

STATE OF MAINE



SINGLE AUDIT REPORT

Uniform Guidance

Fiscal Year Ended June 30, 2025

Office of the State Auditor
Matthew Dunlap, CIA
State Auditor

STATE OF MAINE SINGLE AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2025

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Matthew Dunlap, CIA
State Auditor

B. Melissa Perkins, CPA
Deputy State Auditor

Letter of Transmittal

Honorable Members of the Legislative Council, 132nd Legislature;

Honorable Janet T. Mills
Governor of the State of Maine

I am pleased to submit the Single Audit of the State of Maine for the fiscal year ended June 30, 2025. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; the requirements of the Single Audit Act Amendments of 1996; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our audit complies with 5 MRSA §243 and is also a prerequisite for the receipt of Federal financial assistance. During fiscal year 2025, \$6.0 billion in Federal financial assistance was expended by the State of Maine.

This document contains the following reports and schedules:

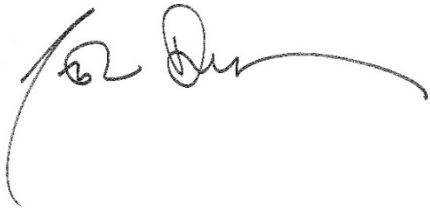
- Independent Auditor's Report
- Basic Financial Statements, Management's Discussion and Analysis, Notes to the Financial Statements, and Required Supplementary Information
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit 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
- Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questioned Costs
- Financial Statement Findings

- Federal Findings Indexes and Federal Award Identification Numbers
- Federal Findings and Questioned Costs
- Corrective Action Plan
- Summary Schedule of Prior Audit Findings

On behalf of the Office of the State Auditor, I thank employees throughout Maine Government who assisted us during the audit.

Please contact me if you have questions or comments about the 2025 Single Audit of the State of Maine.

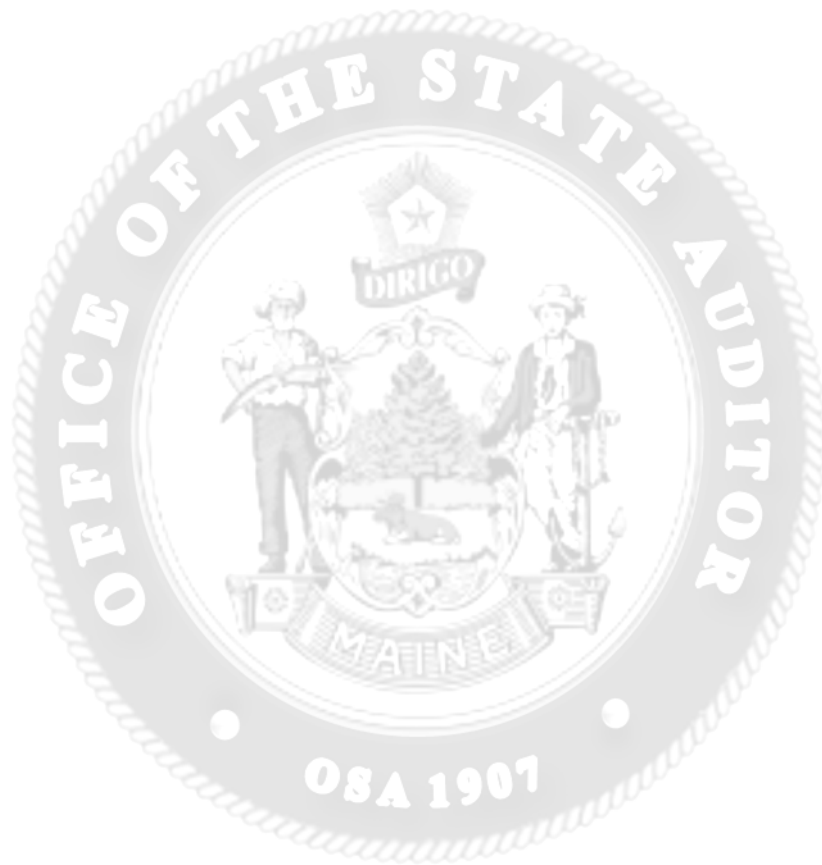
Respectfully submitted,

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

Matthew Dunlap, CIA
State Auditor

March 26, 2026

**STATE OF MAINE
EXECUTIVE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2025**



STATE OF MAINE SINGLE AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2025

EXECUTIVE SUMMARY

The Office of the State Auditor (OSA) performs the Single Audit of the State of Maine, an annual financial and compliance audit, to meet Federal and State requirements. OSA's audit for fiscal year 2025 includes 13 major Federal programs that represent 72 percent of the \$6.0 billion in Federal expenditures for the 2025 fiscal year. This Single Audit Report consists of various audit reports, the related financial statements, and audit findings and recommendations.

Independent Auditor's Report

OSA's opinion on the State's basic financial statements was unmodified. This means that OSA provides reasonable assurance that the State of Maine's financial statements are presented fairly in all material respects in accordance with accounting principles generally accepted in the United States of America. This report includes an opinion on the Schedule of Expenditures of Federal Awards in relation to the basic financial statements taken as a whole.

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

OSA reported on internal control over financial reporting and identified 1 deficiency in internal control that we considered to be a material weakness. A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct financial statement misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the State's financial statements would not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified 9 significant deficiencies in this report.

As part of obtaining reasonable assurance regarding whether the State's financial statements were not materially misstated, OSA performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. The results of OSA's tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Compliance with program requirements

OSA qualified the opinion on compliance with program requirements for the following major Federal programs because of material noncompliance:

- Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises
- Adoption Assistance – Title IV-E
- Child Nutrition Cluster
- Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- Every Student Succeeds Act/Preschool Development Grants
- Foster Care – Title IV-E
- Medicaid Cluster
- SNAP Cluster
- Summer Electronic Benefit Transfer Program for Children
- Temporary Assistance for Needy Families (TANF)

The remaining 3 major Federal programs complied in all material respects with program requirements.

Internal control over compliance

OSA identified 62 deficiencies in internal control over compliance. A *deficiency* exists when the operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program, on a timely basis.

OSA identified 19 deficiencies that were considered to be *material weaknesses* in internal control. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Another 43 deficiencies were considered to be *significant deficiencies* in internal control over compliance. A *significant deficiency* exists when there is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

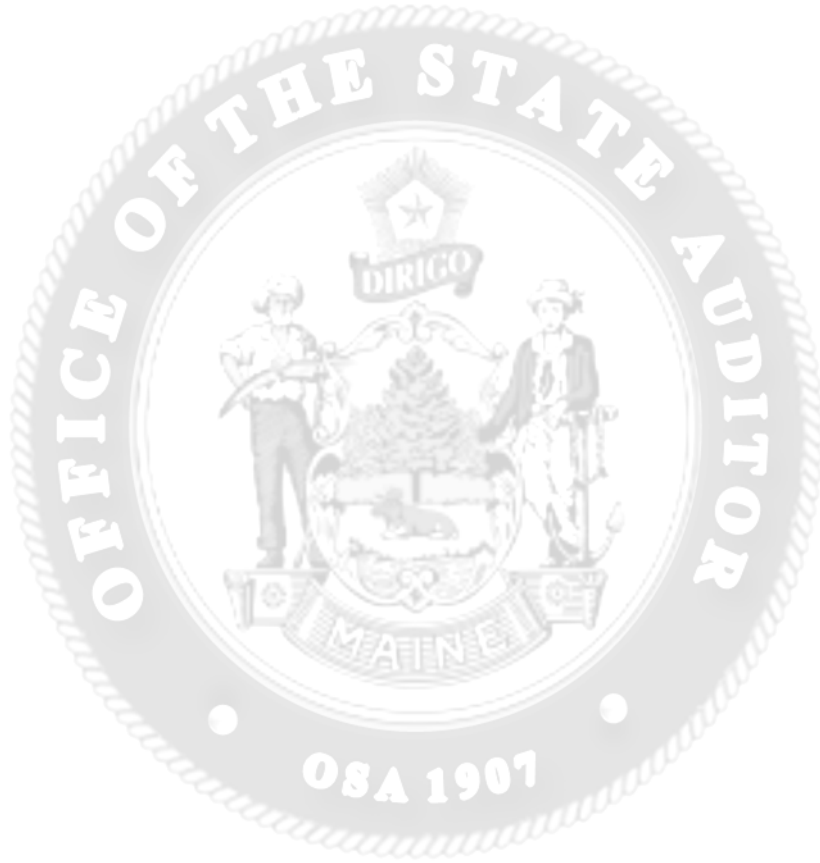
Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs includes management's responses to the audit findings. OSA's Single Audit Report also identified \$657,755 of *known questioned costs*. *Questioned costs* are amounts of Federal financial assistance that OSA believes were not spent in

accordance with program requirements. The Federal government may or may not disallow these costs which could result in reimbursements from the State to the Federal government.

Corrective Action Plan

The Corrective Action Plan is a document separate from the audit findings that includes information identifying the name of the person responsible for corrective action, the planned corrective action, and the anticipated completion date.



**STATE OF MAINE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025**

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For the Fiscal Year Ended June 30, 2025

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Matthew Dunlap, CIA
State Auditor

B. Melissa Perkins, CPA
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the Legislative Council, 132nd Maine Legislature;

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (except for blended component unit, Maine Governmental Facilities Authority, and fiduciary component unit, Maine Public Employees Retirement System) of the State of Maine, as of and for the year ended June 30, 2025, and the related notes to the financial statements. We did not audit the financial statements of the blended component unit, fiduciary component unit, or the aggregate discretely presented component units. These financial statements collectively comprise the State of Maine's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the following component units: Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Connectivity Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, and the University of Maine System. The financial statements of these named component units represent 100 percent of the assets, net position, and revenue of the aggregate discretely presented component units; 93 percent of assets, 95 percent of net position, and 65 percent of revenue of the aggregate remaining fund information (Maine Public Employees Retirement System and Maine Governmental Facilities Authority); and 4 percent of the assets, and less than 1 percent of the net position and revenue of the governmental activities (Maine Governmental Facilities Authority) as of June 30, 2025. The financial statements of these named component units were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Maine and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Maine's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State of Maine's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State of Maine’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis on pages B-7 to B-18, and Budgetary Comparison Information, State Retirement Plans, Other Post-Employment Benefit Plans, and Information about Infrastructure Assets Reported Using the Modified Approach on pages B-120 to B-159, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine’s basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

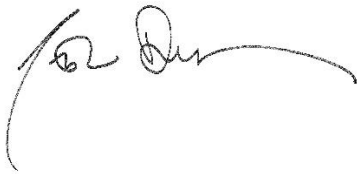
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work

performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2025, on our consideration of the State of Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Maine's internal control over financial reporting and compliance.

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
Office of the State Auditor

Augusta, Maine
December 12, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of Maine's annual financial report presents the State's discussion and analysis of financial performance during the year ended June 30, 2025. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Maine's economy has been stable, with continued in-migration leading to population growth from 2020-2024 that ranks 17th in the nation. Moody's has affirmed Maine's bond rating of Aa1, which is the second highest possible rating, while Standard & Poor's has affirmed its AA long-term rating. Maine increased the balance in the Budget Stabilization Fund to its highest level ever, the newly calculated statutory cap of 18% of total General Fund revenues in the immediately preceding State fiscal year. Maine has continued to see growth in personal income and Gross Domestic Product, but changes in federal fiscal policies have eroded business and consumer confidence as uncertainty about future economic conditions has increased. At the same time, a strong market has bolstered capital gains.

This section of the State of Maine's annual financial report presents the State's discussion and analysis of financial performance during the year ended June 30, 2025. Please read in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

Government-wide:

- The net position of Governmental Activities increased by \$540.3 million, while net position of Business-Type Activities increased by \$192.2 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by \$4.390 billion at the close of fiscal year 2025. Of this amount \$997.7 million was reported as negative "Unrestricted" net position. A negative balance means that it would be necessary to convert restricted assets (e.g., capital assets) to unrestricted assets if all ongoing obligations were immediately due and payable. Component units reported net position of \$4.657 billion, an increase of \$389.5 million (9.1 percent) from the previous year.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported a combined ending fund balance of \$2.540 billion, a decrease of \$420.3 million from the previous year. The General Fund's total fund balance is \$901.2 million, a decrease of \$214.3 million from the previous year. The General Fund revenue of \$6.194 billion is an increase of \$478.8 million from the prior year, primarily due to an increase in tax revenue of \$473.2 million. The increase is primarily due to an extension granted for filing and paying final and estimated individual income taxes as a result of the impact of severe winter storms in 2024. The final and individual income tax payments were originally due in April 2024, but were extended until July 2024. The General Fund expenses of \$5.681 billion is an increase of \$427.5 million from the prior year, primarily due to an increase in health & human services (HHS) of \$279.1 million. The HHS expense increase being primarily in the Medical Assistance Program which provides free and low cost health insurance for people who meet certain requirements. Education expense increased by \$91.5 million, primarily due to an increase in General Purpose Aid for essential programs & services and pension contributions. Justice & Protection expense increased by \$56.2 million primarily due to a new program for the Maine Commission on Public Defense Services. General Fund revenues exceeded expenses by \$513.2 million.
- The Other Special Revenue Fund (OSR) total fund balance is \$1.350 billion, a decrease of \$213.4 million from the prior year. The OSR fund revenue of \$951.3 million is an increase of \$12.5 million from the prior year. The OSR fund expenses of \$1.874 billion is an increase of \$303.5 million from the prior year. This was due primarily to an increase in health & human services expense of \$96.6 million primarily due to one time funding for various medical assistance and substance abuse programs. The increase in economic development & workforce training expense of \$68.3 million was primarily for housing and business recovery. The increase in transportation safety & development expense of \$52.3 million was primarily due to additional highway and bridge capital and improvement funding.
- The proprietary funds reported net position at year-end of \$1.478 billion, an increase of \$282.6 million from the previous year. The increase is the net result of an increase in two Enterprise Funds, the Employment Security Fund of

\$43.8 million and Paid Family Medical Leave Fund of \$141.3 million and increases in three Internal Service Funds, the Retiree Health Insurance Fund, the Employee Health and Benefit Fund and the Information Services Fund by \$17.1 million, \$32.1 million and \$14.3 million, respectively.

Long-term Debt:

- The State's liability for general obligation bonds decreased by \$106.6 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State did not issue any new general obligation bonds and made principal payments of \$106.6 million.

Additional information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 10.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State of Maine's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position presents all of the State's assets, deferred outflows, liabilities and deferred inflows with the difference between the two reported as net position. Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both government-wide statements report three activities:

Governmental activities - Most basic services, such as health and human services, education, governmental support and operations, justice and protection, and transportation are included in this category. The Legislature, Judiciary and the general operations of the Executive departments fall within the Governmental Activities. Income taxes, sales and use taxes, and State and federal grants finance most of these activities.

Business-type activities - The State charges fees to customers to help cover all, or most of, the costs of certain services it provides. Operating costs not covered by customer fees are subsidized by the General Fund. Lottery tickets, Ferry Services, and the State's unemployment compensation services are examples of business-type activities.

Component units - Although legally separate, component units are important because the State is financially accountable for these entities. The State has one "blended" component unit, the Maine Governmental Facilities Authority (MGFA) with Governmental Activities as described above. Maine reports 12 other component units (7 major and 5 non-major) as discretely presented component units of the State, and one component unit is reported with the State's fiduciary funds. Complete financial statements of the individual component units may be obtained directly from their respective administrative offices as shown in Note 1 A to the financial statements.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting. The following summarizes the impact of the transition from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements but are included on government-wide statements.
- Certain tax revenues that are earned, but not available, are reported as revenues in the Governmental Activities, but are reported as deferred inflows on the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are recorded as deferred outflows in governmental fund statements, but not deferred on the government-wide statements.

- Internal service funds are reported as Governmental Activities in the government-wide statements, but reported as proprietary funds in the fund financial statements.
- Governmental fund long-term liabilities, such as certificates of participation, net pension liabilities, compensated absences, bonds and notes payable, and others appear as liabilities only in the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is recorded as expenditures on the governmental fund statements.
- Proceeds from bonds, notes and other long-term financing arrangements result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Net position balances are allocated as follows:
 - *Net Investment in Capital Assets* are capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction or improvement of those assets.
 - *Restricted Net Position* are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation.
 - *Unrestricted Net Position* is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds. Funds are fiscal and accounting entities with self-balancing sets of accounts that the State uses to keep track of specific revenue sources and spending for particular purposes. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different measurement focuses and bases of accounting.

Governmental funds: Most of the basic services are included in governmental funds, which generally focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the State. The governmental fund statements focus primarily on the sources, uses, and balance of current financial resources and often have a budgetary orientation. These funds are reported using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Because this information does not encompass the additional long-term focus of the government-wide statements, a separate reconciliation provides additional information that explains the relationship (or differences) between them. The governmental funds consist of the General Fund, special revenue, capital projects, and permanent funds.

Proprietary funds: When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) apply the accrual basis of accounting utilized by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services to the State's other programs and activities – such as the State's Postal, Printing and Supply Fund. Internal service funds are reported as Governmental Activities on the government-wide statements.

Fiduciary funds: The State is the trustee or fiduciary for assets that belong to others. The State is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These funds include pension and other employee benefit trusts administered by the Maine Public Employees Retirement System, a component unit, private-purpose trusts, and custodial funds. Fiduciary funds are reported using the accrual basis of accounting. The State excludes these activities from the government-wide financial statements because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the General Fund and major special revenue funds. Also included are notes and a reconciliation of fund balance from the budgetary basis to fund balance determined according to generally accepted accounting principles. This section also includes information regarding the State's pension plans and other post-employment benefit trust funds and condition and maintenance data regarding certain portions of the State's infrastructure.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements. Budgetary comparison schedules by agency are also included for the general fund, the highway fund, federal funds, and other special revenue fund.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net position increased by \$662.2 million to \$4.390 billion over the course of fiscal year ended June 30, 2025, as detailed in Tables A-1 and A-2. The change in net position for the year is a positive \$732.5 million. Current year revenue increased by \$1.111 billion primarily due to Operating Grants & Contributions and Tax revenue. The current year expenses increased by \$785.1 million, primarily due to an increase in health & human services expenses of \$682.6 million. The increase was primarily for the Medical Assistance Program which provides free and low cost health insurance for people who meet certain requirements.

TABLE A-1: CONDENSED STATEMENT OF NET POSITION
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024*	2025	2024	2025	2024*
Current and other noncurrent assets						
Current and other assets	\$ 4,233,971	\$ 4,709,984	\$ 977,271	\$ 839,481	\$ 5,211,242	\$ 5,549,465
Long-term assets	1,757,669	1,811,568	58,785	10,390	1,816,454	1,821,958
Current and other noncurrent assets	5,991,640	6,521,552	1,036,056	849,871	7,027,696	7,371,423
Total capital and right to use assets, net	5,393,843	5,229,853	83,214	80,658	5,477,057	5,310,511
Total Assets	11,385,483	11,751,405	1,119,270	930,529	12,504,753	12,681,934
Deferred Outflows of Resources	1,065,969	1,051,068	7,195	5,988	1,073,164	1,057,056
Current liabilities	2,717,142	2,753,754	53,326	53,295	2,770,468	2,807,049
Non-current liabilities	4,873,184	5,200,925	20,268	20,199	4,893,452	5,221,124
Total Liabilities	7,590,326	7,954,679	73,594	73,494	7,663,920	8,028,173
Deferred Inflows of Resources	1,519,124	1,976,824	4,975	6,316	1,524,099	1,983,140
Net Position (Deficit)						
Net Investment in Capital Assets	4,299,470	4,099,173	80,152	80,658	4,379,622	4,179,831
Restricted	198,688	226,579	809,269	765,421	1,007,957	992,000
Unrestricted (deficit)	(1,156,156)	(1,454,782)	158,475	10,628	(997,681)	(1,444,154)
Total Net Position	\$ 3,342,002	\$ 2,870,970	\$ 1,047,896	\$ 856,707	\$ 4,389,898	\$ 3,727,677

* As restated for an error correction. The restatement for the implementation of GASB 101, Compensated Absences, is not reflected above in fiscal year 2024 per GASB code section 2250, paragraph 157. Please see Note 3 in the Financial Statements.

