



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

MAINE \_\_\_\_\_  
POLA BUCKLEY  
\_\_\_\_\_ STATE AUDITOR

# State of Maine

## Single Audit for Fiscal Year 2018

### Single Audit Summary

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

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

All activities of State government are subject to audit. The State had revenues of \$8.5 billion and expenditures of \$8.1 billion in fiscal year 2018. This includes \$3.1 billion in Federal financial assistance, as reported on the Schedule of Expenditures of Federal Awards. As a condition of receiving Federal funds, the State is subject to an annual “Single Audit” of its financial statements and of its compliance with Federal grant requirements.

#### **Maine’s Single Audit Defined**

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

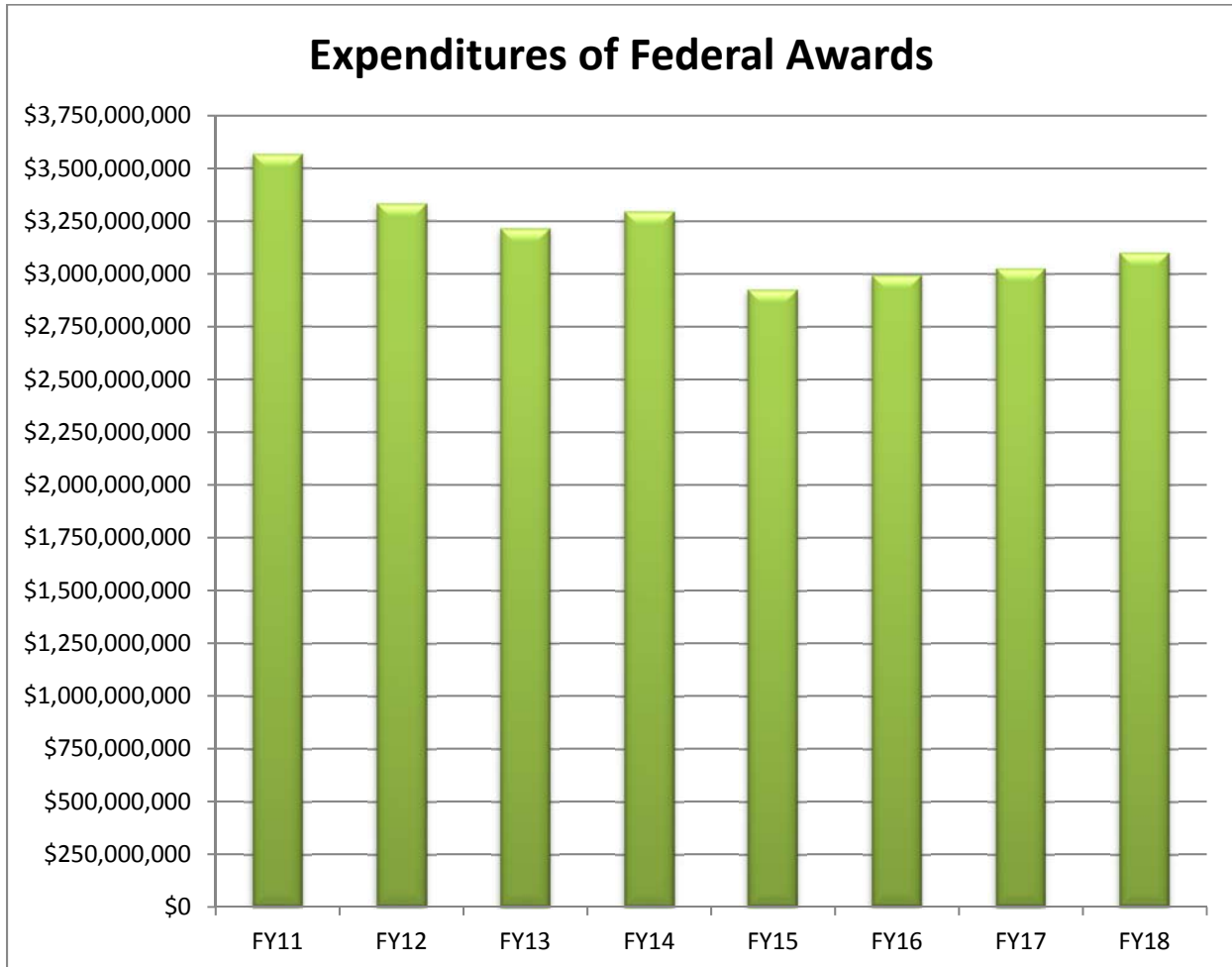
The State Auditor is independent from the Executive branch of government, and reports to the Legislature regarding the results of the Single Audit. The Single Audit Report for fiscal year 2018 includes our audit of the State’s financial statements and also includes our audit of fifteen Federal programs. These Federal programs, administered by seven State agencies, represented 73% of the \$3.1 billion in Federal financial assistance expended by the State in fiscal year 2018.

