review of fifteen Crime Victim Assistance (Victims of Crime Act, VOCA) Federal grant drawdowns and the related Federal program fund disbursements, the Department exceeded the seven day compliance requirement in eleven instances.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department expended approximately $9.8 million in Crime Victim Assistance funds during fiscal year 2018.

Cause:
- Lack of effective procedures to minimize the time between a Federal drawdown and related program disbursement
- Lack of staff resources

Effect:
- The Federal government may impose more stringent, program-specific cash management requirements based on prior noncompliance.
- The State could potentially incur an interest liability on excess Federal cash balances.

Recommendation: We recommend that the Department revise current policies and procedures to ensure that Federal funds are requested based on immediate cash needs and disbursed in accordance with Federal cash management requirements.

Corrective Action Plan: See F-10

Management's Response: The Department of Health and Human Services and its Service Center agree with the finding. The Service Center is in the process of implementing a standardized template for grant daily reconciliations which includes monitoring cash. This template was implemented for the VOCA grant in March 2019.

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

<div align="right">(State Number: 18-1154-07)</div>

(2018-021)

Title: Subrecipient contract specifications are not consistent with program regulations

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services (DHHS)
State Bureau: Office of Child and Family Services (OCFS)
                Division of Contract Management (DCM)
Federal Agency: U.S. Department of Justice (DOJ)
CFDA Title: Crime Victim Assistance
CFDA #: 16.575
Federal Award Identification Number: 2014-VA-GX-0020, 2015-VA-GX-0025,
                                         2016-VA-GX-0062, 2017-VA-GX-0082,
                                         2018-V2-GX-0065

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
                 Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.331; 28 CFR 94.116; DOJ Grants Financial Guide Section 3.14

Condition: Contracts for eight of the twenty-three subrecipients that received a total of $8.3 million in Federal award payments in 2018 were tested by the auditor. The following exceptions were found:
- All contracts contained language inconsistent with program regulations. Included in all Crime Victim Assistance contracts at Rider D, 23:
  > "Illegal Aliens Ineligible for State and Local Public Benefits – Notwithstanding any other provision of this Agreement, if this Agreement is for the provision of local public benefit, the Provider certifies that it shall comply with the requirements of 8 U.S.C. § 1621 regarding the ineligibility of illegal aliens for any State or local public benefits."

  There were no other provisions of the contract to negate this criterion.

Federal regulations for this grant state that "victim eligibility under this program for direct services is not dependent on the victim's immigration status."

Therefore, the contract terms were inconsistent with Federal program regulations.

- All contracts excluded special conditions outlined in the grant agreements by the U.S. DOJ including, but not limited to, approvals required for sole-source procurements, performance measures, requirements to collect and maintain demographic data, training guide principles, and civil rights and non-discrimination requirements.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department awarded a total of $8.8 million to all subrecipients from the total Crime Victim Assistance grant funds of $9.8 million during fiscal year 2018.

Cause:
- The information contained in Rider D, 23 regarding the eligibility of illegal aliens is standard language in DHHS contracts. The auditor was unable to determine the reason for including the clause in the Crime Victim Assistance contracts through inquiry of DHHS DCM.
- A lack of collaboration between OCFS and DCM caused grant specific terms to be excluded from subrecipient contracts.
- Lack of staff resources

Effect:
- Eligible participants of the Crime Victim Assistance program may have been denied assistance due to immigration status.
- Subrecipients were not made aware of special conditions included in the sub-award, increasing the potential for noncompliance.

Recommendation: We recommend that the Department notify subrecipients of applicable program criteria to ensure that eligible participants are not denied assistance. We also recommend that the Department update existing subrecipient contracts to indicate that eligibility for this program is not dependent on the victim's immigration status and that all special conditions as outlined in each applicable grant agreement are included.

Corrective Action Plan: See F-10

Management's Response: The Department disagrees with the finding. The paragraph in question states that illegal aliens are ineligible for State and local public benefits not Federal benefits.

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

Auditor's Concluding Remarks are on the following page.

Auditor's Concluding Remarks: We agree that the paragraph in the contract relates to State and local public benefits, however, this language was also included in contracts with no State and local funding and could lead a subrecipient to believe illegal aliens are not eligible for assistance under the Crime Victims Assistance program.

Management's response does not address the exclusion of special grant award conditions in subrecipient contracts which is a significant component of this finding.

The finding remains as stated.

<div align="right">(State Number: 18-1154-05)</div>

(2018-022)

Title: The Department did not perform site visits for subrecipients as required

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services
State Bureau: Office of Child and Family Services
Federal Agency: U.S. Department of Justice
CFDA Title: Crime Victim Assistance
CFDA #: 16.575
Federal Award Identification Number: 2014-VA-GX-0020, 2015-VA-GX-0025, 2016-VA-GX-0062, 2017-VA-GX-0082, 2018-V2-GX-0065

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 28 CFR 94.106; 2 CFR 200.331

Condition: The Department is required to conduct on-site monitoring for all subrecipients at least once every two years during the award period. Eight subrecipients that were awarded $8.3 million in grant funds were tested. The Department did not perform on-site monitoring for three of the eight subrecipients. On-site monitoring ensures Crime Victim Assistance funds are used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department awarded $8.8 million to twenty-three subrecipients from $9.8 million of total Crime Victim Assistance grant funds expended during fiscal year 2018.

Cause:

- The Department implemented an on-site monitoring program in May 2018. Previously, the Department was unaware of program requirements related to on-site monitoring.
- Lack of staff resources

Effect:

- Noncompliance by a subrecipient may go undetected.
- Crime Victim Assistance grant funds may not be administered effectively and efficiently without systematic monitoring by the State.

Recommendation: We recommend that the Department conduct on-site monitoring of all subrecipients at least once every two years during the award period, unless a different frequency based on a risk assessment is established in the monitoring plan.

Corrective Action Plan: See F-10

Management's Response: The Department agrees with the finding. The Department implemented procedures in May of 2018 to ensure that site visits are performed in accordance with the program requirements.

Contact: Heather Tyler, Acting Associate Director, OCFS, 207-624-7919

(State Number: 18-1154-08)

(2018-023) Confidential finding, see Condition Section below for more information

Title: _____ over _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-006	2016-005	2015-031	2014-039	13-1302-01	12-1302-01	11-1302-06	

State Department: Labor (MDOL)
State Bureau: Unemployment Compensation (BUC)
Federal Agency: U.S. Department of Labor
CFDA Title: Unemployment Insurance (UI)
CFDA #: 17.225
Federal Award Identification Number: Unemployment Insurance Trust Fund, Maine

Compliance Area: Eligibility

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: The likely questioned cost total is an estimated, annualized figure based on known questioned costs from testing results of _____ in the new _____ from _____.

Questioned Costs	Total	Federal*	State Trust Fund
Known	Redacted		Redacted
Likely (see explanation below table)	Redacted		Redacted
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			
*No federally funded benefit payments appeared in the randomly selected sample.			

Criteria: _____; _____; _____; _____; _____; _____; _____; _____; Maine _____

Condition: A State administering the _____ must have properly designed _____ in place to ensure that _____. An average of the _____ related _____, as determined by _____. These internal _____ were suspended after the implementation of the new _____, in _____. _____ during fiscal year 2018 were not _____.

_____ could not be produced by _____ for _____ performed from July through November 2017 for the _____. For this reason, the _____ from the _____. The purpose of the _____ was to test for _____ with continuing _____. _____ tested _____ were _____. Of those _____:

- _____
- _____
- _____
- _____
- _____

The absence of _____ to ensure _____ are in _____ with _____.

This _____ of _____ is the _____ determined for the period of December 2017 to June 30, 2018.

The Office of the State Auditor selected a non-statistical random sample.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Gay M. Gilbert, Administrator, U.S. Department of Labor, Office of Unemployment Insurance, Washington, DC.

A copy of that correspondence has also been sent to:

- Melvin F. Reid, Director, U.S. Department of Labor, Office of Inspector General, Single Audit Oversight, Washington, DC.

Context: _____ of _____ were _____ in fiscal year 2018. The _____ includes _____ in _____ and _____.

Cause: _____ relating to continuing _____ are not adequate. Additionally, there are no _____ nor _____ active in the newly implemented ReEmployME system that would enable the system to identify _____.

Effect: _____ funded by Maine's _____ and _____ were _____ who may or may not have been _____. The effect for most _____ would be to improperly reduce Maine's _____ and increase the _____ in an effort to _____. If _____ pertaining to _____, (for example, _____) are deemed ineligible, _____could occur.

Recommendation: We recommend that the Department implement additional _____ as well as _____ to ensure that continuing _____ for _____ are met and adequately supported.

Corrective Action Plan: See F-10

Management's Response: The Department agrees with this finding. The transition to the new _____ caused _____ of the formal _____ process. Existing procedures had to be updated to reflect the process in _____, which is much more automated in this respect compared to the Legacy system. As of 11/17/18, weekly _____ are being conducted in the system. In a general sense, the new application has significantly increased _____ related to

_____ are now required to provide _____. When _____, the _____ cannot be completed without _____. When _____ using the _____, the _____ is put in a _____ until _____. No _____.

The corrective actions outlined in the corrective action plan, as well as the restarting of the _____, will address the findings in _____. The remaining finding was related to the _____ established in the _____. None of the _____ established in _____ failed this audit review. With the _____ not available to review why this case failed, and no failed cases identified in _____, there is no action available to the Bureau to correct this issue.

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

(2018-024)

Title: Internal control over the allowability of project expenditures needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Transportation
State Bureau: Finance and Administration
Federal Agency: U.S. Department of Transportation
CFDA Title: National Infrastructure Investments
CFDA #: 20.933
Federal Award Identification Number: FR-TII-0039-16-01-00

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

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.403; 2 CFR 200.404

Condition: The Department established policies and procedures to ensure that expenditures are both reasonable and necessary. These procedures require the approval of all invoices for workmanship and/or materials by an outside consultant and a project manager prior to payment. Of the thirty-one payment vouchers tested, which included payment for eighty-one invoices:

- one invoice totaling $22,271 in Federal expenditures did not provide evidence of consultant approval; however, there was evidence of a project manager approval prior to payment.
- two invoices totaling $342,243 in Federal expenditures did not provide evidence of consultant approval until after the invoice was paid; however, there was evidence of a timely project manager approval.
- one invoice totaling $93,245 of Federal expenditures was for a shipment of nonconforming goods. The invoice was paid prior to receipt of conforming goods and prior to consultant approval.
- one invoice totaling $12,488 in Federal expenditures did not provide evidence of a project manager approval prior to payment.

The Office of the State Auditor selected a non-statistical random sample.

Context: Federal funds totaling $9.2 million were expended for the National Infrastructure Investments grant in fiscal year 2018.

Cause: Lack of supervisory oversight

Effect: Noncompliance with established project management work plan procedures increases the risk that Federal expenditures may not be allowable, properly supported, and/or in accordance with contract specifications.

Recommendation: We recommend that the Department strengthen supervisory oversight to ensure all approvals are obtained prior to any release of funds.

Corrective Action Plan: See F-10

Management's Response: The Department agrees with the finding. The Department has strengthened its oversight to ensure compliance with the Project Management Plan moving forward and is requiring that all necessary approvals are complete before processing any invoices. We would note the Department has in place a redundant inspection procedure for materials in this project in which quantities and compliance with specifications are verified in the field and a field report produced daily, these are then aggregated by a separate consultant acting as a clerk of the works for the project and an official transmittal verifying inspection and the invoices are correct is then forwarded to the Project Manager. While the finding notes the consultant (clerk of the works) approval was transmitted after some of the invoices were paid the Project Manager did have field inspection reports from the field inspector verifying the quantity and quality of the material prior to paying the invoices, the invoices simply had not been aggregated and transmitted with formal approval by the consultant at that point. The Project Manager has all the original invoices in his possession along with all Purchase Orders for the materials so he can verify quantities and material costs along with the Consultant. The Department would also note that in the finding regarding payment of nonconforming goods that damage to the packaging (metal kegs) of the goods is what made them nonconforming and that the Department had possession of the goods until they were replaced by goods in the proper containers (100lb. kegs) and that the Department was holding other invoices for payment with that vendor exceeding the $93,245 until the replacement goods were received. This vendor was supplying materials to the project totaling in excess of $3.5M through ongoing deliveries so the Department had the ability to withhold funds from the vendor had the goods not been replaced with goods in the proper packaging in a timely manner.

Contact: Doreen Corum, Financial Processing Director, MaineDOT, 207-624-3139

(**State Number: 18-1406-01**)

(2018-025)

Title: The Department has no assurance that vendor-provided internal controls over the financial and Federal data collection system are adequate

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Education (DOE)
State Bureau: School Finance and Operations
Federal Agency: U.S. Department of Agriculture
                   U.S. Department of Education
CFDA Title: Child Nutrition Cluster
               Title I Grants to Local Educational Agencies (Title I)
CFDA #: 10.555, 10.559; 84.010
Federal Award Identification Number: 174ME301N1097, 174ME301N1098,
                                           184ME301N1099; S010A150019,
                                           S010A160019, S010A170019

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: National Institute of Standards and Technology (NIST) SP 800-Series; International Organization for Standardization (ISO) 9000; State of Maine Remote Hosting Policy; State of Maine Business Continuity and Disaster Recovery Policy

Condition: There is no assurance that internal control over outsourced DOE financial and Federal data collection system operations is adequate and ensures that the resulting education-related information is accurate, complete, available, and secure.

Context: DOE contracts with a vendor to provide software and to host and manage the system, including all aspects of disaster recovery. System and Organization Controls (SOC) testing results can measure the degree to which the Department is able to rely on the suitability of the design and operating effectiveness of specific controls provided by a vendor.

This financial and Federal data collection system information is used to account for nearly all of the Department's education-related activities. This includes Federal funds for the Child Nutrition Cluster totaling $55 million and for the Title I program totaling $12 million.

Cause: Although DOE required the vendor to comply with Federal and State policies, rules, laws, and regulations, there was no explicit requirement to provide the results of independent SOC type testing of the adequacy and effectiveness of vendor-provided controls specific to the system.

Effect:
- Potential breach of sensitive information
- Potential corrupted, lost or inaccurate information
- Potential downtime and/or extended shutdowns

Recommendation: We recommend that the Department explicitly require the vendor to provide the results of independent annual SOC type testing which includes a system-specific audit focus on application and data processing integrity, security, and availability; and add confidentiality and privacy testing, as applicable. If provided by the vendor, DOE would have assurance that the education-related financial and Federal information collected by the system is accurate, complete, available, and secure.

Corrective Action Plan: See F-11

Management's Response: The Department agrees with this finding. The Maine Education Financial System (MEFS) is a financial data collection system used to meet state and Federal reporting requirements. It is not the system of record for Child Nutrition transactions nor does it issue checks or perform accounting functions - it is basically a financial data warehouse. The system is hosted in the Amazon Government Cloud and as such, the Department expected that environment to meet all necessary and required security and disaster recovery protocols, to include applicable SOC testing and subsequent reports.

The Department will be renewing the MEFS contract for another year and will include language in the contract renewal regarding the provision of applicable SOC reports to address application and data processing integrity, security, and availability. As there is no personally identifiable data held in the MEFS system, confidentiality and privacy will not need to be addressed in the SOC report.

Contact: Joanne Allen, Director, School Finance & Operations, 207-624-6790

<div align="right">(State Number: 18-0900-04)</div>

(2018-026)

Title: Monitoring over subrecipient cash management needs improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
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 Justice
CFDA Title: TANF Cluster (TANF)
        Social Services Block Grant (SSBG)
        Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
        Crime Victim Assistance
        Aging Cluster
        Community Services Block Grant (CSBG)
        HIV Care Formula Grant
CFDA #: 93.558; 93.667; 10.557; 16.575; 93.044, 93.045, 93.053; 93.569; 93.917
Federal Award Identification Number: 1502METANF, 1601METANF,
                    1701METANF, 1801METANF;
                    G-1701MESOSR, G-1801MESOSR;
                    201616W500344; 201717W100344,
                    201717W100644, 201717W500344,
                    201818W100644; 2014-VA-GX-0020,
                    2015-VA-GX-0025, 2016-VA-GX-0062,
                    2017-VA-GX-0082, 2018-V2-GX-0065;
                    17AAMENSIP, 17AAMET3CM, 17AAMET3HD,
                    17AAMET3SS, 18AAMENSIP, 18AAMET3CM,
                    18AAMET3HD, 18AAMET3SS; 18B1MECOSR;
                    X07HA00023, X08HA31243

Compliance Area: Cash management
            Subrecipient monitoring

Type of Finding: Material weakness
         Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

E-84

Criteria: 2 CFR 200.305(b)

Condition: The Department did not monitor subrecipients to ensure they were drawing Federal funds in accordance with cash management requirements. The Department's current procedures include making advance monthly payments for the same amount and reconciling to amounts reported on quarterly financial reports by the subrecipient. This procedure does not ensure that advance payments are timed to be in accordance with immediate cash need requirements of the subrecipient.

The Aging Cluster and CSBG programs were not audited as major programs in fiscal year 2018. However, audit evidence obtained during the current audit period supported the inclusion of these programs in this repeat finding.

Context: During fiscal year 2018, the Department awarded:
- $29.5 million to subrecipients from TANF grant funds of $58.5 million.
- $5.4 million to subrecipients from SSBG grant funds of $21.3 million.
- $4.2 million to subrecipients from WIC grant funds of $14.3 million.
- $8.8 million to subrecipients from Crime Victim Assistance grant funds of $9.8 million.
- $6.6 million to subrecipients from Aging Cluster grant funds of $6.9 million
- $3.3 million to subrecipients from CSBG grant funds of $3.4 million
- $147 thousand to subrecipients from HIV Care Formula Grant funds of $2.8 million.

Cause:
- Lack of adequate procedures to monitor subrecipient compliance with cash management.
- The Department has identified current procedures in place as sufficient.

Effect:
- Noncompliance with subrecipient cash management requirements may go undetected.
- Federal programs may not be effectively and efficiently administered.
- The Federal government may require the implementation of more stringent subrecipient cash management procedures.

Recommendation: We recommend that the Department implement procedures to ensure that payments to subrecipients are for immediate cash needs and that subrecipients are monitored for compliance with cash management requirements.

Corrective Action Plan: See F-11

Management's Response: The Department disagrees with the finding. The criteria and condition noted by the auditor fails to include the sentence "The timing and amount of advance payments must be as close as administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs." The Department considers its procedures to advance payments and truing up quarterly as "as close as administratively feasible".

The Department has also improved its procedures over the past few years by limiting the amount of under and overpayments to the provider. Where limits used to be 10% of a contract value, the Department now adjusts based upon a $1000 threshold.

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

Auditor's Concluding Remarks: The Criteria cited in the finding is inclusive of "the timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity" (2 CFR 200.305(b)(1)). Additionally, this Federal requirement is directed towards "non-Federal entities other than states"; thus, in this case, "administratively feasible" is the subrecipient's requirement. The Department's responsibility is to monitor the subrecipient's compliance with that requirement. Furthermore, the Department does not request additional documentation to support the amounts reported on the quarterly financial reports, to ensure funds are spent on actual cash disbursements, and to review the timing of those disbursements.

The finding remains as stated.