The State's fiscal year 2025 revenues totaled \$14.578 billion. (See Table A-2) Taxes and Operating grants and contributions accounted for most of the State's revenue by contributing 44.8 percent and 41.4 percent, respectively. The remainder came from charges for services and other miscellaneous sources.

The total cost of all programs and services totaled \$13.845 billion for the year 2025. (See Table A-2) These expenses are predominantly (68.1 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 6.3 percent of total costs. The net position increased by \$732.5 million, due primarily to an increase in Operating Grants & Contributions and Tax revenue.

TABLE A-2: CONDENSED STATEMENT OF ACTIVITIES
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024*	2025	2024	2025	2024*
Revenues:						
Program Revenues:						
Charges for Services	\$ 643,613	\$ 627,816	\$ 992,903	\$ 857,403	\$ 1,636,516	\$ 1,485,219
Operating grants and contributions	6,006,205	5,451,288	24,061	21,570	6,030,266	5,472,858
General Revenues:						
Taxes	6,528,552	6,119,448	-	-	6,528,552	6,119,448
Other	382,373	388,871	-	-	382,373	388,871
Total Revenues	<u>13,560,743</u>	<u>12,587,423</u>	<u>1,016,964</u>	<u>878,973</u>	<u>14,577,707</u>	<u>13,466,396</u>
Expenses:						
Governmental Activities:						
Governmental Support	871,194	825,001	-	-	871,194	825,001
Education	2,419,911	2,783,638	-	-	2,419,911	2,783,638
Health & Human Services	7,012,341	6,329,698	-	-	7,012,341	6,329,698
Justice & Protection	872,135	684,160	-	-	872,135	684,160
Transportation Safety	1,038,358	902,085	-	-	1,038,358	902,085
Economic Development & Workforce Training	400,120	328,794	-	-	400,120	328,794
Other	479,159	474,230	-	-	479,159	474,230
Interest Expense	41,414	48,096	-	-	41,414	48,096
Business-type Activities:						
Employment Security	-	-	136,304	119,895	136,304	119,895
Lottery	-	-	335,332	343,962	335,332	343,962
Alcoholic Beverages	-	-	195,802	191,706	195,802	191,706
Other	-	-	43,138	28,838	43,138	28,838
Total Expenses	<u>13,134,632</u>	<u>12,375,702</u>	<u>710,576</u>	<u>684,401</u>	<u>13,845,208</u>	<u>13,060,103</u>
Excess (Deficiency) before Special Items and Transfers	426,111	211,721	306,388	194,572	732,499	406,293
Transfers	<u>114,221</u>	<u>127,329</u>	<u>(114,221)</u>	<u>(127,329)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	540,332	339,050	192,167	67,243	732,499	406,293
Net Position, beginning of year	<u>2,801,670</u>	<u>2,531,920</u>	<u>855,729</u>	<u>789,464</u>	<u>3,657,399</u>	<u>3,321,384</u>
Ending Net Position	<u>\$ 3,342,002</u>	<u>\$ 2,870,970</u>	<u>\$ 1,047,896</u>	<u>\$ 856,707</u>	<u>\$ 4,389,898</u>	<u>\$ 3,727,677</u>

* As restated for an error correction. The restatement for the implementation of GASB 101, Compensated Absences, is not reflected above in fiscal year 2024 per GASB code section 2250, paragraph 157. Please see Note 3 in the Financial Statements. The ending fund balance for fiscal year 2024 does not tie to the beginning fund balance for fiscal year 2025 due to the GASB 101 restatement not being reflected in the MD&A.

Governmental Activities

Revenue for the State's Governmental Activities totaled \$13.561 billion while total expenses equaled \$13.135 billion. The increase in net position for Governmental Activities was \$540.3 million in 2025. The current year net position increased by \$201.3 million over the prior year. The change is primarily due to increased funding received in Operating Grants & Contributions of \$554.9 million and Tax revenue of \$409.1 million, offset by an increase in expense for health & human services of \$682.6 million. In addition, the State’s Business-Type Activities transfers of \$114.2 million (net) to the Governmental Activities, included statutorily required profit transfers of the Alcoholic Beverages Fund.

The users of the State's programs financed \$643.6 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of \$6.006 billion. \$6.911 billion of the State's net costs were financed by taxes and other miscellaneous revenue.

TABLE A-3: TOTAL SOURCES OF REVENUES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2025

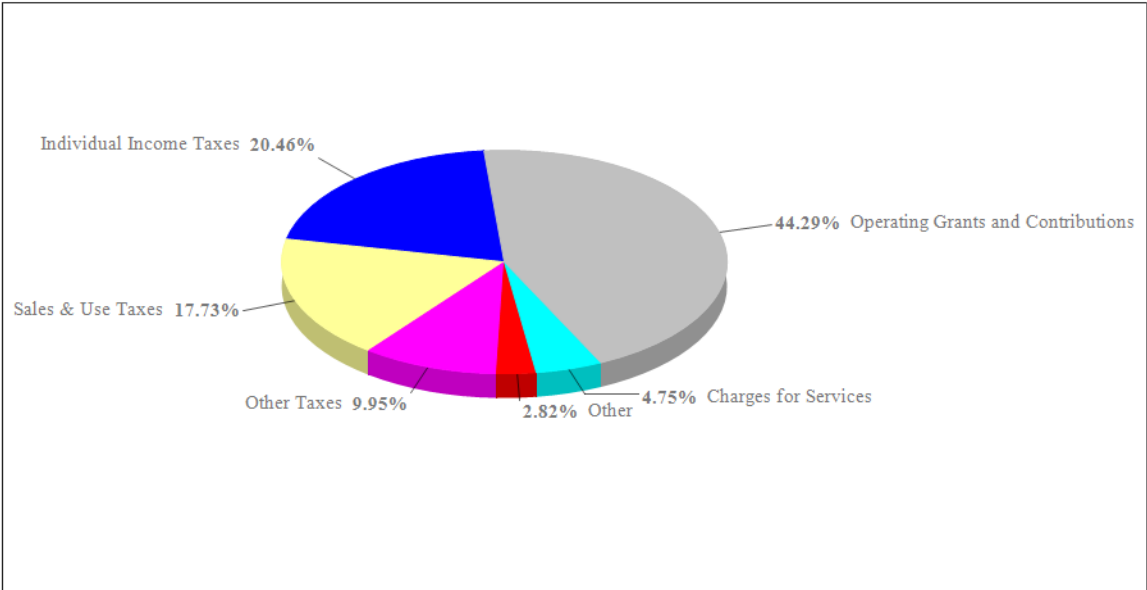
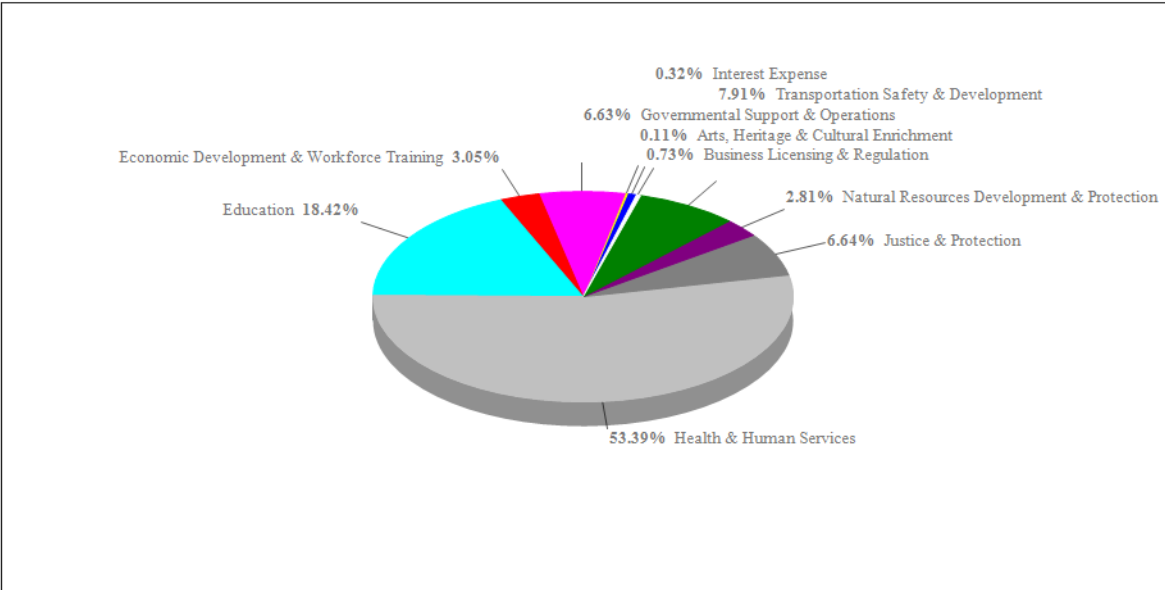


TABLE A-4: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2025



Business-Type Activities

Revenues for the State's Business-Type Activities totaled \$1.017 billion while expenses totaled \$710.6 million. The increase in net position for Business-Type Activities was \$192.2 million in 2025 due to a net revenue over expenses of \$43.8 million in Employment Security, a net revenue over expenses of \$64.7 million in Alcoholic Beverages, a net revenue over expenses of \$80.4 million in Lottery and a net revenue over expenses of \$125.4 million in the Other category. The change in net position was also impacted by \$114.2 million in (net) transfers from the State's Business-Type Activities to the Governmental Activities, which includes statutorily required profit transfers of the Alcoholic Beverages Fund.

Table A-5 presents the revenue of State Business-Type Activities: Employment Security, Alcoholic Beverages, Lottery, Ferry Services, Consolidated Emergency Communications and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs) or net revenue. The net cost shows the financial burden placed on the State's taxpayers by each of these functions.

TABLE A-5: NET REVENUE (COST) OF BUSINESS-TYPE ACTIVITIES
(Expressed in Thousands)

	Total Cost		Net Revenue (Cost)	
	2025	2024	2025	2024
Employment Security	\$ 136,304	\$ 119,895	\$ 43,848	\$ 44,049
Alcoholic Beverages	195,802	191,706	64,735	66,145
Lottery	335,332	343,962	80,368	85,808
Ferry Services	16,264	17,310	(8,360)	(9,511)
Consolidated Emergency Communications	7,887	7,769	386	159
Other	18,987	3,759	125,411	7,922
Total	<u>\$ 710,576</u>	<u>\$ 684,401</u>	<u>\$ 306,388</u>	<u>\$ 194,572</u>

The cost of all Business-Type Activities this year was \$710.6 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was \$306.4 million. Employment Security net revenue increased by \$43.8 million, and Other contributed \$125.4 million of net revenue. The \$114.2 million (net) transfers from the State's Business-Type Activities to the Governmental Activities included statutorily required profit transfers of the Alcoholic Beverages Fund.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

TABLE A-6: GOVERNMENTAL FUND BALANCES
(Expressed in Thousands)

	2025	2024	Change
General	\$ 901,169	\$ 1,115,459	\$ (214,290)
Highway	64,064	40,995	23,069
Federal	14,071	6,528	7,543
Other Special Revenue	1,349,969	1,563,360	(213,391)
Other Governmental Funds	210,485	233,679	(23,194)
Total	<u>\$ 2,539,758</u>	<u>\$ 2,960,021</u>	<u>\$ (420,263)</u>

As of the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$2.540 billion, a decrease of \$420.3 million in comparison with the prior year. Of this total, \$62.9 million (2.5 percent) is classified as non-spendable, either due to its form or legal constraints, and \$835.1 million (32.9 percent) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds and revenue restricted for transportation, natural resources or other programs are included in restricted fund balance. At the end of fiscal year 2025, there was \$665.5 million of unassigned fund balance on the GAAP basis in the General Fund.

General Fund expenditures and other uses were greater than General Fund revenues and other sources resulting in a decrease in the fund balance of \$214.3 million. Revenues and other financing sources of the General Fund of \$6.349 billion increased by approximately \$464.0 million (7.9 percent), as compared to fiscal year end 2024. Expenses and uses of \$6.563 billion increased by \$435.3 million (7.1 percent), as compared to the prior year.

Other Special Revenue fund revenue and other financing sources of \$1.723 billion decreased by \$111.0 million from the prior year (6.1 percent). Expenses and other uses of \$1.936 billion increased from the prior year by \$312.2 million (19.2 percent).

Budgetary Highlights

For the 2025 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to \$5.864 billion, an increase of about \$570 million from the original legally adopted budget of approximately \$5.294 billion. Actual expenditures on a budgetary basis amounted to approximately \$332.3 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2025, including the budgeted starting balance for fiscal year 2025, there were funds remaining of \$113.2 million to distribute in fiscal year 2025. Actual revenues and net operating transfers exceeded final budget forecasts by \$117.6 million. Interest earning of \$42.6 million along with legislatively and statutorily approved transfers resulted in the Budget Stabilization Fund reaching its cap of \$1.030 billion as of June 30, 2025. The remaining \$33.8 million of surplus was transferred to the Highway and Capital Program, an Other Special Revenue Funds account for fiscal year 2025. This item is further explained in Note 2 of the Financial Statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2025, the State had roughly \$5.477 billion in a broad range of capital and right to use assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2025, the State acquired or constructed more than \$252.2 million of capital, right to use and subscription based information technology assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 19 to the financial statements.

TABLE A-7: CAPITAL ASSETS
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land	\$ 708,875	\$ 704,080	\$ 3,927	\$ 3,926	\$ 712,802	\$ 708,006
Construction in Progress	170,016	335,204	22,048	20,385	192,064	355,589
Infrastructure	3,244,318	3,176,376	-	-	3,244,318	3,176,376
Buildings	1,073,351	887,863	5,191	5,268	1,078,542	893,131
Equipment	456,684	415,849	52,870	50,870	509,554	466,719
Improvements Other Than Buildings	129,239	117,553	60,351	60,266	189,590	177,819
Software	218,108	155,356	-	-	218,108	155,356
Total Capital Assets	6,000,591	5,792,281	144,387	140,715	6,144,978	5,932,996
Less: Accumulated Depreciation	994,934	922,289	64,232	60,057	1,059,166	982,346
Capital Assets, net	5,005,657	4,869,992	80,155	80,658	5,085,812	4,950,650
Right to Use Assets	309,732	272,786	-	-	309,732	272,786
Less: Accumulated Amortization	42,808	30,228	-	-	42,808	30,228
Right to Use Assets, net	266,924	242,558	-	-	266,924	242,558
Subscription Based Assets	190,916	170,660	3,243	-	194,159	170,660
Less: Accumulated Amortization	69,654	53,357	184	-	69,838	53,357
Subscription Based Assets, net	121,262	117,303	3,059	-	124,321	117,303
Capital, Right to Use and Subscription Based Assets, net	\$ 5,393,843	\$ 5,229,853	\$ 83,214	\$ 80,658	\$ 5,477,057	\$ 5,310,511

Modified Approach for Infrastructure

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets – highways and bridges. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Utilization of this approach requires the State to: 1) maintain an asset management system that includes an up-to-date inventory of infrastructure assets; 2) perform condition assessments that use a measurement scale and document that the infrastructure assets are being preserved at or above the condition level established; and 3) estimate the annual amounts that must be expended to preserve and maintain the infrastructure at the condition level established by the State. As long as the State meets these requirements, any additions or improvements to infrastructure are capitalized and all other maintenance and preservation costs are expensed.

Highways and bridges are included in the State’s infrastructure. There are 8,777 highway miles or 17,828 lane miles within the State. Bridges have a deck area of 12.6 million square feet among 3,034 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2025, the actual average condition was 74.1. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 75.0 at June 30, 2025. Preservation costs for fiscal year 2025 totaled \$267.0 million compared to estimated preservation costs of \$240.0 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by PL 2021, Chapter 408, \$24.3 million in General Fund bonds were spent during fiscal year 2025. Of the amount authorized by PL 2019, Chapter 673, \$400 thousand in General Fund bonds were spent during fiscal year 2025.

Additional information on infrastructure assets can be found in Required Supplementary Information (RSI).

Long-Term Debt

The State Constitution authorizes general obligation long-term borrowing, with 2/3 approval of the Legislature and ratification by a majority of the voters, and general obligation short-term notes, of which the principal may not exceed an amount greater than 10 percent of all moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, or greater than 1 percent of the total valuation of the State of Maine, whichever is the lesser.

At year-end, the State had \$1.731 billion in general obligation and other long-term debt outstanding. More detailed information about the State's long-term liabilities is presented in Note 11 to the financial statements.

TABLE A-8: OUTSTANDING LONG-TERM DEBT
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
General Obligation						
Bonds	\$ 360,515	\$ 454,295	\$ -	\$ -	\$ 360,515	\$ 454,295
Unmatured Premiums	52,538	65,312	-	-	52,538	65,312
Other Long-Term Obligations	1,312,121	1,300,625	5,517	3,284	1,317,638	1,303,909
Total	\$ 1,725,174	\$ 1,820,232	\$ 5,517	\$ 3,284	\$ 1,730,691	\$ 1,823,516

During the year, the State reduced outstanding long-term obligations by \$106.6 million for general obligation bonds and \$353.0 million for other long-term debt. Also during fiscal year 2025, the State incurred \$296.5 million of additional long-term obligations.

Credit Ratings

The State’s credit was rated during fiscal year 2025 by Moody’s Investors Service as Aa1 with a stable outlook and by Standard & Poor’s as AA with a stable outlook.

FACTORS BEARING ON THE FUTURE OF THE STATE AND NEXT YEAR'S BUDGETS

The Maine Consensus Economic Forecasting Commission (CEFC) convened on October 30, 2025, to review and revise its forecast through 2029. This meeting builds on the Commission's forecast update of April 1, 2025, incorporating the most recent updates available for all relevant baseline data.

The CEFC emphasized that Maine continues to face significant economic uncertainty stemming from fiscal, geopolitical, and economic developments. Tariff policies continue to change rapidly, contributing to the possibility of a global trade war and increasing risk for businesses. The federal government is in a period of fiscal austerity (which is compounded by the government shutdown that began October 1), increasing uncertainty around ongoing federal funding. Maine's economy will be impacted by any reduction of federal funds and the multiplier effects of those reductions, particularly cuts to programs such as Medicaid (MaineCare) and the Affordable Care Act. Inflation remains elevated above target levels and is likely to face ongoing upward pressure from tariffs, while consumer sentiment has weakened. Because of our state's demographics and close relationship with Canada, Maine may be particularly vulnerable to changes in federal funding and tariff policy.

The Commission's forecast for wage and salary employment was left unchanged for all forecast years based on information from the Maine Department of Labor.

The Commission revised its forecast for total personal income growth up from 4.1% to 5.6% in 2025. The remaining years of the forecast were left unchanged. The only adjustments to personal income were made to wage and salary income and personal current transfer receipts.

The Commission made an upward revision to the forecast for 2025, from 4.0% to 4.8% based on information provided by the Office of Tax Policy in Maine Revenue Services. There were no changes for 2026-2029 and the forecast assumes growth of 4.0% for each of those years.

Annual inflation according to the Consumer Price Index (CPI) was revised down in 2025 to 2.8% from 3.2%. This revision was made to align with Moody's and S&P. The remaining years of the forecast were left unchanged. The Commission forecasts that inflation will stay at 2.8% in 2026 before slowing to 2.2% in 2027 and 2.1% in 2028 and 2029.

Corporate profits grew 8.4% in 2024, lower than the April forecast of 11.4%. No changes were made to the forecast. The current forecast projects growth of 0.5% in 2025 and then 2.0% annual growth for 2026-2029.

Maine saw continued population growth in 2024, gaining over 5,300 in population. In 2024, Maine had the 20th highest rate of total migration, at 7.5 per thousand. This was below the national rate of 8.2 per thousand. In recent years, this has been driven by growth in net domestic migration. However, in 2024, this was more evenly split between domestic migration (3.8 per thousand) and international migration (3.7 per thousand).

