

STATE OF MAINE



MANAGEMENT LETTER to the Single Audit Report and Annual Comprehensive Financial Report Fiscal Year Ending June 30, 2022

Office of the State Auditor
Matthew Dunlap, CIA
State Auditor

**State of Maine
Management Letter to the Single Audit Report and
the Annual Comprehensive Financial Report
Fiscal Year Ending June 30, 2022**

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**This finding has been redacted consistent with Government Auditing Standards, also known as the Yellow Book (Chapter 6, Standards for Financial Audits, Reporting Confidential or Sensitive Information, Requirements: Reporting Confidential or Sensitive Information, paragraphs 6.63 through 6.65)*





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Deputy State Auditor

LETTER OF TRANSMITTAL

Honorable Members of the Legislative Council for the 131st Legislature;

Honorable Janet T. Mills
Governor of the State of Maine

I am pleased to submit the State of Maine Management Letter for the fiscal year ended June 30, 2022. During our audit of the State of Maine, we became aware of matters that offer opportunities for our government to improve its operations. Recommendations regarding these matters accompany this Management Letter as “management letter comments.”

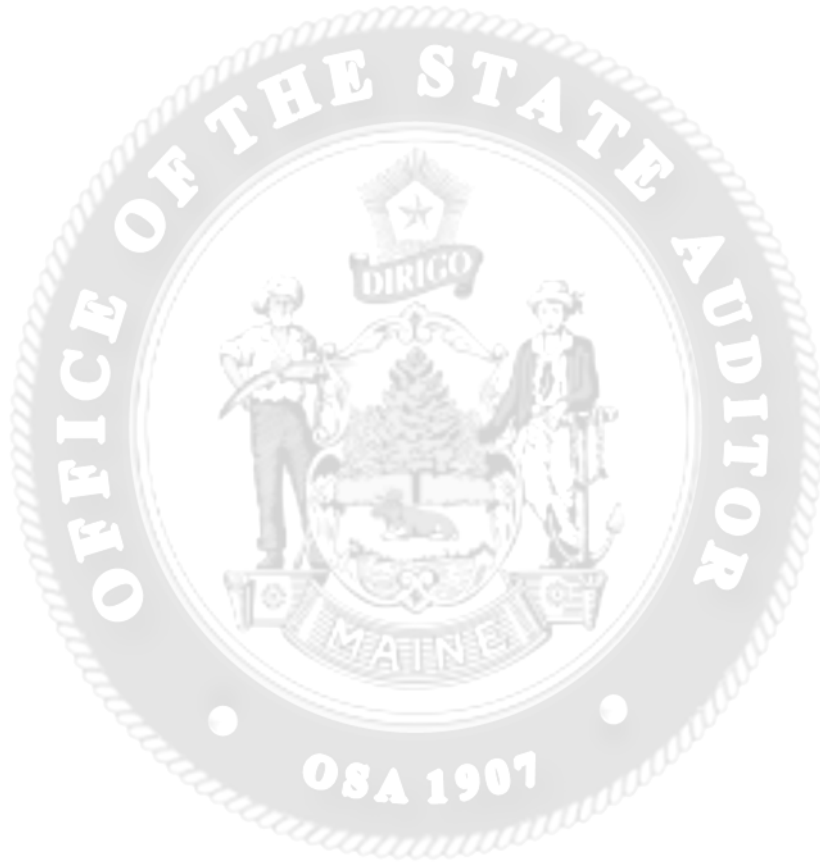
This publication of our Management Letter includes two sections: management letter comments previously issued in relation to the Annual Comprehensive Financial Report (ACFR) audit; and management letter comments newly issued in relation to the Single Audit. Management letter comments related to the ACFR audit were separately issued on January 17, 2023, and are included in this report to provide the reader with a comprehensive set of our recommendations.

Please feel free to contact me with questions you may have. Like you, we are committed to improving our State government for the benefit of our citizens. Healthy discussion of the problems found and solutions considered are part of a dialogue that aims at improvement. I welcome your thoughts and inquiries about these matters.