The Single Audit Report is available at  
<http://www.maine.gov/audit/documents/2018SingleAuditReport.pdf>

## Expenditures of Federal Awards

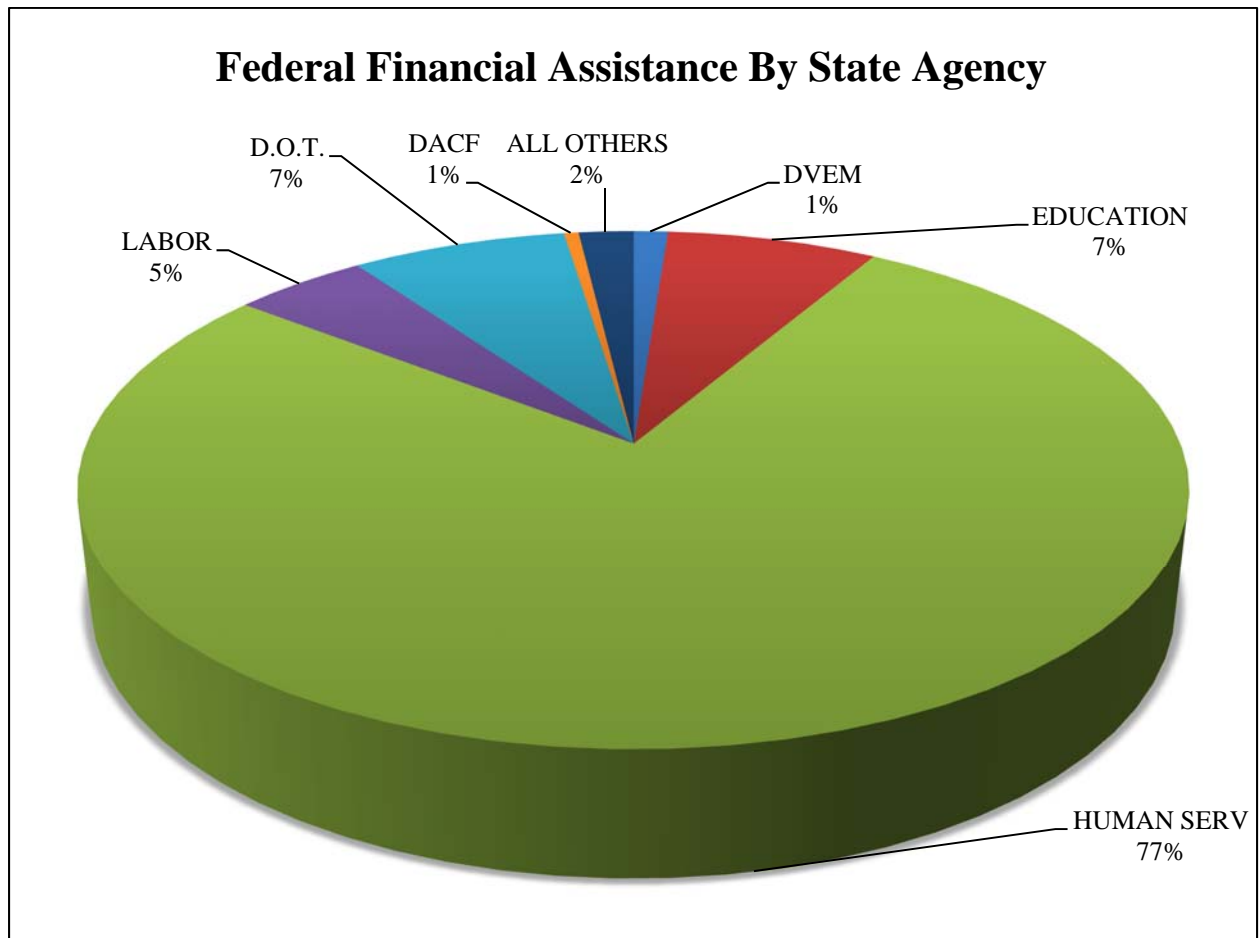
A detailed listing of all Federal awards expended by the State is presented in the *Schedule of Expenditures of Federal Awards* (SEFA) on pages D-3 through D-12 of our Single Audit report.

The chart depicted below illustrates the State's SEFA totals over the last eight fiscal years.



American Recovery and Reinvestment Act (ARRA) expenditures peaked at \$561 million in fiscal year 2011 and gradually declined to \$11 million in fiscal year 2018. This explains the overall decrease in expenditures of Federal awards.