Total personal income in Maine grew 6.9% at an annualized rate in the second quarter of 2025, ranking 6th in the U.S. (5.5%) and second in New England (6.2%). Maine's total seasonally adjusted personal income was \$101.3 billion in the second quarter of 2025. Wage and salary income, the largest component of personal income, grew 4.5% seasonally adjusted at an annualized rate (SAAR) in the second quarter of 2025 while dividends, interest, and rent increased 1.1% and transfer receipts increased by 19.9%, driven in large part by retroactive payments to Social Security beneficiaries from the Social Security Fairness Act (2024). Meanwhile, real GDP for Maine grew to just over \$77.9 billion in the second quarter of 2025.

Inflation has decelerated from the high in June of 2022 but is still above the Federal Reserve's 2% target. The CPI all-items index grew 3% year-over-year in September (before seasonal adjustment), the fastest annual pace since the start of the year. On October 29, the Federal Reserve Federal Open Market Committee (FOMC) lowered rates to 3.75% - 4.00%.

The Index of Consumer Sentiment from the University of Michigan was down 2.7% in October and is down 24% year-over-year. Inflation and high prices remain at the forefront of consumers' minds. The Small Business Optimism Index, as measured by the National Federation of Independent Businesses (NFIB), declined 2 points in September to 98.8. This was the first decline in three months - though it remains above the 52-year average of 98. Uncertainty remains high, and the majority reported that supply chain disruptions were affecting their business.

Maine single-family existing-home sales were up 5.1% from 12 months prior in September 2025, and prices declined for the second time in 2025 (-1.35%). In the second quarter of 2025, Maine's year-over-year growth in the house price index was 6.0% (seasonally adjusted), 6th highest in the nation for year-over-year growth and second in New England.

The key assumptions made by the CEFC are:

- Maine is navigating a period of significant uncertainty around economic policy, government spending, geopolitical tensions, and consumer sentiment. The economy may be experiencing K-shaped dynamics, with spending by wealthier households helping to keep the economy growing in the face of tariffs and uncertainty around other federal policies. The recent federal government shutdown has disrupted funding flows, delayed program implementation, and created uncertainty for households and organizations that rely on federal programs, adding further short-term strain to Maine's economy. Decisions around Maine's conformity to recent federal tax legislation and their impact on state revenues will be addressed by the Legislature during the upcoming legislative session.
- Geopolitical tensions exist and continue to pose a negative risk to the forecast. Rapidly changing tariff policies are contributing to the possibility of a global trade war. Strained relations between the U.S. and China, European nations, Canada, and South America contribute to additional uncertainty, as does the risk of escalating tensions between China and Taiwan.
- The federal government has entered into a period of significant fiscal austerity. This contributes to uncertainty in ongoing federal funding. Maine's economy will be impacted by any reduction of federal funding, with the full scope and scale unknown and dependent on the exact nature of the reductions. Federal funds not only flow into Maine through state and local governments, but also through payments to individuals, contracts with nonprofits and businesses, and grants to higher education and research institutions. In all these cases, there are additional multiplier effects. For example, cuts to federal Medicaid (MaineCare) and the loss of ACA subsidies would raise premiums, jeopardize healthcare coverage, and strain rural hospitals.
- Inflation growth remains elevated above target levels and will face upward pressure from tariffs. Consumer sentiment has declined as expectations about future personal financial wellbeing have deteriorated and short-term inflation expectations have increased.
- Maine may be at greater risk from federal funding and tariff policy changes. Canada is Maine's largest trading partner and the tensions between Canada and the U.S. have driven a decline in Canadian visitation to Maine that may persist for the foreseeable future. However, a decline in Canadian visitors may be offset by an increase in domestic tourism.

At June 30, 2025, the State of Maine reported an ending fund balance of \$901.2 million in the General Fund on a GAAP basis, a decrease of more than \$214.0 million since the end of fiscal year 2024. The General Fund "unassigned" fund balance on a GAAP basis at June 2025 was \$665.5 million.

There are factors that adversely affect our General Fund Balance Sheet that we should continue to strive to improve over the next several years. The primary factors that have a significant impact on the State's Financial Statements compiled and issued in accordance with Generally Accepted Accounting Principles as applicable to governments include such items as accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes and the demand from appropriations whose balances carry from year-to-year, which results in lower amounts accruing to the Unassigned Fund Balance of the General Fund. The State has eliminated the smaller tax line accruals on a budgetary basis and has made contributions to General Fund reserves a higher priority in the budget.

These actions, along with the Governor's commitment to closing the structural gap in the budget, have resulted in strong equity and cash positions of the General Fund. Consequently, the State has enjoyed significant balances in its Treasurer's Cash Pool and Budget Stabilization Fund and has not required external borrowing in the form of TANs or BANs for cash flow purposes.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the State and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

State of Maine
Office of the State Controller
14 State House Station
Augusta, ME 04333-0014
(207) 626-8420
financialreporting@maine.gov

BASIC FINANCIAL STATEMENTS



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BASIC FINANCIAL STATEMENTS
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STATE OF MAINE
STATEMENT OF NET POSITION

June 30, 2025
(Expressed in Thousands)

	Primary Government			
	Governmental	Business-Type		Component Units
	Activities	Activities	Total	
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 1,850,911	\$ 68,454	\$ 1,919,365	\$ 75,546
Cash and Cash Equivalents	184	2,244	2,428	197,205
Cash with Fiscal Agent	246,916	-	246,916	-
Investments	184,257	-	184,257	1,103,665
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	14,474	-	14,474	-
Restricted Deposits and Investments	2,417	787,459	789,876	697,532
Inventories	15,786	5,971	21,757	1,730
Receivables, Net of Allowances for Uncollectibles:				
Taxes Receivable	658,484	-	658,484	-
Settlements Receivable	28,710	-	28,710	-
Loans, Leases & Notes Receivable	2,329	-	2,329	173,637
Other Receivables	355,737	121,157	476,894	124,533
Internal Balances	8,014	(8,014)	-	-
Due from Other Governments	785,219	-	785,219	208,478
Due from Primary Government	-	-	-	31,758
Loans Receivable from Primary Government	-	-	-	26,098
Due from Component Units	62,374	-	62,374	-
Prepaid Items	17,767	-	17,767	-
Other Current Assets	392	-	392	144,684
Total Current Assets	4,233,971	977,271	5,211,242	2,784,866
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	1,589,441	58,785	1,648,226	64,874
Investments	-	-	-	815,119
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	12,430	-	12,430	-
Restricted Deposits and Investments	-	-	-	391,829
Pension Assets	14,217	-	14,217	-
Receivables, Net of Current Portion:				
Taxes Receivable	57,377	-	57,377	-
Settlements Receivable	72,188	-	72,188	-
Loans, Leases & Notes Receivable	3,591	-	3,591	2,945,946
Other Receivables	410	-	410	12,439
Due from Other Governments	8,015	-	8,015	1,693,493
Loans Receivable from Primary Government	-	-	-	133,959
Due from Primary Government	-	-	-	1,062
Post-Employment Benefit Assets	-	-	-	77,051
Other Noncurrent Assets	-	-	-	36,226
Capital Assets:				
Land, Infrastructure, & Other Non-Depreciable Assets	4,123,209	25,975	4,149,184	1,151,088
Buildings, Equipment & Other Depreciable Assets	882,448	54,180	936,628	1,289,779
Right to Use Assets - Leases, Net	266,924	-	266,924	61,738
Right to Use Assets - Subscriptions, Net	121,262	3,059	124,321	33,076
Total Noncurrent Assets	7,151,512	141,999	7,293,511	8,707,679
Total Assets	11,385,483	1,119,270	12,504,753	11,492,545
Deferred Outflows of Resources	\$ 1,065,969	\$ 7,195	\$ 1,073,164	\$ 60,648

The accompanying notes are an integral part of the financial statements.

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 1,373,621	\$ 26,531	\$ 1,400,152	\$ 155,464
Accrued Payroll	79,747	1,270	81,017	5,176
Tax Refunds Payable	429,841	-	429,841	-
Due to Component Units	33,758	-	33,758	-
Due to Primary Government	-	-	-	62,374
Current Portion of Long-Term Obligations:				
Compensated Absences	31,340	505	31,845	3,480
Due to Other Governments	455,409	112	455,521	3,337
Amounts Held under State & Federal Loan Programs	-	-	-	72,125
Claims Payable	22,614	-	22,614	-
Bonds & Notes Payable	94,842	-	94,842	284,322
Revenue Bonds Payable	27,880	-	27,880	36,104
Lease Liabilities	10,335	-	10,335	3,684
Subscription Liabilities	28,291	704	28,995	5,495
Certificates of Participation & Other Financing Arrangements	19,940	-	19,940	-
Loans Payable to Component Unit	26,098	-	26,098	-
Accrued Interest Payable	10,240	-	10,240	41,752
Unearned Revenue	5,473	-	5,473	209,169
Other Post-Employment Benefits	883	-	883	-
Other Current Liabilities	66,830	24,204	91,034	103,844
Total Current Liabilities	2,717,142	53,326	2,770,468	986,326
Long-Term Liabilities:				
Compensated Absences	122,985	1,950	124,935	-
Due to Component Units	1,062	-	1,062	-
Due to Other Governments	-	-	-	10,169
Amounts Held under State & Federal Loan Program	-	-	-	49,759
Claims Payable	52,123	-	52,123	-
Bonds & Notes Payable	318,211	-	318,211	4,454,002
Revenue Bonds Payable	412,195	-	412,195	937,107
Lease Liabilities	268,609	-	268,609	60,160
Subscription Liabilities	71,653	2,358	74,011	23,946
Certificates of Participation & Other Financing Arrangements	84,099	-	84,099	-
Loans Payable to Component Unit	133,959	-	133,959	-
Unearned Revenue	15,178	-	15,178	18,596
Net Pension Liability	2,101,121	11,226	2,112,347	60,292
Other Post-Employment Benefits	1,252,707	4,734	1,257,441	29,502
Pollution Remediation & Landfill Obligations	39,282	-	39,282	-
Other Noncurrent Liabilities	-	-	-	53,945
Total Long-Term Liabilities	4,873,184	20,268	4,893,452	5,697,478
Total Liabilities	7,590,326	73,594	7,663,920	6,683,804
Deferred Inflows of Resources	1,519,124	4,975	1,524,099	212,129
Net Position				
Net Investment in Capital Assets	4,299,470	80,152	4,379,622	1,586,392
Restricted:				
Governmental Support & Operations	5,860	-	5,860	-
Justice & Protection	8,357	-	8,357	-
Employment Security	-	809,269	809,269	-
Restricted for Revolving Loan Funds	-	-	-	1,019,182
Restricted for Bond Resolutions and Programs	-	-	-	525,864
Other Purposes	-	-	-	741,948
Funds Held for Permanent Investments:				
Expendable	125,529	-	125,529	-
Nonexpendable	58,942	-	58,942	366,331
Unrestricted (deficit) Net Position	(1,156,156)	158,475	(997,681)	417,543
Total Net Position	\$ 3,342,002	\$ 1,047,896	\$ 4,389,898	\$ 4,657,260

Note: Restricted net position balance for Governmental Support & Operations and Justice & Protection includes only Pension Assets.

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governmental Support & Operations	\$ 871,194	\$ 129,083	\$ 30,589	\$ -
Arts, Heritage & Cultural Enrichment	13,880	359	4,501	-
Business Licensing & Regulation	96,521	79,360	25,968	-
Economic Development & Workforce Training	400,120	6,351	140,565	-
Education	2,419,911	32,159	435,618	-
Health & Human Services	7,012,341	22,389	4,459,986	-
Justice & Protection	872,135	99,613	273,316	-
Natural Resources Development & Protection	368,758	113,517	138,974	-
Transportation Safety & Development	1,038,358	160,782	496,688	-
Interest Expense	41,414	-	-	-
Total Governmental Activities	13,134,632	643,613	6,006,205	-
Business-Type Activities:				
Employment Security	136,304	156,091	24,061	-
Alcoholic Beverages	195,802	260,537	-	-
Lottery	335,332	415,700	-	-
Ferry Services	16,264	7,904	-	-
Consolidated Emergency Communications	7,887	8,273	-	-
Other	18,987	144,398	-	-
Total Business-Type Activities	710,576	992,903	24,061	-
Total Primary Government	13,845,208	1,636,516	6,030,266	-
Component Units:				
Finance Authority of Maine	75,421	23,350	40,917	-
Maine Community College System	199,733	15,479	107,749	34
Maine Health & Higher Education Facilities Authority	41,086	37,960	5,299	-
Maine Municipal Bond Bank	84,788	47,406	28,439	76,063
Maine State Housing Authority	385,290	96,407	313,113	-
Maine Turnpike Authority	140,393	169,552	-	-
University of Maine System	928,082	323,545	325,019	76,816
All Other Non-Major Component Units	332,150	49,832	219,662	36,680
Total Component Units	\$ 2,186,943	\$ 763,531	\$ 1,040,198	\$ 189,593

The accompanying notes are an integral part of the financial statements.

**Net (Expenses) Revenues and
Changes in Net Position**

Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
\$ (711,522)	\$ -	\$ (711,522)	\$ -
(9,020)	-	(9,020)	-
8,807	-	8,807	-
(253,204)	-	(253,204)	-
(1,952,134)	-	(1,952,134)	-
(2,529,966)	-	(2,529,966)	-
(499,206)	-	(499,206)	-
(116,267)	-	(116,267)	-
(380,888)	-	(380,888)	-
(41,414)	-	(41,414)	-
<u>(6,484,814)</u>	<u>-</u>	<u>(6,484,814)</u>	<u>-</u>
-	43,848	43,848	-
-	64,735	64,735	-
-	80,368	80,368	-
-	(8,360)	(8,360)	-
-	386	386	-
-	125,411	125,411	-
<u>-</u>	<u>306,388</u>	<u>306,388</u>	<u>-</u>
<u>(6,484,814)</u>	<u>306,388</u>	<u>(6,178,426)</u>	<u>-</u>
-	-	-	(11,154)
-	-	-	(76,471)
-	-	-	2,173
-	-	-	67,120
-	-	-	24,230
-	-	-	29,159
-	-	-	(202,702)
-	-	-	(25,976)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (193,621)</u>

General Revenues:

Taxes:				
Corporate Taxes	430,052	-	430,052	-
Individual Income Taxes	2,774,106	-	2,774,106	-
Fuel Taxes	253,787	-	253,787	-
Property Taxes	90,505	-	90,505	-
Sales & Use Taxes	2,404,604	-	2,404,604	-
Other Taxes	575,498	-	575,498	-
Unrestricted Investment Earnings	176,764	-	176,764	57,505
Non-Program Specific Grants, Contributions & Appropriations	-	-	-	501,976
Miscellaneous Income	164,111	-	164,111	23,671
Tobacco and Opioid Settlements	41,498	-	41,498	-
Transfers - Internal Activities	114,221	(114,221)	-	-
Total General Revenues and Transfers	<u>7,025,146</u>	<u>(114,221)</u>	<u>6,910,925</u>	<u>583,152</u>
Change in Net Position	<u>540,332</u>	<u>192,167</u>	<u>732,499</u>	<u>389,531</u>
Net Position - Beginning	2,990,254	856,707	3,846,961	4,271,444
Restatement Amount (Note 3)	<u>(188,584)</u>	<u>(978)</u>	<u>(189,562)</u>	<u>(3,715)</u>
Net Position - Beginning (as restated)	<u>2,801,670</u>	<u>855,729</u>	<u>3,657,399</u>	<u>4,267,729</u>
Net Position - Ending	<u>\$ 3,342,002</u>	<u>\$ 1,047,896</u>	<u>\$ 4,389,898</u>	<u>\$ 4,657,260</u>



GOVERNMENTAL FUND FINANCIAL STATEMENTS

MAJOR FUNDS

General Fund – This is the State's primary operating fund. Its purpose is to account for all financial resources obtained and used for general government operations, which are not required to be accounted for in another fund.

Highway Fund – This fund is used primarily to account for motor fuel tax revenues, motor vehicle license and registration fees, and special State appropriations that are legally restricted to the construction and maintenance of State highways and bridges.

Federal Fund – This fund is used to account for grants, block grants and other financial assistance received from the federal government, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

Other Special Revenue Fund – This fund is used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects that are not accounted for in the Highway and Federal Funds.

NON-MAJOR FUNDS

Other Governmental Funds are used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects and funds held in trust for public purposes.

**STATE OF MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2025
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	\$ 1,509,070	\$ 88,686	\$ 308,369	\$ 1,097,644	\$ 214	\$ 3,003,983
Cash & Short-Term Investments	71	76	-	36	-	183
Cash with Fiscal Agent	2,317	4,109	-	231,171	-	237,597
Investments	-	-	-	-	184,257	184,257
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	26,904	26,904
Inventories	4,089	3	5,106	133	-	9,331
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	677,255	23,059	-	15,547	-	715,861
Settlements Receivable	-	-	-	100,898	-	100,898
Loans Receivable	1	-	-	1,802	-	1,803
Other Receivable	110,461	7,851	162,741	53,678	-	334,731
Due from Other Funds	24,872	28,176	5,866	38,604	-	97,518
Due from Other Governments	-	-	782,240	-	-	782,240
Due from Component Units	-	-	-	62,374	-	62,374
Other Assets	144	32	391	1,598	-	2,165
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	\$ 2,328,391	\$ 151,992	\$ 1,264,713	\$ 1,603,485	\$ 211,375	\$ 5,559,956
Liabilities						
Accounts Payable	\$ 394,042	\$ 64,016	\$ 727,015	\$ 88,411	\$ 780	\$ 1,274,264
Accrued Payroll	39,415	11,353	8,269	14,506	-	73,543
Tax Refunds Payable	429,841	-	-	-	-	429,841
Due to Other Governments	-	-	454,959	-	-	454,959
Due to Other Funds	121,466	8,487	38,875	13,620	8	182,456
Due to Component Units	4,880	-	12,911	13,967	99	31,857
Unearned Revenue	-	3,250	1,947	14,948	3	20,148
Other Accrued Liabilities	61,303	-	2,410	8,865	-	72,578
Total Liabilities	1,050,947	87,106	1,246,386	154,317	890	2,539,646
Deferred Inflows of Resources	376,275	822	4,256	99,199	-	480,552
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	58,942	58,942
Inventories & Prepaid Items	3,912	-	-	-	-	3,912
Restricted	8,573	64,064	14,071	596,810	151,543	835,061
Committed	1,878	-	-	576,273	-	578,151
Assigned	221,333	-	-	176,886	-	398,219
Unassigned	665,473	-	-	-	-	665,473
Total Fund Balances	901,169	64,064	14,071	1,349,969	210,485	2,539,758
Total Liabilities, Deferred Inflows and Fund Balances	\$ 2,328,391	\$ 151,992	\$ 1,264,713	\$ 1,603,485	\$ 211,375	\$ 5,559,956

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

June 30, 2025
(Expressed in Thousands)

Total fund balances for governmental funds	\$ 2,539,758
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	5,711,298
Accumulated Depreciation & Amortization	<u>(765,894)</u>
	4,945,404
Refunded Bond Deferred Outflows	395
Pollution Remediation Receivable	424
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Position. This net effect of these balances on the statement:	
Bonds Payable	(853,128)
Interest Payable Related to Long-term Financing	(3,500)
Certificates of Participation and Other Financing Arrangements	(57,079)
Leases	(9,561)
Subscriptions	(82,353)
Loans Payable to Component Unit	(160,057)
Compensated Absences	(142,816)
Pension Liabilities and Deferrals	(1,578,460)
Other Post-Employment Benefit Liabilities and Deferrals	(2,134,836)
Pollution Remediation and Landfill Obligations	<u>(39,282)</u>
	(5,061,072)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.	476,746
Other Revenue	10,530
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.	
	<u>429,817</u>
Net position of governmental activities	<u><u>\$ 3,342,002</u></u>

