



STATE OF MAINE
SINGLE AUDIT SUMMARY
FOR THE YEAR ENDED JUNE 30, 2016

MAINE _____
POLA BUCKLEY
_____ STATE AUDITOR

State of Maine - Single Audit for Fiscal Year 2016

Summary of Results

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

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

All activities of State government are subject to audit. The State had revenues of \$8.0 billion and expenditures of \$7.6 billion in fiscal year 2016. This includes \$3.0 billion in Federal financial assistance, as reported on the Schedule of Expenditures of Federal Awards. As a condition of receiving Federal funds, the State is subject to an annual “Single Audit” of its financial statements and of its compliance with Federal grant requirements.

What is Maine’s Single Audit?

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

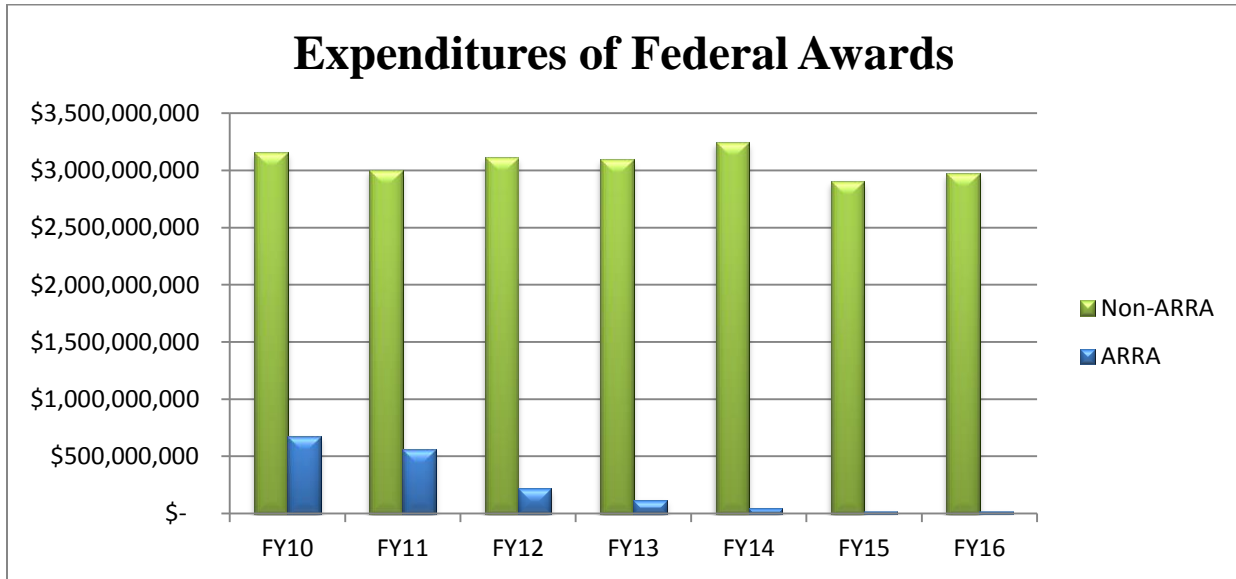
The State Auditor is independent from the Executive branch of government, and reports to the Legislature regarding the results of the Single Audit. The Single Audit Report for fiscal year 2016 includes our audit of the State’s financial statements and also includes our audit of fifteen Federal programs. These Federal programs, administered by four State agencies, represented 76% of the \$3.0 billion in Federal financial assistance expended by the State in fiscal year 2016.

The Single Audit Report is available at <http://maine.gov/audit/osa-reports/2016SingleAuditReport.pdf>