(**State Number: 18-1111-06**)

(2018-027)

Title: Subrecipient contracts need to be updated

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
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 Justice
CFDA Title: TANF Cluster (TANF)
        Social Services Block Grant (SSBG)
        Crime Victim Assistance
        Aging Cluster
        Community Services Block Grant (CSBG)
        HIV Care Formula Grant
CFDA #: 93.558; 93.667; 16.575; 93.044, 93.045, 93.053; 93.569; 93.917
Federal Award Identification Number: 1502METANF, 1601METANF,
        1701METANF, 1801METANF;
        G-1701MESOSR, G-1801MESOSR;
        2014-VA-GX-0020, 2015-VA-GX-0025,
        2016-VA-GX-0062, 2017-VA-GX-0082,
        2018-V2-GX-0065; 17AAMENSIP,
        17AAMET3CM, 17AAMET3HD, 17AAMET3SS,
        18AAMENSIP, 18AAMET3CM, 18AAMET3HD,
        18AAMET3SS; 18B1MECOSR; X07HA00023,
        X08HA31243

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
        Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.331(a)

Condition: None of the twenty-eight subrecipient contracts tested for TANF, SSBG, Crime Victim Assistance, and the HIV Care Formula Grant contained the following information required by the Federal government:

- The subrecipient's unique entity identifier (Data Universal Numbering System number also known as a DUNS number)
- The Federal award date
- An updated reference to the Uniform Guidance issued by the Federal government
- A reference to the correct threshold of $750,000 or more expended in Federal awards during a fiscal year by non-Federal entities that requires them to receive a Single or program-specific audit
- No identification of whether the award is research and development

The Office of the State Auditor selected a non-statistical random sample.

The Aging Cluster and CSBG programs were not audited as major programs in fiscal year 2018. However, audit evidence obtained during the current audit period supported the inclusion of these programs in this repeat finding.

Context: During fiscal year 2018, the Department awarded:

- $29.5 million to subrecipients from TANF grant funds of $58.5 million.
- $5.4 million to subrecipients from SSBG grant funds of $21.3 million.
- $8.8 million to subrecipients from Crime Victim Assistance grant funds of $9.8 million.
- $147 thousand to subrecipients from HIV Care Formula Grant funds of $2.8 million.

Cause:

- Lack of supervisory oversight
- Lack of staff resources

Effect:

- Noncompliance with Federal requirements for pass-through entities
- Outdated references included in subrecipient contracts increase the potential that subrecipients will apply the wrong Federal guidance to the grant award.

Recommendation: We recommend that the Department implement procedures to ensure contracts with subrecipients are complete, accurate and in accordance with Federal regulations.

Corrective Action Plan: See F-11

Management's Response: The Department partially agrees with the finding. None of the subrecipient contracts tested were research and development contracts, that is why they were not identified as such. With regard to the remaining elements the Department has implemented procedures as of 10/1/2018 to ensure the remaining required components are identified in all subrecipient agreements.

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

Auditor's Concluding Remarks: Though none of the subrecipient contracts tested were research and development (R&D) contracts, 2 CFR 200.331(a)(xii) states that required information in the subaward includes "identification of whether the award is R&D." The use of the word "whether" implies that the contract should explicitly state whether the subaward is R&D or not.

The finding remains as stated.

<div align="right">

(State Number: 18-1111-04)

</div>

(2018-028)

Title: Procedures related to TANF performance reporting and work participation need improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-012							

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification Number: 1502METANF, 1601METANF, 1701METANF, 1801METANF

Compliance Area: Reporting
 Special tests and provisions

Type of Finding: Material weakness
 Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 45 CFR 261.60 through 261.62; 45 CFR 265.7 through 265.8

Condition: The Department reported incorrect information about work participation in the *ACF-199* TANF Data Report and the *ACF-209 SSP-MOE* Data Report. Of the 120 cases tested, twenty-two cases reported inaccurate work participation data, as follows:
- Twelve cases reported inaccurate unsubsidized employment hours, including:
    - two cases reporting thirty hours rather than the correct amount of twenty-four.
    - one case reporting fifty-nine hours rather than the correct amount of forty-four.
    - one case reporting forty hours rather than an undeterminable amount less than forty.
    - one case reporting forty hours rather than the correct amount of twenty-three.
    - one case reporting forty hours rather than the correct amount of twenty.
    - one case reporting forty hours rather than the correct amount of seven.
    - one case reporting thirty-three hours rather than the correct amount of eighteen.
    - one case reporting thirty-two hours rather than the correct amount of twenty-six.
    - one case reporting thirty hours rather than the correct amount of twenty-eight.
    - one case reporting fifteen hours rather than the correct amount of seventeen.

- o one case reporting thirteen hours rather than the correct amount of one.
- Four cases reported inaccurate job search and job readiness hours, including:
  - o one case reporting four hours rather than the correct amount of three.
  - o one case reporting thirty-one hours rather than the correct amount of thirty.
  - o one case reporting twenty-nine hours rather than the correct amount of twenty-eight.
  - o one case reporting six hours rather than the correct amount of five.
- One case reported job search and job readiness hours as four rather than the correct amount of three and countable months towards the Federal time limit of sixty months as one rather than the correct amount of zero.
- One case reported job search and job readiness hours as twenty hours rather than the correct amount of thirteen and education related to employment hours as eleven rather than the correct amount of ten.
- One case reported job search and job readiness hours as eighteen hours rather than the correct amount of seventeen and vocational education hours as ten rather than the correct amount of nine.
- One case reported countable months towards the Federal time limit of sixty months as one rather than the correct amount of zero.
- One case reported work experience hours as two rather than the correct amount of one.
- One case reported inaccurate work participation status.

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.

Cause:
- For TANF clients who receive Worker Supplement Benefits (WSB), the Department does not have a policy to ensure updated employment information is verified and entered as necessary in the Automated Client Eligibility System (ACES). Instead, the Department reports the higher of anticipated or actual hours as recorded in ACES for Federal performance reporting purposes.
- Work participation data was entered incorrectly in ACES and resulted in incorrect amounts being used for Federal performance reporting purposes.
- The formula used to calculate average weekly hours was inaccurate.

Effect:
- Incorrect work participation data reported to the Federal government may affect the Federal requirement for State Maintenance of Effort.
- The Federal government may penalize the State by an amount not less than one percent and not more than five percent of the adjusted State Family Assistance Grant, known as the TANF Cluster, for violation of the Federally-required Work Verification Plan provision.
- TANF clients may be incorrectly deemed eligible to receive WSB.

Recommendation: We recommend that the Department implement a systematic review process to improve the reliability of work participation data that is reported to the Federal government.

Corrective Action Plan: See F-11

Management's Response: The Department agrees with this finding. The Department has identified two causes for the reporting of inaccurate work participation data: 1) The Department recognizes a system update is required to more accurately report work participation hours for the Worker Supplement Benefit (WSB) program. WSB eligibility determination currently uses ACES data fields of either reported anticipated hours of employment, or verified hours of employment. The Department will update the ACES system to determine WSB program eligibility based on verified hours when available. 2) The Department's vendor, Fedcap, programmed into their system a rounding calculation which rounded up reported participation hours. Fedcap rounded all partial work activity hours up to the nearest whole hour. This was identified on 10/17/18, and was corrected by Fedcap on 10/23/18. The vendor completed quality checks on 10/24/18, 11/1/18, and 11/5/18. Fedcap continues to perform quality checks monthly and quarterly. After the system updates to ACES, we will conduct a review to ensure the accuracy of the data. We will then continue to monitor the data on a quarterly basis.

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

(State Number: 18-1111-01)

(2018-029)

Title: Monitoring of subrecipient compliance, including maintaining documentation of that monitoring, needs improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-008	2016-015						

State Department: Health and Human Services
State Bureau: Office for Family Independence
Division of Contract Management
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification Number: 1502METANF, 1601METANF,
1701METANF, 1801METANF

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.331(d)

Condition: The Department did not provide evidence that subrecipients were effectively monitored to ensure TANF funds were used for authorized purposes and in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Of the ten subrecipient contracts tested:
- only four of the forty-eight financial reports required to be completed in accordance with the contract were provided.
- none of the 189 performance reports required to be completed in accordance with the contract were provided.

Additionally, the Department did not provide any other evidence to support that these ten subrecipients were monitored to ensure TANF funds were used for authorized purposes in compliance with Federal requirements.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department awarded $29.5 million to forty-nine subrecipients from $58.5 million of total TANF grant funds expended during fiscal year 2018.

Cause:
- Lack of adequate internal controls
- Lack of supervisory oversight
- Lack of resources

Effect:
- TANF grant funds may not be administered effectively and efficiently without systematic monitoring by the State.
- TANF grant funds may be spent on ineligible populations.
- Noncompliance by a subrecipient may go undetected.

Recommendation: We recommend that the Department implement procedures to ensure that subrecipients use TANF funds in accordance with TANF grant regulations and contracts. Additionally, we further recommend that the Department maintain documentation of subrecipient monitoring.

Corrective Action Plan: See F-12

Management's Response: The Department disagrees with the finding. The Office of State Auditor over the span of seven days in mid-March went from requesting information to an official finding. This particular finding includes several offices within the Department and tracking information down can be time consuming. The Department has not had sufficient time to be able to research whether or not the condition is factual. In the time since the finding has been issued the Department has been able to retrieve many of the performance reports noted in the finding. We are confident given time we could find more.

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

Auditor's Concluding Remarks: In mid-January 2019, the Office of the State Auditor began requesting during-the-award monitoring documentation from the Division of Contract Management. Throughout February and the beginning of March 2019, the auditor made numerous attempts to obtain the requested documentation. From early to mid-March 2019, the auditor sent multiple requests to the Division of Contract Management and the Office for Family Independence, requesting both performance and financial reports along with any other evidence of during-the-award monitoring. The auditor received no response from the Department. The Office of the State Auditor did not receive any correspondence indicating that action was being taken to gather the requested information.

Furthermore, providing financial and performance reports alone would not satisfy the exceptions noted in the Condition of this finding. Reports would have to include evidence that they were reviewed by appropriate personnel. In addition, the Department would need to provide evidence that subrecipients were monitored and in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

The finding remains as stated.

<div align="right">(State Number: 18-1111-08)</div>

(2018-030)

Title: Internal control over pass-through awards needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services
State Bureau: Office for Family Independence
　　　　　　　　Division of Contract Management
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification Number: 1502METANF, 1601METANF,
　　　　　　　　　　　　　　　　　　1701METANF, 1801METANF

Compliance Area:　Procurement and suspension and debarment
　　　　　　　　　　Subrecipient monitoring

Type of Finding:　Material weakness
　　　　　　　　　Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 180; 2 CFR 200.305(b); 2 CFR 200.331

Condition: The Department entered into an agreement to make a pass-through award to the Maine State Housing Authority (MSHA) by documenting a Memorandum of Understanding (MOU). This did not appropriately establish a pass-through award relationship between the State and the subrecipient.

The MOU with MSHA did not contain:
- Federal award identification information.
- suspension and debarment language and certifications. In addition, the Department could not provide evidence that they ensured MSHA was not suspended or debarred prior to entering into the MOU.

As a result of not properly identifying MSHA as a subrecipient, the Department did not provide evidence that:
- a subrecipient risk evaluation was performed.
- monitoring of MSHA's compliance with cash management requirements was performed.
- MSHA was subjected to subrecipient or any other type of monitoring during the grant award to ensure that TANF funds were spent on eligible populations.

Context: MSHA was awarded $1.0 million from a total of $29.5 million in TANF subawards.

Cause:
- Management override of controls
- Misinterpretation of subrecipient award relationships

Effect:
- Noncompliance with Federal requirements for pass-through entities
- Noncompliance by a subrecipient, including subrecipient cash management requirements, may go undetected.
- The State could enter into a covered transaction with a suspended or debarred party, resulting in potential disallowances.

Recommendation: We recommend that the Department implement procedures to ensure that subrecipient award relationships are properly identified, established, and carried out through appropriate pass-through award agreements and subrecipient monitoring activities.

Corrective Action Plan: See F-12

Management's Response: The Department disagrees with this finding. The Department relied on the Uniform Guidance Section 330c (Use of judgement in making determination) in its determination that this was not a subrecipient relationship. The section states in determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgement in classifying each agreement as a subrecipient or a procurement contract. Whereas Maine State Housing Authority is a component unit of the State the Department's judgement was that this was not a subrecipient relationship.

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

Auditor's Concluding Remarks: The fact that MSHA is a component unit of the State of Maine does not preclude them from being a subrecipient. There are other State of Maine component units that are treated as subrecipients of Federal pass-through awards.

Additionally, the substance of the relationship is indeed the most important determining factor in identifying subrecipient relationships. This contract gave MSHA the authority to provide financial heating assistance to those recipients who met certain eligibility criteria. According to the contract, MSHA would then provide the Department with an annual statement, certifying that the TANF

funds were granted only to families who met that eligibility criteria. The substance of MSHA's responsibility outlined in the contract defines them as a subrecipient.

Furthermore, the Office of the State Auditor noted that the contract with MSHA was renewed in fiscal year 2019; this renewed contract clearly defines MSHA as a TANF subrecipient of Federal pass-through awards.

The finding remains as stated.

(State Number: 18-1111-07)

(2018-031)

Title: Control over payments to and on behalf of TANF clients needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification Number: 1502METANF, 1601METANF, 1701METANF, 1801METANF

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs: The Office of the State Auditor tested a sample of payments made to TANF clients and a sample of payments made to providers on behalf of TANF clients. For each test, questioned costs were calculated separately by dividing the identified overpayment by the total payments selected for testing to identify the error rate. The error rate was then applied to the total payments made for each respective payment type.

Questioned Costs	Total	Federal	State
Known	$ 381	$ 381	
Likely	$ 139,925	$ 139,925	
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 45 CFR 263.11; 2 CFR 200.303; 2 CFR 200.403

Condition: The Department did not have adequate procedures in place to ensure that payments to TANF clients and providers were accurate. Of the thirty-two payments tested that were paid directly to a TANF client and the eighty-eight payments tested that were paid to a provider on behalf of a TANF client:
- two clients were overpaid by $44 and $2 for Transitional Child Care.
- one client was overpaid by $274 for the basic monthly benefit.
- two clients were overpaid by $6 and $4 for transportation.
- one provider was overpaid by $51 for child care.

The Office of the State Auditor selected a non-statistical random sample.

Context: Benefits paid to and on behalf of TANF clients totaled approximately $25.5 million in fiscal year 2018.

Cause:
- Lack of adequate procedures to ensure payments made are accurate
- Lack of supervisory oversight
- Human error

Effect:
- Current and potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement procedures to ensure payments made to TANF clients and providers are accurate. We further recommend that the Department increase monitoring procedures over these payments.

Corrective Action Plan: See F-12

Management's Response: The Department agrees with this finding. The Department recently developed a centralized team of eligibility specialists who complete specialized work in the areas of the TANF and ASPIRE programs. The unit responsible for the issuance of ASPIRE payments was newly developed in 2017. The addition of TANF work was transferred to this specialized team in February of 2019. The staff in this Unit are overseen by a Program Manager and two supervisors, who regularly monitor the work of the staff, which includes the issuance of the payments cited in this finding. This additional oversight and monitoring will ensure payments to TANF clients and providers are accurate.

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

(State Number: 18-1111-09)

(2018-032)

Title: Evaluation of each subrecipient's risk of noncompliance needs improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-013							

State Department: Health and Human Services
State Bureau: Office for Family Independence
                 Division of Contract Management
                 Division of Audit
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA#: 93.558
Federal Award Identification Number: 1502METANF, 1601METANF,
                                        1701METANF, 1801METANF

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.331(b)

Condition: The Department did not evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Of the ten subrecipients tested, no subrecipients had a risk evaluation.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department awarded $29.5 million to subrecipients from $58.5 million of total TANF grant funds expended during fiscal year 2018.

Cause:
- Lack of staff resources
- Lack of supervisory oversight

Effect: Subrecipients that are deemed higher risk as a result of prior noncompliance are not monitored on a more frequent basis.

Recommendation: We recommend that the Department implement a process that evaluates each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring to be performed.

Corrective Action Plan: See F-13

Management's Response: The Department agrees that there was not a documented evaluation of risk of each subrecipient during the audit period. The Department implemented procedures in October of 2018 to ensure that there is a documented risk assessment performed on all of its subrecipients.

Contact: Tony Madden, Deputy Director, Division of Audit, DHHS, 207-287-2834

(State Number: 18-1111-05)

(2018-033)

Title: The Department has no assurance that internal control over the outsourced ASPIRE information system is adequate

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
ML 17-0900-01							

State Department: Health and Human Services
State Bureau: Office for Family Independence (OFI)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification Number: 1502METANF, 1601METANF, 1701METANF, 1801METANF

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: National Institute of Standards and Technology (NIST) SP 800-Series; International Organization for Standardization (ISO) 9000; 10-144 C.M.R. Chapter 607, Section 4(1); 22 MRSA 3762(3); State of Maine Remote Hosting Policy; State of Maine Business Continuity and Disaster Recovery Policy

Condition: There is no assurance that information-system related internal control over the provision of the outsourced TANF Additional Support for People in Retraining and Employment (ASPIRE) program services and records processing operations provided by the contractor (service provider) is adequate and that information is accurate, complete, available, and secure.

Context: The Department has a six-year, $63 million service agreement with a contractor to operate the TANF program related ASPIRE services. This service agreement includes contractor management of the related information system. The ASPIRE services accounted for over $25 million in total expenditures with $23 million attributable to Federal expenditures during fiscal year 2018. Therefore, it is important that related reports on System and Organization Controls (SOC) be provided because they measure the degree to which a user-entity and their auditors can

rely on the suitability of the design and operating effectiveness of specific controls provided by the contractor.

Cause: The contract with the service provider does not require an annual SOC audit.

Effect:
- Potential breach of sensitive information
- Potential corrupted, lost or inaccurate information
- Potential downtime and/or extended shutdowns

Recommendation: We recommend that the Department add specific language to the contract requiring an annual SOC audit of the service provider and that the results and conclusions of this annual SOC testing be provided to the Department. This will provide assurance to the State regarding whether contractor-provided controls over the ASPIRE information system are adequate.

Corrective Action Plan: See F-13

Management's Response: The Department agrees with this finding. OFI currently receives a SOC 2, Type 2 report from FedCap annually. OFI is currently working through the contract amendment process with FedCap and the requirement to also receive a SOC 1, Type 2 report will be included in the new contract language.

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

(State Number: 18-0900-06)

(2018-034)

Title: Internal control over Federal cash management needs improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
			2014-023				

State Department: Administrative and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification Number: 1502METANF, 1601METANF,
1701METANF, 1801METANF

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 31 CFR 205(A); 2018 U.S. Treasury-State Agreement (TSA)

Condition: Drawdowns from the Federal government were not made in accordance with the TSA. For the first seven weeks of fiscal year 2018, the cash balance was not taken into consideration when requesting Federal funds. This resulted in excess cash on hand that ranged from $6.0 million to $8.6 million.

Context: According to the TSA, the funding technique approved for TANF states that for each weekly drawdown, the current cash balance will be taken into consideration through revenue and expense analysis. Any cash imbalances will be corrected in the current week's drawdown.

Cause:
- Lack of adequate procedures to ensure the cash balance is always considered when requesting Federal funds
- Lack of supervisory oversight
- Human error

Effect:
- The Federal government may impose more stringent cash management requirements based on prior noncompliance.
- The State could potentially incur an interest liability on excess Federal cash balances.

Recommendation: We recommend that the Department implement oversight procedures to ensure that the cash balance is considered when requesting Federal funds in accordance with the TSA.

Corrective Action Plan: See F-13

Management's Response: The Department of Health and Human Services and its Service Center agree with the finding. The formula error causing this issue was identified in August 2018 and immediately corrected. New procedures were developed and implemented in August 2018. Before drawing federal funds, cash balances are now verified both with live data from Advantage and from manual accounting to account for occurrences when Advantage data is not available.

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

(State Number: 18-1111-03)

(2018-035)

Title: Internal control over Federal financial reporting needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Administrative and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: CCDF Cluster
CFDA #: 93.575, 93.596
Federal Award Identification Number: 2017G996005, 2017G999004, 2017G999005

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.302(b)

Condition: The Department is required to provide accurate, current, and complete disclosure of the financial results for each Federal award or program in accordance with Federal reporting requirements. The quarterly Federal financial report for the period ending June 30, 2018 reported cumulative Federal cash disbursements of $1,769,933.66 rather than the correct amount of $17,769,933.66.

Context: The Child Care and Development Fund (CCDF) Cluster expended $23 million in Federal funds during fiscal year 2018.