STATE OF MAINE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	<u>General</u>	<u>Highway</u>	<u>Federal</u>	<u>Other Special Revenue</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues						
Taxes	\$ 5,910,772	\$ 217,630	\$ -	\$ 399,527	\$ -	\$ 6,527,929
Assessments	101,221	116,174	-	199,104	-	416,499
Federal Grants & Reimbursements	27	-	5,971,748	28,473	-	6,000,248
Charges for Services	50,741	4,834	-	151,675	-	207,250
Investment Income (Loss)	113,749	4,137	289	18,875	19,474	156,524
Miscellaneous Revenues	<u>17,778</u>	<u>402</u>	<u>-</u>	<u>153,643</u>	<u>1,834</u>	<u>173,657</u>
Total Revenues	<u>6,194,288</u>	<u>343,177</u>	<u>5,972,037</u>	<u>951,297</u>	<u>21,308</u>	<u>13,482,107</u>
Expenditures						
Current:						
Governmental Support & Operations	454,078	4,598	27,904	374,701	1,942	863,223
Economic Development & Workforce Training	64,886	-	137,088	204,828	762	407,564
Education	2,224,805	-	433,679	64,024	1,345	2,723,853
Health & Human Services	2,102,410	-	4,434,960	583,196	-	7,120,566
Business Licensing & Regulation	-	-	25,640	81,566	-	107,206
Natural Resources Development & Protection	136,079	31	134,264	142,997	5,119	418,490
Justice & Protection	511,357	42,443	274,173	129,117	-	957,090
Arts, Heritage & Cultural Enrichment	11,399	-	4,039	451	-	15,889
Transportation Safety & Development	-	510,076	424,100	228,893	-	1,163,069
Debt service:						
Principal Payments	127,711	434	25,282	50,887	-	204,314
Interest Expense	40,893	47	7,589	963	-	49,492
Capital Outlay	<u>7,470</u>	<u>-</u>	<u>10,807</u>	<u>11,935</u>	<u>30,115</u>	<u>60,327</u>
Total Expenditures	<u>5,681,088</u>	<u>557,629</u>	<u>5,939,525</u>	<u>1,873,558</u>	<u>39,283</u>	<u>14,091,083</u>
Revenue over (under) Expenditures	<u>513,200</u>	<u>(214,452)</u>	<u>32,512</u>	<u>(922,261)</u>	<u>(17,975)</u>	<u>(608,976)</u>
Other Financing Sources (Uses)						
Transfer from Other Funds	144,869	252,539	8,502	747,528	-	1,153,438
Transfer to Other Funds	(881,728)	(18,603)	(44,130)	(62,494)	(5,219)	(1,012,174)
Certificates of Participation & Other	2,015	3,585	-	11,901	-	17,501
Subscriptions	<u>7,354</u>	<u>-</u>	<u>10,659</u>	<u>11,935</u>	<u>-</u>	<u>29,948</u>
Net Other Finance Sources (Uses)	<u>(727,490)</u>	<u>237,521</u>	<u>(24,969)</u>	<u>708,870</u>	<u>(5,219)</u>	<u>188,713</u>
Net Change in Fund Balances	<u>(214,290)</u>	<u>23,069</u>	<u>7,543</u>	<u>(213,391)</u>	<u>(23,194)</u>	<u>(420,263)</u>
Fund Balances - Beginning of Year	<u>1,115,459</u>	<u>40,995</u>	<u>6,528</u>	<u>1,563,360</u>	<u>233,679</u>	<u>2,960,021</u>
Fund Balances - End of Year	<u>\$ 901,169</u>	<u>\$ 64,064</u>	<u>\$ 14,071</u>	<u>\$ 1,349,969</u>	<u>\$ 210,485</u>	<u>\$ 2,539,758</u>

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

Net change in fund balances - total governmental funds		\$ (420,263)
Amounts reported for governmental activities in the Statement of Net Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay	220,705	
Depreciation Expense	(93,305)	
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.	<u>(1,663)</u>	125,737
Refunded Bond Deferred Outflows		(227)
Pollution Remediation Receivable		-
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Position. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Position. This is the amount that proceeds exceed repayments:		
Proceeds from Other Financing Arrangements	(5,600)	
Repayment of Bond Principal	120,695	
Repayment of Other Financing Debt	12,467	
Repayment of Pledged Revenue Principal	67,009	
Repayment of Lease Principal	658	
Repayment of Subscription Principal	(13,689)	
Accrued Interest	1,592	
Amortization of Bond Premiums	12,774	195,906
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Position and have been eliminated from the Statement of Position as follows:		
Compensated Absences	(11,732)	
Pension Liabilities and Deferrals	298,013	
Other Post-employment Benefit Liabilities and Deferrals	266,674	
Pollution Remediation and Landfill Obligations	<u>(43)</u>	552,912
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		(4,154)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is included in governmental activities in the Statement of Activities.		
		<u>90,421</u>
Changes in net position of governmental activities		<u><u>\$ 540,332</u></u>

The accompanying notes are an integral part of the financial statements.



PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR FUNDS

Employment Security Fund - This fund accounts for unemployment insurance contributions from employers and the payment of unemployment benefits to eligible claimants.

NON-MAJOR FUNDS

Non-Major Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business, where the State intends to finance or recover the costs of providing goods or services to the General Public on a continuing basis primarily through user charges. The State also uses these funds where periodic determination of net income is appropriate for accountability purposes.

STATE OF MAINE
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS

June 30, 2025
(Expressed in Thousands)

	Business-Type Activities			Governmental Activities
	Enterprise Funds			
	Major	Non-Major		
	Employment	Other		Internal Service
	Security	Enterprise	Total	Funds
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ 68,454	\$ 68,454	\$ 234,768
Cash & Short-Term Investments	1,490	754	2,244	1
Cash with Fiscal Agent	-	-	-	9,319
Restricted Assets:				
Restricted Deposits & Investments	787,448	11	787,459	2,417
Inventories	-	5,971	5,971	6,455
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	36,844	84,313	121,157	21,516
Due from Other Funds	899	3,647	4,546	61,269
Other Assets	-	-	-	15,994
Total Current Assets	826,681	163,150	989,831	351,739
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	58,785	58,785	201,601
Receivables, Net of Current Portion	-	-	-	3,591
Capital Assets, Net of Accumulated Depreciation	-	80,155	80,155	173,414
Right to Use Assets - Leases, Net	-	-	-	257,830
Right to Use Assets - Subscriptions, Net	-	3,059	3,059	17,195
Total Noncurrent Assets	-	141,999	141,999	653,631
Total Assets	826,681	305,149	1,131,830	1,005,370
Deferred Outflows of Resources	\$ -	\$ 7,195	\$ 7,195	\$ 33,692
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 12,568	\$ 13,963	\$ 26,531	\$ 38,332
Accrued Payroll	-	1,270	1,270	6,204
Due to Other Governments	112	-	112	-
Due to Other Funds	3,835	8,978	12,813	29,073
Due to Component Units	-	-	-	2,963
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	8,367
Lease Liabilities	-	-	-	9,653
Subscription Liabilities	-	704	704	8,651
Claims Payable	-	-	-	22,614
Compensated Absences	-	505	505	2,256
Unearned Revenue	-	-	-	503
Accrued Interest Payable	-	-	-	992
Other Accrued Liabilities	897	23,307	24,204	-
Total Current Liabilities	17,412	48,727	66,139	129,608
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Certificates of Participation & Other Financing Arrangements	-	-	-	38,593
Lease Liabilities	-	-	-	259,730
Subscription Liabilities	-	2,358	2,358	8,940
Claims Payable	-	-	-	52,123
Compensated Absences	-	1,950	1,950	9,253
Net Pension Liability	-	11,226	11,226	55,632
Net Other Post-Employment Benefit Liability	-	4,734	4,734	25,016
Total Long-Term Liabilities	-	20,268	20,268	449,398
Total Liabilities	17,412	68,995	86,407	579,006
Deferred Inflows of Resources	\$ -	\$ 4,975	\$ 4,975	\$ 29,986
Net Position				
Net Investment in Capital Assets:	-	80,152	80,152	123,825
Restricted for:				
Unemployment Compensation	809,269	-	809,269	-
Other Purposes	-	-	-	270
Unrestricted	-	158,222	158,222	305,975
Total Net Position	\$ 809,269	\$ 238,374	1,047,643	\$ 430,070
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-type activities			253	
Net Position of Business-Type Activities			\$ 1,047,896	

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Major	Non-Major		Internal
	Employment	Other		Service
	Security	Enterprise	Total	Funds
Operating Revenues				
Charges for Services	\$ -	\$ 692,924	\$ 692,924	\$ 592,085
Assessments	153,327	140,828	294,155	-
Miscellaneous Revenues	2,764	1,025	3,789	214
Total Operating Revenues	156,091	834,777	990,868	592,299
Operating Expenses				
General Operations	-	569,550	569,550	468,131
Depreciation and Amortization	-	4,458	4,458	49,049
Claims/Fees Expense	136,304	-	136,304	7,305
Total Operating Expenses	136,304	574,008	710,312	524,485
Operating Income (Loss)	19,787	260,769	280,556	67,814
Nonoperating Revenues (Expenses)				
Investment Revenue (Expenses) - net	24,061	-	24,061	20,240
Interest Expense	-	(205)	(205)	(6,294)
Other Nonoperating Revenue (Expenses) - net	-	2,035	2,035	(399)
Total Nonoperating Revenues (Expenses)	24,061	1,830	25,891	13,547
Income (Loss) Before Capital Contributions, Transfers and Special Items	43,848	262,599	306,447	81,361
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	2,704	2,704	4,921
Transfer from Other Funds	750	30,716	31,466	4,080
Transfer to Other Funds	(750)	(147,641)	(148,391)	-
Total Capital Contributions, Transfers and Special Items	-	(114,221)	(114,221)	9,001
Change in Net Position	43,848	148,378	192,226	90,362
Net Position - Beginning of Year	765,421	90,974	856,395	350,274
Restatements (Note 3)	-	(978)	(978)	(10,566)
Net Position - Beginning (as restated)	765,421	89,996	855,417	339,708
Net Position - End of Year	\$ 809,269	\$ 238,374	\$ 1,047,643	\$ 430,070
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-type activities			(59)	
Changes in Business-Type Net Position			\$ 192,167	

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds			Governmental
	Major	Non-Major		Activities
	Employment	Other	Totals	Internal Service
	Security	Enterprise		Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 152,396	\$ 777,717	\$ 930,113	\$ 240,306
Other Operating Cash Receipts (Payments):				
Cash Received from Interfund Services	66	15,812	15,878	330,954
Payments of Benefits	(135,769)	-	(135,769)	-
Payments to Prize Winners	-	(284,074)	(284,074)	-
Payments to Suppliers	-	(261,443)	(261,443)	(326,345)
Payments to Employees	-	(23,844)	(23,844)	(98,175)
Payments for Interfund Goods and Services	-	(5,350)	(5,350)	(62,097)
Net Cash Provided (Used) by Operating Activities	16,693	218,818	235,511	84,643
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	750	30,716	31,466	4,080
Transfers to Other Funds	(750)	(147,641)	(148,391)	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	(116,925)	(116,925)	4,080
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(2,024)	(2,024)	(71,786)
Proceeds from Financing Arrangements	-	-	-	54,611
Principal and Interest Paid on Financing Arrangements	-	(1,572)	(1,572)	(29,717)
Proceeds from Sale of Capital Assets	-	2	2	1,381
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(3,594)	(3,594)	(45,511)
Cash Flows from Investing Activities				
Interest Revenue	24,061	2,034	26,095	20,240
Net Cash Provided (Used) by Investing Activities	24,061	2,034	26,095	20,240
Net Increase (Decrease) in Cash/Cash Equivalents	40,754	100,333	141,087	63,452
Cash/Cash Equivalents - Beginning of Year (as restated)	748,184	27,671	775,855	384,654
Cash/Cash Equivalents - End of Year	\$ 788,938	\$ 128,004	\$ 916,942	\$ 448,106
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 19,787	\$ 260,769	\$ 280,556	\$ 67,814
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	4,458	4,458	49,049
Decrease (Increase) in Assets:				
Accounts Receivable	(3,695)	(47,513)	(51,208)	(15,122)
Interfund Balances	66	6,084	6,150	(4,489)
Due from Other Governments	-	-	-	522
Inventories	-	(99)	(99)	(517)
Other Assets	-	-	-	(1,795)
Deferred Outflows	-	(1,207)	(1,207)	(4,388)
Increase (Decrease) in Liabilities:				
Accounts Payable	1,466	3,107	4,573	19,088
Accrued Payroll Expense	-	218	218	1,555
Due to Other Governments	-	-	-	136
Compensated Absences	-	335	335	(4,819)
Deferred Inflows	-	(1,341)	(1,341)	(7,476)
Net Pension Liability	-	(636)	(636)	(5,369)
Other Accruals	(931)	(4,460)	(5,391)	(4,984)
Net OPEB Liability	-	(897)	(897)	(4,562)
Total Adjustments	(3,094)	(41,951)	(45,045)	16,829
Net Cash Provided (Used) by Operating Activities	\$ 16,693	\$ 218,818	\$ 235,511	\$ 84,643
Non Cash Investing, Capital and Financing Activities				
Subscription Based Assets	-	3,243	3,243	1,551
Contributed Capital Assets	-	2,704	2,704	4,921
Disposal of Assets	-	-	-	(1,780)

The accompanying notes are an integral part of the financial statements.

FIDUCIARY FUND

FINANCIAL STATEMENTS

Pension (and Other Employee Benefits) Trusts – accounts for funds held by the Maine Public Employees Retirement System (the System), a component unit included with Fiduciary Funds per GASB Statement No. 34. The System provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 300 local municipalities and other public entities in Maine.

Private-Purpose Trusts and Custodial Funds are used to account for private-purpose assets held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other governments.

STATE OF MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2025
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Custodial Funds
Assets			
Equity in Treasurer's Cash Pool	\$ -	\$ 564	\$ 11,956
Cash & Short-Term Investments	50,208	11,080	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	40,369	-	-
Interest and Dividends	5,800	-	-
Due from Brokers for Securities Sold	97	-	-
Settlements Receivable	-	-	32,336
Other Receivable	-	3,294	-
Investments at Fair Value:			
Equity Securities	3,823,475	-	-
Common/Collective Trusts	18,563,102	-	-
Investments - Other	-	26,770	-
Securities Lending Collateral	18,535	-	-
Due from Other Funds	-	61,025	-
Investments Held on Behalf of Others	-	-	64,763
Capital Assets, Net of Accumulated Depreciation	14,444	-	-
Other Assets	-	6,049	18
Total Assets	22,516,030	108,782	109,100
Liabilities			
Accounts Payable	3,662	419	110
Due to Other Funds	-	16	-
Obligations Under Securities Lending	18,536	-	-
Other Accrued Liabilities	27,084	-	-
Total Liabilities	49,282	435	110
Net Position			
Restricted for Pension	21,490,623	-	-
Restricted for Other Post-Employment Benefits	976,125	-	-
Restricted for Individuals, Organizations and Other Governments	-	108,347	108,990
Total Net Position	\$ 22,466,748	\$ 108,347	\$ 108,990

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Custodial Funds
Additions:			
Contributions:			
Members	\$ 284,101	\$ -	\$ -
State & Local Agency Employers	534,937	-	-
Non-Employer Contributing Entity	261,968	-	3,037
Litigation Receipts	-	-	10,007
Other	-	-	1,447
Investment Income (Loss):			
Net Increase (Decrease) in the Fair Value of Investments	2,042,885	2,756	26
Interest & Dividends	76,487	1,488	49
Securities Lending Income & Borrower Rebates Refunded	254	-	-
Less Investment Expense:			
Securities Lending Expense	137,677	-	-
Net Investment Income (Loss)	1,981,949	4,244	75
Miscellaneous Revenues	-	31,432	-
Transfer from Other Pension Plans	285	-	-
Total Additions	3,063,240	35,676	14,566
Deductions:			
Benefits Paid to Participants, Beneficiaries or Clients	1,431,443	12,358	14,229
Refunds & Withdrawals	39,557	-	6,815
Restitution Payments	-	-	1,374
Administrative Expenses	21,122	501	-
Claims Processing Expense	3,394	-	-
Transfer to Other Funds	-	28,419	-
Transfer to Other Pension Plans	285	-	-
Total Deductions	1,495,801	41,278	22,418
Net Increase (Decrease)	1,567,439	(5,602)	(7,852)
Net Position:			
Restricted			
Beginning of Year	20,899,309	113,949	116,842
End of Year	\$ 22,466,748	\$ 108,347	\$ 108,990

The accompanying notes are an integral part of the financial statements.



COMPONENT UNIT

FINANCIAL STATEMENTS

Finance Authority of Maine (FAME) – The Authority provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents; administers several revolving loan programs on behalf of the State; and administers the Maine College Savings Program Fund.

Maine Community College System – is Maine’s comprehensive two-year college system and offers certificate, diploma and associate degree programs. The financial statements of the system include the activity of seven colleges, the central administrative office and the Center for Career Development.

Maine Health & Higher Educational Facilities Authority – MHHEFA assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction and equipping of health care and educational facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, may finance student loan programs of institutions of higher education.

Maine Municipal Bond Bank – is authorized to issue bonds providing funds to counties, cities, towns, school districts, or other quasi-municipal corporations within the State.

Maine State Housing Authority – is authorized to issue bonds for the purchase of notes and mortgages on single- and multi-family residential units to provide housing for persons and families of low income in the State. The Authority also administers various housing and energy related state and federal programs and collects and disburses federal rent subsidies for low income housing.

The Maine Turnpike Authority – is authorized and empowered to construct, maintain and operate a turnpike at such a location as shall be approved by the State Highway Commission and to issue turnpike revenue bonds of the Authority, payable solely from revenues of the Authority.

University of Maine System – The State University consists of seven universities, eight centers, and a central administrative office.

STATE OF MAINE
STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2025
(Expressed in Thousands)

	<u>Finance Authority of Maine</u>	<u>Maine Community College System</u>	<u>Maine Health & Higher Educational Facilities Authority</u>	<u>Maine Municipal Bond Bank</u>
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 21,962	\$ 12,866	\$ -	\$ 32,352
Cash & Short-Term Investments	1,512	13,183	7,234	375
Investments	95,808	90,766	17,457	11,868
Restricted Assets:				
Restricted Deposits & Investments	-	-	24,182	401,744
Inventories	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans, Leases & Notes Receivable	43,976	-	30,485	-
Other Receivable	3,955	22,643	192	2,762
Due from Other Governments	-	-	-	160,494
Due from Primary Government	-	9,563	-	-
Loans Receivable from Primary Government	-	-	-	26,098
Other Assets	1,519	2,181	5,218	122,459
Total Current Assets	<u>168,732</u>	<u>151,202</u>	<u>84,768</u>	<u>758,152</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	18,859	11,049	-	27,782
Restricted Assets:				
Restricted Assets	46,398	1,334	86,300	134,271
Investments	-	19,081	24,241	-
Receivables, Net of Current Portion:				
Loans, Leases & Notes Receivable	72,069	-	821,909	-
Other Receivables	-	52	-	-
Due from Other Governments	-	-	-	1,693,493
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	133,959
Post-Employment Benefit Asset	-	36,386	-	-
Capital and Right to Use Assets, Net	1,001	198,849	-	1,135
Other Non-Current Assets	-	-	-	-
Total Noncurrent Assets	<u>138,327</u>	<u>266,751</u>	<u>932,450</u>	<u>1,990,640</u>
Total Assets	<u>307,059</u>	<u>417,953</u>	<u>1,017,218</u>	<u>2,748,792</u>
Deferred Outflows of Resources	<u>\$ 698</u>	<u>\$ 22,786</u>	<u>\$ -</u>	<u>\$ 3,344</u>
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 6,823	\$ 12,773	\$ 100	\$ 649
Accrued Payroll	-	-	-	-
Compensated Absences	-	3,233	-	-
Due to Other Governments	-	-	481	2,482
Due to Primary Government	-	-	-	60,104
Amounts Held Under State & Federal Loan Programs	-	-	-	72,125
Bonds & Notes Payable	6,104	960	33,445	151,682
Obligations for Right to Use Assets	-	1,196	-	-
Accrued Interest Payable	473	-	19,484	11,751
Unearned Revenue	1,222	11,515	10	13,695
Other Accrued Liabilities	54,167	8,428	1,805	-
Total Current Liabilities	<u>68,789</u>	<u>38,105</u>	<u>55,325</u>	<u>312,488</u>
Long-Term Liabilities:				
Due to Other Governments	3,554	-	1,201	3,340
Amounts Held Under State & Federal Loan Programs	49,759	-	-	-
Bonds & Notes Payable	122,106	11,259	907,570	1,351,658
Obligations for Right to Use Assets	-	9,732	-	-
Net Pension Liability	-	41,777	-	775
Net Other Post-Employment Benefit Liability	-	2,900	-	847
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities:	<u>175,419</u>	<u>65,668</u>	<u>908,771</u>	<u>1,356,620</u>
Total Liabilities	<u>244,208</u>	<u>103,773</u>	<u>964,096</u>	<u>1,669,108</u>
Deferred Inflows of Resources	<u>-</u>	<u>29,381</u>	<u>-</u>	<u>462</u>
Net Position				
Net Investment in Capital Assets	1,001	177,024	-	1,135
Restricted	31,808	55,516	-	1,023,853
Unrestricted	30,740	75,045	53,122	57,578
Total Net Position	<u>\$ 63,549</u>	<u>\$ 307,585</u>	<u>\$ 53,122</u>	<u>\$ 1,082,566</u>

The accompanying notes are an integral part of the financial statements.