Respectfully submitted,

Matthew Dunlap, CIA
State Auditor

May 12, 2023





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MANAGEMENT LETTER TO THE SINGLE AUDIT REPORT

Honorable Members of the Legislative Council for the 131st Legislature;

Honorable Janet T. Mills
Governor of the State of Maine

In planning and performing our audit of compliance for the State of Maine’s Single Audit for the year ended June 30, 2022, on which we have issued our report dated March 30, 2023, 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.

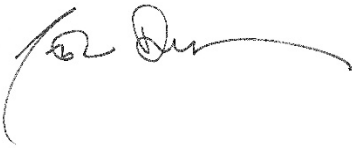
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance and therefore, deficiencies may exist that have not been identified. However, during our audit, we became aware of certain matters that resulted in “management letter comments” which are presented for your consideration and offer opportunities for strengthening internal control and improving operating procedures of the State of Maine. The following pages contain our comments and suggestions that were not identified as findings in the following reports included in Maine’s fiscal year 2022 Single Audit Report:

- 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

One of the nineteen management letter comments is redacted because it relates to confidential and sensitive information. Redacting this information is consistent with *Government Auditing Standards* promulgated by the U.S. Government Accountability Office.

This communication is intended solely for the information and use of the Legislature, the Governor, and others within State government, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would be pleased to discuss these management letter comments in further detail at your convenience.

A handwritten signature in black ink, appearing to read "M. Dunlap", with a long, sweeping horizontal flourish extending to the right.

Matthew Dunlap, CIA
State Auditor

May 12, 2023

Department of Administrative and Financial Services

ML-22-0900-05 Confidential finding, see below for more information

Title: _____ of _____ and _____

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

Department of Defense, Veterans and Emergency Management

ML-22-1502-03

Title: Disaster Grants – Public Assistance program subrecipient audit procedures

State Department: Defense, Veterans and Emergency Management

State Bureau: Maine Emergency Management Agency

Observation: Maine Emergency Management Agency (MEMA) must monitor subrecipient compliance with Federal audit requirements outlined in 2 CFR 200 Subpart F. MEMA uses spreadsheets to track subrecipient expenditures in order to identify when a Single Audit is required. Semiannually, the spreadsheets are reviewed by MEMA staff to identify subrecipients that require a Single Audit in order to ensure the audit reports are received and reviewed.

During a walkthrough of these semiannual review procedures, the auditor noted that procedures did not include an assessment that the subrecipient tracking spreadsheet is complete. Without an assessment to verify that the spreadsheet is complete, the information used to determine subrecipient requirements may be incomplete or inaccurate, increasing the risk that subrecipient audit verification requirements are not met.

Recommendation: We recommend that the Department implement a reconciliation of the spreadsheet to current year expenditures to ensure completeness and accuracy of the information used to monitor subrecipient compliance with Federal audit requirements.

ML-22-1503-01

Title: National Guard Military Operations & Maintenance Projects program timesheet approvals

State Department: Defense, Veterans and Emergency Management

State Bureau: Military

Observation: Employee timesheets require supervisory approval. According to the Office of the State Controller's statewide policy, if a supervisor or alternate approver is unavailable at the time of processing to electronically approve an employee's timesheet, the supervisor must manually approve a paper copy of the timesheet. The Office of the State Auditor selected a sample of nine timesheets that were not electronically approved and requested documentation to support that the supervisor manually approved the paper timesheet. Documentation could not be provided for any of the nine timesheets selected.

Recommendation: We recommend that the Department implement procedures to ensure documentation is obtained and maintained to support supervisory approval of all timesheets utilized for processing payroll.

Department of Economic and Community Development

ML-22-1699-02

Title: Coronavirus State and Local Fiscal Recovery Funds program subrecipient risk evaluations

State Department: Economic and Community Development

State Bureau: Office of Business Development

Observation: The Department is required to evaluate each subrecipient's risk of noncompliance with Federal regulations for the purposes of determining the appropriate level of subrecipient monitoring to be performed. The Department has established risk evaluation procedures and evidence was provided that adequate subrecipient monitoring procedures were performed; however, documentation of the overall conclusion, review, and approval of the risk evaluation process could not be provided. The Office of the State Auditor was able to verify that subrecipient risk evaluations corresponded to the appropriate level of monitoring activities.