Cause: Lack of supervisory oversight

Effect: Noncompliance with Federal reporting requirements

Recommendation: We recommend that the Department immediately file an amended report for the CCDF Cluster for the period ended June 30, 2018. We further recommend that the Department implement procedures to ensure proper oversight and review of Federal financial reporting prior to submission to the Federal government.

Corrective Action Plan: See F-13

Management's Response: The Department of Health and Human Services and its Service Center agree that there was a typographical error submitted on the Federal Financial Cash Report (FFR425) for the 2017 CCDF Grant in fourth quarter SFY 2018. This typo was corrected in the following report due to its cumulative nature. It is neither required, nor possible to revise this report, as the next cumulative report corrects the error and the federal system does not allow corrections to reports other than the current quarter report. There is no negative consequence of this typographical error.

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

<div align="right">(State Number: 18-1102-01)</div>

(2018-036)

Title: Internal control over subrecipient expenditures charged to Federal awards needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services
State Bureau: Office of Child and Family Services
　　　　　Division of Contract Management
Federal Agency: U.S. Department of Health and Human Services
　　　　　U.S. Department of Justice
CFDA Title: Social Services Block Grant (SSBG)
　　　　　Crime Victim Assistance
CFDA #: 93.667; 16.575
Federal Award Identification Number: G-1701MESOSR, G-1801MESOSR;
　　　　　　　　　2014-VA-GX-0020, 2015-VA-GX-0025,
　　　　　　　　　2016-VA-GX-0062, 2017-VA-GX-0082,
　　　　　　　　　2018-V2-GX-0065

Compliance Area: Allowable costs/cost principles
　　　　　Subrecipient monitoring

Type of Finding: Material weakness
　　　　　Material noncompliance

Questioned Costs: Undeterminable. Questioned costs cannot be reasonably estimated because the Department did not require subrecipients to report actual costs by Federal program in quarterly expenditure reports.

Questioned Costs	Total	Federal	State
Known	Undeterminable		
Likely	Undeterminable		
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.405; 2 CFR 200.331

Condition: Of the seventeen subrecipients tested, seven subrecipient contracts included funding from multiple Federal awards. These seven contracts combined multiple Federal awards into one grant budget.

The subrecipient is required to track expenditures based on the specifications of each Federal award and submit reports to the State containing this information. The State should then disburse Federal funds based on these reports showing expenditures for each Federal award. However, the

State did not require the subrecipients to report expenditures by Federal award. Instead, the State disbursed Federal funds based on an allocation using Federal award revenue identified in the contract budget. Therefore, the State cannot provide evidence that Federal funds were provided for actual costs incurred specifically for the Federal award.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department awarded $14.1 million to subrecipients from $31.1 million of total Crime Victim Assistance and SSBG funds expended during fiscal year 2018. Of the Federal funds awarded to subrecipients, $7.7 million related to the seven subrecipients noted above.

Cause:
- Lack of established policies and procedures requiring subrecipients to report expenditures by Federal award to the State
- Lack of staff resources
- Lack of supervisory oversight

Effect:
- The Department did not properly track subrecipient expenditures for individual Federal programs which could result in current and potential future questioned costs and disallowances.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement procedures to ensure subrecipient quarterly expenditure reports are based on each Federal award's actual expenditures.

Corrective Action Plan: See F-13

Management's Response: The Department agrees with the finding. The Department will implement procedures to ensure quarterly expenditure reports are based on each Federal award's actual expenditures. Additionally, the Department will revise current budgets to ensure the same.

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

(State Number: 18-1154-04)

(2018-037)

Title: Indirect costs charged by subrecipients are not consistent with the Uniform Guidance

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services
State Bureau: Office of Child and Family Services (OCFS)
　　　　　　　　Division of Contract Management
Federal Agency: U.S. Department of Health and Human Services
　　　　　　　　U.S. Department of Justice
CFDA Title: Social Services Block Grant (SSBG)
　　　　　　　Crime Victim Assistance
CFDA #: 93.667; 16.575
Federal Award Identification Number: G-1701MESOSR, G-1801MESOSR;
　　　　　　　　　　　　　　　　2014-VA-GX-0020, 2015-VA-GX-0025,
　　　　　　　　　　　　　　　　2016-VA-GX-0062, 2017-VA-GX-0082,
　　　　　　　　　　　　　　　　2018-V2-GX-0065

Compliance Area: Allowable costs/cost principles
　　　　　　　　　Subrecipient monitoring

Type of Finding: Material weakness
　　　　　　　　Material noncompliance

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	Undeterminable		
Likely	Undeterminable		
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.414; 2 CFR 200.331, 2 CFR 200 Appendix IV

Condition: Indirect costs for facilities and administration charged to Federal awards by subrecipients should be allocated based on an indirect cost rate approved by the cognizant agency. If there is no cognizant agency, an indirect cost rate may be approved by the State pass-through agency or the subrecipient may elect to use a de minimis ten percent cost rate for reimbursement.

Seventeen subrecipients were tested for compliance with indirect cost principles in accordance with the Uniform Guidance. The following exceptions were identified:

- Six subrecipients did not obtain an indirect cost rate from the cognizant agency or elect the ten percent de minimis rate. These six subrecipients instead directly allocated indirect costs based on methods inconsistent with the Uniform Guidance.
- One subrecipient, with no direct Federal funding and no assigned cognizant agency, properly negotiated an indirect cost rate with the State. However, that rate was based on budgeted expenditures rather than historic actual amounts as required by regulation.
- Two subrecipients elected the ten percent de minimis indirect cost rate but did not utilize that rate and instead directly allocated indirect costs which is inconsistent with the Uniform Guidance.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department awarded $14.1 million to subrecipients from $31.1 million of total Crime Victim Assistance and SSBG funds expended in fiscal year 2018.

Cause:
- Lack of staff resources
- Lack of policies ensuring State agency review of subrecipient budget and indirect cost rate submissions

Effect: Subrecipients without an approved indirect cost rate risk having all indirect costs disallowed. Also, subrecipients could be over or under charging the Federal program.

Recommendation: We recommend that the Department implement procedures to ensure that each subrecipient is utilizing an appropriate indirect cost rate that complies with the Uniform Guidance.

Corrective Action Plan: See F-14

Management's Response: The Department disagrees with the finding. The Department does have procedures in place to ensure each subrecipient is utilizing an appropriate indirect cost rate. Two of the six subrecipients noted were not subrecipients during the audit period. The remaining four subrecipients did not have any indirect costs to allocate.

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

Auditor's Concluding Remarks: In accordance with Uniform Guidance, 2 CFR 200 Appendix IV, indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. These costs are required to be allocated to Federal programs using one of the five allocation methods specified in the Uniform Guidance and the resulting rate is to be approved by the entity's Federal cognizant agency or the State. The entity may also elect to utilize a de minimus 10% indirect cost rate. The auditor noted evidence that items normally considered indirect costs were included as direct costs in the grant budget. In these instances, the subrecipient had indicated there were no indirect costs to allocate and did not utilize an approved indirect cost rate. This method is not in accordance with the Uniform Guidance.

Federal award expenditures for fiscal year 2018 included expenditures for the two subrecipients with contracts ending June 30, 2017. As a result, these contracts were subject to our testing procedures.

The finding remains as stated.

<div align="right">**(State Number: 18-1154-03)**</div>

(2018-038)

Title: Internal control over Federal cash management needs improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
		ML 15-1130-01					

State Department: Administrative and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Social Services Block Grant (SSBG)
CFDA #: 93.667
Federal Award Identification Number: G-1701MESOSR, G-1801MESOSR

Compliance Area: Cash management

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 31 CFR 205(B)

Condition: The Department did not minimize the time between drawdown and disbursement of Federal funds in accordance with Federal regulations. Of the fifteen drawdowns tested, documentation provided by the Department showed that:

- one drawdown consisted of disbursements totaling over $1.1 million and a return of Federal funds totaling $1.0 million for a net draw of approximately $100 thousand. The disbursements for this drawdown ranged from two months prior to six days after the Federal funds were received. The return of $1.0 million in Federal funds was from drawdowns that had occurred three months to over a year prior to cover anticipated expenditures that were never disbursed (excess cash).
- for two drawdowns, the disbursements ranged from eighteen days to nine months before the Federal funds were received.
- for six drawdowns, the disbursements ranged from eight to over thirty days after the Federal funds were received.

The Office of the State Auditor haphazardly selected a sample of fifteen drawdowns representing twenty percent of the population.

Context: The Department expended $21.3 million in SSBG grant funds in fiscal year 2018.

Cause: The Department does not have effective procedures in place to minimize the number of days of cash on hand. Federal funds are drawn based on anticipated expenditures that have not yet been finalized for payment. Some expenditures were either paid significantly later than expected or not paid at all. The Department also does not have effective procedures to monitor program expenditures to ensure they are paid and thus, to monitor that Federal funds are drawn in accordance with Federal cash management requirements.

Effect:
- The Federal government may impose more stringent, program-specific cash management requirements based on prior noncompliance.
- The State could potentially incur an interest liability on excess Federal cash balances.
- Potential errors in financial reporting

Recommendation: We recommend that the Department implement procedures to ensure that Federal cash is requested based on immediate cash needs. This includes ensuring that Federal funds be returned if actual expenditures are less than anticipated expenditures.

Corrective Action Plan: See F-14

Management's Response: The Department of Health and Human Services and its Service Center agree with the finding. The Service Center is in the process of implementing a standardized template for grant daily reconciliations which includes monitoring cash. This template was implemented for the SSBG grant in March 2019.

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

(State Number: 18-1130-01)

(2018-039)

Title: Internal control over financial reporting needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Administrative and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Social Services Block Grant (SSBG)
CFDA #: 93.667
Federal Award Identification Number: G-1701MESOSR, G-1801MESOSR

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 45 CFR 92.20(b)(1)

Condition: The Department reported an incorrect amount of disbursements on SSBG's *SF-425* report. On the Federal fiscal year 2017 *SF-425* report, for the 2016 grant award, the Department incorrectly reported $6.2 million in Federal expenditures related to funds transferred from the TANF program in September 2016. These expenditures should have been recorded on the Federal fiscal year 2016 *SF-425* report.

Context: The Department expended $21.3 million in SSBG grant funds during fiscal year 2018.

Cause: Lack of adequate procedures to ensure all SSBG activity is accurately reflected in *SF-425* reports

Effect:
- Inaccurate *SF-425* reports
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement procedures to ensure that *SF-425* reports are accurate, complete, and in accordance with Federal regulations.

Corrective Action Plan: See F-14

Management's Response: The Department of Health and Human Services and its Service Center agree with the finding. The Service Center is implementing a standardized Federal Reporting template that verifies expenditures and revenue against the report submission. This template was implemented for the SSBG grant in March 2019.

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

(State Number: 18-1130-02)

(2018-040)

Title: Evaluation of each subrecipient's risk of noncompliance needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services
State Bureau: Office of Child and Family Services
                Division of Contract Management
                Division of Audit
Federal Agency: U.S. Department of Health and Human Services
                  U.S. Department of Justice
CFDA Title: Social Services Block Grant (SSBG)
                Crime Victim Assistance
CFDA#: 93.667; 16.575
Federal Award Identification Number: G-1701MESOSR, G-1801MESOSR;
                                      2014-VA-GX-0020, 2015-VA-GX-0025,
                                      2016-VA-GX-0062, 2017-VA-GX-0082,
                                      2018-V2-GX-0065

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.331(b)

Condition: The Department did not evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Of the seventeen subrecipients tested, no subrecipients had a risk evaluation.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department awarded $14.1 million to subrecipients from $31.1 million of total Crime Victim Assistance and SSBG funds expended during fiscal year 2018.

Cause:
- Lack of staff resources
- Lack of supervisory oversight

Effect: Subrecipients with a higher risk for noncompliance are not appropriately monitored by the Department.

Recommendation: We recommend that the Department implement a process that evaluates each subrecipient's risk of noncompliance for the purposes of determining appropriate subrecipient monitoring to be performed.

Corrective Action Plan: See F-14

Management's Response: The Department agrees that there was not a documented evaluation of risk of each subrecipient during the audit period. The Department implemented procedures in October of 2018 to ensure that there is a documented risk assessment performed on all of its subrecipients.

Contact: Tony Madden, Deputy Director, Division of Audit, DHHS, 207-287-2834

(State Number: 18-1154-01)

(2018-041)

Title: Procedures over drug rebate accounting and reporting need improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-015	2016-019	2015-025					

State Department: Administrative and Financial Services
                Health and Human Services (DHHS)
State Bureau: Health and Human Services Service Center
                Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
                Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP;
                                         05-1605ME5021, 1705ME5021,
                                         1805ME5021

Compliance Area: Allowable costs/cost principles
                  Reporting

Type of Finding: Material weakness
                Material noncompliance
                Questioned costs

Questioned Costs: Questioned costs were calculated using the same Center for Medicare and Medicaid Services (CMS) approved allocation method that was implemented for the quarter ending June 30, 2018 *CMS-64.21* report. This allocation method was applied to the data that would have been used in the *CMS-64.21* report for the first three quarters of fiscal year 2018.

Questioned Costs	Total	Federal	State
Known	$ 2,765,686 CHIP ($ 2,765,686) Medicaid	$ 2,711,707 CHIP ($ 1,779,746) Medicaid	$ 53,979 CHIP ($ 985,940) Medicaid
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: State Medicaid Manual, Chapter 2 Section 2500.2(E); 45 CFR 92.20(a)(1) and (2); 2 CFR 200

Condition: For the first three quarters of State fiscal year 2018 (quarters ending September 30, 2017, December 31, 2017 and March 31, 2018), rebates associated with drugs dispensed to CHIP members were incorrectly offset against Medicaid expenditures and returned to the Federal government at the base (lower) Federal Medical Assistance Percentage (FMAP) rate

instead of at the enhanced (higher) FMAP rate. In addition, these rebates were inappropriately reported on Medicaid's Form *CMS-64.9* report instead of CHIP's *CMS-64.21* report.

Context: Approximately $77 million in Federal drug rebates were reported on Medicaid's *CMS-64.9* report for the first three quarters of State fiscal year 2018.

For the quarter ending June 30, 2018 only, the Department reported $684,000 in Federal drug rebates on CHIP's *CMS-64.21* report. Due to an issue in the CMS financial reporting system, drug rebates that typically would be reported on CHIP's *CMS-21* report should be reported on the *CMS-64.21* report until further notice per CMS.

Cause: For the first three quarters of State fiscal year 2018, the Department did not have procedures in place to allocate drug rebates between Federal programs.

Effect:
- CHIP drug expenditures are overstated and Medicaid drug expenditures are understated.
- Potential disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department continue utilizing the Pharmaceutical Rebate Information Management System report that was created beginning in the quarter ending June 30, 2018 to identify CHIP's drug rebates for accounting and reporting purposes.

Corrective Action Plan: See F-14

Management's Response: DHHS and its Service Center agree in-part with this finding. As the finding indicates, development of a production report that enabled accurate reporting was in process during much of State fiscal year 2018. The report was completed and the new process was implemented during the fourth quarter of State fiscal year 2018. CMS reviewed and approved the production report/methodology in July of 2018. DHHS will continue to utilize this report. DHHS believes no additional corrective action is necessary. Further, the known/likely questioned costs as per this finding have already been accounted for in a broader agreement between DHHS and CMS.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093

Auditor's Concluding Remarks: The Department neither agrees nor disagrees with the exact amount of questioned costs. Questioned costs were calculated for the first three quarters of fiscal year 2018 only, which is included in a demand letter from CMS that the Department received in late November 2018. CMS demanded for payment a total of $3,446,000 which covers fiscal years 2015, 2016, 2017 and the first three quarters of fiscal year 2018.

The finding remains as stated.

<div align="right">(State Number: 18-1140-01)</div>

(2018-042)

Title: Internal control to ensure program expenditures are accounted for and reported in accordance with the Federally-approved State Plan needs improvement

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Administrative and Financial Services
            Health and Human Services
State Bureau: Health and Human Services Service Center
            Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP

Compliance Area: Allowable costs/cost principles
            Reporting

Type of Finding: Material weakness
            Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 433.10; Social Security Act, section 1901; 2 CFR 200.302(b)(4); Medicaid State Plan, Attachment 4.19a (Section E-1, A. Inpatient Services and Section F)

Condition: The Department incorrectly accounted for, and reported on the *CMS-64* report, hospital supplemental payments in accordance with a State Plan amendment (SPA) that had not yet been approved by the Centers for Medicare and Medicaid Services (CMS).

Context: Under the Federally-approved SPA, $68.8 million should have been accounted for and reported as inpatient hospital supplemental payments only. Instead, the Department accounted for and reported a total of $75.4 million, split between inpatient and outpatient hospital supplemental payments, in accordance with a SPA pending approval.

Cause:
- Management override of controls
- The Department judged that accounting for and reporting Federal expenditures based on a pending SPA was acceptable.

Effect:
- Until CMS approved the SPA in late January 2019 retroactive to July 27, 2017, Federal Fund expenditures were overstated and General Fund expenditures were understated by $6.6 million. Additionally, CMS was moving to disallow these expenditures if the Department did not make the adjustment on the quarter ending December 31, 2018 *CMS-64* report.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement procedures to ensure expenditures are accounted for and reported based on the Federally-approved Medicaid State Plan, including State Plan amendments, in place at the time expenditures are incurred and reported.

Corrective Action Plan: See F-15

Management's Response: The Office of MaineCare services and the DHHS Service Center disagree with this finding. The Department takes a pragmatic approach to effectively and efficiently administering the Medicaid program, which often requires working with CMS on reporting reclasses and exceptions, for a variety of reasons. In this instance, CMS communicated guidance, then reversed that guidance, based on a timing consideration. The Department worked in collaboration with CMS to account for and report these payments in a manner that was amenable to all parties – a practice that it will continue to follow to ensure the effective and efficient administration of the Medicaid program.

Contact: Michelle Probert, Director, Office of MaineCare Services, 207-287-2093

Auditor's Concluding Remarks: The Department did not seek CMS' guidance prior to accounting for and reporting the hospital supplemental payments based on an unapproved SPA for the quarter ending June 30, 2018 *CMS-64* report. The Department "worked in collaboration with CMS" only after CMS requested that the Department account for and report these expenditures in accordance with the Federally-approved Medicaid State Plan in fall 2018. As stated in the Effect, CMS was moving to disallow these expenditures if the Department did not make the adjustment on the quarter ending December 31, 2018 *CMS-64* report.

The finding remains as stated.

<div align="right">(State Number: 18-1106-09)</div>

(2018-043)

Title: Eligibility re-determination needs improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-018							

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	Undeterminable		
Likely	Undeterminable		
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 435.916(b); MaineCare Eligibility Manual, Part 2, Section 13

Condition: The controls in the Automated Client Eligibility System (ACES) that automatically calculate and flag a case when a client's eligibility re-determination is due did not function consistently. Therefore, a manual monthly exception report was generated to identify cases due for eligibility re-determination which may not have been flagged by ACES.

The manual exception report for June 30, 2018 identified 447 eligibility cases that indicated re-determination was overdue. The range of overdue re-determinations was from approximately three months to twelve years. The average overdue eligibility re-determination was three years. The most common (mode) overdue eligibility re-determination was also three years.

Context: Eligibility re-determination is a safeguard to ensure only eligible clients receive Federal benefits. The eligibility re-determination process includes an update of client information recorded in ACES. This client information includes household composition, a review of income, assets and other program specific criteria. In addition, a signed verification is received from the client asserting that the information provided is accurate.

The auditor's test of benefits paid to individual clients did not reveal any payments to clients associated with an overdue eligibility re-determination.

Cause:
- ACES did not consistently generate alerts for eligibility re-determinations.
- Lack of staff resources

Effect:
- Risk of potential ineligible clients receiving benefits
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department continue utilizing the procedures in place to further reduce the number of eligibility re-determinations exceeding the twelve-month requirement.

