

STATE OF MAINE
SINGLE AUDIT SUMMARY
FOR THE YEAR ENDED JUNE 30, 2015

MAINE _____
POLA BUCKLEY
_____ STATE AUDITOR

PUBLISHED MARCH 2016

State of Maine - Single Audit for Fiscal Year 2015

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 \$7.9 billion and expenditures of \$7.4 billion in fiscal year 2015. This includes \$2.9 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 in several programs as a matching share. 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.

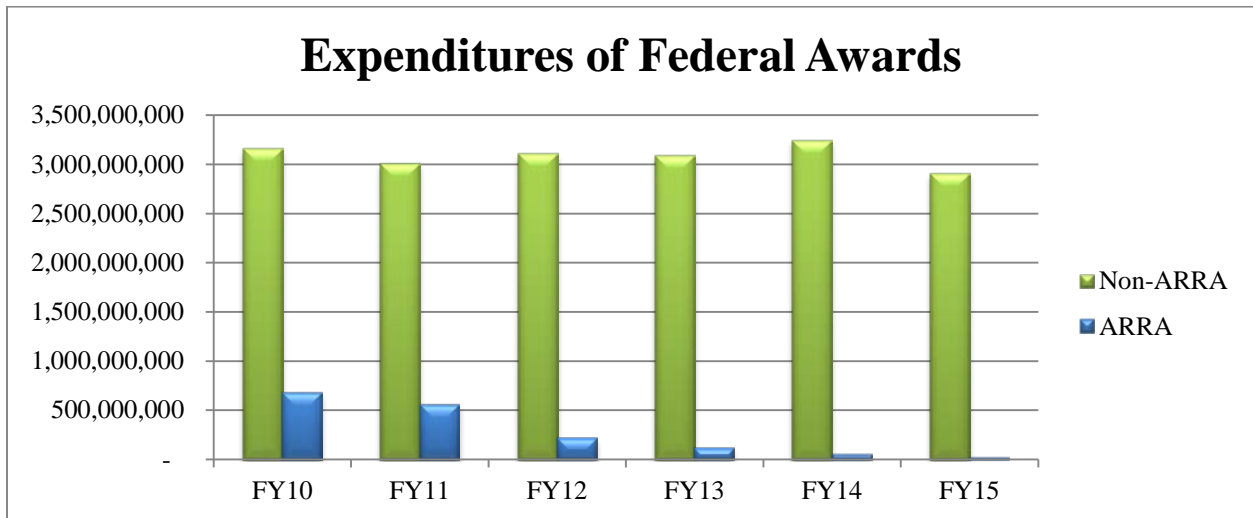
The State Auditor is independent from the Executive branch of government, and reports to the Legislature regarding the results of the Single Audit. The Single Audit Report for fiscal year 2015 includes our audit of the State's financial statements and also includes our audit of twenty-three Federal programs. These Federal programs, administered by seven State agencies, represented 82% of the \$2.9 billion in Federal financial assistance expended by the State in fiscal year 2015.

The Single Audit Report is available at <http://www.maine.gov/audit/reports/2015sareport.pdf>