Recommendation: We recommend that the Department establish procedures to ensure that the overall conclusion, review, and approval of subrecipient risk assessments is documented and retained.

Department of Education

ML-22-1203-03

Title: Child Nutrition Cluster program reporting procedures

State Department: Education

State Bureau: Child Nutrition Services

Observation: The Department of Education (DOE) is required to submit various monthly, quarterly and annual reports to the U.S. Department of Agriculture (USDA). Reports are reviewed and certified by DOE in the USDA system. USDA accepts the reports, and upon acceptance, the DOE certification line on the report is overridden with a line documenting USDA approval. DOE did not print the reports upon certification and prior to USDA approval; therefore, supporting documentation does not contain a DOE signature.

The Office of the State Auditor was able to verify that the reports were submitted accurately and timely.

Recommendation: We recommend that the Department retain documentation to support the review and certification for all reports.

ML-22-1203-07

Title: Child Nutrition Cluster program subrecipient risk evaluations

State Department: Education

State Bureau: Child Nutrition Services

Observation: The Department is required to evaluate each subrecipient's risk of noncompliance with Federal regulations for the purposes of determining the appropriate level of subrecipient monitoring to be performed. The Department has an established informal risk evaluation process and adequate subrecipient monitoring procedures were performed; however, documentation of the overall conclusion, review, and approval of the risk evaluation process could not be provided. The Office of the State Auditor was able to verify that an appropriate level of monitoring activities was performed.

Recommendation: We recommend that the Department establish procedures to ensure that the overall conclusion, review, and approval of subrecipient risk evaluation is documented and retained.

ML-22-1235-03

Title: Education Stabilization Fund program subrecipient risk evaluations

State Department: Education

State Bureau: Office of Federal Emergency Relief Programs

Observation: The Department is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring activities. During fiscal year 2022, the Department designated all subrecipients of the Education Stabilization Fund (ESF) as high-risk; however, documentation of the risk evaluation process and resulting monitoring activities applied to subrecipients could not be provided. The Office of the State Auditor was able to verify that an appropriate level of monitoring activities was performed in response to a high-risk designation.

Recommendation: We recommend that the Department implement procedures to ensure ESF subrecipient risk evaluations are documented for the purposes of determining the appropriate level of subrecipient monitoring.

ML-22-1235-05

Title: Documentation of Education Stabilization Fund program calculations

State Department: Education

State Bureau: Office of Federal Emergency Relief Programs

Observation: The American Rescue Plan Emergency Assistance to Non-Public Schools (ARP EANS) program provides funding to non-public schools that enroll a significant percentage of students from low-income families and are most impacted by the COVID-19 pandemic. The State's application for the ARP EANS program identified the significant poverty percentage, COVID-19 impact factors, and funding allocation calculation methodology that would be used to determine non-public schools' eligibility for ARP EANS funding.

The Department was unable to provide documentation that the calculations of ARP EANS funding allocations available for use by non-public schools were reviewed and approved prior to communication to eligible schools; however, evidence was provided to show that the allocations were calculated in accordance with Federal regulations.

Recommendation: We recommend that the Department implement policies and procedures to require documentation of the secondary review of programmatic calculations.

Department of Environmental Protection

ML-22-1699-03

Title: Coronavirus State and Local Fiscal Recovery Funds program subrecipient award identification and risk evaluations

State Department: Environmental Protection

State Bureau: Water Quality
Resource Administration

Observation: The Department is required to evaluate each subrecipient's risk of noncompliance with Federal regulations for the purposes of determining the appropriate level of subrecipient monitoring to be performed. Though evidence was provided that adequate subrecipient monitoring procedures were performed, the Department could not provide documentation that risk evaluation procedures performed corresponded to the appropriate level of monitoring activities. Additionally, the Federal Award Identification Number, Federal awarding agency, and Federal award date were omitted from one subrecipient agreement.