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Total
\$ -	\$ -	\$ 8,154	\$ 212	\$ 75,546
114,393	16,702	13,402	30,404	197,205
601,218	14,772	251,912	19,864	1,103,665
-	178,020	-	93,586	697,532
-	1,630	-	100	1,730
59,393	2,340	294	37,149	173,637
12,159	6,820	64,448	11,554	124,533
5,522	-	26,791	15,671	208,478
4,283	800	15,184	1,928	31,758
-	-	-	-	26,098
-	2,459	10,020	828	144,684
796,968	223,543	390,205	211,296	2,784,866
-	-	7,002	182	64,874
-	30,595	2,583	90,348	391,829
169,473	-	586,688	15,636	815,119
1,980,990	31,662	23,965	15,351	2,945,946
-	848	11,326	213	12,439
-	-	-	-	1,693,493
-	-	99	963	1,062
-	-	-	-	133,959
-	-	40,665	-	77,051
17,113	1,004,310	1,106,493	206,780	2,535,681
19,631	125	9,637	6,833	36,226
2,187,207	1,067,540	1,788,458	336,306	8,707,679
2,984,175	1,291,083	2,178,663	547,602	11,492,545
\$ 2,643	\$ 7,315	\$ 21,693	\$ 2,169	\$ 60,648
\$ 43,394	\$ 13,435	\$ 45,674	\$ 32,616	\$ 155,464
-	5,176	-	-	5,176
-	-	-	247	3,480
374	-	-	-	3,337
-	1,192	-	1,078	62,374
-	-	-	-	72,125
84,943	21,710	18,292	3,290	320,426
-	-	7,203	780	9,179
10,044	-	-	-	41,752
95,839	15,770	64,688	6,430	209,169
-	11,492	25,049	2,903	103,844
234,594	68,775	160,906	47,344	986,326
1,939	-	-	135	10,169
-	-	-	-	49,759
2,251,843	528,238	183,708	34,727	5,391,109
226	-	70,925	3,223	84,106
2,240	11,428	-	4,072	60,292
-	25,258	-	497	29,502
-	737	71,763	41	72,541
2,256,248	565,661	326,396	42,695	5,697,478
2,490,842	634,436	487,302	90,039	6,683,804
20,147	53,962	73,363	34,814	212,129
3,702	450,787	783,573	169,170	1,586,392
431,231	192,819	740,604	177,494	2,653,325
40,896	(33,606)	115,514	78,254	417,543
\$ 475,829	\$ 610,000	\$ 1,639,691	\$ 424,918	\$ 4,657,260

**STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS**

Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Finance Authority Of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	\$ 75,421	\$ 199,733	\$ 41,086	\$ 84,788
Program Revenues				
Charges for Services	23,350	15,479	37,960	47,406
Program Investment Income	2,129	9,515	5,299	15,517
Operating Grants & Contributions	38,788	98,234	-	12,922
Capital Grants & Contributions	-	34	-	76,063
Net Revenue (Expense)	<u>(11,154)</u>	<u>(76,471)</u>	<u>2,173</u>	<u>67,120</u>
General Revenues				
Unrestricted Investment Earnings	9,466	2,393	1,092	546
Non-program Specific Grants, Contributions & Appropriations	-	88,302	-	-
Miscellaneous Revenues	-	3,264	124	1,553
Total General Revenues	<u>9,466</u>	<u>93,959</u>	<u>1,216</u>	<u>2,099</u>
Change in Net Position	<u>(1,688)</u>	<u>17,488</u>	<u>3,389</u>	<u>69,219</u>
Net Position, Beginning of Year	65,237	290,065	49,733	1,013,347
Restatements (Note 3)	-	32	-	-
Net Position, Beginning of Year (as restated)	<u>65,237</u>	<u>290,097</u>	<u>49,733</u>	<u>1,013,347</u>
Net Position, End of Year	<u><u>\$ 63,549</u></u>	<u><u>\$ 307,585</u></u>	<u><u>\$ 53,122</u></u>	<u><u>\$ 1,082,566</u></u>

The accompanying notes are an integral part of the financial statements.

Maine State Housing Authority	Maine Turnpike Authority	University Of Maine System	Non-Major Component Units	Total
\$ 385,290	\$ 140,393	\$ 928,082	\$ 332,150	\$ 2,186,943
96,407	169,552	323,545	49,832	763,531
29,729	-	54,864	36	117,089
283,384	-	270,155	219,626	923,109
-	-	76,816	36,680	189,593
<u>24,230</u>	<u>29,159</u>	<u>(202,702)</u>	<u>(25,976)</u>	<u>(193,621)</u>
416	12,328	19,734	11,530	57,505
-	-	364,504	49,170	501,976
-	9,758	287	8,685	23,671
<u>416</u>	<u>22,086</u>	<u>384,525</u>	<u>69,385</u>	<u>583,152</u>
<u>24,646</u>	<u>51,245</u>	<u>181,823</u>	<u>43,409</u>	<u>389,531</u>
451,183	558,755	1,461,563	381,561	4,271,444
-	-	(3,695)	(52)	(3,715)
<u>451,183</u>	<u>558,755</u>	<u>1,457,868</u>	<u>381,509</u>	<u>4,267,729</u>
<u>\$ 475,829</u>	<u>\$ 610,000</u>	<u>\$ 1,639,691</u>	<u>\$ 424,918</u>	<u>\$ 4,657,260</u>



NOTES TO THE FINANCIAL STATEMENTS

STATE OF MAINE
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Maine (the State) have been prepared under guidelines established by generally accepted accounting principles (GAAP) as mandated by the Governmental Accounting Standards Board (GASB).

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

A. REPORTING ENTITY

For financial reporting purposes, the State of Maine's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, organizations, agencies, boards, commissions and authorities. Component units are legally separate organizations for which the State is financially accountable. Component units can also be legally separate, tax exempt entities that raise and hold economic resources for the direct benefit of a governmental unit.

Financial accountability is defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The State is financially accountable for those entities for which it appoints a voting majority of the governing board and either is able to impose its will on that entity or the entity may provide specific financial benefits to, or impose specific financial burdens on, the primary government. Entities for which the State does not appoint a voting majority of the governing board may be included if the organization is fiscally dependent on the primary government and there exists a financial benefit or burden relationship with the State. Entities that do not meet the specific criteria for inclusion may still be included if the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No. 14*, individually significant legally separate, tax-exempt entities should be reported as component units if their resources are for the direct benefit of the State and the State can access those resources. Although the State has not identified any organizations that would qualify as direct component units of the State by meeting all of the criteria of GASB Statement No. 39, a few of the component units described later in this note have significant foundations that meet the criteria of GASB Statement No. 39.

Blended Component Units

Blended component units are entities that are legally separate from the State, but provide services entirely, or almost entirely to the State or otherwise exclusively, or almost exclusively, benefits the primary government even though they do not provide services directly to it. The State reports one blended component unit.

The Maine Governmental Facilities Authority (MGFA) is a legally separate organization that has its board appointed by the primary government and provides services entirely, or almost entirely, to the State. Its purpose includes assisting in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court facility, State office or State activity space. In their separately issued financial statements, MGFA records a lease receivable from the State and a liability for bonds issued. However, in accordance with GASB, leases that exist between the State and MGFA are not recorded as leases in this report. The assets associated with these leases are reported in the government-wide statements along with the related debt. The corresponding debt service activity is recorded in the Governmental Funds. MGFA financial activity associated with servicing the debt is reported in an internal service fund. Therefore, the State reports MGFA's balances and transactions as though they were part of the primary government, using the blending method.

Discrete Component Units

Discrete component units are entities that are legally separate from the State but are either accountable to the State or related so closely to the State that exclusion would cause the State's financial statements to be misleading or incomplete. Component units that are not material to the State's financial statements have been excluded. The column labeled "Component Units" emphasizes these organizations' separateness from the State's primary government.

The State is able to impose its will upon these discretely presented component units whose boards of directors or boards of trustees are appointed by the Governor:

The Maine Community College System is Maine's comprehensive two-year college system and offers certificate, diploma and associate degree programs. The combined financial statements of the System include the activity of seven colleges, the central administrative office and the Center for Career Development (including the Maine Career Advantage and Maine Quality Centers programs), and its component unit, Maine Community College Educational Foundations.

The Maine Turnpike Authority (MTA) constructs, maintains and operates a turnpike at such a location approved by the State Highway Commission. It issues turnpike revenue bonds payable solely from revenues of the Authority. The Authority's fiscal year ends December 31.

The *University of Maine System* is the State University governed by a single Board of Trustees. The combined financial statements of the System include the activity of seven universities, eight centers, the central administrative office, and its component units, which include several foundations and alumni associations that raise funds on the System's behalf.

There is a financial burden/benefit relationship between these entities and the State:

The *Finance Authority of Maine* provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents. The Authority also provides financial and other services for the NextGen College Investing Plan, Department of Agriculture for the Agricultural Marketing Loan Fund and the Potato Marketing Improvement Fund, the Northern Maine Transmission Corporation, Dairy Improvement Loan Fund Board, Compliance Assistance Loan Program Board, Maine Rural Development Authority Board and the Small Enterprise Growth Fund Board. The Governor appoints the fifteen voting members of the Authority.

Maine Health & Higher Educational Facilities Authority (MHHEFA) – MHHEFA assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction and equipping of their facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, may also finance student loan programs of institutions of higher education. MHHEFA's board consists of twelve members, four of whom serve *ex officio* and must be the Superintendent of Financial Institutions, the Commissioner of Health and Human Services, the Commissioner of Education, and the Treasurer of State. The remaining eight members must be residents of the State appointed by the Governor.

The *Maine Municipal Bond Bank* issues bonds on behalf of counties, cities, towns, school administrative districts, community school districts, or other quasi-municipal corporations or eligible borrowers as designated by the Legislature (the "governmental units") within the State. The Bond Bank is also authorized by the Legislature to issue bonds on behalf of the State of Maine to finance qualified transportation projects and payments to healthcare providers, to be repaid by taxes, fees and grant revenues. The Governor appoints three residents of the State to the five-member Board of Commissioners. The remaining two members include the Treasurer of State and Superintendent of Financial Institutions who serve as commissioners, *ex officio*.

Maine State Housing Authority issues bonds to purchase notes and mortgages on residential units, both single and multi-family, for the purpose of providing housing for persons and families of low income in the State. The Authority also acts as an agent for the State in administering federal weatherization, energy conservation, fuel assistance and homeless grant programs and collecting and disbursing federal rent subsidies for low income housing. The Governor appoints five of the Authority's seven commissioners. The remaining two commissioners are the Treasurer of State and the Director of the Maine State Housing Authority, both of whom serve *ex officio*. The Authority's fiscal year ends on December 31.

The non-major component units include Efficiency Maine Trust, Maine Connectivity Authority, Maine Maritime Academy, Midcoast Regional Redevelopment Authority and Northern New England Passenger Rail Authority. Addresses to obtain their audited financial statements and descriptions can be found on page 243.

The State's financial statements also include a fiduciary component unit:

Maine Public Employees Retirement System administers a public employee retirement system. It provides pension, death, and disability benefits to its members, which include employees of the State, some public school employees, employees of approximately 300 local municipalities and other public entities in Maine. The State has a financial benefit/burden relationship with the retirement system since the legislature has substantive approval over their budget.

Complete financial statements of the major component units can be obtained directly from their respective administrative offices by writing to:

Finance Authority of Maine 5 Community Dr. PO Box 949 Augusta, ME 04432	Maine Health and Higher Education Facilities Authority PO Box 2268 Augusta, ME 04338	Maine Public Employees Retirement System PO Box 349 Augusta, ME 04332-0349	Maine Turnpike Authority 2360 Congress Street Portland, ME 04102
Maine Community College System 323 State Street Augusta, ME 04330	Maine Municipal Bond Bank PO Box 2268 Augusta, ME 04338	Maine State Housing Authority 26 Edison Drive Augusta, ME 04330-6046	University of Maine System 65 Texas Ave Bangor, ME 04401

The blended component unit financial statements can be obtained directly from the administrative office by writing to Maine Governmental Authority, PO Box 2268, Augusta, ME 04338.

Related Organizations

Officials of the State's primary government appoint a voting majority of the governing board of the Maine Veteran's Home. The primary government has no material accountability for this organization beyond making board appointments.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**Government-Wide Financial Statements**

The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Position* presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three components:

Net investment in capital assets component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$1,008.0 million of restricted net position, of which \$809.3 million is restricted by enabling legislation.

Unrestricted component of net position consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories. The unrestricted component of net position often is designated to indicate that management does not consider it to be available for general operations and often have constraints on resources that are imposed by management, but can be removed or modified.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**Measurement Focus and Basis of Accounting**

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the governmental funds when they become susceptible to accrual, generally when they become both measurable and available. "Available" means earned and collected or expected to be collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues available if they are collected within 60 days of the end of the fiscal year.

Significant revenues susceptible to accrual include: income taxes, sales and use taxes, and other taxes; federal grants; federal reimbursements; and other reimbursements for use of materials and services. Revenues from other sources are recognized when received because they are generally not measurable until received in cash. Property taxes are recognized as revenue in the year for which they are levied, provided the “available” criterion is met.

The State Tax Assessor levies taxes on properties located in the unorganized territory of Maine by August 1 of each year, and on telecommunications personal properties statewide by March 30 of each year. Unorganized territory property taxes are due on October 1 and telecommunications personal property taxes are due on August 15. Formal collection procedures begin on November 1, and unpaid property taxes become a lien no later than March 15 of the fiscal year for which they are levied.

Expenditures are generally recorded when a liability is incurred. However, expenditures related to claims and judgments, debt service and compensated absences are recorded only when payment is due and payable.

Financial Statement Presentation

The State reports the following major governmental funds:

The *General Fund* is the State’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The *Highway Fund* accounts for the regulation, construction and maintenance of State highways and bridges and is funded by motor fuel taxes, motor vehicle license and registration fees, special State appropriations, and other charges.

The *Federal Fund* accounts for grants and other financial assistance received from the federal government, including federal block grants, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

The *Other Special Revenue Fund* accounts for specific revenue sources that are legally required to be expended for specified purposes, and the related current liabilities, including some major capital projects that are not accounted for in the Highway and Federal Funds. Examples of the most significant types of revenue sources include: Fund for a Healthy Maine (tobacco settlement revenue), State municipal revenue sharing, hospital and service provider taxes, and oil transfer fees.

The State reports the following major enterprise fund:

The *Maine Employment Security Fund* receives contributions from employers and provides unemployment compensation benefits to eligible unemployed workers.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue Funds include operating fund activities financed by specific revenue sources that are legally restricted for specified purposes. An example is funds for acquisition of public reserved lands.

Capital Projects Funds account for the acquisition or construction of major capital assets and other programs financed by bond proceeds.

Permanent Trust Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry. Examples include the Baxter State Park Fund and Permanent School Fund.

Proprietary Fund Types:

Enterprise Funds report the activities for which fees are charged to external users for goods or services, such as the unemployment compensation program, lottery operations and transportation services.

Internal Service Funds provide goods or services primarily to other agencies or funds of the State, rather than to the general public. These goods and services include printing and mailing services, supplies warehousing, information technology, fleet management, risk management, health-related benefits, and financing for acquisition and construction of governmental facilities. In the government-wide financial statements, internal service funds are included with governmental activities.

Fiduciary Fund Types:

Pension (and Other Employee Benefits) Trust Funds report resources that are required to be held in trust for members and beneficiaries of the State’s pension, death and disability benefit plans. These resources are managed by the Maine Public Employees Retirement System (MPERS). The fund also reports resources that are required to be held in trust for members and beneficiaries of the State, Teachers, and for MPERS’ retiree healthcare benefits. The investment trusts, managed by the MPERS, hold the long-term investments. The trustees of the State Healthcare Other Employee Benefits Trust Fund are the State Controller and State Treasurer. The Teacher Healthcare Other Employee Benefits Trust Fund trustee is Harpswell Capital Advisors, LLC and its successors.

Private Purpose Trust Funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include Abandoned Property and Lands Reserved Trust Funds.

Custodial Funds report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples include amounts held for entities self-insured for worker's compensation and unemployment claims, inmate and student guardianship accounts and non-entitlement units.

D. FISCAL YEAR-ENDS

All funds and discretely presented major component units are reported using fiscal years which end on June 30, except for the Maine State Housing Authority and Maine Turnpike Authority, which utilize December 31 year-ends.

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

Equity in Treasurer's Cash Pool

The State pools cash and cash equivalents for a variety of State agencies and public sector entities. The pooled balances are reported at fair value. Interest earned on pooled cash is allocated to the various funds, generally based on their average equity balances. The Treasurer's Cash Pool has the general characteristics of a demand deposit account and is comprised primarily of prime commercial paper, repurchase agreements, U.S. Treasury Bills, U.S. Treasury Notes, and other U.S. Agency Obligations, certificates of deposit, and corporate bonds.

For component units that participate in the cash pool, equity is shown at fair value.

Cash and Cash Equivalents

Cash equivalents consist of short-term investments that mature within three months. On the Statement of Cash Flows, the amount reported as "Cash and Cash Equivalents" is equal to the total of the amounts reported on the Statement of Net Position as "Equity in Treasurer's Cash Pool," "Cash and Cash Equivalents," "Cash with Fiscal Agent," "Restricted Equity in Treasurer's Cash Pool," and "Restricted Deposits and Investments."

Cash with Fiscal Agent

Cash with Fiscal Agent in Governmental Funds represents cash that will be used for debt service on bonds and unspent proceeds of bonds and Certificates of Participation.

Cash with Fiscal Agent in Proprietary Funds represents proceeds of Certificates of Participation and other financing arrangements that have not been spent.

Other investments of the State are carried at fair value. Donated investments are stated at fair value at the date of donation.

Investments Held on Behalf of Others

These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds \$132.6 million of Workers' Compensation, \$70.0 million of Bureau of Insurance, and \$49.2 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

Restricted Deposits and Investments

Restricted deposits and investments include: unemployment tax receipts deposited with the United States Treasury that are drawn down to pay unemployment benefits; cash and investments of the Maine Governmental Facilities Authority, a blended component unit that has been independently audited; unspent bond proceeds, and funds invested in Certificates of Deposit and other investments at various financial institutions within the State. The financial institutions lend these deposits and investments to local commercial and agricultural enterprises to foster economic growth in Maine.

