



STATE OF MAINE
SINGLE AUDIT SUMMARY
FOR THE YEAR ENDED JUNE 30, 2019

MAINE _____
POLA BUCKLEY
_____ STATE AUDITOR

State of Maine

Single Audit for Fiscal Year 2019

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 \$8.9 billion and expenditures of \$8.5 billion in fiscal year 2019. This includes \$3.2 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.

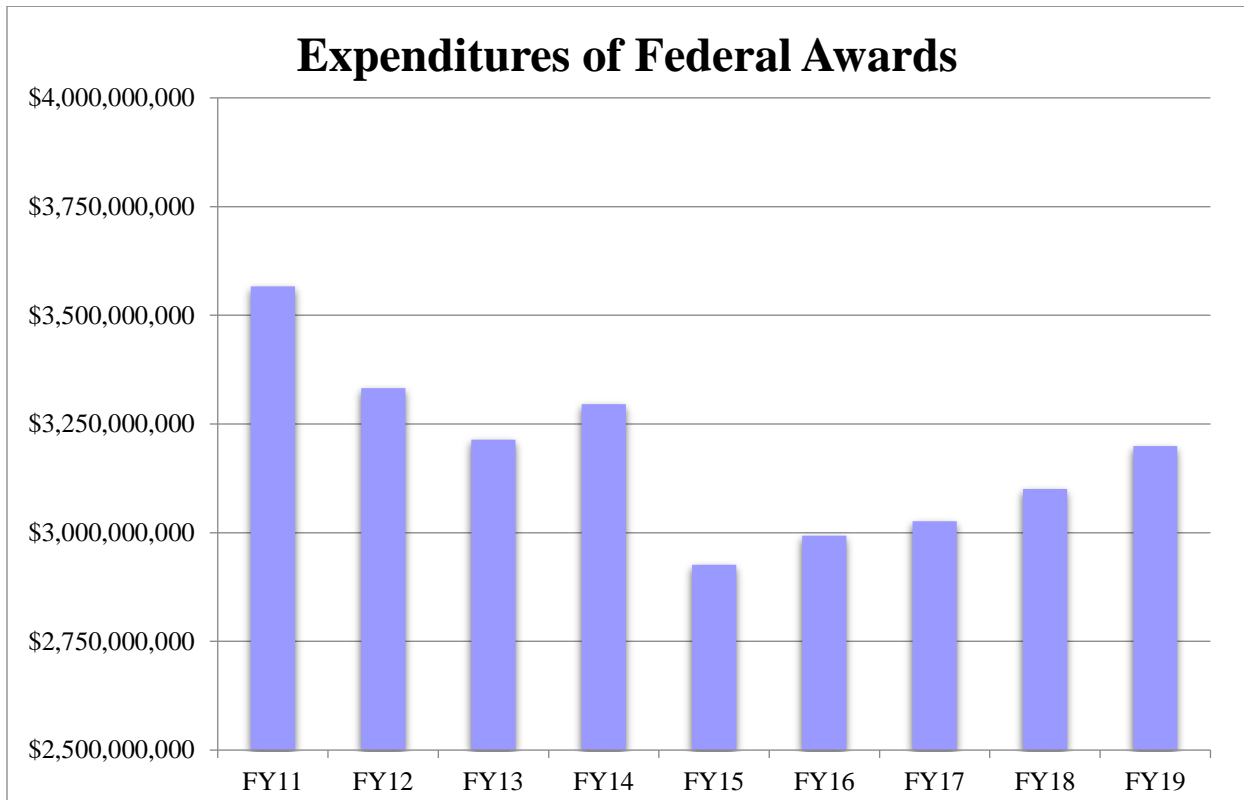
The State Auditor is independent from the Executive branch of government, and reports to the Legislature regarding the results of the Single Audit. The Single Audit Report for fiscal year 2019 includes our audit of the State’s financial statements and also includes our audit of fourteen Federal programs. These Federal programs, administered by five State agencies, represented 80% of the \$3.2 billion in Federal financial assistance expended by the State in fiscal year 2019.