Corrective Action Plan: See F-15

Management's Response: The Department partially agrees with this finding. With minimal time to review all of the exceptions identified, the Department reviewed the case which was identified as being 12 years overdue. The Department notes that this particular case was an SSI recipient which does not require a review (Case notes in ACES). The Department is confident that many other exceptions noted most likely fall in the same category. In search of continuous improvement, the Office of Family Independence has an auto-generated report, run on a monthly basis, that identifies cases for which a re-determination date may not be flagged within ACES. The Office currently has staff who receive this auto-generated list on that monthly basis, and who work the list as a part of their normal job duties. The Office will ensure that this list is prioritized, looking at oldest cases first, and that staff are working this list on a regular basis in order to further reduce the number of eligibility re-determinations that have exceeded twelve-months.

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

Auditor's Concluding Remarks: The 447 exceptions identified in the Condition were included in a manual exception report provided by the Department. The accuracy of the report provided is the responsibility of the Department. If certain cases do not require redetermination then those cases should not be included in the exception report. We recommend that the Department review all exceptions to ensure that only eligible clients receive benefits and to update the report following that review.

The finding remains as stated.

<div align="right">(State Number: 18-1106-08)</div>

(2018-044)   Confidential finding, see Condition Section below for more information

Title: The Department does not have a _____ plan in place over the _____ that complies with government standards (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-023	2016-024						

State Department: Health and Human Services (DHHS)
                                     Administrative and Financial Services
State Bureau: Office for Family Independence
                         Office of Information Technology
Federal Agency: U.S. Department of Health and Human Services
                           U.S. Department of Agriculture
CFDA Title: Medicaid Cluster
                      Children's Health Insurance Program (CHIP)
                      TANF Cluster (TANF)
                      SNAP Cluster (SNAP)
CFDA #: 93.775, 93.777, 93.778; 93.767; 93.558; 10.551, 10.561
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP;
                                     05-1605ME5021, 1705ME5021, 1805ME5021;
                                     1502METANF, 1601METANF,
                                     1701METANF, 1801METANF;
                                     184ME401S8069, 184ME401S8036,
                                     184ME401S8026, 184ME401S2514,
                                     184ME401S2520, 184ME401S2519,
                                     184ME431Q7503, 184ME421Q3903

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.				

Criteria: _____; State of Maine _____

Condition: The Department does not have a _____ policy and plan that governs its overall _____ related to the _____ operations. A _____ establishes policies and procedures that _____. This plan should comply with established government best practices for _____.

The SNAP Cluster was not audited as a major program in fiscal year 2018. However, audit evidence obtained during the current audit period supported the inclusion of this Cluster in this repeat finding.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:
- Francis McCullough, Associate Regional Administrator, Centers for Medicare and Medicaid Services, Philadelphia, PA and
- Jessica Shahin, Associate Administrator, U.S. Department of Agriculture, Supplemental Nutrition Assistance Program, Alexandria, VA and
- Carol Monteiro, Regional Program Manager, Administration for Children and Families, Office of Family Assistance, Boston, MA.

A copy of that correspondence has also been sent to:
- Greg Dowell, Assistant Director, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO and
- Kimberly Edwards, Audit Liaison, U.S. Department of Agriculture, Food and Nutrition Services, Northeast Regional Office, Boston, MA.

Context: _____ is the system used by _____ to determine _____. _____ is stored within the system. The total _____ shares of _____ resulting from _____ for these programs exceeds _____ each year.

Cause: Lack of resources

Effect: Without the authoritative guidance of a well-documented _____, _____ processes may not be implemented, monitored, or evolved. In addition, in the event of a _____, the lack of a _____ could potentially result in _____.

Recommendation: We recommend that the Department develop a _____ that will govern its _____ program. Additionally, we recommend that DHHS design, develop, formally approve, regularly update, and test the _____ processes in accordance with government standards and its established _____.

Corrective Action Plan: See F-15

Management's Response: The Department agrees with this finding. The Office for Family Independence completed a _____, which is the first step in developing a _____. The _____ was completed in September 2018 and provided to OSA. The Office is currently working on a _____, which will cover all aspects of _____. We anticipate having this document completed by June 2019. The completion of a _____ will require partnering with the State's Office of Information Technology. The Office of Information Technology anticipates acquiring _____ vendor services by September 30, 2019 and estimates that a _____ may be completed as early as September 30, 2020.

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

(State Number: 18-0922-01)

(2018-045)   Confidential finding, see Condition Section below for more information

Title: _____ and _____ over _____ need improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-019	2016-020	2015-014	2014-013				

State Department: Administrative and Financial Services
State Bureau: Office of Information Technology (OIT)
Federal Agency: U.S. Department of Health and Human Services
                    U.S. Department of Agriculture
CFDA Title: Medicaid Cluster
             Children's Health Insurance Program (CHIP)
             SNAP Cluster
CFDA #: 93.775, 93.777, 93.778; 93.767; 10.551, 10.561
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP;
                                05-1605ME5021, 1705ME5021, 1805ME5021;
                                184ME401S8069, 184ME401S8036,
                                184ME401S8026, 184ME401S2514,
                                184ME401S2520, 184ME401S2519,
                                184ME431Q7503, 184ME421Q3903

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: _____; Federal _____; State of Maine _____

Condition: _____ refers to systems that are _____ to support a specific State _____. These systems are _____ or _____ as State _____. _____ over _____ are not sufficient to protect _____ that are stored in the same _____. OIT does not have and has not been provided _____, existing _____ or _____.

The SNAP Cluster was not audited as a major program in fiscal year 2018. However, audit evidence obtained during the current audit period supported the inclusion of this Cluster in this repeat finding.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Francis McCullough, Associate Regional Administrator, Centers for Medicare and Medicaid Services, Philadelphia, PA.
- Jessica Shahin, Associate Administrator, U.S. Department of Agriculture, Supplemental Nutrition Assistance Program, Alexandria, VA

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO and
- Kimberly Edwards, Audit Liaison, U.S. Department of Agriculture, Food and Nutrition Services, Northeast Regional Office, Boston, MA.

Context: State Department of Health and Human Services _____ are at risk from these _____ because they are within the same _____. The Medicaid, CHIP and SNAP programs are explicitly listed in the CFDA Title above because they are _____. Systems for these programs processed approximately _____ in expenditures for fiscal year 2018. These programs must comply with Federal rules and regulations to avoid potential disallowance of Federal funding.

Cause:

- Competing priorities
- Authorization to properly manage _____ is not explicit in _____ between State agencies and OIT. As a result, OIT does not _____ in order to maintain _____ State and Federal _____.

Effect: _____ and _____ are a major focus of _____. The current location of the _____ can potentially lead to the _____, _____, or the _____.

Recommendation: We recommend that OIT:

- create or update _____;
- establish _____ to ensure that all _____ are identified so that they can be _____; and
- continue efforts to _____ to a _____, thereby lowering the overall _____.

Corrective Action Plan: See F-16

Management's Response: The Department agrees with the finding and is currently taking steps to effectively address and remediate the condition.

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

(State Number: 18-0905-02)

(2018-046)   Confidential finding, see Condition Section below for more information

Title: Contractor-provided _____ over _____ processing needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-022	2016-022						

State Department: Health and Human Services (DHHS)
State Bureau: Office of MaineCare Services (OMS)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
              Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP;
                                  05-1605ME5021, 1705ME5021, 1805ME5021

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: _____; State of Maine _____; State _____

Condition: The Department has not received assurance from the contractor that _____ are adequate. The contractor must provide _____ that measure the _____. Specifically, _____ is the _____.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:
- Francis McCullough, Associate Regional Administrator, Centers for Medicare and Medicaid Services, Philadelphia, PA.

A copy of that correspondence has also been sent to:
- Greg Dowell, Assistant Director, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO.

Context: _____ is the outsourced system used to process _____. These _____ totaled over _____ in expenditures with _____attributable to Federal expenditures during fiscal year 2018. _____ functions as an integral part of _____.

Cause: The _____ contractor did not comply with the terms of the contract and _____ which _____ be provided to the Department. DHHS has not enforced the requirement.

Effect:
- Potential _____
- Potential _____
- Potential _____

Recommendation: We recommend that the Department implement procedures that will ensure the contractor _____ which will provide assurance that _____are adequate.

Corrective Action Plan: See F-16

Management's Response: The Department agrees with this finding. The contract with the vendor that started _____. The program administrator will monitor the progress of _____, per the contract.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093

(State Number: 18-0900-07)

(2018-047)

Title: Provider eligibility procedures need to further integrate Automated Data Exchange

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-030	2016-028	2015-008				11-1106-12	

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
           Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP;
                                  05-1605ME5021, 1705ME5021,
                                  1805ME5021

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: Request for Proposal (RFP) associated with Fiscal Agent, Section 4.22.5.3.1, Automation/Data Exchange/Interface

Condition: Through the end of 2016, the Maine Integrated Health Management Solution (MIHMS) system, as designed and implemented by the State of Maine's fiscal agent, did not automatically cross-reference license, accreditation, and sanction information, nor did it support automated data exchanges with the Centers for Medicare and Medicaid Services, the Drug Enforcement Agency, and other sources. Enrollment personnel employed by the fiscal agent manually linked to numerous websites to query sanction and license information that affects enrollment.

Beginning in January 2017, the fiscal agent contracted with a third-party vendor to process provider applications and make provider eligibility decisions using automated processes as required by the RFP associated with the fiscal agent. All new provider applications, as well as existing provider revalidation applications, are processed through the third-party vendor system.

Approximately ten percent of the existing provider community has been fully integrated into the system.

Context: Applications for all active providers were not processed by the current third-party vendor using the required automated process. Prior to the current third-party contract that began January 1, 2017, provider applications were processed manually by fiscal agent employees. This manual process was inherently subject to human error due to the extent of cross-referencing required for enrollment determination.

Cause: The system that was used through 2016, MIHMS, as designed and implemented by the State of Maine's fiscal agent, did not comply with Section 4 of the RFP that enumerates responsibilities for automation, data exchange and interface.

Effect:
- Potential ineligible providers participating in the program
- Potential questioned costs and disallowances

Recommendation: We recommend that the Department continue to process all provider eligibility applications and all active provider revalidation applications using the "integrated data exchange interface" approach. Completion of this revalidation process for active providers will support provider eligibility compliance so that only eligible providers are participating in the Medicaid and CHIP programs.

Corrective Action Plan: See F-16

Management's Response: The Department agrees with this finding. The Department will continue to complete all new provider and specialties eligibility reviews, as well as active provider and specialties revalidations, through our fiscal agent's contracted vendor Digital Harbor. We expect to complete our active provider and specialties revalidation process by April 2020, at which point all providers and specialties will have been subjected to the integrated data exchange approach.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093

(State Number: 18-1106-05)

(2018-048)

Title: The State has no assurance that vendor-provided internal controls over the MainePays centralized payment processing system are adequate

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Administrative and Financial Services (DAFS)
                             Health and Human Services
State Bureau: Health and Human Services Service Center
                 Office of Information Technology
                 Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: National Institute of Standards and Technology (NIST) SP 800-Series; International Organization for Standardization (ISO) 9000; State of Maine Remote Hosting Policy; State of Maine Business Continuity and Disaster Recovery Policy

Condition: There is no assurance that internal control over the outsourced MainePays system operations is adequate and ensures that the resulting information is accurate, complete, available, and secure.

Context: DAFS contracts with a vendor to provide software and to host and manage the system, including all aspects of disaster recovery. System and Organization Controls (SOC) testing results can measure the degree to which the State is able to rely on the suitability of the design and operating effectiveness of specific controls provided by a vendor.

MainePays processed $324 million in total expenditures which consisted of $159 million (forty-nine percent) in Federal expenditures and $165 million (fifty-one percent) in State expenditures during fiscal year 2018.

Cause: Although DAFS required the vendor to comply with Federal and State policies, rules, laws, and regulations, there was no explicit requirement to provide the results of independent SOC type testing of the adequacy and effectiveness of vendor-provided controls specific to the MainePays system.

Effect:
- Potential breach of sensitive information
- Potential corrupted, lost or inaccurate information
- Potential downtime and/or extended shutdowns

Recommendation: We recommend that the State explicitly require the vendor to provide the results of independent annual SOC type testing which includes a system-specific audit focus on application and data processing integrity, security, and availability; and add confidentiality and privacy testing, as applicable. If provided by the vendor, the State would have assurance that the related MainePays information is accurate, complete, available, and secure.

Corrective Action Plan: See F-16

Management's Response: The Department agrees with the finding. To ensure compliance with these requirements, the Office of Information Technology is in the process of establishing System and Service Acquisition Policy and Procedures, and identifying the necessary personnel resources. The anticipated completion date is December 31, 2019.

Contact: Hazel Stevenson, Director of IT Vendor Management, DHHS, 207-592-2458

(State Number 18-0900-09)

(2018-049)

Title: Procedures related to Long Term Care Facility Audits need improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-025	2016-025	2015-005	2014-003	13-1106-14	12-1106-01	11-1106-05	10-1106-03

State Department: Health and Human Services (DHHS)
State Bureau: Division of Audit
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 447.253(g); Maine State Plan Under Title XIX of the Social Security Act (TN No. 13-020); MaineCare Benefits Manual, Ch. III, Sections 50 and 67

Condition: The Department did not issue Long Term Care Facility (LTCF) Audits in accordance with Federal regulations. LTCF Audits include audits of Nursing Facilities and audits of Intermediate Care Facilities. DHHS must provide for periodic audits of the financial and statistical records of participating providers.

For Nursing Facility audits, the MaineCare Benefits Manual requires uniform desk reviews to be completed within 180 days after receipt of an acceptable cost report filing, including financial statements and other information requested from the provider except in unusual situations, including but not limited to delays in obtaining necessary information from a provider. The population of Nursing Facility audits due for completion in fiscal year 2018 was 100. We noted the following exceptions:
- Forty-nine audits were not completed as of our testing in August 2018.
- Nine audits were completed after the end of the fiscal year.
- Forty-two audits were completed within the fiscal year. Among the forty-two Nursing Facility audits due and completed in fiscal year 2018, we selected a sample of nine Nursing

Facility audits and found that audits for eight facilities were not issued within 180 days. The eight audits ranged from 3 to 191 days late, occurring as follows in "days late" order:

Number	Days Late
1	3
2	44
3	72
4	93
5	104
6	111
7	191
8	191

The MaineCare Benefits Manual section 13.4.1.3 provides for an exception to the 180 day rule "in unusual situations, including but not limited to, delays in obtaining necessary information from a provider" and section 13.4.1.4 states "unless the Division of Audit intends to schedule an on-site audit or requests additional information from the provider, it shall issue a written summary report of its findings and adjustments upon completion of the uniform desk review." Prior to fiscal year 2017, requesting additional information was accepted as a reason for delay as the requests met the criteria of unusual situations. For fiscal year 2018, the Division of Audit requested additional information for every Nursing Facility audit, negating the "unusual situation" criteria. In addition, no on-site audits were scheduled, therefore the requirement that all Nursing Facility audits be completed within the 180 day timeframe for uniform desk review is binding.

The Office of the State Auditor selected a non-statistical random sample.

For Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the MaineCare Benefits Manual requires ICF/MRs to submit cost reports annually based on the facility's fiscal year end, and then the Department must provide for periodic audits of these reports. While the MaineCare Benefits Manual does not contain a specific time requirement to complete uniform desk reviews, it does require ICF/MRs to submit cost reports annually. Consequently, it is appropriate that DHHS complete a uniform desk review for each of the ICF/MR's cost reports annually. The Code of Federal Regulations (2 CFR 200.303) states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with the Federal statutes, regulations, and the terms and conditions of the Federal award.

The population of ICF/MR audits due for completion in fiscal year 2018 was sixteen. We found that three audits were not completed as of our testing in August 2018. Of the remaining thirteen audits, three were not issued within one year. The three audits ranged from 109 to 168 days late, occurring as follows in "days late" order:

Number	Days Late
1	109
2	167
3	168

In addition, two ICF/MR audits due in fiscal year 2017 remained unissued at the time of our testing.

Context: Medicaid paid $272 million to LTCFs during fiscal year 2018.

Cause: Staff was diverted to areas of higher priority, including, but not limited to, overdue audits from prior fiscal years.

Effect: Noncompliance with Federal and State regulations

Recommendation: We recommend that the Department consistently utilize the internal control processes in place related to the LTCF audits. This includes monitoring the timely performance and completion of those audits. Acting based upon the results of internal control activities provides assurance that these facilities are in compliance with Federal and State regulations.

We further recommend that the MaineCare Benefits Manual be updated to bring ICF/MR audit requirements (Ch. III, Sect. 50) in line with Nursing Facility audit requirements (Ch. III, Sect. 67) as both are Long Term Care Facilities. This will ensure both are in compliance with 42 CFR Section 447.253(g).

Corrective Action Plan: See F-17

Management's Response: The Department disagrees with this finding. The Department continues to state that there are Desk Reviews and there are Audits. These are two distinct processes with two distinct regulations within the MaineCare Benefits Manual (MCBM). As the finding indicates, there is a 180-day clock for Nursing Facility Uniform Desk Reviews. The Department has consistently, and well within the 180-day clock, performed an analysis of the provider's cost report to determine the adequacy and completeness of the report as well as the accuracy and reasonableness of the data recorded thereon (MCBM Section 67, 13.4.1.2). Additionally, the Department has requested additional information (13.4.1.4) from each provider to facilitate the audit of every Nursing Facility provider. Upon completion of the audits the Department reviews its draft findings and adjustments with the providers and issues a written summary of such findings in accordance with (13.4.2.4).

There are many factors to consider when planning for the completion date of an audit. Providers have one year from the date of service to bill claims, they also have up to 120 days to adjust claims. These scenarios are part of the reason why there is no pre-specified deadline for the completion of an audit. It has never been the intent of the rule to complete an audit within 180 days. It is the position of the Department that to complete an audit within 180 days of an acceptable cost report would cause an undue burden to providers and the Department alike because there would be many instances of adjustments of claims leading to audit revisions.

The auditor has noted in the finding that the Medicaid agency must provide for periodic audits in accordance with 42 CFR Section 447.253(g); the Department has this provision in place. The auditor has also noted that for ICF/MR facilities the MCBM does not specify a time frame for issuance of audits; correspondingly, it is left to the Department to determine the appropriate time to conclude these specified audits, which the Department is doing. In both instances, the Department is in compliance with the identified requirements.

Contact: Herb Downs, Director, DHHS Division of Audit, 207-287-2778

Auditor's Concluding Remarks:

Nursing Facility Audits: The MaineCare Benefits Manual defines two distinct processes for audits of cost reports – Uniform Desk Reviews (13.4.1) and On-Site Audits (13.4.2). Section 13.4.1.3 provides for an exception to the 180-day rule for completion of the Uniform Desk Review "in unusual situations, including but not limited to, delays in obtaining necessary information from a provider". Section 13.4.1.4 states "unless the Division of Audit intends to schedule an on-site audit or requests additional information from the provider, it shall issue a written summary report of its findings and adjustments upon completion of the uniform desk review". A request for additional information could provide for an exception to the 180-day rule as described above. For fiscal year 2018, the Division of Audit requested additional information for every Nursing Facility audit, negating the "unusual situation" criteria. In addition, no on-site audits were scheduled; therefore, the requirement that all Nursing Facility audits be completed, and a written summary report issued, within the 180-day requirement for uniform desk review is binding.

ICF/MR Audits: While the MaineCare Benefits Manual does not contain a specific time requirement to complete uniform desk reviews, it does require ICF/MRs to submit cost reports annually. Consequently, it is reasonable that DHHS complete a uniform desk review for each of the ICF/MR cost reports annually. The Code of Federal Regulations (2 CFR 200.303) states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with the Federal statutes, regulations, and the terms and conditions of the Federal award.

The finding remains as stated.