Recommendation: We recommend that the Department establish procedures to ensure that subrecipient risk assessments are documented and retained. We further recommend that the Department review subrecipient agreements to ensure all required information is included and accurate.

Department of Health and Human Services

ML-22-1128-01

Title: Child Support Enforcement program timesheet approvals

State Department: Health and Human Services

State Bureau: Division of Support and Enforcement Recovery

Observation: Employee timesheets require supervisory approval. According to the Office of the State Controller's statewide policy, if a supervisor or alternate approver is unavailable at the time of processing to electronically approve an employee's timesheet, the supervisor must manually approve a paper copy of the timesheet. The Office of the State Auditor selected a sample of five timesheets that were not electronically approved and requested documentation to support that the supervisor manually approved the paper timesheet. Documentation could not be provided for any of the five timesheets selected.

Recommendation: We recommend that the Department implement procedures to ensure documentation is obtained and maintained to support supervisory approval of all timesheets utilized for processing payroll.

ML-22-1113-02

Title: WIC program subrecipient grant award information

State Department: Health and Human Services

State Bureau: Maine Center for Disease Control & Prevention

Observation: The Division of Contract Management (DCM) is responsible for the preparation of subrecipient grant awards. The program information in the awards provided to subrecipients is the responsibility of the Maine Center for Disease Control & Prevention (MeCDC). MeCDC communicates the award information by providing it for upload to the Department of Health and Human Services' grants database.

DCM utilizes that database to prepare the subrecipient awards and then sends the drafted subrecipient awards to program personnel for final review. The subrecipient awards must include accurate Federal award identification information to ensure that subrecipients can properly identify the source of the subrecipient awards.

For the eight subrecipients that administer the WIC program, all eight subrecipient awards incorrectly identified the Federal Award Identification Number for the WIC Breastfeeding Peer Counsel portion of the subaward.

Recommendation: We recommend that MeCDC implement additional procedures to ensure subrecipient awards are complete, accurate, and in accordance with Federal regulations.

ML-22-1118-04

Title: Immunization Cooperative Agreements program timesheet approvals

State Department: Health and Human Services

State Bureau: Maine Center for Disease Control & Prevention

Observation: Employee timesheets require supervisory approval. According to the Office of the State Controller's statewide policy, if a supervisor or alternate approver is unavailable at the time of processing to electronically approve an employee's timesheet, the supervisor must manually approve a paper copy of the timesheet. The Office of the State Auditor selected a sample of four timesheets that were not electronically approved and requested documentation to support that the supervisor manually approved the paper timesheet. Documentation could not be provided for any of the four timesheets selected.

Recommendation: We recommend that the Department implement procedures to ensure documentation is obtained and maintained to support supervisory approval of all timesheets utilized for processing payroll.

ML 22-1156-04

Title: ELC program subrecipient risk evaluations

State Department: Health and Human Services

State Bureau: Maine Center for Disease Control & Prevention

Observation: The Maine Center for Disease Control & Prevention (MeCDC) is required to evaluate each subrecipient's risk of noncompliance with Federal regulations for the purposes of determining the appropriate level of subrecipient monitoring to be performed. MeCDC has established risk evaluation procedures and evidence was provided that adequate subrecipient monitoring procedures were performed; however, documentation of the review and approval of the risk evaluation process could not be provided. The Office of the State Auditor was able to verify that subrecipient risk evaluations corresponded to the appropriate level of monitoring activities.

Recommendation: We recommend that MeCDC establish procedures to ensure that the review and approval of Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program subrecipient risk assessments is documented and retained.

ML-22-1114-02

Title: Child Care Stabilization Funds eligibility procedures

State Department: Health and Human Services

State Bureau: Office of Child and Family Services

Observation: The American Rescue Plan Act established Child Care Stabilization Funds (CCSF) to protect the existing child-care market and its critical role in supporting children, families, businesses, and the economy.