The Single Audit Report is available at
<https://www.maine.gov/audit/osa-reports/2019singleauditreport.pdf>

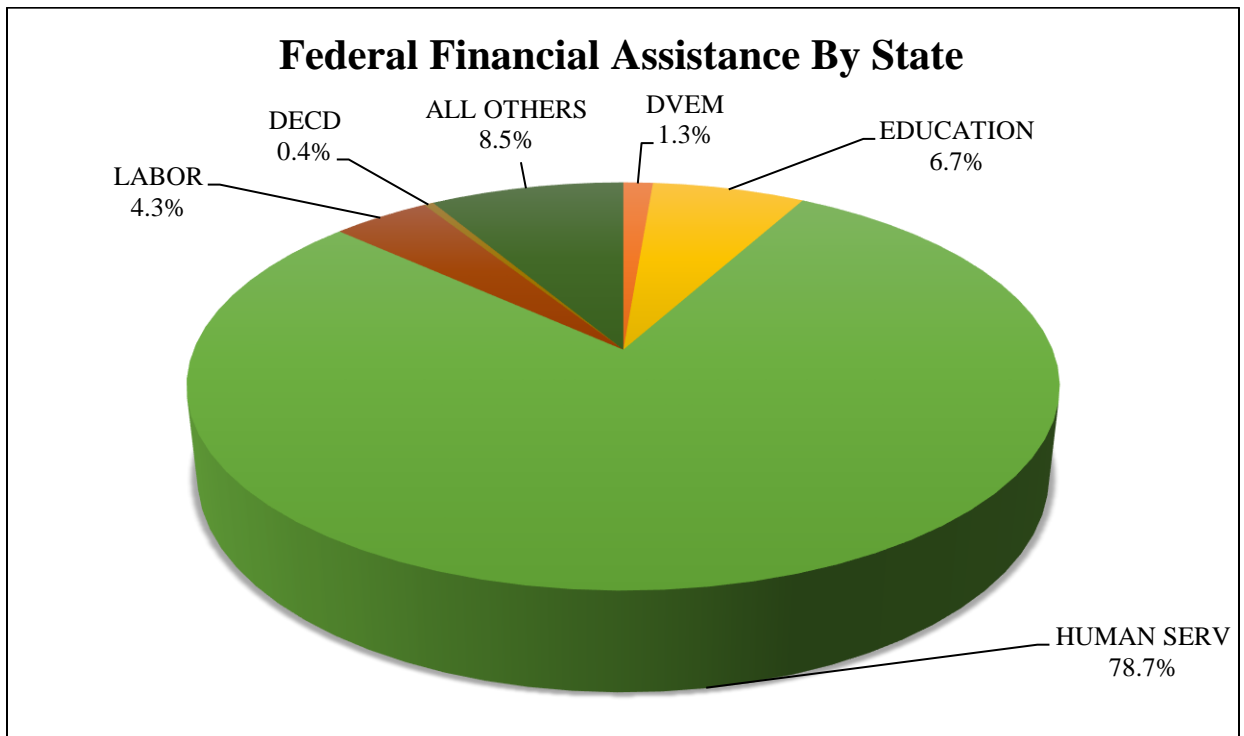
Expenditures of Federal Awards

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



The pie chart depicted below shows the State agencies that spent a total of \$3,199,149,098 in Federal financial assistance during fiscal year 2019.



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 are 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 sixty-three audit findings this year. Management letter findings will be reported in addition to the sixty-three findings included in the Single Audit Report.

The Federal compliance areas associated with the findings are:

- Allowable Costs/Cost Principles
- Cash Management
- Eligibility (client and provider)
- Matching, Level of Effort, Earmarking
- Program Income
- 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 ten 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 seventy percent 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 unfavorably to a ten-year average of approximately one-fifth.

[Medicaid \(MaineCare\)](#)

Twenty-one audit findings covered internal control deficiencies or noncompliance issues for Medicaid. These are listed on pages E-32 and E-33 of the Single Audit Report and are indexed to other pages for additional detail. Of the twenty-one audit findings for the Medicaid Cluster, nine of them contained a material weakness and/or material noncompliance.