(State Number: 18-1106-03)

(2018-050)

Title: Provider eligibility procedures need to address Advance Directives

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10	FY09
2017-026	2016-029	2015-007	2014-004	13-1106-09	12-1106-14	11-1106-12	10-1106-11	09-1106-08

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 431.107(b)(4); 42 CFR 455.105(b)

Condition: For provider agreements entered into prior to July 1, 2013, the Department did not ensure that these agreements contained all required provisions related to Advance Directive requirements and disclosure of certain types of business transactions. As of July 1, 2013, the new provider agreements contain the necessary information; however, the Department acknowledged that they did not revise older provider agreements.

In our test of forty provider agreements, we found that:
- twenty-five were entered prior to July 1, 2013 and did not contain the required terms and conditions.
- fifteen were entered after July 1, 2013 and did contain the required terms and conditions.

The Office of the State Auditor selected a non-statistical random sample.

Context: Provider agreements must include suspension and debarment language, business ownership disclosures, and Advance Directive requirements as required by Federal regulations.

Cause: Competing priorities

Effect:
- Ineligible providers potentially being allowed to participate in the program
- Potential questioned costs and disallowances
- Noncompliance with the required provider documentation requirements

Recommendation: We recommend that the Department ensure that all provider agreements meet requirements for Advance Directives and disclosure of certain types of business transactions.

Corrective Action Plan: See F-17

Management's Response: The Department agrees with this finding. All active providers in the MIHMS system have a signed provider agreement on file. As noted in the Department's response to the SFY2017 finding, language regarding advance directive requirements and disclosure of certain types of business transactions was added to the agreement on June 26, 2013. The provider agreement with the added language has been used since then for all newly enrolling providers. Also, all providers who add new locations have signed new provider agreements even if they have not revalidated yet. As part of the ACA provider revalidation initiative, all providers are required to re-enroll and will sign the revised agreement then. The system was upgraded on January 17, 2017 and provider revalidation began in July 2017. To date, cycle 1, 2, and 3 are completed and we are in the process of finishing cycles 4 and 5. Cycle 6 is in process. The Department has cleared 836 cases through revalidation or provider disenrollment, with an additional 349 cases currently in the provider revalidation process.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093

(State Number: 18-1106-04)

(2018-051) Confidential finding, see Condition Section below for more information

Title: _____ assigned to _____ need improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-032							

State Department: Administrative and Financial Services
State Bureau: Office of Information Technology (OIT)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Number: 1705ME5MAP, 1805ME5MAP

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: _____; Federal _____; State of Maine _____

Condition: The _____ associated with _____ needs improvement. These _____ allow personnel to _____.

_____ should be _____ and _____. This must be determined by the State agency personnel most directly responsible for _____, regardless of whether the _____. During audit testing, we observed _____ were _____ in a generalized way. This assignment of generalized _____ allows _____. This condition presents a _____.

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:
- Francis McCullough, Associate Regional Administrator, Centers for Medicare and Medicaid Services, Philadelphia, PA.

A copy of that correspondence has also been sent to:
- Greg Dowell, Assistant Director, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO.

Context: State government is entrusted with a vast _____. Reliance is placed on the State to maintain the _____ of this _____, to _____, and to _____. Since _____ and _____, the _____ must continually _____ based on the _____.

Risks would be eliminated from potential _____ by not allowing all _____. The OIT implementation of _____ such as _____ is an across-the-board effort to address _____. The use of _____ is only effective for very specific _____ known at the _____ and does not provide _____, or other _____.

Cause: OIT's practice is to provide _____ to agency requestors as soon as possible to allow State employees and contractors to _____. OIT personnel issue _____ in an _____ manner based only on _____ that were established for _____, rather than _____ as determined by the State agency personnel providing direct oversight to each _____.

Effect:
- Cybercriminals are looking for an _____ which _____.
- Risks are posed by _____, who may _____ on State and Federal technology assets.

Recommendation: We recommend that OIT _____ on a _____, as determined by the State personnel most directly responsible for _____.

Corrective Action Plan: See F-18

Management's Response: The Department agrees that the _____ associated with the _____ allow _____. OIT is continually working to improve _____ and will be addressing the condition contained within this finding during the roll out of the new _____.

The Department disagrees with the Auditor's characterization of how this affects the overall _____. The _____ allows a _____ based on _____, from this point forward the _____ is subjected to _____. In the event that one of the _____ attempts to _____, they would be _____.

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

Auditor's Concluding Remarks: The disagreement presented in the management response does not address the Condition identified within this finding. OIT does not appropriately _____, and _____.

The current methods used to maintain _____ cause some _____ to _____. Therefore, _____ or _____ continue to _____.

The finding remains as stated.

<p style="text-align:right">(State Number: 18-0905-01)</p>

(2018-052)

Title: Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-027	2016-032						

State Department: Health and Human Services
State Bureau: Office of MaineCare Services, Program Integrity Unit
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 455.13 through 42 CFR 455.15; MaineCare Benefits Manual, Section 1.17 and 1.18

Condition: Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review. In a sample of sixty cases:
- twelve cases had no evidence of supervisory review.
- three complaints had no documentary evidence that they were researched appropriately.
- three closed cases lacked evidence of completion. The appropriate form documenting action (referral or letter of no significant finding) was missing.
- five active cases had no documentation of activity in Workflow (Maine Integrated Health Management Solution Process Manager) for an extended period of time, ranging from 209 to 1059 days.
- one case file included documents that pertained to another case.
- one complaint was misfiled for a period of four years before being closed.
- one case indicated a referral to an outside agency; however, evidence of the referral was not included.

The overall population included ninety-seven cases opened in fiscal years prior to fiscal year 2018 that remained open at the end of fiscal year 2018. Of those ninety-seven cases:

- seven were from fiscal year 2015,
- fourteen were from fiscal year 2016, and
- seventy-six were from fiscal year 2017.

The Office of the State Auditor selected a non-statistical random sample.

Context: Medicaid paid approximately $2.3 billion to providers in fiscal year 2018. Appropriate supervisory review, follow-up and corrective action are important safeguards against unnecessary or inappropriate use of Medicaid services and funding.

Cause:
- Competing priorities
- Staff turnover
- Lack of staff resources
- Limited supervisory oversight regarding staff management of caseloads

Effect:
- Case reviews of potential provider or recipient fraud, abuse, or questionable practices are delayed or remain unresolved.
- Increased risk that fraud, abuse, or questionable practices will remain undetected

Recommendation: We recommend that the Department improve supervisory review of open cases including monitoring the progress and resolution of open cases over time. We further recommend that older cases be evaluated to determine whether they should be closed due to a lack of evidence or referred to another unit or law enforcement agency for a full investigation.

Corrective Action Plan: See F-18

Management's Response: The Department disagrees with this finding. The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities.

Contact: Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093

Auditor's Concluding Remarks: Section 1.17 of the MaineCare Benefits Manual states that the Department is responsible for taking measures to "safeguard against excessive payments, unnecessary or inappropriate utilization of care and services, and assess the quality of services under MaineCare". Allowing cases to remain open and inactive for extended periods of time (209 to 1059 days) and not properly documenting actions and oversight increase the likelihood of excessive payments and unnecessary or inappropriate utilization of care and services going undetected.

The finding remains as stated.

(State Number: 18-1106-06)

(2018-053)

Title: Procedures to ensure that individual client Cost of Care assessments are accurate need improvement

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-017			2014-019	13-1106-01			

State Department: Health and Human Services
State Bureau: Office for Family Independence (OFI)
Federal Agency: U.S Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 435.725; MaineCare Eligibility Manual, Part 14, Section 6

Condition: Cost of Care (COC) assessments were not accurate. In a sample of sixty assessments:
- four COC assessments were not systematically updated within the Automated Client Eligibility System (ACES) after a Cost of Living Adjustment (COLA) was effective. The monthly COLA amounts that were not updated ranged from two to four dollars resulting in COC assessments to be less than they should have been. In addition, these four assessments were not identified by the established process used to identify cases requiring manual updates.
- three COC assessments that had spousal allocations were not manually calculated correctly by the Eligibility Specialist, resulting in COC assessments to be more than they should have been. Of these three assessments:
  - one spousal allocation should have been $219.75 and was incorrectly calculated at $152.75 due to the incorrect allocation cap used.
  - one spousal allocation should have been $534.98 and was incorrectly calculated at $467.99 due to the incorrect allocation cap used.
  - one spousal allocation should have been $997.00 and was incorrectly calculated at $876.00 due to certain household expenses omitted from the calculation.

E-148

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department must reduce its payment for services provided to a Medicaid member in medical institutions and intermediate care facilities by the amount that remains after deducting certain amounts from the member's total income. This remaining amount is the client's share of the cost, known as "Cost of Care".

Cause:
- The process in place to identify cases requiring COC assessments to be manually updated did not identify all cases requiring a manual update.
- Human error occurred entering data into ACES.
- Human error occurred in manually calculating spousal allocations.

Effect: Incorrect COC assessments may result in potential overpayments or underpayments when the COC is deducted from claim payments.

Recommendation: We recommend that the Department implement procedures to require that all manual COC calculations be reviewed and approved for accuracy by a supervisor or other experienced staff member. We also recommend that the Department prepare written guidance to ensure a systematic review process for all COC assessment calculations.

Corrective Action Plan: See F-18

Management's Response: The Department agrees with this finding. OFI's new Business Rules Engine will be implemented statewide in the first quarter of calendar year 2019, and this will assist in improving the benefit determinations for all programs, including those that require a Cost of Care. In order to further ensure accuracy of manual cost of care calculations, a quarterly query will be established and a select number of cases will be reviewed, by the Long Term Care (LTC) Supervisors. To ensure a systematic review process for Cost of Care assessment calculations, OFI will create written guidance for the review process of these select number of cases analyzed from the quarterly query. OFI is also in the process of hiring a LTC Program Administrator, who will assist the current LTC Unit supervisors in the review of these cases.

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

(State Number: 18-1106-02)

(2018-054)

Title: Riverview

Prior Year Findings:

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
2017-016	2016-027	2015-006	2014-006				

State Department: Health and Human Services (DHHS)
　　　　　　　　　　　Administrative and Financial Services
State Bureau: Office of MaineCare Services
　　　　　　　　Health and Human Services Service Center
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency
　　　　　　　　　Questioned costs

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	$ 14,037,063	$ 14,037,063	
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 482.1(a)(5)

Condition: The Centers for Medicare and Medicaid Services (CMS) decertified Riverview as a Medicare provider of psychiatric hospital services on September 2, 2013. CMS subsequently issued various letters to the State of Maine stating that Medicaid services and disproportionate share hospital payments claimed for quarters ending December 31, 2013 through June 30, 2018, would be disallowed. All disallowances are under appeal. The State continued to use Federal funds in fiscal year 2019 prior to recertification on January 30, 2019.

Context: The State used Federal funds of approximately $14 million in fiscal year 2018, $14 million in fiscal year 2017, $14 million in fiscal year 2016, $16 million in fiscal year 2015 and $10.5 million in fiscal year 2014 subsequent to decertification by CMS. The total amount disallowed by CMS exceeded $68 million as of June 30, 2018.

Cause: The Department obtained legal advice to continue claiming these costs on the *CMS-64* report.

Effect:
- Federal disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that DHHS continue to work with CMS to resolve this matter.

Corrective Action Plan: See F-18

Management's Response: The Department disagrees with this finding. The Department has continued to work with CMS regarding this matter. As of January 30, 2019, Riverview has regained certification to participate in the Medicaid program as a Psychiatric Hospital. The Department will continue further discussions with CMS regarding any outstanding matters.

Contact: Bethany Hamm, Deputy Commissioner, DHHS, 207-577-2168

Auditor's Concluding Remarks: On March 12, 2019, the U.S. DHHS Department of Appeals Board upheld CMS' disallowances issued to the State of Maine for Riverview. The Appeals Board concluded "that Federal law required Maine to terminate its Medicaid agreement with Riverview after its Medicare termination" and therefore sustained the disallowances, totaling $72 million in Medicaid Federal financial participation for the quarters ending December 31, 2013 through September 30, 2018. The decision is the final decision unless, within 60 days of the date of this decision, a party files a motion for reconsideration by the Board.

The finding remains as stated.

(State Number: 18-1106-01)

(2018-055) Confidential finding, see Condition Section below for more information

Title: Office of Information Technology oversight and procedures over _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining)

Prior Year Findings: None

FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Administrative and Financial Services
State Bureau: Office of Information Technology (OIT)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1705ME5MAP, 1805ME5MAP

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: _____; _____; _____; _____; State of Maine _____

Condition(s): OIT _____ used to _____ need improvement. The number of _____ continues to grow, and _____ are being overlooked.

In our test of _____, we found the following number of _____, _____ and other types of _____:
  - _____
  - _____

This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:
  - Francis McCullough, Associate Regional Administrator, Centers for Medicare and Medicaid Services, Philadelphia, PA.

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO and

Context: OIT is responsible for the _____. State agencies paid OIT approximately _____ for _____ during fiscal year 2018.

Cause:
- The number of _____ continue to grow based on several factors, including _____ and _____.
- The timely _____ prevented by _____, due to several factors including _____, lack of _____ and _____.

Effect:
- Potential _____
- Potential _____
- Potential _____
- Potential _____

Recommendation: We recommend that the Department develop _____ to address the _____ in a timely manner.

Corrective Action Plan: See F-19

Management's Response: The Department partially agrees with the finding. OIT's intent is to ramp up _____ to address the _____ within the environment. With the _____, OIT continues to conduct: _____, _____, _____, and _____, OIT is in the process of implementing _____; thereby, allowing _____. The anticipated completion date is _____.

OIT disagrees with the Auditor's characterization that the "_____, and some _____." The auditor does not have _____ to conclude that findings _____. OIT specifically requested that the language be revised to more accurately reflect the situation: "_____: _____; _____; _____; and, _____. _____ is further complicated by the fact that _____ of select _____ would cause _____, that drive essential State of Maine business functions, to be _____. Additionally, the timely _____ is at times challenged by a _____." Though the finding was reissued to reflect some of the agency's request, the finding contains verbiage that misrepresents the situation.

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

Auditor's Concluding Remarks are on the following page.

Auditor's Concluding Remarks: OIT provided _____ which classified potential _____. We compared _____ for each of the _____. The _____ were from _____ for _____ and from _____ for the remaining _____.

Comparison of the earlier _____ to the _____ indicated that _____, as follows:
- _____; and
- _____.

We agree that some _____ are being _____.

The finding remains as stated.

STATE OF MAINE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

DIRIGO

MAINE

CORRECTIVE ACTION PLAN
Fiscal Year Ended June 30, 2018

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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2018-055	Administrative and Financial Services	F-19	E-152

Finding Number	Corrective Action Plan	
2018-001	Department:	Education
	Title:	Procedures over subrecipient monitoring need improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department's corrective action plans are now saved electronically and staff have been reminded of the requirement to keep the plans on file. Tracking is assigned to the reviewer responsible for that district's review. All corrective action plan extensions will now be tracked in one common location/spreadsheet. A column has been added for the extension date on the spreadsheet as well. The withholding procedure/policy of payments was updated on 12/2018 to comply with USDA regulations.
	Completion Date:	March 15, 2019
	Agency Contact:	Walter Beesley, Child Nutrition Director, DOE, 207-624-6875
2018-002	Department:	Education
	Title:	Internal controls over State matching requirements need improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	For school year 2019, the Department has implemented a modification to the NEO system which will ensure that the match attributable to State owned schools is funded from the General Fund. The NEO state match calculation will also be reconciled to the State accounting system quarterly at the close of each quarter.
	Completion Date:	January 15, 2019
	Agency Contact:	Walter Beesley, Director, Child Nutrition, 207-624-6875
2018-003	Department:	Education
	Title:	Eligibility documentation procedures need improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Child Nutrition policies and procedures document has been updated to provide for accurate record retention.
	Completion Date:	January 1, 2019
	Agency Contact:	Joanne Allen, Director, School Finance & Operations, 207-624-6790
2018-004	Department:	Education
	Title:	_____ over _____ to the _____ is not adequate (The title of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.

	Completion Date:	February 2019, September 2019, September 2018, March 2019
	Agency Contact:	Charlotte Ellis, Education Data Manager, DOE, 207-624-6696
2018-005	Department:	Education
	Title:	Internal control over the donated food inventory needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Maine DOE Child Nutrition will continue to follow the existing policy and procedures to address annual reconciliations. The year-end adjustments and other documentation will be maintained in a year-end close out file for a period of three years as required by the USDA. The Department will also develop a long-term plan to determine whether NEO functionalities can be updated to meet the Department's inventory requirements or to replace NEO completely.
	Completion Date:	June 30, 2020
	Agency Contact:	Walter Beesley, Child Nutrition Director, DOE, 207-624-6875
2018-006	Department:	Education
	Title:	National School Lunch Program and Summer Food Program Policy Statements and State-Sponsor Agreements are not consistent with Federal regulations
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The agreements for the National School Lunch Program and the Summer Food Service Program have been updated to include all Federal requirements as well as updated references to the Uniform Guidance. These agreements were submitted to the USDA for approval. Once approved by the USDA, the revised agreements will replace the current agreements on file and will be uploaded to the NEO system for SY2020 which begins 7/1/2019. The Department will instruct sponsors and schools that a new agreement must be submitted, using the new agreement document.
	Completion Date:	July 1, 2019
	Agency Contact:	Walter Beesley, Child Nutrition Director, DOE, 207-624-6875
2018-007	Department:	Health and Human Services
	Title:	Controls over WIC's infant food and formula rebate process need improvement
	Questioned Costs:	$280,580
	Status:	Corrective action in progress
	Corrective Action:	The Department will transfer the rebates in the amount of $280,580.00 to the food account at the banking intermediary. Additionally, the Department will enhance oversight of the rebate process and consolidate the rebate processing procedures.
	Completion Date:	April 30, 2019
	Agency Contact:	Ginger Roberts-Scott, Program Manager, Office of Health Equity, 207-287-5342
2018-008	Department:	Health and Human Services
	Title:	Controls over WIC's food instrument disposition process need improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Strengthen procedures over document retention to ensure that backup documentation is retained to prove that the monthly reconciliations were completed.
	Completion Date:	June 12, 2019
	Agency Contact:	Ginger Roberts-Scott, Program Manager, Office of Health Equity, 207-287-5342
2018-009	Department:	Health and Human Services

	Title:	The Department has no assurance that vendor provided internal controls over the outsourced WIC program subsidy system are adequate
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	This finding has no relevance to the processes used by the WIC program as the WIC program does not use service organizations. The finding is vague but, in related conversations with the State Auditor (OSA), it is the Department's understanding that OSA is referring to SPIRIT software and/or the Department's bank, Solutran. Both are used in the WIC program. SPIRIT is the software utilized by WIC personnel to determine a client's benefit and then it creates a check for the WIC client to buy approved food at a retailer. SPIRIT software resides on WIC employees' local computers. Data generated by SPIRIT remains on WIC servers within the State of Maine. There is no remote hosting. SPIRIT does not use a service organization and therefore, this finding is not relevant to SPIRIT. Solutran is the bank used by the WIC program to process checks generated by SPIRIT, as explained above. Briefly, a WIC client will go to a retail store, buy food, and then use the SPIRIT generated check to pay for the food. The retailer will deposit the check at their bank. The retailer's bank will then send the SPIRIT check image to Solutran and Solutran will then send the retailer's bank payment. At the end of each day, Solutran sends WIC an activity statement. The process outlined above is a typical bank function. AICPA Statements on Auditing Statements AU-C Section 402 titled "Audit Considerations Relating to an Entity Using a Service Organization", paragraph .05 states: "This section does not apply to services that are limited to processing an entity's transactions that are specifically authorized by the entity, such as the processing of checking account transactions by a bank". Therefore, based on AU-C Section 402, this finding is not relevant to Solutran.
	Completion Date:	N/A
	Agency Contact:	Ginger Roberts-Scott, Program Manager, Office of Health Equity, 207-287-5342
2018-010	Department:	Health and Human Services
	Title:	Internal controls over WIC's high-risk vendor compliance investigations need improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will prioritize compliance investigations of high-risk vendors and ensure proper oversight of the high-risk vendor compliance investigation process. To accomplish this goal, the Department will update the WIC Vendor Compliance Investigation Standard Operating Procedures. This will include an evaluation of the current tracking system of Vendor Compliance Investigations for areas of improvement. The Department will also cross train the Maine state vendor WIC staff on Vendor Compliance Investigation Assessments. The Vendor Compliance Investigations prioritization will begin in October of each year.
	Completion Date:	October 1, 2019
	Agency Contact:	Ginger Roberts-Scott, Program Manager, Office of Health Equity, 207-287-5342
2018-011	Department:	Administrative and Financial Services Agriculture, Conservation and Forestry
	Title:	Subrecipient monitoring needs improvement
	Questioned Costs:	None