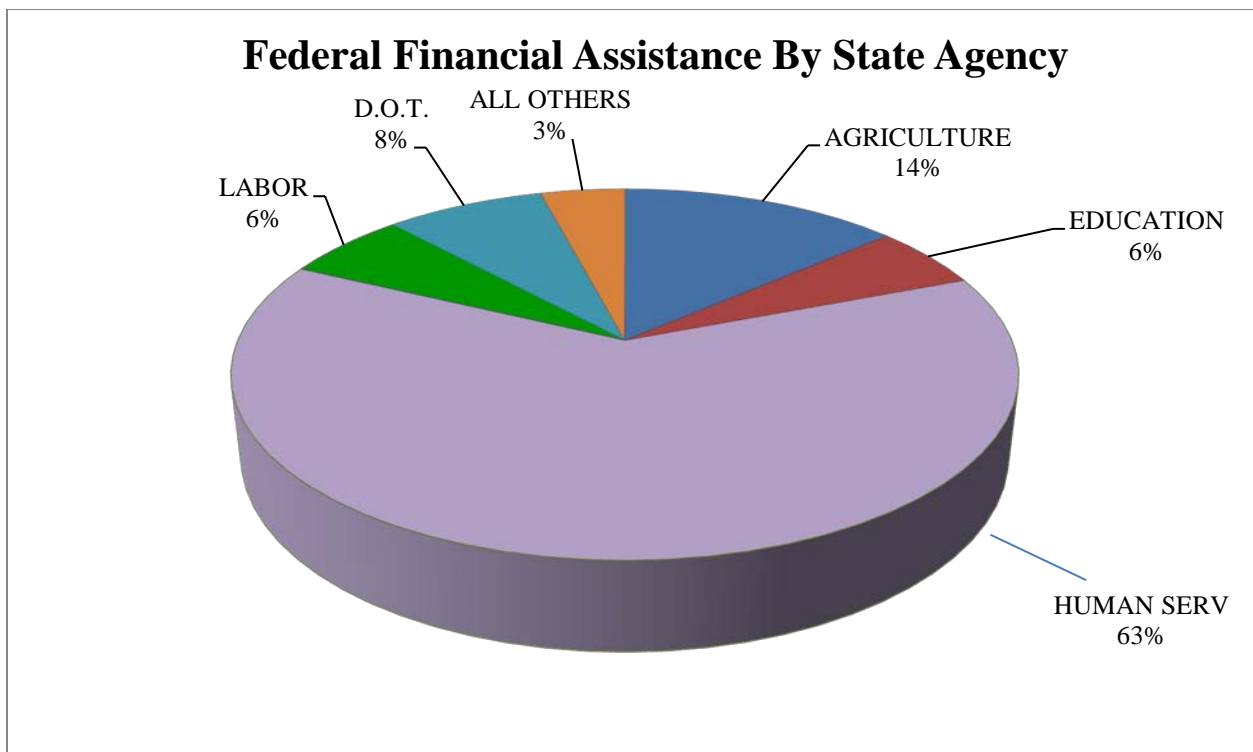
Expenditures of Federal Awards

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-10 of our Single Audit report.

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



The following chart shows the State agencies that spent a total of \$2,926,077,290 in Federal financial assistance during fiscal year 2015:



From a high in fiscal year 2010, Federal financial assistance expended by the State decreased by \$640 million or approximately 18%, from \$3.8 billion in fiscal year 2010 to \$2.9 billion in fiscal year 2015. Since 2010, the State expended a total of \$1.7 billion in American Recovery and Reinvestment Act (ARRA) monies which were part of the Federal government's stimulus package. ARRA expenditures peaked at \$678 million in 2010 and gradually declined to \$20 million in fiscal year 2015.

Audit Findings

The Federal Office of Management and Budget's OMB Circular A-133 defines several conditions that are required to 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, some questioned costs could not be quantified, but could still result in the need to return significant grant funds to the respective Federal grantor agencies. 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 40 audit findings this year. Three audit findings were related to Financial Reporting. Thirty-seven audit findings were related to Federal Program Compliance.

The areas of Federal Program noncompliance included in the findings are:

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

Summary of Key Audit Findings

Audit Findings Applicable to Financial Reporting

A significant deficiency in internal control over Statewide Net Position was identified for fiscal year 2015. This finding indicates that the method used by the Office of the State Controller to calculate the various components of Net Position needs to be more straight forward. For more information, see finding 2015-001 on page E-9 of the Single Audit Report.

A significant deficiency in internal control over Lottery accounts receivable was identified for fiscal year 2015. This finding indicates that the accounts receivable balance is not supported by detailed records and additional procedures are not performed to corroborate the balance. For more information, see finding 2015-002 on page E-10 of the Single Audit Report.

A significant deficiency in internal control over accounting for the State Radio Network was identified for fiscal year 2015. This finding indicates that a portion of the \$57 million in construction in progress should have been either capitalized and depreciated or expensed when the asset was placed in service. For more information, see finding 2015-003 on page E-12 of the Single Audit Report.

Audit Findings Applicable to Federal Program Compliance

Unemployment Insurance

A material weakness in internal control and material non-compliance was identified for this program. One hundred thirty-five million dollars in unemployment benefits were paid in fiscal year 2015. This includes \$130 million of employer funded benefit payments and \$5 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 2015-031 on page E-88 of the Single Audit Report.

Medicaid

We issued 16 audit findings regarding internal control deficiencies or noncompliance relating to Medicaid. These are listed on pages E-19 and E-20 of the Single Audit Report and indexed from these pages to additional detail. All 16 findings were classified as questioned costs or significant deficiencies. These classifications are less severe than a finding classified as material noncompliance or a material weakness.

The Office of the State Auditor continues to find significant deficiencies in internal control over:

- 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); and the collection and repayment of accumulated overpayments back to State and Federal coffers,
- the surveillance of Medicaid expenditures,
- provider eligibility,
- nursing facility desk reviews, and
- other findings.

Fiscal year 2015 Medicaid findings also include three confidential findings related to the Office of Information Technology. These matters have been properly communicated to appropriate officials.

Also included in the fiscal year 2015 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 2015, DHHS drew \$16 million from the Federal government that is the subject of a dispute between CMS and Maine DHHS.