STATE OF MAINE
SINGLE AUDIT SUMMARY
FOR THE YEAR ENDED JUNE 30, 2013

PUBLISHED MARCH 2014
State of Maine Single Audit - Summary of Results

The Single Audit is inherently critical of internal control processes and the results of operations. We regret that professional standards do not allow us to comment on what we 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 $7.8 billion and expenditures of $7.5 billion in fiscal year 2013. This included $3.2 billion in federal financial assistance. 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. We audited State expenditures required in most programs as a matching share. The Office of the State Auditor performs 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 of the Executive branch of government, and reports to the Legislature regarding the results of the Single Audit. The Single Audit Report includes our audit of the State’s financial statements and specific to fiscal year 2013, twenty-one major federal programs. These federal programs, administered by seven State agencies, represented 88% of the $3.2 billion in federal financial assistance that the State expended in fiscal year 2013.


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 five state fiscal years:
The following chart shows the State agencies that spent a total of $3,214,088,885 in federal financial assistance during State fiscal year 2013:

From its high in fiscal year 2010, Federal financial assistance expended by the State decreased by $623 million, or approximately 16%, from $3.8 billion in fiscal year 2010 to $3.2 billion in fiscal year 2013. Over the past five years, the State expended a total of $1.8 billion in American Recovery and Reinvestment Act (ARRA) monies which were part of the federal government’s stimulus package.

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 44 audit findings this year. The areas of noncompliance included in the findings are:

- Activities allowed or unallowed
- Allowable costs/cost principles
- Cash management
- Eligibility (client and provider)
- Matching, level of effort and earmarking
- Sub-recipient monitoring
- Procurement, suspension and debarment
- Reporting
- Special tests and provisions
Summary of Key Audit Findings

Unemployment Insurance
A material weakness in internal control and material non-compliance were identified for this program. Approximately $50 million in federally funded unemployment claims and $69 million in claims funded by Maine’s employers were paid to persons who did not submit work search logs, as required. We issued a qualified opinion on this program (for more information, see finding 13-1302-01 on pages E-99 of the Single Audit Report).

Medicaid
We issued 22 audit findings regarding internal control deficiencies or noncompliance relative to Medicaid. These are listed on pages E-16 and E-17 of the Single Audit Report. All 22 findings were classified as a significant deficiency. This classification is less severe than a finding classified as material noncompliance or a material weakness.

Federal questioned costs of $1.3 million were identified for Maine Integrated Health Management Solution system (MIHMS) payment processing errors that were not detected and corrected (for more information, see finding 13-1106-19 on page E-59 of the Single Audit Report). The likely Federal questioned costs are estimated to be $27.8 million. In addition, we estimate that a directly related State match of $16.4 million was also overpaid.

Also, Federal questioned costs of $1.2 million were identified for claims paid by the Medicaid program that were for clients eligible under the Children’s Health Insurance Program (CHIP) who have other third party liability. These clients were not eligible for Medicaid coverage and therefore, should not have been charged to the program (for more information, see finding 13-1106-16 on page E-56 of the Single Audit Report).

Finally, we found that surveillance activities performed by the Program Integrity Unit to monitor Medicaid expenditures are inadequate. In 2013, over thirty million claims totaling $2.5 billion were paid to providers. For this reason, CMS approved the Maine Integrated Health Management Solution (MIHMS) system contingent upon the Program Integrity Unit’s utilization of J-SURS, including the use of the Report Generator tool. Specific surveillance activities must be used continuously according to Federal regulations to detect anomalies and focus reviews on Medicaid provider and recipient claim profile data in aggregate with their peer groups. Failure to properly utilize J-SURS increases risk that unintentional errors, or fraud, waste and abuse will remain undetected (for more information, see finding 13-1106-16 on page E-37 of the Single Audit Report).