	Status:	Corrective action in progress
	Corrective Action:	The Department will amend the subrecipient agreement template to include the information required by the Uniform Guidance. Additionally, the Resource Administrator will update his internal contract review procedures to include the reviewing of electronic copies of audit reports from subrecipients who expend $750,000 or more in federal funds annually. The Department will also identify and train the resources needed to perform on-site reviews.
	Completion Date:	April 15, 2019, March 26, 2019 and July 1, 2019
	Agency Contact:	Aimee Carlton, Business Operations Manager, DACF, 207-287-5783
2018-012	Department:	Administrative and Financial Services Agriculture, Conservation and Forestry
	Title:	Internal control over earmarking of administrative grant funds needs improvement
	Questioned Costs:	Known Federal: $43,337
	Status:	Corrective action in progress
	Corrective Action:	The Department is working with its program contacts at USDA to request approval to retain the full amount expended under the grants covered by this audit. If the request is not granted, the Department will seek guidance from the USDA regarding next steps to resolve the finding. Going forward, prior to the start of each new grant award, the Department will submit a request to USDA to retain the CSFP admin funds needed to cover the State share of program admin costs. The Department is also implementing procedures to ensure that only authorized amounts of admin costs are retained from grant funds.
	Completion Date:	September 15, 2019
	Agency Contact:	Aimee Carlton, Business Operations Manager, 207-287-5783
2018-013	Department:	Agriculture, Conservation and Forestry
	Title:	Internal control over suspension and debarment needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Beginning with the current grant period (FFY19), the Department will amend its Recipient Agency Agreement to include the "Certification Regarding Debarment, Suspension and Other Responsibility Matters - Primary Covered Transactions" to be reviewed and signed by its subrecipients (food pantries, soup kitchens, and temporary shelters) before receiving federal donated food.
	Completion Date:	June 30, 2019
	Agency Contact:	Aimee Carlton, Business Operations Manager, DACF, 207-287-5783
2018-014	Department:	Administrative and Financial Services Agriculture, Conservation and Forestry
	Title:	Internal control over Federal cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Natural Resources Service Center has redistributed pre-existing federal draw policies to all staff drawing federal cash and required them to verify that they have read and understand the policy to ensure federal cash management requirements are being met. Supervisors will also conduct periodic reviews of Federal cash balances to ensure continued compliance.
	Completion Date:	March 15, 2019
	Agency Contact:	Jody Breton, Acting Director, Natural Resources Service Center, 207-624-6367
2018-015	Department:	Defense, Veterans and Emergency Management

	Title:	Internal control related to the U.S. Treasury-State Agreement for cash management and the related reporting to the Federal government on the SF-270 report need improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The TSA was amended on April 1, 2018 to more closely align with the actual draw patterns for the remainder of FY2018. For FY2019, CFDA# 12.401, National Guard Military Operations and Maintenance (O&M) Projects is not included in the TSA and reverts to the Department of Defense regulations with which we are complying.
	Completion Date:	June 30, 2018
	Agency Contact:	Frances Lapointe, Business Manager II, DVEM, 207-430-5696
2018-016	Department:	Defense, Veterans and Emergency Management
	Title:	Documentation that supports payroll costs needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department implemented procedures to ensure that all timecards were properly signed, reviewed and processed. This timecard policy was initially implemented in April 2018 and was formalized in August 2018.
	Completion Date:	August, 2018
	Agency Contact:	Scott A. Young, Deputy Commissioner, DVEM, 207-430-5997
2018-017	Department:	Defense, Veterans and Emergency Management
	Title:	Monitoring of cash balance needs to be improved
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Beginning SFY2019, a new Appropriation Unit was established for CFDA # 12.400, Military Construction, National Guard to account for new military construction projects. The Department is currently working on establishing a separate subsidiary record for each of the appendices under the Master Cooperative Agreement to track cash balances in a more transparent way.
	Completion Date:	July 1, 2018 and June 30, 2019
	Agency Contact:	Frances Lapointe, Business Manager II, DVEM, 207-430-5696
2018-018	Department:	Inland Fisheries and Wildlife
	Title:	Internal controls over suspension and debarment need improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department is developing a contract rider that will be utilized on all contracts to meet the suspension and debarment requirements. The Department is also developing a contract review checklist that will ensure that the suspension and debarment requirements have been met.
	Completion Date:	April 30, 2019
	Agency Contact:	Wendy J. Parker, Resource Administrator, IF&W, 207-287-5224
2018-019	Department:	Health and Human Services
	Title:	Internal control over the non-competitive bid process needs improvement
	Questioned Costs:	Federal: $251,223
	Status:	Corrective action in progress

	Corrective Action:	The Department will ensure all VOCA funded procurement contracts are obtained through competitive solicitation unless prior approval has been received by the Office of Justice Programs. This information has been added to DHHS's VOCA Snapshot document and will be included within our VOCA Procedure Guide currently in development.
	Completion Date:	December 31, 2019
	Agency Contact:	Heather Tyler, Violence Prevention Services Program Manager, OCFS, 207-624-7919
2018-020	Department:	Administrative and Financial Services
	Title:	Internal controls over Federal cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The DHHS Service Center has implemented the use of a standardized template for grant daily reconciliations which includes the monitoring of cash balances.
	Completion Date:	March 1, 2019
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, 207-458-6626
2018-021	Department:	Health and Human Services
	Title:	Subrecipient contract specifications are not consistent with program regulations
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with the finding. The paragraph in question states that illegal aliens are ineligible for State and local public benefits not Federal benefits.
	Completion Date:	N/A
	Agency Contact:	Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2018-022	Department:	Health and Human Services
	Title:	The Department did not perform site visits for subrecipients as required
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department agrees with the finding. The Department implemented procedures in May of 2018 to ensure that site visits are performed in accordance with the program requirements.
	Completion Date:	May 1, 2018
	Agency Contact:	Heather Tyler, Acting Associate Director, OCFS, 207-624-7919
2018-023	Department:	Labor
	Title:	_____ over _____ needs improvement (The title of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	State Trust Fund: known $36,837; likely $19,156,625
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	March 31, 2020
	Agency Contact:	Laura L. Boyett, Director, Bureau of Unemployment Compensation, 207-621-5156
2018-024	Department:	Transportation
	Title:	Internal controls over the allowability of project expenditures need improvement
	Questioned Costs:	None

	Status:	Corrective action completed
	Corrective Action:	The Department has strengthened its oversight to ensure compliance with the Project Management Plan moving forward and is requiring that all necessary approvals are complete before processing any invoices.
	Completion Date:	February 28, 2019
	Agency Contact:	Doreen Corum, Financial Processing Director, MaineDOT, 207-624-3139
2018-025	Department:	Education
	Title:	The Department of Education has no assurance that vendor provided internal controls over the financial and Federal data collection system are adequate
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Maine Education Financial System (MEFS) is a financial data collection system used to meet state and Federal reporting requirements. The Department will be renewing the MEFS contract for another year and will include language in the contract renewal regarding the provision of applicable SOC reports to address application and data processing integrity, security, and availability. The contract extension will be sent to State Office of Procurement for review and encumbrance. The contract extension containing the modified language will then be in effect.
	Completion Date:	July 1, 2019
	Agency Contact:	Joanne Allen, Director, School Finance & Operations, 207-624-6790
2018-026	Department:	Health and Human Services
	Title:	Monitoring over subrecipient cash management needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The criteria and condition noted by the auditor fails to include the sentence "The timing and amount of advance payments must be as close as administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs." The Department considers its procedures to advance payments and truing up quarterly as "as close as administratively feasible". The Department has also improved its procedures over the past few years by limiting the amount of under and overpayments to the provider. Where limits used to be 10% of a contract value, the Department now adjusts based upon a $1000 threshold.
	Completion Date:	Not applicable
	Agency Contact:	Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2018-027	Department:	Health and Human Services
	Title:	Subrecipient contracts need to be updated
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department has implemented procedures to ensure that all required elements are identified and included in each subrecipient agreement.
	Completion Date:	October 1, 2018
	Agency Contact:	Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2018-028	Department:	Health and Human Services
	Title:	Procedures related to TANF performance reporting and work participation need improvement
	Questioned Costs:	None
	Status:	Corrective action in progress

	Corrective Action:	The Department has identified two causes for the reporting of inaccurate work participation data: 1) The Department recognizes a system update is required to more accurately report work participation hours for the Worker Supplement Benefit (WSB) program and 2) The Department's vendor, Fedcap, programmed into their system a rounding calculation which rounded up reported participation hours. To address the first issue, the ACES System will be updated for WSB calculations on or before December 31, 2019. The second issue was addressed when the system was updated the system to no longer round all partial work activity hours up to the nearest whole hour. This was corrected by Fedcap on 10/23/18. The vendor completed quality checks on 10/24/18, 11/1/18, and 11/5/18. Fedcap continues to perform quality checks monthly and quarterly. After the system updates to ACES, we will conduct a review to ensure the accuracy of the data. We will then continue to monitor the data on a quarterly basis.
	Completion Date:	December 31, 2019
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, 207-624-4104
2018-029	Department:	Health and Human Services
	Title:	Monitoring of subrecipient compliance, including maintaining documentation of that monitoring, needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with the finding. The Office of State Auditor over the span of seven days in mid-March went from requesting information to an official finding. This particular finding includes several offices within the Department and tracking information down can be time consuming. The Department has not had sufficient time to be able to research whether or not the condition is factual. In the time since the finding has been issued the Department has been able to retrieve many of the performance reports noted in the finding. We are confident given time we could find more.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, 207-624-4104
2018-030	Department:	Health and Human Services
	Title:	Internal controls over pass-through awards need improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department relied on the Uniform Guidance Section 330c (Use of judgement in making determination) in its determination that this was not a subrecipient relationship. The section states in determining whether an agreement between a pass-through entity and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgement in classifying each agreement as a subrecipient or a procurement contract. Whereas Maine State Housing Authority is a component unit of the State the Department's judgement was that this was not a subrecipient relationship.
	Completion Date:	N/A
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, 207-624-4104
2018-031	Department:	Health and Human Services
	Title:	Controls over payments to and on behalf of TANF clients need improvement
	Questioned Costs:	Known Federal: $381 Likely Federal: $139,925
	Status:	Corrective action completed

	Corrective Action:	The Department developed a centralized team of eligibility specialists who complete specialized work in the areas of the TANF and ASPIRE programs. The staff in this Unit are overseen by a Program Manager and two supervisors, who regularly monitor the work of the staff, which includes the issuance of the payments cited in this finding. This additional oversight and monitoring will ensure payments to TANF clients and providers are accurate
	Completion Date:	February 28, 2019
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, 207-624-4104
2018-032	Department:	Health and Human Services
	Title:	Evaluation of each subrecipient's risk of noncompliance needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department implemented procedures to ensure that there is a documented risk assessment performed on all its subrecipients.
	Completion Date:	October 1, 2018
	Agency Contact:	Tony Madden, Deputy Director, Division of Audit, DHHS, 207-287-2834
2018-033	Department:	Health and Human Services
	Title:	The Department has no assurance that internal controls over the outsourced ASPIRE information system are adequate
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Office for Family Independence will complete a contract amendment with updated language to require SOC 1, Type 2 reports from FedCap.
	Completion Date:	May 31, 2019
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, 207-624-4104
2018-034	Department:	Administrative and Financial Services
	Title:	Internal control over Federal cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The formula error causing this issue was identified in August 2018 and immediately corrected. New procedures were developed and implemented in August 2018. Before drawing federal funds, cash balances are now verified both with live data from Advantage and from manual accounting to account for occurrences when Advantage data is not available.
	Completion Date:	August 15, 2018
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, 207-458-6626
2018-035	Department:	Administrative and Financial Services
	Title:	Internal control over Federal financial reporting need improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The typographical error contained within the SFY 2018 fourth quarter FFR425 report for the 2017 CCDF grant was corrected in the following quarterly FFR425 report due to the report's cumulative nature.
	Completion Date:	October 30, 2018
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, 207-458-6626
2018-036	Department:	Health and Human Services
	Title:	Internal control over subrecipient expenditures charged to Federal awards needs improvement

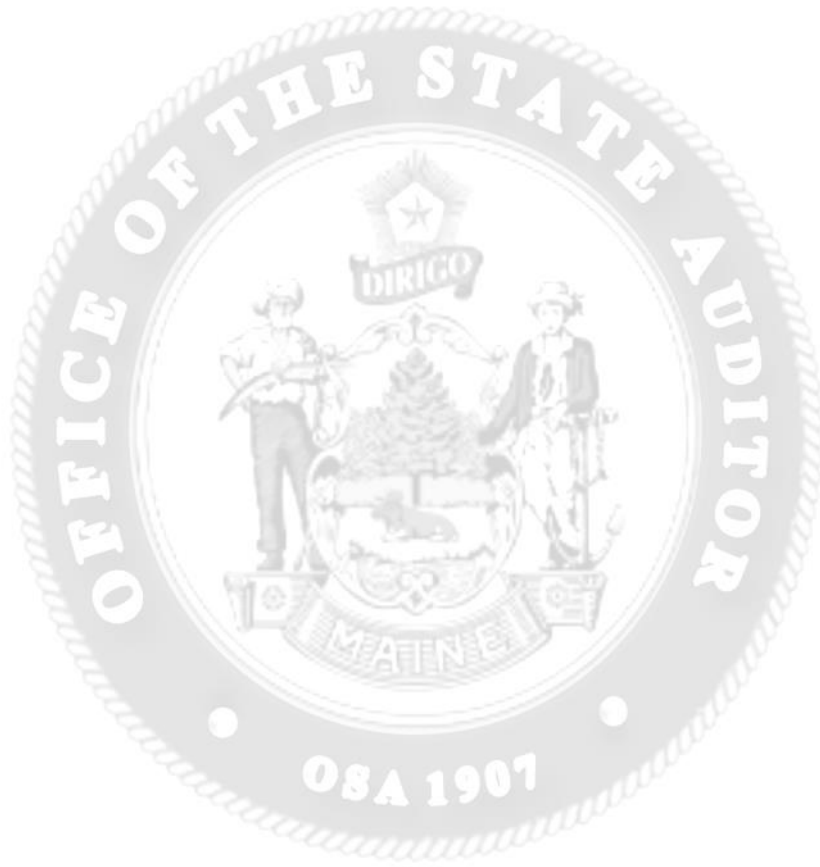|	Questioned Costs:	Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Department will revise the budgets of current agreements to ensure quarterly expenditure reports are based on each Federal award. The Department will also implement procedure to ensure agreements with more than one Federal funding source are settled and reported on by fund.
	Completion Date:	May 31, 2019
	Agency Contact:	Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2018-037	Department:	Health and Human Services
	Title:	Indirect costs charged by subrecipients are not consistent with the Uniform Guidance
	Questioned Costs:	Undeterminable
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with the finding. The Department does have procedures in place to ensure each subrecipient is utilizing an appropriate indirect cost rate. Two of the six subrecipients noted were not subrecipients during the audit period. The remaining four subrecipients did not have any indirect costs to allocate.
	Completion Date:	N/A
	Agency Contact:	Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2018-038	Department:	Administrative and Financial Services
	Title:	Internal control over Federal cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The DHHS Service Center has implemented the use of a standardized template for grant daily reconciliations which includes the monitoring of cash balances.
	Completion Date:	March 1, 2019
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, 207-458-6626
2018-039	Department:	Administrative and Financial Services
	Title:	Internal control over financial reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The DHHS Service Center has implemented the FSR Reporting template that verifies expenditures and revenue against the report submission.
	Completion Date:	March 1, 2019
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, 207-458-6626
2018-040	Department:	Health and Human Services
	Title:	Evaluation of each subrecipient's risk of noncompliance needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department implemented procedures in October of 2018 to ensure that there is a documented risk assessment performed on all of its subrecipients.
	Completion Date:	October, 2018
	Agency Contact:	Tony Madden, Deputy Director, Division of Audit, DHHS, 207-287-2834
2018-041	Department:	Administrative and Financial Services Health and Human Services
	Title:	Procedures over drug rebate accounting and reporting need improvement
	Questioned Costs:	Federal: CHIP $2,711,707; Medicaid ($1,779,746)

		State: CHIP $53,979; Medicaid ($985,940)
	Status:	Corrective action completed
	Corrective Action:	DHHS development of a production report that enabled accurate reporting was in process during much of State fiscal year 2018. The report was completed and the new process was implemented during the fourth quarter of State fiscal year 2018. CMS reviewed and approved the production report/methodology in July of 2018. DHHS will continue to utilize this report. DHHS believes no additional corrective action is necessary. Further, the known/likely questioned costs as per this finding have already been accounted for in a broader agreement between DHHS and CMS.
	Completion Date:	June 30, 2018
	Agency Contact:	Michelle Probert, Director, Office of MaineCare Services, 207-287-2093
2018-042	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal controls to ensure program expenditures are accounted for and reported in accordance with the Federally-approved State Plan need improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Office of MaineCare services and the DHHS Service Center disagree with this finding. The Department takes a pragmatic approach to effectively and efficiently administering the Medicaid program, which often requires working with CMS on reporting reclasses and exceptions, for a variety of reasons. In this instance, CMS communicated guidance, then reversed that guidance, based on a timing consideration. The Department worked in collaboration with CMS to account for and report these payments in a manner that was amenable to all parties – a practice that it will continue to follow to ensure the effective and efficient administration of the Medicaid program.
	Completion Date:	N/A
	Agency Contact:	Michelle Probert, Director, Office of MaineCare Services, 207-287-2093
2018-043	Department:	Health and Human Services
	Title:	Eligibility re-determination needs improvement
	Questioned Costs:	Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Office of Family Independence has an auto-generated report, run on a monthly basis, that identifies cases for which a re-determination date may not be flagged within ACES. The Office will ensure that this list is prioritized, looking at oldest cases first, and that staff are working this list on a regular basis in order to further reduce the number of eligibility re-determinations that have exceeded twelve-months.
	Completion Date:	June 30, 2019
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, 207-624-4104
2018-044	Department:	Health and Human Services
	Title:	The Department does not have a _____ plan in place over the _____ that complies with government standards (The title of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.