In order to receive CCSF, child-care providers were required to submit electronic applications using an online portal. Once the Department received the application, it was manually reviewed and eligibility was determined. Providers deemed eligible were approved in the system. If an application was subsequently modified, a redetermination of eligibility was completed. Once the redetermination was approved in the system, the initial approval status and date were overwritten. The Department did not maintain documentation of original application approval. The Office of the State Auditor determined when providers were deemed eligible based on a system-generated report showing a date and time stamp of original approval.

Recommendation: We recommend that the Department retain documentation of all system approvals related to eligibility determinations.

ML-22-1106-02

Title: Medicaid and CHIP eligibility determination procedures

State Department: Health and Human Services

State Bureau: Office for Family Independence

Observation: Applicant information is recorded in the Automated Client Eligibility System (ACES), which is used to determine eligibility. Supporting documents are maintained in electronic case records. The Office of the State Auditor's test of 120 Medicaid and 60 CHIP eligibility determinations identified the following:

- The Social Security number of two clients was not recorded as verified;
- The citizenship of two clients was not recorded as verified (source documents were retained demonstrating citizenship for one of the two clients); and
- The identity verification of 62 clients was not documented in accordance with MaineCare Eligibility Manual requirements. During fiscal year 2022, the MaineCare Eligibility Manual required documented retention of information used to support identity verification. The MaineCare Eligibility Manual was updated and these retention requirements were removed effective November 6, 2022.

Recommendation: We recommend that the Department establish and maintain procedures to ensure Social Security numbers, citizenship, and identity verifications are performed and documented in accordance with program requirements.

ML-22-1111-07

Title: TANF earmarking procedures

State Department: Health and Human Services

State Bureau: Office for Family Independence

Observation: The Department is required to ensure that the average monthly number of families who received Federal Temporary Assistance for Needy Families (TANF) for more than 60 countable months does not exceed 20 percent of the average monthly number of all families to which the State provided TANF assistance. While the Department performs a monthly review to ensure compliance with this Federal requirement, documentation could not be provided to support performance of the monthly review procedures.

The Office of the State Auditor verified that the average monthly number of families who received assistance under any State program funded by Federal TANF funds for more than 60 months did not exceed 20 percent of the average monthly number of all families to which the State provided assistance.

Recommendation: We recommend that the Department retain documentation to support performance of monthly review procedures.

ML-22-1106-07

Title: Medicaid and CHIP provider eligibility documentation

State Department: Health and Human Services

State Bureau: Office of MaineCare Services

Observation: As part of the eligibility determination process for Medicaid and CHIP providers, an agreement is signed which includes suspension and debarment language and other disclosures, and is reviewed and approved by the Provider Enrollment Manager or Office of MaineCare Services Compliance Director. Signed provider agreements are retained in the electronic case records.

The Office of the State Auditor's test of 60 provider eligibility determinations identified two provider agreements retained in the electronic case record that did not show evidence of review and approval by a Department representative. In both cases, disclosures associated with the provider agreement were retained in the electronic case record.

Recommendation: We recommend that the Department implement procedures to ensure all provider agreements are reviewed, approved, signed by a Department representative, and retained in the electronic case records.

ML-22-1106-10

Title: Medicaid third-party liability changes

State Department: Health and Human Services

State Bureau: Office of MaineCare Services

Observation: The Office of MaineCare Services (OMS) is provided a monthly third-party liability (TPL) report summarizing recoupment activity and any identified changes to member

TPL information by a vendor. This report does not include information summarizing the timeliness of these changes.

In the Office of the State Auditor's test of 60 changes to member TPL information identified during fiscal year 2022, nine changes were updated greater than 90 days after identification with no documented explanation for the delay.

Though there is no formal documented policy indicating an expected timeframe between TPL change identification and updates to member information, agency best practice is 30 to 60 days.

Recommendation: We recommend that OMS implement procedures to ensure identified changes to member TPL information is updated in a timely manner.

Department of Labor

ML-22-1302-03

Title: Unemployment Insurance program timesheet approvals

State Department: Labor

State Bureau: Unemployment Compensation

Observation: Employee timesheets require supervisory approval. According to the Office of the State Controller's statewide policy, if a supervisor or alternate approver is unavailable at the time of processing to electronically approve an employee's timesheet, the supervisor must manually approve a paper copy of the timesheet. The Office of the State Auditor selected a sample of three timesheets that were not electronically approved and requested documentation to support that the supervisor manually approved the paper timesheet. Documentation could not be provided for all three timesheets selected.