The pie chart depicted below shows the State agencies that spent a total of \$3,100,814,008 in Federal financial assistance during fiscal year 2018.



### Audit Findings

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

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

The Federal compliance areas associated with the findings are:

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

## **Summary of Key Audit Findings**

### Audit Findings Applicable to the State of Maine Audited Financial Statements

There were no audit findings applicable to the State of Maine audited financial statements.

### Audit Findings by Federal Program

(Audit findings may cover more than one Federal program)

The Auditor's Opinion for approximately three-fourths of the Federal programs audited was Qualified. This means that the auditor's findings(s) for an individual Federal program contained Material Noncompliance. The seriousness of this type of finding exceeds that of a Significant Deficiency. This compares unfavorable to a ten-year average of approximately one-fifth.

### Medicaid (MaineCare)

Fifteen audit findings covered internal control deficiencies or noncompliance issues for Medicaid. These are listed on pages E-17 and E-18 of the Single Audit Report and are indexed to other pages for additional detail. One of these findings is classified as both a material weakness in internal control and material noncompliance. This finding indicates internal control to ensure program expenditures are accounted for and reported in accordance with the Federally-approved State Plan needs improvement.

Included in the fiscal year 2018 findings is a finding related to Riverview. This finding states that the State continued to draw Federal funds during fiscal year 2018 after its decertification in September 2013. In fiscal year 2018, DHHS drew \$14 million from the Federal government for Riverview.

The titles of other Medicaid findings are:

- Procedures over drug rebate accounting and reporting need improvement (page E-120)
- Eligibility re-determination needs improvement (page E-124)
- Provider eligibility procedures need to further integrate Automated Data Exchange (page E-133)

- The State has no assurance that vendor-provided internal controls over the MainePays centralized payment processing system are adequate (page E-135)
- Procedures related to Long Term Care Facility Audits need improvement (page E-137)
- Provider eligibility procedures need to address Advance Directives (page E-141)
- Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review (page E-146)
- Procedures to ensure that individual client Cost of Care assessments are accurate need improvement (page E-148)

In addition, Medicaid findings include five confidential findings related to information technology. These matters have been properly communicated to appropriate officials within State and Federal government.

#### Unemployment Insurance

One material weakness in internal control and material noncompliance was identified for this program (page E-77 of the Single Audit Report). Eighty million dollars in unemployment benefits were paid in fiscal year 2018. This includes \$79 million of employer-funded benefit payments and \$1 million in Federally-funded benefit payments. OSA issued a qualified opinion on this program because internal control procedures are not adequate to ensure continuing eligibility. This is a confidential finding that has been properly communicated to appropriate officials within State and Federal government.

#### TANF Cluster (Temporary Assistance for Needy Families)

Eleven audit findings relate to the TANF Cluster. These are listed on pages E-15 and E-16 of the Single Audit Report and are indexed to other pages for additional detail. The first five audit findings (page E-15) are classified as both a material weakness in internal control and material noncompliance. The titles of the five audit findings are:

- Monitoring over subrecipient cash management needs improvement (page E-84)
- Subrecipient contracts need to be updated (page E-87)
- Procedures related to TANF performance reporting and work participation need improvement (page E-90)
- Monitoring of subrecipient compliance, including maintaining documentation of that monitoring, needs improvement (page E-93)
- Internal control over pass-through awards needs improvement (page E-96)

The titles of other TANF findings are:

- Controls over payments to and on behalf of TANF clients needs improvement (page E-99)
- Evaluation of each subrecipient's risk of noncompliance needs improvement (page E-101)
- The Department has no assurance that internal control over the outsourced ASPIRE (Additional Support for People in Retraining and Employment) information system is adequate (page E-103)

- Internal control over Federal cash management needs improvement (page E-105)
- The State has no assurance that vendor-provided internal controls over the MainePays centralized payment processing system are adequate (page E-135)

In addition, TANF findings include one confidential finding related to information technology. This matter has been properly communicated to appropriate officials within State and Federal government.

#### Child Nutrition Cluster

Seven audit findings relate to the Child Nutrition Cluster. These are listed on page E-13 of the Single Audit Report and are indexed to other pages for additional detail. One of these findings is classified as both a material weakness in internal control and material noncompliance relating to the common theme of subrecipient monitoring.

Five other Child Nutrition Cluster findings cover issues such as State matching requirements, eligibility documentation, donated food inventory procedures, policy documentation, and no assurance over vendor-provided system operations.

In addition, Child Nutrition Cluster findings include one confidential finding related to information technology. This matter has been properly communicated to appropriate officials within State and Federal government.