	Completion Date:	June 30, 2019 and September 30, 2020
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, 207-624-4104
2018-045	Department:	Administrative and Financial Services
	Title:	_____ and _____ over _____ need improvement (The title of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	May 31, 2019, June 30, 2019 and September 30, 2019
	Agency Contact:	Nathan Willigar, Deputy Chief Information Security Officer, 207-458-1320
2018-046	Department:	Health and Human Services
	Title:	Contractor-provided _____ over _____ processing need improvement (The title of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	October 1, 2018
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093
2018-047	Department:	Health and Human Services
	Title:	Provider eligibility procedures need to further integrate Automated Data Exchange
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Effective January 2017, the Department began using the fiscal agent's contracted vendor Digital Harbor to complete provider and specialties eligibility reviews, which fulfills the CMS requirements for provider and specialties eligibility validation. Additionally, the Department is continuing their provider and specialties revalidation process utilizing Digital Harbor to address the providers and specialties that were originally validated using the manual process. This revalidation process is expected to be completed by April 2020.
	Completion Date:	April 30, 2020
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093
2018-048	Department:	Administrative and Financial Services Health and Human Services
	Title:	The State has no assurance that vendor provided internal controls over the MainePays centralized payment processing system are adequate
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Office of Information Technology (OIT) is taking the following steps to serve as the corrective action for this finding: • OIT is in the process of establishing System and Service Acquisition Policy and Procedures, and identifying the necessary personnel resources. • OIT has written the job description and documented the need for an IT Vendor Risk Analyst. This position will serve as a vital member of the IT

		Vendor Management Office, primarily responsible for the development and management of the risk management program for all contracted software, platform and infrastructure. • OIT is currently drafting specific SOC 2 Type 2 requirement language that will be included in future information technology contracts/contract amendments as appropriate. • OIT is developing an inventory of vendors that are required to obtain SOC type testing. OIT will develop and implement the System and Service Acquisition Policy and Procedures to ensure: SOC reports are received, logged, reviewed, communicated to the appropriate stakeholders, and that vendors are timely/effectively monitored for the implementation of corrective action.
	Completion Date:	December 31, 2019
	Agency Contact:	Hazel Stevenson, Director of IT Vendor Management, DHHS, 207-592-2458
2018-049	Department:	Health and Human Services
	Title:	Procedures related to Long Term Care Facility Audits need improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Department continues to state that there are Desk Reviews and there are Audits. These are two distinct processes with two distinct regulations within the MaineCare Benefits Manual (MCBM). As the finding indicates, there is a 180-day clock for Nursing Facility Uniform Desk Reviews. The Department has consistently, and well within the 180-day clock, performed an analysis of the provider's cost report to determine the adequacy and completeness of the report as well as the accuracy and reasonableness of the data recorded thereon (MCBM Section 67, 13.4.1.2). Additionally, the Department has requested additional information (13.4.1.4) from each provider to facilitate the audit of every Nursing Facility provider. Upon completion of the audits the Department reviews its draft findings and adjustments with the providers and issues a written summary of such findings in accordance with (13.4.2.4). There are many factors to consider when planning for the completion date of an audit. Providers have one year from the date of service to bill claims, they also have up to 120 days to adjust claims. These scenarios are part of the reason why there is no pre-specified deadline for the completion of an audit. It has never been the intent of the rule to complete an audit within 180 days. It is the position of the Department that to complete an audit within 180 days of an acceptable cost report would cause an undue burden to providers and the Department alike because there would be many instances of adjustments of claims leading to audit revisions. The auditor has noted in the finding that the Medicaid agency must provide for periodic audits in accordance with 42 CFR Section 447.253(g); the Department has this provision in place. The auditor has also noted that for ICF/MR facilities the MCBM does not specify a time frame for issuance of audits; correspondingly, it is left to the Department to determine the appropriate time to conclude these specified audits, which the Department is doing. In both instances, the Department is in compliance with the identified requirements.
	Completion Date:	Not applicable
	Agency Contact:	Herb Downs, Director, Division of Audit, 207-287-2778
2018-050	Department:	Health and Human Services
	Title:	Provider eligibility procedures need to address Advance Directives
	Questioned Costs:	None
	Status:	Corrective action in progress

	Corrective Action:	Providers will sign updated agreements as part of the provider revalidation that began in July 2017 and will continue for approximately three years.
	Completion Date:	July 31, 2020
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093
2018-051	Department:	Administrative and Financial Services
	Title:	_____ assigned to _____ need improvement (The title of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with the finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	August 1, 2019 and December 20, 2019
	Agency Contact:	Nathan Willigar, Deputy Chief Information Security Officer, OIT, 207-458-1320
2018-052	Department:	Health and Human Services
	Title:	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with the finding. The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities
	Completion Date:	Not applicable
	Agency Contact:	Michelle S. Probert, Director, Office of MaineCare Services, 207-287-2093
2018-053	Department:	Health and Human Services
	Title:	Procedures to ensure that individual clients' Cost of Care assessment is accurate need improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	FI's new Business Rules Engine will be implemented statewide in the first quarter of calendar year 2019, and this will assist in improving the benefit determinations for all programs, including those that require a Cost of Care. In order to further ensure accuracy of manual cost of care calculations, a quarterly query will be established and a select number of cases will be reviewed, by the Long Term Care (LTC) Supervisors. To ensure a systematic review process for Cost of Care assessment calculations, OFI will create written guidance for the review process of these select number of cases analyzed from the quarterly query. OFI is also in the process of hiring a LTC Program Administrator, who will assist the current LTC Unit supervisors in the review of these cases.
	Completion Date:	August 31, 2019
	Agency Contact:	Anthony Pelotte, Director, Office for Family Independence, 207-624-4104
2018-054	Department:	Administrative and Financial Services Health and Human Services
	Title:	Riverview

	Questioned Costs:	$14,037,063
	Status:	Corrective action completed
	Corrective Action:	The Department has continued to work with CMS regarding this matter. As of January 30, 2019, Riverview has regained certification to participate in the Medicaid program as a Psychiatric Hospital. The Department continues its legal appeal regarding the disallowance of disproportionate share funding during the identified period.
	Completion Date:	January 30, 2019
	Agency Contact:	Bethany Hamm, Deputy Commissioner, DHHS, 207-577-2168
2018-055	Department:	Administrative and Financial Services
	Title:	Office of Information Technology oversight and procedures over _____ needs improvement (The title of this finding has been redacted. This appears as blank underlining)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with the finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	October 31, 2019 and June 30, 2020
	Agency Contact:	Nathan Willigar, Deputy Chief Information Security Officer, OIT, 207-458-1320

STATE OF MAINE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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   DOUGLAS E. COTNOIR, CPA, CIA
COMMISSIONER   STATE CONTROLLER

Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2018

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**	
2015-005	Finding Title:	Procedures related to long term care facility audits need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	As the Department has continued to state there is a Desk Review and an Audit. Two distinct processes with two distinct regulations within the MaineCare Benefits Manual (MCBM). As the finding indicates there is a 180 day clock for Nursing Facility Uniform Desk Reviews. The Department has consistently, well within the 180 day clock performed an analysis of the provider's cost report to determine the adequacy and completeness of a report, accuracy and reasonableness of the data recorded thereon (MCBM Section 67, 13.4.1.2). Also, in all instances the Department has requested additional information (13.4.1.4) from providers to perform audits on all Nursing Facility providers. Upon completion of the audits the Department reviews its draft findings and adjustments with the providers and issues a written summary of such findings in accordance with (13.4.2.4). Please note there is no timeframe for completion of an audit. Also a note of interest; the providers have one year from the date of service to bill claims, they also have up to 120 days to adjust claims. It is the position of the Department that to complete an

Summary Schedule of Prior Audit Findings	
Finding Number	**Prior Audit Finding Status**

		audit within 180 days of an acceptable cost report would cause an undue burden to providers and the Department alike. As there would be many, many instances of adjustments of claims leading to audit revisions, etc. It was never the intent of the rule to complete an audit within 180 days. The auditor has noted in the finding that the Medicaid agency must provide for periodic audits in accordance with 42 CFR Section 447.253(g); the Department has this provision in place. The auditor has also noted that for ICF/MR facilities the MCBM does not specify a time frame for issuance of audits; correspondingly, it is left to the Department to determine the appropriate time to conclude these specified audits, which the Department is doing. In both instances, the Department is in compliance with the identified requirements.
	FY 2018 Finding:	2018-049
2015-006	Finding Title:	Riverview
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department has continued to work with CMS regarding this matter. As of January 30, 2019, Riverview has regained certification to participate in the Medicaid program as a Psychiatric Hospital. The Department will continue further discussions with CMS regarding any outstanding matters.
	FY 2018 Finding:	2018-054
2015-007	Finding Title:	Provider eligibility procedures need to address Advance Directives
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2009
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department initiated partial corrective action in FY 2014, by including the required language in the provider agreements (complying with the requirements for newly enrolled providers and providers reenrolling). As part of the ACA provider revalidation initiative, all providers are required to reenroll and sign the revised provider agreement. In FY 2017 (June 2017), the Department began the reenrollment process and is currently in the phase of provider reenrollment and revalidation. The Department anticipates that full corrective action will implemented by the end of FY 2020.
	FY 2018 Finding:	2018-050
2015-008	Finding Title:	Provider eligibility procedures need to integrate Automated Data Exchange
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767

Finding Number	Summary Schedule of Prior Audit Findings	
	Prior Audit Finding Status	
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department is continuing the provider revalidation process, which fulfills the CMS requirements for provider eligibility validation. The Department anticipates that full corrective action will be implemented by April of 2020
	FY 2018 Finding:	2018-047
2015-010	Finding Title:	Procedures related to Medicare Part B premium payments need improvement
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2015-013	Finding Title:	Inadequate surveillance and utilization review of Medicaid services
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2013
	Questioned Costs:	Undeterminable
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department contends that current surveillance and utilization review activities comply with federal requirements. That being said, the Department continues to take steps to enhance and improve the program.
	FY 2018 Finding:	Finding was not reissued
2015-014	Finding Title:	Inadequate management controls over _____ (The title of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778, 10.551, 10.561
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department continues to implement corrective action and intends to complete the remaining corrective action step during FY 2019.
	FY 2018 Finding:	2018-045
2015-021	Finding Title:	Income Eligibility and Verification System (IEVS) procedures need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558, 93.775, 93.777, 93.778, 93.767, 10.551, 10.561
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018

Finding Number	Summary Schedule of Prior Audit Findings			
	Prior Audit Finding Status			
2015-025	Finding Title:	Procedures over drug rebate accounting and reporting need improvement		
	State Department:	Administrative and Financial Services Health and Human Services		
	CFDA Number:	93.775, 93.777, 93.778, 93.767		
	Initial Finding FY:	2015		
	Questioned Costs:	Questioned Costs	Total	Federal	State
		Known	$6,069 CHIP ($5,119) Medicaid	$4,446 CHIP ($3,750) Medicaid	$1,623 CHIP ($1,369) Medicaid
		Likely	$2,806,000 CHIP ($2,367,000) Medicaid	$2,056,000 CHIP ($1,734,000) Medicaid	$750,000 CHIP ($633,000) Medicaid
	FY18 Status:	Corrective action not completed in FY 2018		
	Explanation:	The development of a production report that enabled accurate reporting, was in process during much of State fiscal year 2018. The report was completed and the new process was implemented during the fourth quarter of State fiscal year 2018. CMS reviewed and approved the production report/methodology in July of 2018. DHHS will continue to utilize this report. DHHS believes no additional corrective action is necessary.		
	FY 2018 Finding:	2018-041		
2015-031	Finding Title:	Inadequate internal control over continuing eligibility		
	State Department:	Administrative and Financial Services Labor		
	CFDA Number:	17.225		
	Initial Finding FY:	2011		
	Questioned Costs:	Undeterminable		
	FY18 Status:	Corrective action not completed in FY 2018		
	Explanation:	The transition to the new ReEmployME application caused a temporary suspension of the formal work search audit process. Existing procedures had to be updated to reflect the process in ReEmployME, which is much more automated in this respect compared to the Legacy system. As of 11/17/18, weekly work search audits are being conducted in the system. In a general sense, the new application has significantly increased controls and program integrity related to work search as claimants are now required to provide their weekly work search efforts when filing their weekly certification before payment is released. When done online or with a customer service representative on the phone, the claim cannot be completed without providing a preset amount of information on the work search efforts. When filed by telephone using the Interactive Voice Response system, the weekly certification is put in a suspense status until the claimant provides their work search efforts for the week claimed. No payment is made on the week until completed. The corrective actions outlined in the corrective action plan, as well as the restarting of the formal work search audit process, will address the		

Finding Number	Prior Audit Finding Status	
		findings in 11 of the 12 cases that failed the audit. The remaining finding was related to the Maine Job Link on a claim established in the Legacy application during the two-week transitional period from the Legacy system to ReEmployME. None of the cases established in ReEmployME failed this audit review. With the Legacy system not available to review why this case failed, and no failed cases identified in ReEmployME, there is no action available to the Bureau to correct this issue. The anticipated completion date for full corrective action is December 2019.
	FY 2018 Finding:	2018-023
2015-033	Finding Title:	Internal control over _____ is inadequate (The title of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps were fully completed with the implementation of the new system. The completion date for full corrective action was December 2018.
	FY 2018 Finding:	Finding was not reissued
2015-034	Finding Title:	_____ controls related to the Unemployment Insurance (UI) _____ need improvement (The title of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2016-001	Finding Title:	Information _____ to ensure that _____ need improvement (The title of this finding has been redacted. This appears as blank underlining).
	State Department:	Health and Human Services
	CFDA Number:	10.551, 10.561, 93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2016-004	Finding Title:	Procedures to ensure compliance with subrecipient monitoring requirements need improvement
	State Department:	Agriculture, Conservation and Forestry
	CFDA Number:	11.419
	Initial Finding FY:	2016
	Questioned Costs:	None

Finding Number	Prior Audit Finding Status	
	Summary Schedule of Prior Audit Findings	
	FY18 Status:	Corrective action completed in FY 2018
2016-005	Finding Title:	Internal control over continuing eligibility is not adequate
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2011
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The transition to the new ReEmployME application caused a temporary suspension of the formal work search audit process. Existing procedures had to be updated to reflect the process in ReEmployME, which is much more automated in this respect compared to the Legacy system. As of 11/17/18, weekly work search audits are being conducted in the system. In a general sense, the new application has significantly increased controls and program integrity related to work search as claimants are now required to provide their weekly work search efforts when filing their weekly certification before payment is released. When done online or with a customer service representative on the phone, the claim cannot be completed without providing a preset amount of information on the work search efforts. When filed by telephone using the Interactive Voice Response system, the weekly certification is put in a suspense status until the claimant provides their work search efforts for the week claimed. No payment is made on the week until completed. The corrective actions outlined in the corrective action plan, as well as the restarting of the formal work search audit process, will address the findings in 11 of the 12 cases that failed the audit. The remaining finding was related to the Maine Job Link on a claim established in the Legacy application during the two-week transitional period from the Legacy system to ReEmployME. None of the cases established in ReEmployME failed this audit review. With the Legacy system not available to review why this case failed, and no failed cases identified in ReEmployME, there is no action available to the Bureau to correct this issue. The anticipated completion date for full corrective action is December 2019.
	FY 2018 Finding:	2018-023
2016-006	Finding Title:	_____ controls related to the Unemployment Insurance Benefit _____ need improvement (The title of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2016-008	Finding Title:	Internal control over _____ is not adequate (The title of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor

Summary Schedule of Prior Audit Findings	
Finding Number	**Prior Audit Finding Status**
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps were fully completed with the implementation of the new system. The completion date for full corrective action was December 2018.
	FY 2018 Finding:	Finding was not reissued
2016-014	Finding Title:	TANF grant funds transferred to the Social Services Block Grant were used for unallowable purposes
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	In an August 2016 meeting with the Office of the State Auditor, Department officials made clear that this misconceived finding should not exist. Furthermore, we question the timing of the finding outside the normal schedule of State Auditor reports. Such timing raises serious concerns about politicization of the State Auditor process and of this matter.
		First the "Questioned Costs" and "Context" section are telling. As stated during the August meeting, the Department sought to maximize federal block grant dollars to benefit needy Mainers. When the Department could not obtain formal guidance from federal officials permitting more flexible use of TANF dollars, the Department reversed prior transfers. Funds from those transfers that were directed to community-based services contracts were replaced by General Fund dollars. Each of these actions occurred within the allowable time-period of the federal grant, thereby mitigating any actual impact to Department finances. That is why the finding explicitly states in the Questioned Costs section that there were no questioned costs. Moreover, the Context section states that, "The total of $13.4 million was returned to the Federal government by July 2016," meaning that the transfers in question had no effect. This review of expenditures throughout a federal fiscal year related to federal grants is not only allowable, it is expected. The purpose of any review by the State of current expenditures related to federal grants is then to utilize the process of reversing such transactions, if necessary, based on that review.
		Second, the finding's "Cause" and "Effect" sections are both misleading. The former states that, "The Department was encouraged by the State's Department of Administrative and Financial Services to seek written Federal approval for the Department's revised plan for the use of these TANF funds," subsequently claiming that the Department did not do so. That is not the case, however, as Department officials explained to the Office of the State Auditor in August 2016. The fact is that the Department did seek—and continues to seek—formal guidance from

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Federal officials. Indeed not receiving formal, written guidance factored prominently into the Department's decision to reverse the transfers. In addition, the "Effect" section states that, "The Department did not spend Federal grant funds in accordance with Federal grant regulations." But, if there were no questioned costs—which the finding states clearly—then the Office of the State Auditor has already conceded that the Department did not spend funds inappropriately. Otherwise, there would be questioned costs. Next, the finding recommends that, "the Department refrain from using Federal funds where compliance is uncertain until appropriate approvals have been secured." Because the grant period remained ongoing, however, the Department did just that. Had the transfer occurred outside the Federal grant period—and had Maine been liable for penalties—then the recommendation would be merited. As it is, the latter just affirms that the Department's actions were appropriate. Finally, the "Recommendation" section concludes by stating, "We also recommend that the Department consider legal and ethical restraints when using Federal funds." The Department adheres to this standard; did so in this case; and rejects the unfounded implication otherwise.	
	FY 2018 Finding:	Finding was not reissued
2016-015	Finding Title:	Monitoring of subrecipients needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Office of State Auditor over the span of seven days in mid-March went from requesting information to an official finding. This particular finding includes several offices within the Department and tracking information down can be time consuming. The Department has not had sufficient time to be able to research whether or not the condition is factual. In the time since the finding has been issued the Department has been able to retrieve many of the performance reports noted in the finding. We are confident given time we could find more.
	FY 2018 Finding:	2018-029
2016-017	Finding Title:	Income Eligibility and Verification System procedures need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2016-019	Finding Title:	Procedures over drug rebate accounting and reporting need improvement
	State Department:	Administrative and Financial Services

Finding Number	Prior Audit Finding Status			
		Health and Human Services		
	CFDA Number:	93.775, 93.777, 93.778, 93.767		
	Initial Finding FY:	2015		
	Questioned Costs:	Questioned Costs	Total	Federal	State
		Known	$3,050 CHIP ($3,050) Medicaid	$2,775 CHIP ($1,905) Medicaid	$275 CHIP ($1,145) Medicaid
		Likely	$3,207,997 CHIP ($3,207,997) Medicaid	$2,918,716 CHIP ($2,004,116) Medicaid	$289,281 CHIP ($1,203,881) Medicaid
	FY18 Status:	Corrective action not completed in FY 2018		
	Explanation:	The development of a production report that enabled accurate reporting, was in process during much of State fiscal year 2018. The report was completed and the new process was implemented during the fourth quarter of State fiscal year 2018. CMS reviewed and approved the production report/methodology in July of 2018. DHHS will continue to utilize this report. DHHS believes no additional corrective action is necessary.		
	FY 2018 Finding:	2018-041		
2016-020	Finding Title:	Inadequate management controls over _____ (The title of this finding has been redacted. This appears as blank underlining).		
	State Department:	Administrative and Financial Services		
	CFDA Number:	93.775, 93.777, 93.778, 10.551, 10.561		
	Initial Finding FY:	2014		
	Questioned Costs:	None		
	FY18 Status:	Corrective action not completed in FY 2018		
	Explanation:	The Department continues to implement corrective action and intends to complete the remaining corrective action step during FY 2019.		
	FY 2018 Finding:	2018-045		
2016-021	Finding Title:	Information technology controls provided by the contractor to ensure that pharmacy claims are processed accurately, completely, securely, and without disruption need improvement		
	State Department:	Health and Human Services		
	CFDA Number:	93.775, 93.777, 93.778, 93.767		
	Initial Finding FY:	2016		
	Questioned Costs:	None		
	FY18 Status:	Corrective action completed in FY 2018		
2016-022	Finding Title:	_____ controls over _____ are not adequate (The title of this finding has been redacted. This appears as blank underlining).		
	State Department:	Health and Human Services		
	CFDA Number:	93.775, 93.777, 93.778, 93.767		
	Initial Finding FY:	2016		
	Questioned Costs:	None		