The titles of these nine audit findings are:

- Internal control over Income Eligibility and Verification System procedures needs improvement (page E-112)
- Internal control over individual client Cost of Care assessments needs improvement (page E-132)
- Internal control over compliance with eligibility determination requirements needs improvement (page E-135)
- Internal control over Long Term Care Facility Audits needs improvement (page E-139)
- Internal control over cases opened due to potential fraud, abuse or questionable practices needs improvement (page E-143)
- Internal control over provider enrollment packages needs improvement (page E-146)
- Internal control over Medicare Part B premium payments needs improvement (page E-148)
- Internal control over Acute Care Critical Access Hospital supplemental pool payments needs improvement (page E-150)
- Internal control over the eligibility determination process needs improvement (page E-152)

Included in the fiscal year 2019 findings is a finding related to Riverview (page E-154). The finding states that the State continued to draw Federal funds during fiscal year 2019 after its decertification in September 2013. In fiscal year 2019, DHHS drew \$9 million from the Federal government for Riverview. This amount was returned to the Federal government on November 14, 2019.

Six other Medicaid findings cover issues such as control deficiencies related to Health Homes and overpayments to providers; eligibility requirements related to Advance Directives, Automated Data Exchange, and eligibility documentation; and deficiencies related to post payment reviews.

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.

Nine of the findings for this program are also accounted for under other programs such as CHIP, TANF, and SNAP.

Unemployment Insurance

One material weakness in internal control and material noncompliance was identified for this program (page E-84 of the Single Audit Report). The finding, titled Internal control over continuing eligibility needs improvement, notes that seventy-nine million dollars in unemployment benefits were paid in fiscal year 2019. This includes \$78.5 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.

In addition, Unemployment Insurance findings include a confidential finding related to information technology. This matter 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-31 of the Single Audit Report and are indexed to other pages for additional detail. Seven of these findings are classified as a material weakness in internal control and/or a material noncompliance. The titles of these seven audit findings are:

- Monitoring over subrecipient cash management needs improvement (page E-106)
- Internal control over subrecipient contracts needs improvement (page E-109)
- Internal control over Income Eligibility and Verification System procedures needs improvement (page E-112)
- Risk evaluation procedures to determine the extent of appropriate subrecipient monitoring need improvement (page E-115)
- Internal control over TANF performance reporting and work participation procedures needs improvement (page E-118)
- Internal control over payments to and on behalf of TANF clients needs improvement (page E-121)
- Internal control over the eligibility determination process needs improvement (page E-152)

Two other TANF findings cover issues such as eligibility determinations and documentation and maintenance of effort reporting.

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

Six of the findings for this program are also accounted for under other programs such as CHIP, Medicaid, SNAP, Aging Cluster, HIV Care Formula Grant, and Crime Victim Assistance.

Continuum of Care

Two audit findings relate to the Continuum of Care Program. These are listed on page E-30 of the Single Audit Report and are indexed to other pages for additional detail. Both findings are classified as both a material weakness in internal control and material noncompliance. The titles of these audit findings are:

- Internal control over subrecipient monitoring procedures needs improvement (page E-80)
- Internal control over agency Schedule of Expenditures of Federal Awards submissions needs improvement (page E-82)

Children's Health Insurance Program (CHIP)

Nine audit findings relate to CHIP. These are listed on page E-32 of the Single Audit Report and are indexed to other pages for additional detail. Four of these findings are classified as a material weakness in internal control and/or a material noncompliance. The titles of these audit findings are:

- Internal control over Income Eligibility and Verification System procedures needs improvement (page E-112)

- Internal control over compliance with eligibility determination requirements needs improvement (page E-135)
- Internal control over provider enrollment packages needs improvement (page E-146)
- Internal control over the eligibility determination process needs improvement (page E-152)

Four other CHIP findings cover issues such as eligibility requirements related to Advance Directives, Automated Data Exchange, and eligibility documentation; and deficiencies related to post payment reviews.