Inventories

The costs of materials and supplies of the Governmental Funds are reported as expenditures when purchased. Undistributed vaccines and food commodities are reported as inventory and unearned revenue in the Federal Fund. Revenues and corresponding expenditures are recognized when vaccines and food commodities are issued. Inventories of materials and supplies in the Proprietary Funds are determined by physical counts and by perpetual inventory systems. Proprietary Fund inventories are stated at cost or average cost.

Receivables

Receivables consist primarily of amounts due to the State from taxpayers and service providers. Also included in receivables are amounts due but not yet remitted to the State from lottery sales by agents. Loans receivable for the primary government represent low interest financing arrangements to construct and modernize agricultural storage facilities and local commercial enterprises, as well as Department of Transportation loans to local governments. Receivables in the component units' column arise in the normal course of business. Receivables are stated net of estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

Lease receivables are recorded as the present value of the future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the same rate used to calculate the State's lease obligations.

Interfund Transactions and Balances

Numerous transactions are made between funds to finance operations, provide services, and acquire or construct assets. To the extent that transactions between funds were not completed as of June 30, interfund receivables and payables have been recorded in the fund financial statements. Interfund receivables and payables have been eliminated from the Statement of Net Position.

Long-term loans made by one fund to another are classified as "Working Capital Advances Receivable" and "Working Capital Advances Payable." In the fund financial statements, advances receivable are offset by nonspendable fund balance designations indicating that the long-term loans do not constitute expendable financial resources.

Due from/to Primary Government/Component Units

Numerous transactions are made between the primary government and component units to finance operations, provide services, acquire or construct assets, or repay bonds. To the extent that transactions between funds were not completed as of June 30, "Due from Primary Government" and "Due to Component Unit" receivables and payables have been recorded. Two component units have December 31 year ends, therefore the "due to" and "due from" amounts may differ.

Due from/to Other Governments

Due from/to Other Governments represents amounts receivable from or payable to municipalities or the federal government. Due from Other Governments represents primarily federal grants receivable for Medicaid claims, other health and human services programs, and federal grants receivable for transportation-related expenditures. Due from Other Governments in the component units column represents amounts receivable for grants, bond repayment and retirement benefits. Due to Other Governments primarily consist of amounts owed to municipalities for Municipal Revenue Sharing and the federal government for Medicaid cost recoveries from providers.

Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, bridges, ramps and similar items), are reported in the government-wide statements and applicable fund financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. The State capitalizes governmental fund buildings valued at \$1 million or more and proprietary fund buildings valued at \$100 thousand or more. Governmental fund equipment is capitalized at \$10 thousand or more and proprietary fund equipment is capitalized at \$5 thousand or more. Governmental and proprietary fund software is capitalized at \$1 million or more. All land, regardless of value, is capitalized. Capital assets are recorded at cost or, if donated, at acquisition value at date of acquisition. In some instances, capital assets historical cost were not available. The costs of these assets at the date of acquisitions have been estimated.

In the government-wide statements, most capital assets are depreciated on a straight-line basis over the assets' estimated useful lives, which are 10-40 years for software, buildings and improvements, and 2-25 years for equipment. The State uses the modified approach for reporting its significant infrastructure assets. As long as the State maintains and preserves its infrastructure assets at pre-determined condition levels, maintenance costs are expensed and depreciation is not reported. This approach is discussed further in the Required Supplementary Information.

Right to use leased assets are recognized at the commencement date of the contract and represent the State of Maine's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments to the lessor before the commencement of the contract term, less any incentives received from the lessor at or before the commencement of the contract term, plus any initial direct cost necessary to place the asset into service. Right to use assets are amortized over the shorter of the contract term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 40 years.

Right to use subscription IT assets are recognized at the subscription commencement date and represent the State of Maine's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 14 years.

Capital assets of component units are capitalized upon purchase and depreciated over their estimated useful lives. The estimated useful lives of fixed assets are 5-60 years for non-road structures and improvements and 3-15 years for equipment, furniture, fixtures and vehicles. Component units reflect infrastructure in improvements other than buildings and record depreciation expense on them. The Maine Turnpike Authority (MTA) uses the modified approach for reporting its significant infrastructure assets. As long as MTA

maintains and preserves its infrastructure assets at pre-determined condition levels, maintenance costs are expensed and depreciation is not reported.

Deferred Outflows of Resources

Deferred outflows of resources are defined as a consumption of net assets by the government applicable to a future period; they increase net position, similar to assets. Note 17 provides further detail on the components of deferred outflows of resources.

Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate recorded at June 30, 2025 is \$485.5 million.

Tax Refunds Payable

The amount of collected or accrued tax revenues that will be refunded is estimated and accrued as a General Fund liability.

Claims Payable

Claims payable represent workers' compensation, retiree health, employee health, and other claims payable, including actual claims submitted and actuarially determined claims incurred but not reported. The actuarially determined claims liability is discounted and presented at net present value.

Compensated Employee Absences

The liability for compensated absences consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that have been used for time off but have not yet been paid in cash or settled through noncash means and certain other types of leave. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits is excluded from this liability. The State determined its material leave types include annual vacation leave, sick leave, and compensatory time using fully burdened pay rates in effect at June 30. Current and non-current portions are based on historical data for specific employee groups.

Net Pension Liability

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (MPERS) and additions/deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts was further allocated to proprietary funds based on the salaries paid by each proprietary fund. Pension investments are reported at fair value. Note 9 provides further detail on the net pension liability.

OPEB Liability

The total OPEB liability is the portion of the actuarial present value of projected benefit payments attributed to past periods of employee service. It is the liability of employers and nonemployer contributing entities to employees for benefits provided through an OPEB plan that is not administered through a trust. The net OPEB liability is the liability of employers and nonemployer contributing entities to employees for benefits provided through a defined benefit OPEB plan that is administered through a trust.

Deferred Inflows of Resources

Deferred inflows of resources are defined as an acquisition of net assets by the government applicable to a future period; they decrease net position, similar to liabilities. Note 17 provides further detail on the components of deferred inflows.

Loans Payable to Component Units

In the Statement of Net Position, the amount of bond proceeds received by a component unit for unmatured GARVEE and TransCap Revenue bond proceeds is called "Loans Payable to Component Unit." The offsetting receivables are classified as "Loans Receivable from Primary Government."

Long-Term Obligations

In the government-wide statements and proprietary fund financial statements, long-term debt and other long-term obligations are recorded as liabilities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Lease liabilities represent the State of Maine's contractual requirement to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of the lease payments are discounted at rates based on state specific municipal market data.

Subscription liabilities represent the State of Maine's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on state specific municipal market data.

Net Position/Fund Balances

The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is "Net Position" on the government-wide, proprietary and fiduciary fund statements and "Fund Balances" on governmental fund statements.

Fund Balance Restrictions

Fund balances for governmental funds have been classified in accordance with GASB Statement No. 54.

The State reported the following fund balance restrictions:

Nonspendable Fund Balance - indicates items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless those proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted Fund Balances – include balances that are legally restricted for specific purposes due to constraints that are either externally imposed by creditors, grantors, contributors, or imposed by law through a constitutional provision or enabling legislation.

Committed Fund Balances – indicates assets that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Maine Legislature through Legislation passed into law.

Assigned Fund Balances – include amounts constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. The State has two types of intent authorized by statute. Management decisions are made in accordance with statutory powers and duties, including encumbrances. Legislative assignments include formal actions passed into law that lapse with the passage of time and do not require additional legislation. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

Unassigned Fund Balance – is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

F. REVENUES AND EXPENDITURES/EXPENSES

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g., governmental support & operations, education, health & human services, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include: charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions. The effects of interfund activity are eliminated in the government-wide Statement of Activities.

The State's policy is that restricted amounts are spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the State's policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In the governmental fund financial statements, expenditures are reported by function. Capital outlay expenditures for real property or infrastructure (e.g. highways) are included with expenditures by function.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. general operations and depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating, capital contributions, transfers or special items.

NOTE 2 - BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE**Appropriation Limits**

The total General Fund appropriation for each fiscal year of the biennium in the Governor's budget submission to the Legislature may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate, as defined in Title 5 Maine Revised Statutes Annotated (MRSA) § 1665, subsection 1, plus the average forecasted inflation rate. "Average forecasted inflation rate" means the average forecasted change in the Consumer Price Index underlying the revenue projections developed by the Revenue Forecasting Committee.

This appropriation limitation may be exceeded only by the amount of the additional costs or the lost federal revenue from the following exceptional circumstances: unfunded or under-funded new federal mandates; losses in federal revenues or other revenue sources; citizens' initiatives or referenda that require increased State spending; court orders or decrees that require additional State resources to comply with the orders or decrees; and sudden or significant increases in demand for existing State services that are not the result of legislative changes that increased eligibility or increased benefits.

The Governor may designate exceptional circumstances that are not explicitly defined, but meet the intent of, this statute. "Exceptional circumstances" means an unforeseen condition or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

Budget Stabilization Fund

The Maine Budget Stabilization Fund ("BSF"), a fund designation established under Title 5 MRSA C. 142, is included in the \$665.5 million unassigned General Fund fund balance. The BSF had a balance of \$1,030.0 billion. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. When the fund is at its cap, interest earnings are transferred to the Irrevocable Trust Funds for Other Post-employment Benefits. The State Controller is required to transfer to the fund 80 percent of the amount available from the unappropriated surplus after all required deductions of appropriations, budgeted financial commitments and adjustments at the close of each fiscal year when the fund is not at its statutory cap. When the fund is at its cap, that amount is transferred to the Highway and Bridge Capital Program, Other Special Revenue Funds Account. In accordance with the statute, the State Controller transferred \$79.4 million to the Budget Stabilization Fund, which resulted in it reaching its cap. The remaining \$33.8 million was transferred to Highway and Bridge Capital Program at the end of fiscal year 2025.

During fiscal year 2025, the State transferred \$60.0 million from the Maine BSF in accordance with Public Law 2023 Chapter 643. \$50.0 million was transferred to the Department of Transportation, Infrastructure Adaptation Fund for municipal, State or regionally significant infrastructure adaptation, repair and improvements that support public safety, protection of essential community assets, regional economic needs and long-term infrastructure resilience. \$10.0 million was transferred to the Department of Economic and Community Development, Business Recovery and Resilience Fund program for economic recovery and resilience grants to businesses and nonprofit organizations within areas that were impacted by major storms in December 2023 and January 2024.

The statutory cap for the fund is 18 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2025 actual General Fund revenue, the statutory cap at the close of fiscal year 2025 was \$1,030.0 billion. At the close of fiscal year 2025, the balance of the Maine BSF was \$1,030.0 billion. No reductions to the Maine BSF balance are required when it exceeds the balance of the statutory cap as a result of a decline of General Fund revenue.

Budget Stabilization Fund Activity
(Expressed in Thousands)

Balance, beginning of year	\$ 968,309
Increase in fund balance	61,724
Balance, end of year	<u><u>\$ 1,030,033</u></u>

Budget and Budgetary Expenditures

The gross unified budget bills and budget document encompass resources from the General Fund, Highway Fund, Federal Expenditures Fund, Federal Block Grant Fund, Other Special Revenue Fund, internal service funds and enterprise funds. Separate gross unified budget bills must be submitted for the General Fund and the Highway Fund. All funds except trust and custodial funds,

bond funds and costs of goods sold expenditures in internal service funds and enterprise funds are subject to legislative allocation. The biennial budget sets forth proposed expenditures for the administration, operation and maintenance of the departments and agencies of the State Government; all interest and debt redemption charges during each fiscal year and all expenditures for capital projects to be undertaken and executed during each fiscal year. Within this structure, budgetary control by agency is maintained at the program and line category level. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers.

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as supplemental budgets or separate pieces of legislation. For the year ended June 30, 2025, the Legislature increased appropriations to the General Fund by \$138.3 million.

Actual expenditures did not exceed legislatively authorized appropriations at the Department level; therefore, the State complied with all related budget laws at the legal level.

Governmental Fund Balances - Restricted, Committed and Assigned

The State's fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) assigned purposes, which includes balances that are constrained by government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these fund balance types at June 30, 2025 are detailed on the following pages.

Governmental Fund Balances (Expressed in Thousands)

	<u>NSIF</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund:				
Education	\$ -	\$ -	\$ -	\$ 56,532
Economic & Community Development	-	-	-	3,525
Governmental Support & Operations	-	140	-	135,053
Public Safety	-	2,177	-	-
Justice & Protection	-	-	-	21,656
Inland Fisheries & Wildlife	-	6,256	-	-
Agriculture & Conservation	-	-	1,878	3,406
All Other	3,912	-	-	1,161
Total	<u>\$ 3,912</u>	<u>\$ 8,573</u>	<u>\$ 1,878</u>	<u>\$ 221,333</u>
Highway Fund:				
Transportation, Highway & Bridge Construction	\$ -	\$ 64,064	\$ -	\$ -
Total	<u>\$ -</u>	<u>\$ 64,064</u>	<u>\$ -</u>	<u>\$ -</u>
Federal Fund:				
Economic Development & Workforce Training	\$ -	\$ 4,051	\$ -	\$ -
Governmental Support & Operations	-	8,152	-	-
Education	-	1,868	-	-
Total	<u>\$ -</u>	<u>\$ 14,071</u>	<u>\$ -</u>	<u>\$ -</u>
Other Special Revenue Fund:				
Workers Compensation Board	\$ -	\$ 15,973	\$ 6,996	\$ -
Professional & Financial Regulation	-	10,564	18,920	2,513
Public Utilities Commission	-	1,504	11,053	-
PFR Bureau of Consumer Credit Protection	-	-	7,886	-
PFR Bureau of Financial Institutions	-	-	18,047	-
PFR Bureau of Insurance	-	23,545	-	-
PFR Licensing & Enforcement Division	-	-	16,991	-
PFR Office of Securities	-	7,512	-	-
Education	-	-	2,511	5,378
Higher Education	-	-	-	1,505
Education Stabilization Fund	-	-	45,000	-
Economic Development & Workforce Training	-	33,413	4,495	1,151
Tourism Marketing Promotion Fund	-	-	15,182	-
Unemployment Administrative Fund	-	-	-	7,908
Paid Family and Medical Leave	-	-	1,701	-
Governmental Support & Operations	-	108,233	58,663	-
Treasury	-	-	3,061	-
Bonds for Highway & Bridge Construction	-	138,652	-	-

Governmental Fund Balances
(Expressed in Thousands)

	<u>NSIF</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
State Facilities Capital Improvements	-	-	15,808	-
Unorganized Territory Education	-	6,079	-	-
Municipal Excise Tax Reimbursement Fund	-	-	8,380	-
Cannabis Use Funds	-	-	19,633	-
Clean Elections Act Funds	-	-	6,875	-
Transcap Trust Fund	-	6,480	-	-
Health & Human Services	-	-	1,517	-
Fund for Healthy Maine	-	-	43,890	-
Office of Family Independence	-	10,046	861	508
Office of the Commissioner	-	-	-	11,315
Substance Abuse & Mental Health	-	-	8,659	7,434
Centers for Disease Control & Prevention	-	1,166	9,351	7,630
MaineCare	-	5,327	-	38,428
Defense, Veterans & Emergency Management	-	3,020	6,462	2,127
Justice & Protection	-	16,103	6,412	28,245
Public Safety	-	9,177	3,911	7,871
Armory Maintenance	-	-	3,497	-
State Fire Marshall	-	10,796	-	-
Maine Recovery Fund	-	-	-	26,687
EMS Stabilization	-	-	12,188	-
Natural Resources Development & Protection	-	48,682	-	-
Agriculture & Conservation	-	6,031	18,780	15,450
Environmental Protection	-	-	5,698	2,839
Inland Fisheries & Wildlife	-	19,549	-	-
Marine Resources	-	8,806	6,251	1,683
PFAS Mitigation	-	-	65,641	-
Hazardous Waste Fund	-	3,355	-	-
Uncontrolled Sites Fund	-	17,928	-	-
Ground and Surface Waters Cleanup Fund	-	2,893	-	-
Environmental Protection Fund	-	-	19,076	-
Land for Maine's Future	-	-	23,323	-
Public Reserved Lands Management Fund	-	-	-	1,976
DEP Revolving Loan Program	-	-	5,259	-
Transportation Safety & Development	-	6,929	52,935	3,215
Transportation - Highway & Bridge Construction	-	71,112	164	-
Multimodal Transportation	-	-	18,909	1,776
All Other	-	3,935	2,287	1,247
Total	<u>\$ -</u>	<u>\$ 596,810</u>	<u>\$ 576,273</u>	<u>\$ 176,886</u>
Other Governmental Funds:	<u>NSIF</u>	<u>Restricted</u>	<u>Permanent</u>	
Capital Projects - Multimodal Transportation	-	14,397	-	
Capital Projects - Environmental Protection	-	8,084	-	
Capital Projects - Treasury	-	3,533	-	
Permanent Funds - Baxter Park	-	-	13,177	
Permanent Funds - All Others	-	-	45,765	
Special Revenue Funds - Baxter Park	-	125,296	-	
Special Revenue Funds - All Other	-	233	-	
Total	<u>\$ -</u>	<u>\$ 151,543</u>	<u>\$ 58,942</u>	

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

ACCOUNTING CHANGES AND ERROR CORRECTIONS

The following GASB Statements became effective for fiscal year ended June 30, 2025:

GASB Statement No. 101, Compensated Absences (GASB 101) - GASB 101 updates recognition and measurement guidance under a unified model and amends previously required disclosures. This statement applies to compensated absences such as vacation, sick leave and compensatory time. The State historically recorded a liability for vested unused vacation up to certain limits and compensatory leave. The impact of the adoption of GASB 101 was to record an additional liability for sick leave. The State adopted GASB 101 for its June 30, 2025 financial statements, which also included a reduction to beginning net position. The change represents a change from one generally accepted accounting principle to another generally accepted accounting principle.

GASB Statement No. 102, Certain Risk Disclosures (GASB 102) - the objective is to provide users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. GASB 102 defines a concentration as a lack of diversity related to an aspect of significant inflow of resources or outflow of resources.

A constraint is a limitation imposed on a government by an external party or by a formal action of the governments highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. There was no impact on the financial statements resulting from the adoption of GASB 102.

Accounting Changes and Error Corrections
(Expressed in Thousands)

	As Previously Reported	Implementation of a new GASB	Error Correction	As Restated
Government-Wide				
Governmental Activities	\$ 2,990,254	\$ (69,300)	\$ (119,284)	\$ 2,801,670
Business Type Activities	856,707	(978)	-	855,729
Total Primary Government	<u>\$ 3,846,961</u>	<u>\$ (70,278)</u>	<u>\$ (119,284)</u>	<u>\$ 3,657,399</u>
Proprietary Funds				
Nonmajor Funds	<u>\$ 90,974</u>	<u>\$ (978)</u>	<u>\$ -</u>	<u>\$ 89,996</u>
Discretely Presented Component Units				
University of Maine System	\$ 1,461,563	\$ (3,695)	\$ -	\$ 1,457,868
Maine Community College System	290,065	-	32	290,097
Nonmajor Component Unit	381,561	(52)	-	381,509
Total Discretely Presented Component Units	<u>\$ 2,133,189</u>	<u>\$ (3,747)</u>	<u>\$ 32</u>	<u>\$ 2,129,474</u>

PRIMARY GOVERNMENT RESTATEMENTS

In fiscal year 2024 the State of Maine recorded \$2.528 billion of Individual Income Tax Revenue. After further review, the State determined that due to an error, Individual Income Tax revenue in fiscal year 2024 was overstated by \$119.3 million on the Government Wide, Governmental Activities, Statement of Activities. The error was due to an unintentional change in estimation resulting from a new system implementation. This overstatement requires an adjustment to beginning net position.