Finding Number	Summary Schedule of Prior Audit Findings	
	Prior Audit Finding Status	
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department's has taken steps effective 10/1/18 to address this finding. The program administrator will monitor the vendor's progress.
	FY 2018 Finding:	2018-046
2016-024	Finding Title:	No _____ is in place over the _____ (The title of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department has completed the first step of corrective action in September 2018 and provided it to OSA. The Department is currently working on the second step which we anticipate having this document completed by June 2019. The third step will require partnering with the State's Office of Information Technology. The Office of Information Technology anticipates completion as early as September 30, 2020.
	FY 2018 Finding:	2018-044
2016-025	Finding Title:	Procedures related to Long Term Care Facility audits need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	As the Department has continued to state there is a Desk Review and an Audit. Two distinct processes with two distinct regulations within the MaineCare Benefits Manual (MCBM). As the finding indicates there is a 180 day clock for Nursing Facility Uniform Desk Reviews. The Department has consistently, well within the 180 day clock performed an analysis of the provider's cost report to determine the adequacy and completeness of a report, accuracy and reasonableness of the data recorded thereon (MCBM Section 67, 13.4.1.2). Also, in all instances the Department has requested additional information (13.4.1.4) from providers to perform audits on all Nursing Facility providers. Upon completion of the audits the Department reviews its draft findings and adjustments with the providers and issues a written summary of such findings in accordance with (13.4.2.4). Please note there is no timeframe for completion of an audit. Also a note of interest; the providers have one year from the date of service to bill claims, they also have up to 120 days to adjust claims. It is the position of the Department that to complete an audit within 180 days of an acceptable cost report would cause an undue burden to providers and the Department alike. As there would be many, many instances of adjustments of claims leading to audit revisions, etc. It was never the intent of the rule to complete an audit within 180 days. The auditor has noted in the finding that the Medicaid agency must provide for periodic audits in accordance with 42 CFR Section

Finding Number	Prior Audit Finding Status	
		447.253(g); the Department has this provision in place. The auditor has also noted that for ICF/MR facilities the MCBM does not specify a time frame for issuance of audits; correspondingly, it is left to the Department to determine the appropriate time to conclude these specified audits, which the Department is doing. In both instances, the Department is in compliance with the identified requirements.
	FY 2018 Finding:	2018-049
2016-026	Finding Title:	Procedures related to Medicare Part B premium payments need improvement
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2016-027	Finding Title:	Riverview
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department has continued to work with CMS regarding this matter. As of January 30, 2019, Riverview has regained certification to participate in the Medicaid program as a Psychiatric Hospital. The Department will continue further discussions with CMS regarding any outstanding matters.
	FY 2018 Finding:	2018-054
2016-028	Finding Title:	Provider eligibility procedures need to integrate Automated Data Exchange
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department is continuing the provider revalidation process, which fulfills the CMS requirements for provider eligibility validation. The Department anticipates that full corrective action will be implemented by April of 2020.
	FY 2018 Finding:	2018-047
2016-029	Finding Title:	Provider eligibility procedures need to address Advance Directives
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2009

Finding Number	Prior Audit Finding Status	
	Summary Schedule of Prior Audit Findings	
	Prior Audit Finding Status	
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department initiated partial corrective action in FY 2014, by including the required language in the provider agreements (complying with the requirements for newly enrolled providers and providers reenrolling). As part of the ACA provider revalidation initiative, all providers are required to reenroll and sign the revised provider agreement. In FY 2017 (June 2017), the Department began the reenrollment process and is currently in the phase of provider reenrollment and revalidation. The Department anticipates that full corrective action will implemented by the end of FY 2020.
	FY 2018 Finding:	2018-050
2016-031	Finding Title:	Surveillance and utilization review of Medicaid services is not adequate
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2013
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department contends that current surveillance and utilization review activities comply with federal requirements. That being said, the Department continues to take steps to enhance and improve the program.
	FY 2018 Finding:	Finding was not reissued
2016-032	Finding Title:	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department disagrees with the finding. The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities.
	FY 2018 Finding:	2018-052
2017-001	Finding Title:	Contractor-provided _____ controls for _____ need improvement (The title of this finding has been redacted. This appears as blank underlining.)
	State Department:	Health and Human Services
	CFDA Number:	10.551, 10.561, 93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2017-002	Finding Title:	Insufficient documentation in support of payroll costs
	State Department:	Defense, Veterans and Emergency Management

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	CFDA Number:	12.401
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department implemented procedures to ensure that all timecards were properly signed, reviewed and processed. This timecard policy was initially implemented in April 2018 and was formalized in August 2018.
	FY 2018 Finding:	2018-016
2017-003	Finding Title:	Controls related to the U.S. Treasury-State Agreement for cash management and the related reporting to the Federal government on the SF-270 report need improvement
	State Department:	Defense, Veterans and Emergency Management
	CFDA Number:	12.401
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Maine Department of Defense, Veterans and Emergency Management and the Federal National Guard Bureau have entered into a Master Cooperative Agreement which establishes that funding requests will be made on a reimbursement basis utilizing the form SF 270. The SF270 has specific instructions that are aligned with the Department of Defense regulations but were inconsistent with the TSA in place during much of the audit period. The requests for reimbursements were submitted to and approved by our Federal partner in compliance with all Department of Defense regulations. It should be noted that the TSA was amended on April 1, 2018 to more closely align with the actual draw patterns in response to the FY2017 finding that was issued in March 2018. It should also be noted that for 2019, CFDA# 12.401, National Guard Military Operations and Maintenance (O&M) Projects is not included in the TSA.
	FY 2018 Finding:	2018-015
2017-004	Finding Title:	Monitoring of cash balance needs to be improved
	State Department:	Defense, Veterans and Emergency Management
	CFDA Number:	12.401
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	Beginning SFY2019, a new Appropriation Unit was established to account for new Military Construction projects, and the Department is working on splitting out each appendices cash balance in a subsidiary record to track the negative cash balances in a more transparent way.
	FY 2018 Finding:	2018-017
2017-005	Finding Title:	Internal controls over suspension and debarment need improvement
	State Department:	Defense, Veterans and Emergency Management
	CFDA Number:	12.401

Finding Number	Summary Schedule of Prior Audit Findings	
	Prior Audit Finding Status	
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2017-006	Finding Title:	Internal control over continuing eligibility is not adequate
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2011
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The transition to the new ReEmployME application caused a temporary suspension of the formal work search audit process. Existing procedures had to be updated to reflect the process in ReEmployME, which is much more automated in this respect compared to the Legacy system. As of 11/17/18, weekly work search audits are being conducted in the system. In a general sense, the new application has significantly increased controls and program integrity related to work search as claimants are now required to provide their weekly work search efforts when filing their weekly certification before payment is released. When done online or with a customer service representative on the phone, the claim cannot be completed without providing a preset amount of information on the work search efforts. When filed by telephone using the Interactive Voice Response system, the weekly certification is put in a suspense status until the claimant provides their work search efforts for the week claimed. No payment is made on the week until completed.

The corrective actions outlined in the corrective action plan, as well as the restarting of the formal work search audit process, will address the findings in 11 of the 12 cases that failed the audit. The remaining finding was related to the Maine Job Link on a claim established in the Legacy application during the two-week transitional period from the Legacy system to ReEmployME. None of the cases established in ReEmployME failed this audit review. With the Legacy system not available to review why this case failed, and no failed cases identified in ReEmployME, there is no action available to the Bureau to correct this issue. The anticipated completion date for full corrective action is December 2019. |
	FY 2018 Finding:	2018-023
2017-007	Finding Title:	Internal controls over _____ are not adequate (The title of this finding has been redacted. This appears as blank underlining.)
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps were fully completed with the

Finding Number	Prior Audit Finding Status	
		implementation of the new system. The completion date for full corrective action was December 2018.
	FY 2018 Finding:	Finding was not reissued
2017-008	Finding Title:	Performance monitoring of TANF subrecipients needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Office of State Auditor over the span of seven days in mid-March went from requesting information to an official finding. This particular finding includes several offices within the Department and tracking information down can be time consuming. The Department has not had sufficient time to be able to research whether or not the condition is factual. In the time since the finding has been issued the Department has been able to retrieve many of the performance reports noted in the finding. We are confident given time we could find more
	FY 2018 Finding:	2018-029
2017-009	Finding Title:	Subrecipient contracts need to be updated and monitoring of subrecipient financial information needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558, 93.044, 93.045, 93.053, 93.569
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018; Management's opinion is that no additional corrective action is required regarding Cash Management
	Explanation:	None of the subrecipient contracts tested were research and development contracts, that is why they were not identified as such. With regard to the remaining elements the Department has implemented procedures as of 10/1/2018 to ensure the remaining required components are identified in all subrecipient agreements. The criteria and condition noted by the auditor fails to include the sentence "The timing and amount of advance payments must be as close as administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs." The Department considers its procedures to advance payments and truing up quarterly as "as close as administratively feasible". The Department has also improved its procedures over the past few years by limiting the amount of under and overpayments to the provider. Where limits used to be 10% of a contract value, the Department now adjusts based upon a $1,000 threshold.
	FY 2018 Finding:	2018-027 & 2018-026
2017-010	Finding Title:	Income Eligibility and Verification System procedures need improvement

Finding Number	Summary Schedule of Prior Audit Findings	
	Prior Audit Finding Status	
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2017-011	Finding Title:	Controls over special reporting need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2017-012	Finding Title:	Procedures related to TANF work participation need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department has identified two causes for the reporting of inaccurate work participation data: 1) The Department recognizes a system update is required to more accurately report work participation hours for the Worker Supplement Benefit (WSB) program. WSB eligibility determination currently uses ACES data fields of either reported anticipated hours of employment, or verified hours of employment. The Department will update the ACES system to determine WSB program eligibility based on verified hours when available. The anticipated completion date for full corrective action is December 2019. 2) The Department's vendor, Fedcap, programmed into their system a rounding calculation which rounded up reported participation hours. Fedcap rounded all partial work activity hours up to the nearest whole hour. This was identified on 10/17/18, and was corrected by Fedcap on 10/23/18. The vendor completed quality checks on 10/24/18, 11/1/18, and 11/5/18. Fedcap continues to perform quality checks monthly and quarterly. After the system updates to ACES, we will conduct a review to ensure the accuracy of the data. We will then continue to monitor the data on a quarterly basis.
	FY 2018 Finding:	2018-028
2017-013	Finding Title:	No evaluation of each subrecipient's risk of noncompliance
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department implemented procedures in October of 2018 to ensure that there is a documented risk assessment performed on all of its subrecipients.

Finding Number	Summary Schedule of Prior Audit Findings	
	Prior Audit Finding Status	
	FY 2018 Finding:	2018-032
2017-014	Finding Title:	Internal controls over the allocation of Community Services Block Grant funds to individual community action agencies need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.569
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department has written procedures for allocation purposes as outlined in Maine State Statue Title 22: Chapter 1477 and the Department rules 10-144: Chapter 2. The Department's CSBG program is in accordance with Federal and State regulations. The Department's method of allocation of 50% goes beyond that of the 20% required by statute. The allocation method has been in use for the last two decades and has passed several reviews by state and federal governments. Additionally, this allocation is outlined in Maine's CSBG State Plan, which is reviewed by the public via internet publication and by public hearing which is attended by community action agencies, The Maine Community Action Association, and any other interested parties. The CSBG Coordinator, with oversight and review of Coordinator's Supervisor, calculates CSBG allocations based on the CSBG award, which is then reviewed by the Finance Team Manager, Finance Team Management Analyst, and finally by the DHHS Program Financial Officer.
2017-015	FY 2018 Finding:	Finding was not reissued
	Finding Title:	Procedures over drug rebate accounting and reporting need improvement
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2015
	Questioned Costs:	Undeterminable
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The development of a production report that enabled accurate reporting, was in process during much of State fiscal year 2018. The report was completed and the new process was implemented during the fourth quarter of State fiscal year 2018. CMS reviewed and approved the production report/methodology in July of 2018. DHHS will continue to utilize this report. DHHS believes no additional corrective action is necessary.
2017-016	FY 2018 Finding:	2018-041
	Finding Title:	Riverview
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2014

Finding Number	Prior Audit Finding Status			
	Questioned Costs:	Questioned Costs	Total	Federal	State
		Known	$14,000,000	$14,000,000	
		Likely			
	FY18 Status:	Management's opinion is that no additional corrective action is required			
	Explanation:	The Department has continued to work with CMS regarding this matter. As of January 30, 2019, Riverview has regained certification to participate in the Medicaid program as a Psychiatric Hospital. The Department will continue further discussions with CMS regarding any outstanding matters.			
	FY 2018 Finding:	2018-054			
2017-017	Finding Title:	Controls over Cost of Care assessments need improvement			
	State Department:	Health and Human Services			
	CFDA Number:	93.775, 93.777, 93.778			
	Initial Finding FY:	2017			
	Questioned Costs:	Undeterminable			
	FY18 Status:	Corrective action not completed in SY 2018			
	Explanation:	The Department's new Business Rules Engine will be implemented statewide in the first quarter of calendar year 2019, and this will assist in improving the benefit determinations for all programs, including those that require a Cost of Care. In order to further ensure accuracy of manual cost of care calculations, a quarterly query will be established and a select number of cases will be reviewed, by the Long Term Care (LTC) Supervisors. To ensure a systematic review process for Cost of Care assessment calculations, OFI will create written guidance for the review process of these select number of cases analyzed from the quarterly query. OFI is also in the process of hiring a Long Term Care (LTC) Program Administrator, who will assist the current LTC Unit supervisors in the review of these cases.			
	FY 2018 Finding:	2018-053			
2017-018	Finding Title:	Eligibility re-determination controls need improvement			
	State Department:	Health and Human Services			
	CFDA Number:	93.775, 93.777, 93.778			
	Initial Finding FY:	2017			
	Questioned Costs:	Undeterminable			
	FY18 Status:	Corrective action not completed in SY 2018			
	Explanation:	In search of continuous improvement, the Office of Family Independence has an auto-generated report, run on a monthly basis, that identifies cases for which a re-determination date may not be flagged within ACES. The Office currently has staff who receive this auto-generated list on that monthly basis, and who work the list as a part of their normal job duties. The Office will ensure that this list is prioritized, looking at oldest cases first, and that staff are working this list on a regular basis in order to further reduce the number of eligibility re-determinations that have exceeded twelve-months. The anticipated completion date for full corrective action is June 2019.			
	FY 2018 Finding:	2018-043			

Finding Number	Summary Schedule of Prior Audit Findings	
	Prior Audit Finding Status	
2017-019	Finding Title:	Management controls over _____ need improvement (The title of this finding has been redacted. This appears as blank underlining.)
	State Department:	Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767, 10.551, 10.561
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department continues to implement corrective action and intends to complete the remaining corrective action step during FY 2019.
	FY 2018 Finding:	2018-045
2017-020	Finding Title:	_____ controls provided by the Department for the _____ need improvement (The title of this finding has been redacted. This appears as blank underlining.)
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2017-021	Finding Title:	Contractor-provided _____ controls for the _____ need improvement (The title of this finding has been redacted. This appears as blank underlining.)
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2017-022	Finding Title:	_____ control assurance over _____ are not adequate (The title of this finding has been redacted. This appears as blank underlining.)
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department's has taken steps effective 10/1/18 to address this finding. The program administrator will monitor the vendor's progress.
	FY 2018 Finding:	2018-046
2017-023	Finding Title:	No _____ is in place over the _____ (The title of this finding has been redacted. This appears as blank underlining.)
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558
	Initial Finding FY:	2016
	Questioned Costs:	None

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department has completed the first step of corrective action in September 2018 and provided it to OSA. The Department is currently working on the second step which we anticipate having this document completed by June 2019. The third step will require partnering with the State's Office of Information Technology. The Office of Information Technology anticipates completion as early as September 30, 2020.
	FY 2018 Finding:	2018-044
2017-024	Finding Title:	Internal controls over _____ are not adequate (The title of this finding has been redacted. This appears as blank underlining.)
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767, 93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2017-025	Finding Title:	Procedures related to Long Term Care Facility Audits and Hospital Interim Settlement Audits need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	As the Department has continued to state there is a Desk Review and an Audit. Two distinct processes with two distinct regulations within the MaineCare Benefits Manual (MCBM). As the finding indicates there is a 180 day clock for Nursing Facility Uniform Desk Reviews. The Department has consistently, well within the 180 day clock performed an analysis of the provider's cost report to determine the adequacy and completeness of a report, accuracy and reasonableness of the data recorded thereon (MCBM Section 67, 13.4.1.2). Also, in all instances the Department has requested additional information (13.4.1.4) from providers to perform audits on all Nursing Facility providers. Upon completion of the audits the Department reviews its draft findings and adjustments with the providers and issues a written summary of such findings in accordance with (13.4.2.4). Please note there is no timeframe for completion of an audit. Also a note of interest; the providers have one year from the date of service to bill claims, they also have up to 120 days to adjust claims. It is the position of the Department that to complete an audit within 180 days of an acceptable cost report would cause an undue burden to providers and the Department alike. As there would be many, many instances of adjustments of claims leading to audit revisions, etc. It was never the intent of the rule to complete an audit within 180 days. The auditor has noted in the finding that the Medicaid agency must provide for periodic audits in accordance with 42 CFR Section 447.253(g); the Department has this provision in place. The auditor has also noted that for ICF/MR facilities the MCBM does not specify a time frame for issuance of audits; correspondingly, it is left to the Department

Finding Number	Prior Audit Finding Status	
		to determine the appropriate time to conclude these specified audits, which the Department is doing. In both instances, the Department is in compliance with the identified requirements.
	FY 2018 Finding:	2018-049
2017-026	Finding Title:	Provider eligibility procedures need to address Advance Directives
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2009
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department initiated partial corrective action in FY 2014, by including the required language in the provider agreements (complying with the requirements for newly enrolled providers and providers reenrolling). As part of the ACA provider revalidation initiative, all providers are required to reenroll and sign the revised provider agreement. In FY 2017 (June 2017), the Department began the reenrollment process and is currently in the phase of provider reenrollment and revalidation. The Department anticipates that full corrective action will implemented by the end of FY 2020.
	FY 2018 Finding:	2018-050
2017-027	Finding Title:	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department disagrees with the finding. The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities.
	FY 2018 Finding:	2018-052
2017-028	Finding Title:	Controls over reporting requirements need improvement
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department disagrees with this finding. The quarterly CMS 64 report for the State of Maine contains over $420 million dollars in Federal expenditures. It is anticipated that a report of that magnitude will have routine line to line adjustments for a myriad of reasons. The item in question is a routine reporting reclassification and does not affect the

Finding Number	Prior Audit Finding Status	
		total amount reported or expended, a scenario that occurs frequently at the request of CMS.
	FY 2018 Finding:	Finding was not reissued
2017-029	Finding Title:	Procedures related to Medicare Part B premium payments need improvement
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2017-030	Finding Title:	Provider eligibility procedures need to integrate Automated Data Exchange
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	The Department is continuing the provider revalidation process, which fulfills the CMS requirements for provider eligibility validation. The Department anticipates that full corrective action will be implemented by April of 2020
	FY 2018 Finding:	2018-047
2017-031	Finding Title:	Medicare Buy-In information is inconsistent between the Automated Client Eligibility System and the Centers for Medicare and Medicaid Services systems
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Corrective action completed in FY 2018
2017-032	Finding Title:	_____ inappropriately allow _____ (The title of this finding has been redacted. This appears as blank underlining.)
	State Department:	Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY18 Status:	Corrective action not completed in FY 2018
	Explanation:	OIT will be addressing the condition contained within this finding. The anticipated completion date for full corrective action is December 2019. The Department disagrees with the Auditor's characterization of the overall effect of the stated condition.
	FY 2018 Finding:	2018-051

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