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

All nine of the findings for this program are also accounted for under other programs such as TANF, SNAP, and Medicaid.

Immunization Cooperative Agreements

Three audit findings relate to Immunization Cooperative Agreements. These are listed on page E-31 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. The title of this audit finding is:

- Internal control over provider site visits and corrective action follow up needs improvement (page E-99)

A separate finding is classified as a significant deficiency in internal control and pertains to Federal cash management.

The remaining finding is a confidential finding related to information technology that has been properly communicated to appropriate officials within State and Federal government.

Rehabilitation Services – Vocational Rehabilitation Grants to States

Three audit findings relate to Rehabilitation Services – Vocational Rehabilitation Grants to States. These are listed on page E-30 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 material noncompliance. The titles of the two audit findings are:

- Internal control over earmarking requirements needs improvement (page E-91)
- Internal control over program income needs improvement (page E-94)

A separate finding is classified as a significant deficiency and pertains to internal control over the timeliness of eligibility determinations.

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

Five audit findings relate to the WIC program. These are listed on pages E-29 of the Single Audit Report and are indexed to other pages for additional detail. Four of these findings are classified

as both a material weakness in internal control and a material noncompliance. The titles of these audit findings are:

- Internal control over subrecipient monitoring needs improvement (page E-65)
- Internal control over subrecipient contracts needs improvement (page E-67)
- Internal control over Federal cash management needs improvement (page E-69)
- Monitoring over subrecipient cash management needs improvement (page E-106)

The remaining finding is a confidential finding related to information technology that has been properly communicated to appropriate officials within State and Federal government.

One finding from this program is accounted for under other programs such as Crime Victim Assistance, Aging Cluster, TANF, Community Services Block Grant, Social Services Block Grant, and HIV Care Formula Grant.

SNAP Cluster

Seven audit findings relate to SNAP. These are listed on pages E-29 of the Single Audit Report and are indexed to other pages for additional detail. Four findings are classified as a material weakness in internal control and/or a material noncompliance. The titles of these two audit findings are:

- Internal control over cash balances needs improvement (page E-45)
- Internal control over compliance with eligibility determination requirements, and the related automated data processing system requirements, needs improvement (page E-47)
- Internal control over Income Eligibility and Verification System procedures needs improvement (page E-112)
- Internal control over the eligibility determination process needs improvement (page E-152)

Two other SNAP findings cover issues such as eligibility documentation and controls over SNAP benefits.

The remaining finding is a confidential finding related to information technology that has been properly communicated to appropriate officials within State and Federal government.

Four of the findings for this program are also accounted for under other programs such as TANF, CHIP, and Medicaid.

Disaster Grants – Public Assistance (Presidentially Declares Disasters)

Three audit findings relate to Disaster Grants. These are listed on page E-34 of the Single Audit Report and are indexed to other pages for additional detail. All three of the findings are classified as both a material weakness in internal control and material noncompliance. The titles of these audit findings are:

- Internal control over cash management needs improvement (page E-171)
- Internal control over the evaluation of each subrecipient's risk of noncompliance needs improvement (page E-173)

- Internal control over monitoring subrecipient Single Audits needs to be established (page E-175)

Audit Findings – Additional Remarks

In addition to the ten Federal programs that were Qualified for Material Noncompliance, three Federal programs audited were each found to have (less serious) findings referred to as Significant Deficiencies.

Federal Program	Compliance Area	Finding No.	Page No.
Child Nutrition Cluster	Matching, Level of Effort, Earmarking	2019-015	E-55
Child Nutrition Cluster	Subrecipient Monitoring	2019-016	E-57
Child Nutrition Cluster	Cash Management/ Subrecipient Monitoring	2019-017	E-59
Child Nutrition Cluster	Special Tests and Provisions	2019-018	E-62
National Guard Military Operations and Maintenance (O&M) Projects	Allowable Costs/Cost Principles	2019-023	E-75
National Guard Military Operations and Maintenance (O&M) Projects	Cash Management/ Reporting	2019-024	E-77
Child Support Enforcement	Reporting	2019-044	E-130

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.