Recommendation: We recommend that the Department implement procedures to ensure documentation is obtained and maintained to support supervisory approval of all timesheets utilized for processing payroll.



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MANAGEMENT LETTER TO THE ANNUAL COMPREHENSIVE FINANCIAL REPORT

Honorable Members of the Legislative Council, 131st Maine Legislature;

Honorable Janet T. Mills
Governor of the State of Maine

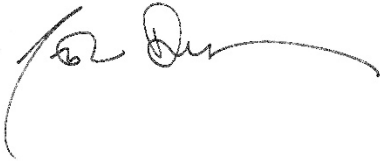
In planning and performing our audit of the financial statements of the State of Maine as of and for the year ended June 30, 2022, on which we have issued our report dated December 14, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the State of Maine's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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. This report is based on our knowledge as of the date of our report on the financial statements, obtained in performing our audit thereof, and should be read with that understanding.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all weaknesses or deficiencies in internal control. Given these limitations, not all weaknesses or deficiencies in controls may have been identified. However, during our audit, we became aware of certain matters that resulted in "management letter comments" which are presented for your consideration and offer opportunities for strengthening internal control and improving operating procedures of the State of Maine. These matters were not identified as material weaknesses or significant deficiencies in a separate report titled 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*. The following pages contain our comments and suggestions regarding those matters.

Three of the nine management letter comments are redacted because they relate to confidential and sensitive information. Redacting this information is consistent with *Government Auditing Standards* promulgated by the U.S. Government Accountability Office.

This communication is intended solely for the information and use of the Legislature, the Governor, and others within State government, and is not intended to be, and should not be, used by anyone other than these specified parties.

We would be pleased to discuss these management letter comments in further detail at your convenience.

A handwritten signature in black ink, appearing to read "M. Dunlap", with a long horizontal flourish extending to the right.

Matthew Dunlap, CIA
State Auditor

January 17, 2023

Department of Administrative and Financial Services

ML-22-0104-01

Title: Procedures over financial reporting

State Department: Administrative and Financial Services

State Bureau: Office of the State Controller

Observation: The State of Maine’s Annual Comprehensive Financial Report (ACFR) is prepared by the Office of the State Controller (OSC). The Office of the State Auditor (OSA) identified the following misstatements and errors in the fiscal year ending June 30, 2022, draft ACFR provided to audit:

- The Combining Statement of Fiduciary Net Position did not properly roll up to the Statement of Fiduciary Net Position.
- General Fund expenditures were overstated by \$12 million, revenue was overstated by \$7 million, and assets were understated by \$5 million.
- Other Special Revenue Fund expenditures were understated by \$12 million and liabilities were understated by \$12 million.
- One note disclosure reflected dollar amounts in thousands instead of millions.
- One note disclosure reflected dollar amounts in millions instead of thousands.
- Multiple note disclosures contained incorrect amounts, excluded required information, or had not been updated.

OSC subsequently adjusted the Statement of Fiduciary Net Position and amounts and disclosures in the ACFR.

Recommendation: We recommend that OSC implement financial reporting oversight procedures to ensure that significant errors and omissions in the ACFR are prevented, or detected and corrected, prior to release for audit by OSA.

ML-22-0120-01

Title: Lease capitalization policy and threshold

State Department: Administrative and Financial Services

State Bureau: Office of the State Controller

Observation: The objective of Governmental Accounting Standards Board (GASB) Statement 87 *Leases* is to better meet the needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements among governments; and enhancing the relevance, reliability, and consistency of information about the leasing activities of governments. GASB 87 does not set a materiality threshold for capitalizing lease assets. As the determination of materiality is relative to the size of the entity, this is left to the discretion of management. GASB suggests that a policy

similar to those that establish capitalization thresholds could be used for leases but also notes that the significance of liabilities is independent of capitalization policies.