In addition, the state implemented a new Governmental Accounting Standards Board pronouncement - GASB 101, Compensated Absences. This also requires a restatement of beginning net position for both Government Activities and Business-Type activities. The impact to beginning fund balance for Governmental Activities was a reduction of \$69.3 million and for Business Type Activities a reduction of \$978 thousand

RESTATEMENT – COMPONENT UNITS

The University of Maine System and a non-major component unit, Northern New England Passenger Rail Authority, restated their beginning net positions for the implementation of GASB 101. The financial statements for the Foundations of the Maine Community College System have been restated to reclassify amounts in beginning net position. Accordingly, an adjustment was made of \$615 thousand to decrease net position without donor restrictions, \$647 to increase net position with donor restrictions and decrease accounts payable by \$32 thousand.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION**PROPRIETARY FUNDS**

Five internal service funds showed deficits for the fiscal year ended June 30, 2025. The Leased Space Fund and Revenue Service Fund, reported deficits of \$11.6 million and \$15 thousand, respectively because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of \$12.6 million because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. All of the deficits mentioned above are expected to be funded by future service charges. The remaining two internal service funds, Financial and Personnel Services and Information Services, reported deficits of \$21.0 million and \$2.1 million, respectively. These deficits are primarily the result of the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, which required the recognition of the entire net pension and postemployment benefits other than pension liability.

Three enterprise funds showed deficits for the fiscal year ended June 30, 2025. Maine Military Authority reported a deficit of \$14 thousand. Maine Military Authority significantly reduced its operation and workforce in Fiscal Year 2019. As a result, the fund incurred a loss on the disposal of its assets. The Consolidated Emergency Communications Fund reported a deficit of \$4.4 million due to the accrual of Other Postemployment Benefits and Pension Liabilities which will be funded by future service charges. The Alcoholic Beverages Fund reported a deficit of \$1.4 million due to the timing of statutorily required transfers, which sometimes occur before information is available to record some accrued expenses in the budget fiscal year. This deficit is expected to be funded by revenues in the subsequent budget fiscal year.

NOTE 5 - DEPOSITS AND INVESTMENTS

Title 5 MRSA § 135 governs the deposit and investment policies of the State of Maine Office of the State Treasurer. The Treasurer may deposit State funds, including trust funds of the State, in any of the banking institutions (including trust companies, State or federal savings and loan associations, and mutual savings banks) organized under the laws of this State and any national bank or federal savings and loan association located in the State.

The State follows the practice of pooling cash and cash equivalents for a variety of State agencies and public sector entities. The Treasurer may invest funds that exceed current obligations, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and the consent of the Governor.

Approved investments include bonds, notes, certificates of indebtedness, other obligations of the United States that mature not more than 36 months from the date of investment; repurchase agreements secured by obligations of the United States that mature within the succeeding 12 months; prime commercial paper with maturities not exceeding 270 days from the date of purchase; tax-exempt obligations that mature not more than 36 months from the date of investment and have a long-term rating of no less than "AA" or the equivalent; corporate bonds rated "AAA" that mature within 36 months from the date of investment; banker's acceptances with an original maturity not exceeding 180 days and rated in the highest short-term category by at least one nationally recognized securities rating organization (NRSRO); and "no-load" shares of an investment company registered under the Federal Investment Company Act of 1940, which are rated "AAAm" or "AAAm-G" by Standard & Poor's, or the equivalent by another NRSRO. Although authorized to do so, the Treasurer does not participate in the securities loan market.

Investment policies of the permanent trusts are governed by Title 5 MRSA § 138. The Treasurer, with the approval of the Commissioner of Administrative and Financial Services, the Superintendent of Financial Institutions and the Attorney General, shall invest the funds in securities that are legal investments in accordance with Title 9-B MRSA. The investments need not be segregated to the separate trusts, but the identity of each trust must be maintained. The Treasurer may enter into custodial care and servicing contracts or agreements negotiated in accordance with the laws of this State for the handling of funds held in trust.

No amounts exceeding 25 percent of the capital, surplus, and undivided profits of any trust company or national bank or 25 percent of the reserve fund and undivided profits of a mutual savings bank or State or federal savings and loan association, shall be on deposit in any one institution at any one time. This restriction does not apply to deposits subject to immediate withdrawal to meet the payment of any bonded debt or interest or to pay current bills or expenses of the State. Also exempt are deposits secured by the pledge of certain securities as collateral or fully covered by insurance.

With assistance from the Finance Authority of Maine, the Treasurer participates in a restricted deposit program to encourage banks to provide loans at two percent below market rate. The Treasurer may invest up to \$8 million in lending institutions at a two percent lower-than-market rate provided the lenders pass the rate reduction on to the borrowers. This program earmarks \$4 million for loans to agricultural enterprises and the other \$4 million are designated for commercial entities.

The Primary Government's Deposits and Investments, excluding component units that are fiduciary in nature, at June 30, 2025 are as follows:

Primary Government Deposits and Investments

(Expressed in Thousands)

	Governmental Activities	Business- Type Activities	Private Purpose Trusts	Custodial Funds	Total
Equity in Treasurer's Cash Pool	\$ 3,440,352	\$ 127,239	\$ 564	\$ 11,956	\$ 3,580,111
Cash and Cash Equivalents	184	2,244	11,080	27	13,535
Cash with Fiscal Agent	246,916	-	-	-	246,916
Investments	184,257	-	26,770	-	211,027
Restricted Equity in Treasurer's Cash Pool	26,904	-	-	-	26,904
Restricted Deposits and Investments	2,417	787,459	-	-	789,876
Investments Held on Behalf of Others	-	-	-	64,763	64,763
Total Primary Government	<u>\$ 3,901,030</u>	<u>\$ 916,942</u>	<u>\$ 38,414</u>	<u>\$ 76,746</u>	<u>\$ 4,933,132</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. In general, the State holds securities to maturity. All debt securities are reported at full-term.

The following table provides the segmented time distribution of the Primary Government's investments at June 30, 2025:

Maturities in Years

(Expressed in Thousands)

	Less than 1	1-5	6-10	11-20	More than 20	No Maturity	Fair Value
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	\$ -	\$ 1,533	\$ -	\$ -	\$ -	\$ -	\$ 1,533
US Treasury Notes	453,672	1,664,011	-	-	-	-	2,117,683
Certificates of Deposit	382,511	-	-	-	-	-	382,511
Cash and Cash Equivalents	883	-	-	-	-	1,096,730	1,097,613
Unemployment Fund	-	-	-	-	-	787,459	787,459
<i>Private-Purpose Trusts, Custodial Funds, and Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	-	376	942	1,041	1,755	1,512	5,626
US Treasury Notes	1,678	5,796	-	-	4,728	10,314	22,516
Corporate Notes and Bonds	-	5,131	-	-	-	62,671	67,802
Other Fixed Income Securities	-	-	-	-	-	38,836	38,836
Certificates of Deposit	1,458	-	-	-	-	5,859	7,317
Money Market	-	330	601	-	6,642	1,454	9,027
Cash and Cash Equivalents	14,152	6,749	2,144	-	-	35,655	58,700
Equities	-	-	-	-	-	84,941	84,941
Other	-	-	-	-	-	4,652	4,652
	<u>\$ 854,354</u>	<u>\$ 1,683,926</u>	<u>\$ 3,687</u>	<u>\$ 1,041</u>	<u>\$ 13,125</u>	<u>\$ 2,130,083</u>	<u>\$ 4,686,216</u>
Other Assets							
Cash with Fiscal Agent							246,916
Total Primary Government							<u>\$ 4,933,132</u>

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments as described by nationally recognized statistical rating organizations. The State's investment policy limits its investments to those with high credit quality made by or with the advice and upon the due diligence of the State's independent investment advisor. The State limits credit risk in its trusts by ensuring that the fixed income credit quality at the time of purchase is a minimum bond rating of "A" by either Standard & Poor's or Moody's rating service. Fixed income holdings thereafter shall maintain a minimum bond rating of "BBB".

The Primary Government's total investments by credit quality rating as of June 30, 2025 are presented below:

Standard and Poor's Credit Rating
(Expressed in Thousands)

	<u>A1</u>	<u>A</u>	<u>AA</u>	<u>AAA</u>	<u>BB</u>	<u>BBB</u>	<u>Not Rated</u>	<u>Total</u>
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>								
<i>Private-Purpose Trusts, Custodial Funds, and Non-Major Special Revenue and Permanent Funds</i>								
Corporate Notes and Bonds	\$ -	\$ 2,533	\$ 588	\$ 136	\$ -	\$ 3,722	\$ 60,823	\$ 67,802
Money Market	-	-	-	-	-	-	9,027	9,027
Other Fixed Income Securities	-	-	-	-	-	-	4,652	4,652
Total Primary Government	<u>\$ -</u>	<u>\$ 2,533</u>	<u>\$ 588</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 3,722</u>	<u>\$ 74,502</u>	<u>\$ 81,481</u>

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than seven percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2025, there were no investments that exceeded five percent of the Treasurer's Cash Pool.

Custodial Credit Risk - For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State limits its custodial credit risk for the Treasurer's Cash Pool by maintaining a file of the most recent credit rating analysis reports performed for each approved financial institution. The State also requires that all securities be perfected in the name of the State and held in third party safekeeping by a state approved custodian. Of the cash pool's \$400.2 million invested in non-negotiable certificates of deposit, certain CD's exceeded the FDIC insured amounts for the institutions at which they were held. However, certificates of deposits, money market accounts and regular cash deposits are all collateralized at a minimum of 100 percent with pledged securities or a Federal Home Loan Bank letter of credit.

The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by a counterparty, but not in the State's name.

The fair value of the trust's investments as of June 30, 2025 was \$125.3 million and was comprised of the following (expressed in thousands):

	<u>Percival Baxter Trust</u>
U.S. Instrumentalities	\$ 5,627
U.S. Treasury Notes	11,302
Corporate Notes and Bonds	6,979
Other Fixed Income Securities	5,303
Equities	77,984
Cash and Equivalents	1,848
Other	16,255
Total	<u>\$ 125,298</u>

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2025 these disbursements, on average, exceeded \$328 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

Fair Value Measurements - The State of Maine categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are

described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the State of Maine has the ability to access.

Level 2 - Inputs to the valuation method include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques. The three valuation techniques are as follows:

- *Market Approach* - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost Approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost);
- *Income Approach* – Techniques to convert future amount to a single present amount based on market exceptions (including present value techniques).

Following is a description of the valuation methodologies used for assets at fair value.

Investments classified as level 1: Investments classified as level 1 are primarily exchange traded equity securities and other fixed income securities valued at market prices using interactive exchange data. Investments are evaluated by obtaining feeds from a number of live data sources including active market makers and inter-dealer brokers. Sources are reviewed on the basis of their historical accuracy for individual issues and maturity ranges. Treasury notes and bonds are evaluated by gathering information from market sources and integrate relative credit information, observed market movements, and sector news into the evaluated pricing applications and models.

Investments classified as level 2: Investments classified as level 2 including fixed income corporate bond, fixed income government bonds and treasury notes are priced using a published mid-price. Investments are evaluated as follows: a. A bullet (non-call) spread scale is created for each issuer for maturities going out to forty years. These spreads represent credit risk and are obtained from the new issue market, secondary trading, and dealer quotes. Each issuer-spread line has the capability to link parent/subsidiary and related companies to capture relevant movements. b. An Option Adjusted Spread (OAS) model is incorporated to adjust spreads of issues that have early redemption features. c. Final spreads are added to both a 15: and 16: (ET) U.S. Treasury curve. A special cash discounting yield/price routine calculates prices from final yields to accommodate odd coupon payment dates typical of medium-term notes. d. Evaluators maintain quality by surveying the dealer community, obtaining benchmark quotes, incorporating relevant trade data, and updating spreads daily. Note: Floating-rate medium-term notes are evaluated using the Floating-Rate Note Evaluation Model which generates evaluations for floating-rate notes by calculating current and future coupons, then discounting each cash flow by an appropriate discount margin.

Investments classified as level 3: Investments classified as level 3 include private equities securities that exist in illiquid markets. These securities are broker priced.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the State of Maine believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table set forth by level, within the fair value hierarchy, the State of Maine's assets carried at fair value on a recurring basis as of June 30, 2025:

Fair Value Measurement
(Expressed in Thousands)

		Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
	Total			
Corporate Notes and Bonds	\$ 67,441	\$ 60,462	\$ 6,979	\$ -
U.S. Instrumentalities	5,627	-	5,611	16
U.S. Treasury Notes	2,136,651	2,136,651	-	-
Other Fixed Income Securities	38,836	22,581	-	16,255
Equities	84,941	84,941	-	-
Total	<u>\$ 2,333,496</u>	<u>\$ 2,304,635</u>	<u>\$ 12,590</u>	<u>\$ 16,271</u>

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Maine Public Employees Retirement System (the System) makes investments in a combination of equities, fixed income securities, infrastructure, private equity, real estate, mutual funds, commingled mutual and index funds, derivative instruments, and other investment securities established by the Trustee's investment policy.

Derivative Instruments – Derivative instruments are financial contracts whose value depends on the value of one or more underlying assets, reference rates or financial indices. They include futures, forwards, options, and swap contracts. The System's investments in derivative securities only have nominal exposure to custodial credit risk. Credit risk is managed, in the case of exchange-traded derivatives, by the execution of trades through a clearinghouse and, in the case of over-the-counter transactions, by managers' due diligence assessment and approval of counterparties. Market risk is managed by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and are monitored by the Chief Investment Officer.

The system did not have any derivative investments as of June 30, 2025 or during the year then ended.

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. The System's fixed income managers invest in Collateralized Mortgage Obligations (CMOs) and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio.

Securities Lending - The System has also entered into agreements with its master custodian for securities lending transactions, which are collateralized in an amount generally valued at 102 percent (105 percent for international securities) of the fair value of the securities loaned plus accrued interest. All securities and loans can be terminated on demand by either the lender or the borrower. Securities are loaned against collateral that may include cash, U.S. government securities and irrevocable letters of credit. Non-cash collateral cannot be pledged or sold unless the borrower defaults. Cash collateral may also be invested separately in "term loans," in which case the investments match the loan term. During fiscal years 2025 and 2024, there were no violations of legal or contractual provision, and no borrower or lending agent default losses identified to the system by securities lending agent. Because of the program's collateralization of loans, generally at 102% (or more) the system believes that there is no material credit risk.

Cash collateral is invested in a short-term investment pool. Cash collateral may also be invested separately in "term loans." At June 30, 2025 all of the collateral for securities lending is subject to custodial credit risk. The System believes that there is no credit risk as defined in GASB Statement No. 28 and GASB Statement No. 40. The collateral held and the market value of securities on loan for the System as of June 30, 2025 was \$98.5 million and \$96.1 million, respectively.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of investment in a single issue. The System's investment policy places no limit on the amount the System may invest in any one issuer. No investment exceeded 5 percent of the fiduciary net position for the defined benefit and OPEB plans.

COMPONENT UNITS

Generally, component unit investment policies authorize investments in obligations of U.S. Treasury and Agency Securities, repurchase agreements, corporate bonds, certificates of deposit and money market funds. Some component units may invest in stocks, bonds, fixed income securities, mutual funds, commingled mutual funds and index funds, guaranteed investment contracts, real estate and other investment securities.

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 3.75 percent of pool assets. The component units reported their participation as either Cash and Cash Equivalents or Investments on their financial statements. The State reclassified \$140.4 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial

statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes \$10.4 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

NOTE 6 - RECEIVABLES

Receivable balances are segregated by type, and presented in the fund financial statements net of allowance for uncollectibles. The following tables disaggregate amounts considered to be uncollectible by fund and type of receivable as of the close of the fiscal year:

Primary Government - Receivables

(Expressed in Thousands)

	Taxes	Settlements	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:						
General	\$ 771,879	\$ -	\$ 191,913	\$ 1	\$ (176,076)	\$ 787,717
Highway	23,071	-	7,869	-	(30)	30,910
Federal *	-	-	268,998	-	(106,257)	162,741
Other Special Revenue **	15,963	100,898	143,551	1,825	(90,312)	171,925
Total Governmental Funds	810,913	100,898	612,331	1,826	(372,675)	1,153,293
Allowance for Uncollectibles	(95,052)	-	(277,600)	(23)		
Net Receivables	<u>\$ 715,861</u>	<u>\$ 100,898</u>	<u>\$ 334,731</u>	<u>\$ 1,803</u>		<u>\$ 1,153,293</u>
Proprietary Funds:						
Employment Security *	\$ -	\$ -	\$ 105,152	\$ -	\$ (68,308)	\$ 36,844
Nonmajor Enterprise	-	-	84,460	-	(147)	84,313
Internal Service	-	-	21,516	-	-	21,516
Total Proprietary Funds	-	-	211,128	-	(68,455)	142,673
Allowance for Uncollectibles	-	-	(68,455)	-		
Net Receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,673</u>	<u>\$ -</u>		<u>\$ 142,673</u>

* Accounts receivable related to the Unemployment Insurance program increased significantly in the Federal Fund and the Employment Security Major Enterprise Fund in fiscal year 2022 and 2021. This was due primarily to a significant increase in fraudulent claims activity and benefit overpayments associated with Federal Pandemic Unemployment Compensation, Pandemic Unemployment Assistance, and other emergency benefits provided in response to the Coronavirus Pandemic.

** Maine is participating in the National Opioid Settlement (Settlement), which negotiated conclusions to investigations and litigation by the Attorney General and by certain Maine counties, cities, and towns of the marketing and sales practices of opioid pain medications by entities in the pharmaceutical supply chain. In 2024 the State of Maine agreed to join five additional opioid settlements with similar terms and payment schedules as the original settlements in 2022. In addition to the Opioid settlement, Maine is participating in a Tobacco settlement. Please see Note 19 for additional information on both settlement agreements.

Component Units - Receivables

(Expressed in Thousands)

	Accounts	Loans and Leases	Allowance for Uncollectibles	Net Receivables
Finance Authority of Maine	\$ 3,955	\$ 121,300	\$ (5,255)	\$ 120,000
Maine Community College System	26,021	-	(3,326)	22,695
Maine Health and Educational Facilities Authority	192	852,394	-	852,586
Maine Municipal Bond Bank	2,762	-	-	2,762
Maine State Housing Authority	12,159	2,048,374	(7,991)	2,052,542
Maine Turnpike Authority	7,668	34,002	-	41,670
University of Maine System	99,647	25,359	(24,973)	100,033
Net Receivables	<u>\$ 152,404</u>	<u>\$ 3,081,429</u>	<u>\$ (41,545)</u>	<u>\$ 3,192,288</u>

NOTE 7 - INTERFUND TRANSACTIONS

Interfund receivables and payables represent amounts owed to one State fund by another, for goods sold or services received, or for borrowings to eliminate negative balances in the Treasurer's Cash Pool.

Balances due within one year are recorded as Due to/Due from Other Funds. The balances of current interfund receivables and payables as of June 30, 2025 were:

Interfund Receivables (Expressed in Thousands)					
Due to Other Funds					
Due from Other Funds	General	Highway	Federal	Other Special Revenue	Other Governmental
General	\$ -	\$ -	\$ 2,098	\$ -	\$ -
Highway	8	10	28,155	1	-
Federal	3	50	266	1,712	-
Other Special Revenue	33,779	581	1,624	2,187	8
Other Governmental	-	-	-	-	-
Employment Security	-	-	899	-	-
Non-Major Enterprise	2,299	1,036	-	312	-
Internal Service	24,352	6,810	5,833	9,408	-
Fiduciary	61,025	-	-	-	-
Total	\$ 121,466	\$ 8,487	\$ 38,875	\$ 13,620	\$ 8

Due to Other Funds					
Due from Other Funds	Employment Security	Non-Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General	\$ -	\$ 8,399	\$ 14,375	\$ -	\$ 24,872
Highway	-	-	2	-	28,176
Federal	3,835	-	-	-	5,866
Other Special Revenue	-	31	394	-	38,604
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	899
Non-Major Enterprise	-	-	-	-	3,647
Internal Service	-	548	14,302	16	61,269
Fiduciary	-	-	-	-	61,025
Total	\$ 3,835	\$ 8,978	\$ 29,073	\$ 16	\$ 224,358

Not included in the table above are interfund loans/advances, which are not expected to be repaid within one year. Postal, Printing & Supply (an internal service fund) owes \$111 thousand to the General Fund for operating capital.