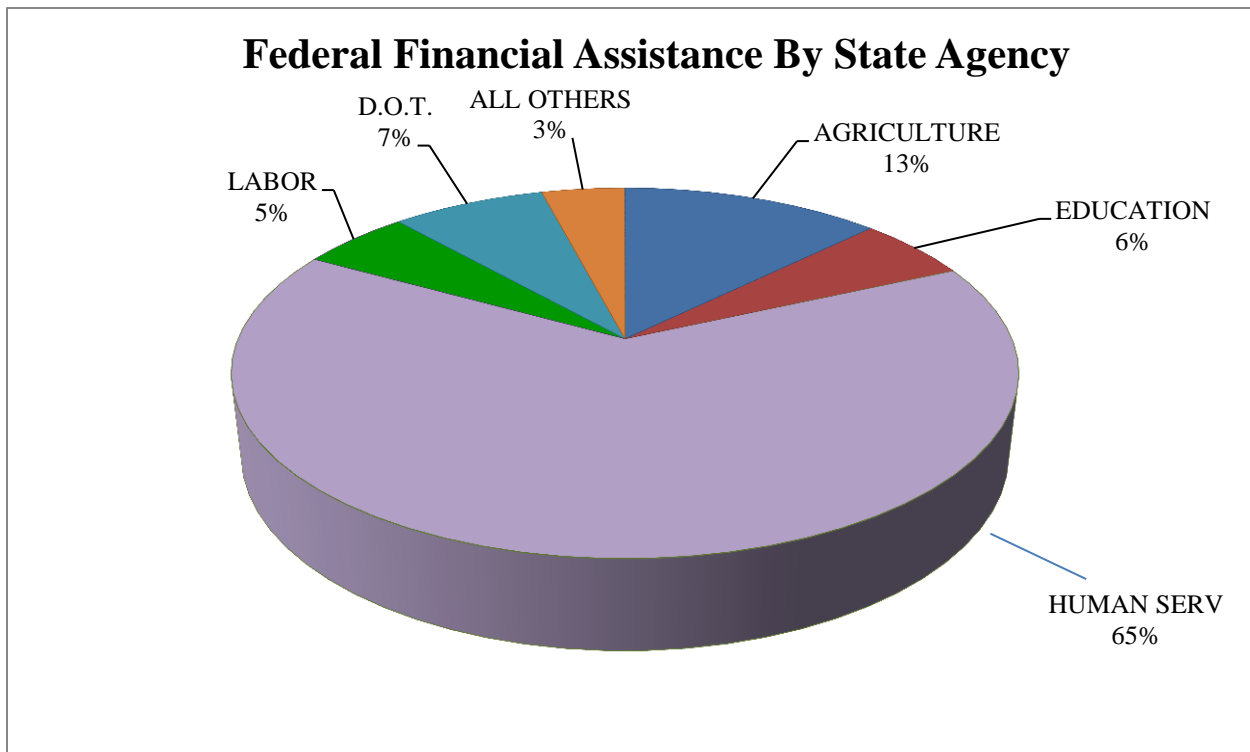
Expenditures of Federal Awards

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-11 of our Single Audit report.

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



The following chart shows the State agencies that spent a total of \$2,988,869,565 in Federal financial assistance during fiscal year 2016:



From a high in fiscal year 2010, Federal financial assistance expended by the State decreased from \$3.8 billion in fiscal year 2010 to near \$3 billion in fiscal year 2015 and 2016. American Recovery and Reinvestment Act (ARRA) expenditures peaked at \$678 million in 2010 and gradually declined to \$16 million in fiscal year 2016.

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 represented a very small portion of the total Federal financial assistance expended during the year. However, Cost of Care overpayments to Long Term Care institutions continue to occur. For fiscal year 2016 alone, we estimate that \$2.7 million in State funds and \$4.4 million in Federal funds were overpaid. These overpayments were first detected by our auditors the first year the MECMS claims management system was audited. 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. We reported a total of 32 audit findings this year.

The Federal compliance areas associated with the findings are:

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

Summary of Key Audit Findings

Audit Findings Applicable to Financial Reporting

There were no audit findings applicable to financial reporting.

Audit Findings Applicable to Federal Program Compliance

Unemployment Insurance

A material weakness in internal control and material noncompliance was identified for this program. One hundred fifteen million dollars in unemployment benefits were paid in fiscal year 2016. This includes \$109 million of employer-funded benefit payments and \$6 million in Federally-funded benefit payments. We issued a qualified opinion on this program because internal control procedures are not adequate to ensure continuing eligibility. For more information, see finding 2016-005 on page E-31 of the Single Audit Report.

Medicaid (MaineCare)

We issued 16 MaineCare audit findings regarding internal control deficiencies or noncompliance relating to Medicaid. These are listed on pages E-13 and E-14 of the Single Audit Report and are indexed to other pages for additional detail.

OSA continues to find deficiencies in internal control over:

- as discussed in the Audit Findings section above, the deduction of the resident's share from State payments to nursing homes and private non-medical institutions (known as the Cost of Care issue),
- the surveillance and utilization review of Medicaid expenditures,
- provider and client eligibility,
- DHHS' long term care facility audits,
- drug rebate accounting, and
- other matters.

Fiscal year 2016 Medicaid findings also include confidential findings related to information technology. These matters have been properly communicated to appropriate officials.

Also included in the fiscal year 2016 findings, is a finding related to Riverview. The context of this finding states that the State continues to draw Federal funds after its decertification in September 2013. In fiscal year 2016, DHHS drew \$14 million from the Federal government that is the subject of a dispute between CMS and Maine DHHS.

TANF Cluster (Temporary Assistance for Needy Families)

We issued 7 audit findings regarding internal control deficiencies relating to the TANF Cluster. These are listed on page E-12 of the Single Audit Report and are indexed to other pages for additional detail. Two of these audit findings are classified as both a material weakness in internal control and as material noncompliance.

The two audit findings mentioned in the preceding paragraph are not prior year findings. These findings pertain to the use of TANF funds for unallowable purposes and the need to improve the monitoring of TANF contracted subrecipients (contractors).

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.