A review of lease capitalization thresholds established by other states indicates that states of similar size to Maine have set thresholds ranging from \$5,000 to \$100,000, while larger states have set thresholds ranging from all leases to \$500,000. The State Administrative and Accounting Manual (SAAM) sets a capitalization threshold of \$100,000 for buildings reported in the Proprietary Funds. Though the majority of the State's leases are buildings, the Office of the State Controller (OSC) has set the State's lease capitalization threshold at \$500,000.

OSC has determined that the \$500,000 threshold captures over 90 percent of all capital leases, and that this policy materially meets the requirements of GASB 87. While this policy does capture over 90 percent of capital leases, it leaves approximately \$17.6 million in capital lease assets and liabilities undisclosed.

Recommendation: We recommend that OSC lower the lease capitalization threshold to \$100,000 to report additional capital lease assets and related liabilities in the State's financial statements and to be in line with states of similar size. We further recommend that OSC update the SAAM to address the lease capitalization policy and threshold.

ML-22-0320-02

Title: Procedures for identifying Internal Service Fund expenses related to external customers

State Department: Administrative and Financial Services

State Bureau: Office of the State Controller

Observation: Internal Service Funds are presumed to operate on a breakeven basis; thus, any internally generated profit or loss needs to be eliminated in the process of preparing the State's government-wide financial statements. To calculate the internally generated profit or loss, the Office of the State Controller (OSC) must remove the revenues and expenses related to external customers. OSC was unable to provide documentation in support of external expense calculations for 6 of the 15 Internal Service Funds.

Recommendation: We recommend that OSC implement procedures to ensure that Internal Service Fund expenses related to external customers are calculated and reported accurately with proper supporting documentation.

ML-22-0903-01 Confidential finding, see below for more information

Title: _____ and _____ of _____ for the _____

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

ML-22-0208-05

Title: Oversight of vendor Master Agreement purchasing activity

State Department: Administrative and Financial Services

State Bureau: Corrections Service Center

Observation: State of Maine Procurement for Commodities Policies and Procedures provides guidance for processing payments to vendors under established Master Agreements. The Office of the State Auditor tested a sample of expenditure transactions and found that a payment was made to a vendor who has a Master Agreement with the Division of Purchases; however, the Master Agreement was not referenced for this payment.

Recommendation: We recommend that supervisory oversight be increased to ensure that payments to vendors with an underlying Master Agreement with the State are processed in accordance with Procurement for Commodities Policies and Procedures.

ML-22-0900-03 Confidential finding, see below for more information

Title: _____

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

ML-22-0900-04 Confidential finding, see below for more information

Title: _____ of _____ and _____

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

ML-22-0208-03

Title: Expenditure processing oversight

State Department: Administrative and Financial Services

State Bureau: Security and Employment Service Center

Observation: Governmental Accounting, Auditing, and Financial Reporting guidance states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting. The Office of the State Auditor tested a sample of Federal expenditure transactions and found that a quarterly lease payment totaling \$59,759 was processed using coding that did not match the invoice. The invoice showed that the payment

should have been allocated between the General Fund and Federal Fund, and that the Federal share should have been paid with Emergency Management Performance Grant funds instead of Homeland Security Grant Program funds.

Recommendation: We recommend that the Department improve expenditure processing oversight to ensure payments are coded to the correct funds, including proper utilization of grant funds.

Department of Public Safety

ML-22-0208-04

Title: Oversight of procurement card activity and approvals

State Department: Public Safety
Administrative and Financial Services

State Bureau: Maine State Police
Security and Employment Service Center

Observation: State of Maine Procurement Policies and Procedures prohibit Maine merchants from charging sales tax. The Office of the State Auditor tested a sample of expenditure transactions and found that sales tax was charged, and subsequently approved on procurement card purchases. The charges were not recovered at any point throughout the approval process.

Recommendation: We recommend that procurement cardholders and approvers review State of Maine Procurement Policies and Procedures. In addition, supervisory oversight should be increased to ensure that only authorized purchases are approved, and when procurement policies are violated, warnings are issued and training is offered in accordance with such policies.