#### Children's Health Insurance Program (CHIP)

Five audit findings relate to CHIP. These are listed on page E-17 of the Single Audit Report and are indexed to other pages for additional detail. One of these findings is classified as both a material weakness in internal control and material noncompliance, and relates to drug rebate accounting and reporting.

Of the remaining four CHIP findings, one finding indicates that provider eligibility procedures need to further integrate Automated Data Exchange. Three findings are confidential findings related to information technology that have been properly communicated to appropriate officials within State and Federal government.

#### National Guard Military Operations and Maintenance (O&M) Projects

Three audit findings relate to this grant. These are listed on page E-14 of the Single Audit Report and are indexed to other pages for additional detail. One of these findings is classified as both a material weakness in internal control and material noncompliance, and relates to Federal cash management and reporting. A separate finding is classified as a material weakness in internal control only and pertains to documentation to support payroll costs.

The remaining National Guard Military O&M Projects finding relates to a general ledger cash balance that is shared by two separate Federal programs and is not separately tracked by Federal program. The cash balance as of June 30, 2018 was negative \$2.7 million.

### Social Services Block Grant (SSBG)

Seven audit findings relate to SSBG. These are listed on page E-16 of the Single Audit Report and are indexed to other pages for additional detail. The first six audit findings (page E-16) are classified as both a material weakness in internal control and material noncompliance. The titles of the six audit findings are:

- Monitoring over subrecipient cash management needs improvement (page E-84)
- Subrecipient contracts need to be updated (page E-87)
- Internal control over subrecipient expenditures charged to Federal awards needs improvement (page E-109)
- Indirect costs charged by subrecipients are not consistent with the Uniform Guidance (page E-111)
- Internal control over Federal cash management needs improvement (page E-114)
- Internal control over financial reporting needs improvement (page E-116)

The remaining SSBG finding relates to the common theme of subrecipient monitoring (the State's evaluation of each subrecipient's risk of noncompliance).

### Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

Five audit findings relate to the WIC program. These are listed on pages E-13 and E-14 of the Single Audit Report and are indexed to other pages for additional detail. One of these findings is classified as both a material weakness in internal control and material noncompliance, and relates to the common theme of subrecipient monitoring (monitoring over subrecipient cash management).

The remaining four findings relate to WIC's infant food and formula rebate process, food instrument disposition process, no assurance over vendor-provided system operations, and high-risk vendor compliance investigations.

### Crime Victim Assistance (CVA)

Nine audit findings relate to CVA. These are listed on pages E-14 and E-15 of the Single Audit Report and are indexed to other pages for additional detail. Seven findings are classified as both a material weakness in internal control and material noncompliance – six findings relate to the common theme of subrecipient monitoring and one finding relates to the non-competitive bid process.

For the total of seven CVA findings related to the common theme of subrecipient monitoring, two of these findings are listed in the previous sections for TANF and SSBG (first two bullets) and three of these findings are listed in the previous section for SSBG (third and fourth bullet, and the last finding referenced in the SSBG section at the top of this page). The other two subrecipient monitoring findings pertain to subrecipient contract specifications that are not consistent with program regulations and site visits that were not performed as required.

The remaining finding relates to Federal cash management.



### Food Distribution Cluster

Four audit findings relate to the Food Distribution Cluster. These are listed on page E-14 of the Single Audit Report and are indexed to other pages for additional detail. One of the findings is classified as both a material weakness in internal control and material noncompliance, and relates to the common theme of subrecipient monitoring.

The remaining three Food Distribution Cluster findings relate to earmarking of administrative grant funds, suspension and debarment, and Federal cash management.

### HIV Care Formula Grant

Two audit findings relate to the HIV Care Formula Grant. These are listed on page E-18 of the Single Audit Report and are indexed to other pages for additional detail. Both of these findings are classified as both a material weakness in internal control and material noncompliance, and relates to the common theme of subrecipient monitoring (monitoring over subrecipient cash management and subrecipient contracts need to be updated).

### Audit Findings – Additional Remarks

In addition to the eleven Federal programs that were Qualified for Material Noncompliance, the remaining four Federal programs audited were each found to have a (less serious) finding referred to as a Significant Deficiency.

<b>Federal Program</b>	<b>Compliance Area</b>	<b>Finding No.</b>	<b>Page No.</b>
Title I Grants to Local Educational Agencies	Reporting	2018-025	E-82
CCDF (Child Care and Development Fund) Cluster	Reporting	2018-035	E-107
Fish and Wildlife Cluster	Procurement and Suspension and Debarment	2018-018	E-66
National Infrastructure Investments	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management	2018-024	E-80

### **Conclusion**

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