Transfers are made in accordance with statutory authority. Significant transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts restricted for debt service from the funds collecting the receipts to the funds required to pay debt service as principal and interest payments come due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Lottery Fund, 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute and 6) move profits from the Alcoholic Beverages Fund.

During fiscal year 2025, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The General Fund transferred \$50.0 million, \$37.8 million, \$30.0 million, \$23.5 million, \$23.2 million and \$20.0 million to the Other Special Revenue Fund, respectively, for: the Infrastructure Adaptation Fund, Highway and Bridge Capital Program, the Education Stabilization Fund, the MaineCare Stabilization Fund, the Nursing Facilities Program and the Maine State Housing Authority State

Program.

Interfund transfers for the year ended June 30, 2025 consisted of the following:

Interfund Transfers (Expressed in Thousands)					
Transferred To	Transferred From				
	General	Highway	Federal	Other Special Revenue	Other Governmental
General	\$ -	\$ 11,000	\$ -	\$ 19,407	\$ -
Highway	138,770	-	40,755	12,297	-
Federal	-	-	-	7,752	-
Other Special Revenue	738,803	-	2,625	-	5,219
Employment Security	-	-	750	-	-
Non-Major Enterprise	75	7,603	-	23,038	-
Internal Service	4,080	-	-	-	-
Total	\$ 881,728	\$ 18,603	\$ 44,130	\$ 62,494	\$ 5,219

Transferred To	Transferred From				
	Employment Security	Non-Major Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
General	\$ -	\$ 86,213	\$ -	\$ 28,249	\$ 144,869
Highway	-	60,717	-	-	252,539
Federal	750	-	-	-	8,502
Other Special Revenue	-	711	-	170	747,528
Employment Security	-	-	-	-	750
Non-Major Enterprise	-	-	-	-	30,716
Internal Service	-	-	-	-	4,080
Total	\$ 750	\$ 147,641	\$ -	\$ 28,419	\$ 1,188,984

NOTE 8 - CAPITAL ASSETS

The following schedule details changes in capital assets for the governmental activities and business-type activities of the primary government for the fiscal year ended June 30, 2025:

Primary Government - Capital Assets

(Expressed in Thousands)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 704,080	\$ 5,516	\$ 721	\$ 708,875
Construction in progress	335,204	85,778	250,966	170,016
Infrastructure	3,176,376	67,942	-	3,244,318
Total capital assets not being depreciated	4,215,660	159,236	251,687	4,123,209
Capital assets being depreciated				
Buildings	887,863	185,871	383	1,073,351
Equipment	415,849	61,234	20,399	456,684
Improvements other than buildings	117,553	11,711	25	129,239
Software	155,356	62,752	-	218,108
Total capital assets being depreciated	1,576,621	321,568	20,807	1,877,382
Less accumulated depreciation for				
Buildings	406,837	24,088	-	430,925
Equipment	301,135	40,592	17,422	324,305
Improvements other than buildings	79,745	5,546	25	85,266
Software	134,572	19,866	-	154,438
Total accumulated depreciation	922,289	90,092	17,447	994,934
Total capital assets being depreciated, net	654,332	231,476	3,360	882,448
Governmental Activities Capital Assets, net	4,869,992	390,712	255,047	5,005,657
Right to use assets being amortized				
Buildings	272,786	39,556	2,610	309,732
Less accumulated amortization				
Buildings	30,228	12,988	408	42,808
Net right to use lease assets	242,558	26,568	2,202	266,924
Subscription Assets being amortized	170,660	43,244	22,988	190,916
Less accumulated amortization	53,357	40,250	23,953	69,654
Net Subscription assets	117,303	2,994	(965)	121,262
Governmental Activities Capital, Right to Use and Subscription Assets, net	\$ 5,229,853	\$ 420,274	\$ 256,284	\$ 5,393,843
Business-Type Activities:				
Capital assets not being depreciated				
Land	\$ 3,926	\$ 1	\$ -	\$ 3,927
Construction in progress	20,385	2,859	1,196	22,048
Total capital assets not being depreciated	24,311	2,860	1,196	25,975
Capital assets being depreciated				
Buildings	5,268	23	100	5,191
Equipment	50,870	2,000	-	52,870
Improvements other than buildings	60,266	85	-	60,351
Total capital assets being depreciated	116,404	2,108	100	118,412
Less accumulated depreciation for				
Buildings	3,745	161	-	3,906
Equipment	15,709	2,011	100	17,620
Improvements other than buildings	40,603	2,103	-	42,706
Total accumulated depreciation	60,057	4,275	100	64,232
Total capital assets being depreciated, net	56,347	(2,167)	-	54,180
Business-Type Activities Capital Assets, net	80,658	693	1,196	80,155
Subscription Assets being amortized	-	3,243	-	3,243
Less accumulated amortization	-	184	-	184
Net Subscription assets	-	3,059	-	3,059
Business-Type Activities Capital and Subscription Assets, net	\$ 80,658	\$ 3,752	\$ 1,196	\$ 83,214

During the fiscal year, depreciation and amortization expense was charged to the following functions in the governmental activities column of the Statement of Activities for the primary government:

**Governmental Activities
Depreciation and Amortization Expense**

(Expressed in Thousands)

	<u>Amount</u>
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	\$ 12
Business Licensing and Regulation	158
Economic Development and Workforce Training	806
Education	1,386
Governmental Support and Operations	65,301
Health and Human Services	23,333
Justice and Protection	27,979
Natural Resources Development and Protection	11,640
Transportation Safety and Development	<u>12,715</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 143,330</u>

NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

OVERVIEW OF THE SYSTEM

The Maine Public Employees Retirement System, formerly named the Maine State Retirement System (the System) is a component unit of the State of Maine. Title 5 MRSA C. 421, 423, and 425 authorized the establishment and administration of the defined benefit plans. The System administers two cost sharing multiple-employer defined benefit plans, two single employer defined benefit plans and one closed agent multiple-employer defined benefit plan. All of these plans provide pension, disability, and death benefits to their members.

The State Employees and Teachers Plan (SETP) is a multiple-employer cost sharing plan with a special funding situation. The plan covers employees of the State and public school employees (defined by Maine law as teachers). The State of Maine is also a nonemployer contributing entity in that the State pays the unfunded actuarial liability on behalf of non-grant funded teachers. School districts contribute the normal cost, calculated actuarially, for their teacher members and directly pay the unfunded actuarial liability on behalf of grant funded teachers. The Participating Local Districts Plan (Consolidated PLD) covers employees of more than 330 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes.

The System also provides single employer defined benefit plans to cover State legislators and State Judicial employees and administers a closed agent, multiple-employer defined benefit plan (Agent PLD) which covers those employers for whom the System administered single employer plans at the time the PLD Consolidated Plan was implemented who opted not to join the Consolidated Plan.

In addition to administering pension plans, the System invests funds accumulated for three OPEB Trusts. The Retiree Health Insurance Trust Fund and the Teachers Health Insurance Trust Fund accumulate assets to provide funding for the State's unfunded obligations for retiree health benefits for both groups. Trustees of the System were named Trustees of the Investment Trust Fund. The System also invests funds for the MainePERS OPEB Trust. The trust accumulates assets to provide funding for retiree health benefits and life insurance in retirement for qualified individuals who retire from the System. The Trustees of the System were named Trustees of the MainePERS OPEB Trust.

The System administers 3 defined contribution plans for employees of PLD's that elect to participate. At June 30, 2025, there were 90 employers participating in these plans. The 1,934 participants individually direct the \$81.9 million covered by the plans.

The System issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2025 report may be obtained from the Maine Public Employees Retirement System, PO Box 349 Augusta, ME 04332-0349 or on-line at www.mainebers.org.

Total pension funds managed by the System are constitutionally restricted and held in trust for the payment of pension and related benefits to its members. OPEB funds are statutorily restricted for the payment of retiree healthcare. The System's Board of Trustees, in

its fiduciary capacity, establishes the System's investment policies and their overall implementation. With respect to the SETP, the actuary prepares valuations for the State's portion of the SETP, including the segregation of teachers from employees.

The System also provides group life insurance under a plan administered by a third party insurance company and invests long-term assets for three Retiree Health Insurance Post-Employment Benefits Investment Trust Funds. Note 10 provides for further disclosure.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The System's financial statements are prepared on the accrual basis of accounting. Pension contributions are recognized as additions in the period when they become due pursuant to formal commitments or statutory or contractual requirements. Investment income is recognized when earned. Contributions to defined contribution plans are recognized in the period they are contributed. Pension benefits and contributions and premium refunds are recognized as deductions when due and payable in accordance with Statutes. Benefits payable incurred but not reported are reflected as other liabilities. Distributions from defined contribution plans are recognized in the period the disbursement is made.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit retirement plans and additions to or deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the System. The measurement period used is June 30, 2024. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

EMPLOYER ALLOCATIONS FOR COST-SHARING DEFINED BENEFIT RETIREMENT PROGRAMS

Schedules of Employer Allocations for the SETP are displayed separately for the two groups within the Plan, state employees being one group and teachers the second. This is to reflect the unique funding arrangement that currently exists within the Plan for teachers. Total employer contributions for the state employees group, adjusted for employer-specific liability contributions, were used as the basis for allocation. For the teacher group, total employer and non-employer contributions were the basis for the allocation, adjusted to remove the normal cost contributions paid by local school districts on behalf of their employees. This leaves contributions toward the unfunded liability of the Plan as the basis of allocation. This method of allocation properly distributes the collective net pension liability between the State of Maine as the non-employer contributing entity and those districts contributing towards the unfunded liability of the plan using grant funding.

The Schedules of Employer Allocations for the PLD Consolidated Plan reflect current year employer contributions, adjusted to remove contributions related to employer specific liabilities to the Plans. For the PLD Plan, certain employers have individual unpooled pension assets resulting from the closure of individual single employer plans upon joining the PLD Consolidated Plan. For these employers, current year contributions are adjusted to reflect the gross contributions due for service prior to applying an offset from these assets, if applicable. An offset occurs when an employer with un-pooled pension assets held by the System chooses to use a portion of these assets to cover the cost of current contributions due.

MEMBERSHIP

State employees and teachers are covered under the Maine Public Employees Retirement System's State Employee and Teacher Retirement Program (SETP). State employees and public school teachers are required by law to become members of SETP when hired. Membership is optional for elected, appointed officials and substitute teachers. SETP also covers eligible employees of two discretely presented State component units: Maine Community College System and the Northern New England Passenger Rail Authority. At June 30, 2025 there were 241 employers, including the State of Maine, participating in the plan.

PLD employees become members of the Consolidated PLD plan when they are hired if their employer participates as a PLD in MainePERS at that time and if they meet the membership eligibility requirements in effect when they are hired. For some PLD employees, membership is optional. These employees include those employed by their PLD before the PLD joined MainePERS, those whose employers provide Social Security under a federal law, elected and appointed officials, and chief administrative officers. The Consolidated PLD plan includes employees of three component units of the State that have defined benefit plans: Maine Municipal Bond Bank, Maine Maritime Academy, and the Maine Public Employees Retirement System.

The System also administers two single employer retirement programs for specific State employees. The Legislative Retirement Program was established to provide a retirement program for those serving in the Maine Legislature. Except as provided otherwise by statute, membership in the Maine Legislative Retirement Program is mandatory for legislators entering service on or after December 3, 1986. The Judicial Retirement Program was established to provide a retirement program for Maine's judges. Membership in the Judicial Retirement Program is a condition of employment for all judges serving on or after December 1, 1984.

Membership in each single employer defined benefit plan consisted of the following at the measurement date of June 30, 2024:

Employees of single employer covered by benefit terms

	<u>Judicial</u>	<u>Legislative</u>
Inactive employees or beneficiaries		
currently receiving benefits	94	234
Terminated participants:		
Vested	4	130
Inactive employees due refunds	1	95
Active employees	62	175
Total participants	<u>161</u>	<u>634</u>

STATE EMPLOYEES AND TEACHERS PENSION PLAN BENEFITS

The System's retirement programs provide retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and survivor benefits, which are established by statute for State employee and teacher members, and by contract with other participating employers under applicable statutory provisions.

PARTICIPATING LOCAL DISTRICTS PLAN BENEFITS

In the event that a member of the Consolidated PLD Plan withdraws from the System, its individual employee-members remain contributing members. The PLD remains liable for contributions sufficient to fund benefits for its already retired former employee-members; for its terminated vested members; and for those active employees, whether or not vested, who remain contributing System members.

CONTRIBUTION INFORMATION

Contributions from members, employers and non-employer contributors and earnings from investments fund the retirement benefits. Disability and death benefits are funded by employer normal cost contributions and investment earnings. Member and employer normal cost contributions are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employers' contribution rates are determined by actuarial valuations.

The Maine Constitution, Maine statutes and the System's funding policy provide for periodic employer contributions in addition to the normal cost contributions for the SETP. These are actuarially determined amounts that, based on certain actuarial assumptions are sufficient to fully fund, on an actuarial basis, the SETP by the year 2028 (Unfunded Actuarial Accrued Liability (UAAL) payments). Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State Employee and Teacher Retirement Program. For participating employers in the PLD Agent Plan, the level percentage of payroll method is also used.

The UAAL rate as applied to State employee members' compensation is first established through the annual valuation process as an amount that will meet the required unfunded actuarial accrued liability payment amount; it is then adjusted in the State's budget process to take into account differences in salary growth projections of the State Budget Office. This adjusted rate, expressed as a percentage of payroll, is the actual rate paid by the State as payment of the required UAAL payment amount for State employees. For teachers, the actuarially determined UAAL amount is paid in 12 equal monthly installments. PLD employer contribution rates are actuarially determined rates.

On occasion, the State may agree to pay employee pension contributions as a part of the compensation and benefits that are negotiated with employees. The employer-paid contributions are treated as part of their pension compensation. In accordance with statute, the actuary accumulates them in the Retirement Allowance Fund. Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 4.58 percent.

CONTRIBUTION RATES - DEFINED BENEFIT PENSION PLANS

The Maine Constitution, Maine Statutes and the System's funding policy provide for periodic employer contributions at actuarially determined rates that, based upon certain assumptions, are expressed as percentages of annual covered payroll and are sufficient to accumulate adequate assets to pay benefits when due. On July 20, 2017 Chapter 1, Constitutional Resolution was passed by the legislature and ratified by the voters in November. Any unfunded liability resulting from experience losses must be retired over a period not exceeding 20 years. Prior to the change a 10 year amortization period was used.

Significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the standardized measure of the net pension liability.

Contribution rates¹ in effect for the fiscal years ended June 30, 2025 and June 30, 2024 are as follows:

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
SETP - State Employees		
Employees ²	7.65% - 8.65%	7.65% - 8.65%
Employer ¹	18.34% - 44.17%	18.26% - 44.02%
SETP - Teachers		
Employees ²	7.65%	7.65%
Employer ¹	4.47%	4.47%
Non-employer entity ¹	14.51%	14.51%
Judicial Plan		
Employees ²	7.65%	7.65%
Employer ¹	4.15%	4.19%
Legislative Plan		
Employees ²	7.65%	7.65%
Employer ¹	0.00%	0.00%
Consolidated Participating Local Entities		
Employees ²	3.35% - 10.10%	3.45% - 10.70%
Employer ¹	5.10% - 14.00%	5.30% - 14.80%

¹ Employer and non-employer contribution rates include normal cost and the UAAL required payment, expressed as a percentage of payroll.

² Employer and employee contribution rates vary depending on specific terms of plan benefits for certain classes of employees.

For the year ended June 30, 2025, the contributions recognized as part of pension expense (grant expense for Teacher Members) for each plan were as follows:

(Expressed in Thousands)

State Employee and Teacher Plan	
State Employees in primary government	\$ 178,021
Teacher Members (non-employer contribution)	214,468
Judicial Pension Plan	400
Legislative Pension Plan	<u>9</u>
Total Contributions Recognized as Pension Expense	<u>\$ 392,898</u>

NET PENSION LIABILITY - SINGLE EMPLOYER

The State is the sole employer for two defined benefit pension plans. The State's net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The changes in net pension liabilities for these plans are as follows:

(Expressed in Thousands)

	Judicial Pension Plan			Legislative Pension Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2024	\$ 78,586	\$ 87,423	\$ (8,837)	\$ 11,409	\$ 16,685	\$ (5,276)
Changes for the Year:						
Service Cost	1,748	-	1,748	392	-	392
Interest	4,986	-	4,986	733	-	733
Changes in Benefit Terms	55	-	55	15	-	15
Differences Between Expected and Actual Experience	1,098	-	1,098	(308)	-	(308)
Benefit Payments, Including Refunds	(5,627)	(5,627)	-	(670)	(670)	-
Employer Contributions	-	456	(456)	-	15	(15)
Member Contributions	-	732	(732)	-	184	(184)
Net Investment Income	-	6,298	(6,298)	-	1,232	(1,232)
Administrative Expense	-	(79)	79	-	(15)	15
Net Changes	2,260	1,780	480	162	746	(584)
Balances at June 30, 2025	\$ 80,846	\$ 89,203	\$ (8,357)	\$ 11,571	\$ 17,431	\$ (5,860)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			110.3 %			150.7 %
Covered Payroll			\$ 9,568			\$ 3,057
Net Pension Liability as a Percentage of Covered Payroll			(87.3)%			(191.7)%

COLLECTIVE NET PENSION LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - COST SHARING PLANS

The State's net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's net pension liability is measured as the proportionate share of the net pension liability. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers and non-employer contributors, actuarially determined. The State's proportionate share of the collective net pension liability for each plan at June 30, 2025 and June 30, 2024 is as follows:

(Expressed in Thousands)

Pension Plan	Proportionate Share June 30, 2024	Proportionate Share June 30, 2025	Net Pension Asset June 30, 2025	Net Pension Liability June 30, 2025
SETP - State Employees ¹	94.845535 %	94.558490 %	\$ -	\$ 821,410
SETP - Teachers ²	93.677413 %	94.078955 %	-	1,290,937
Total Primary Government			\$ -	\$ 2,112,347

¹ Percentage of primary government State Employees in the SETP

² Percentage of non-employer contributors to the SETP - Teachers

The State's SETP – State Employee Plan is allocated to governmental and proprietary funds based on employer contributions as shown below. Of the portion charged to governmental funds, 53 percent is posted to the General Fund, 19 percent to Other Special Revenue Funds, 15 percent to Highway Funds and 13 percent to Federal Funds.

Proportion	<u>June 30, 2024</u>	<u>June 30, 2025</u>	<u>Change Increase (Decrease)</u>
Governmental Funds	91.74 %	91.86 %	0.12 %
Internal Service Funds	6.91 %	6.77 %	(0.14)%
Enterprise Funds	1.34 %	1.37 %	0.03 %

Detailed information about the pension plan's fiduciary net position is available in the separately issued Maine Public Employees Retirement System financial report.

For the cost-sharing defined benefit pension plans it shows:

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
(Expressed in Thousands)

	<u>SETP State Employees</u>	<u>SETP Teachers</u>	<u>Total SETP Pension</u>
Total Pension Liability			
Service Cost	\$ 107,782	\$ 184,750	\$ 292,532
Interest	382,551	732,771	1,115,322
Changes in Benefit Terms	11,881	13,795	25,676
Differences Between Expected and Actual Experience	71,153	84,600	155,753
Benefit Payments, Including Refunds of Member Contributions	(382,649)	(676,603)	(1,059,252)
Change in Proportionate Share	-	-	-
Net Change in Total Pension Liability	190,718	339,313	530,031
Beginning Total Pension Liability	6,012,642	11,507,897	17,520,539
Ending Total Pension Liability	6,203,360	11,847,210	18,050,570
Plan Fiduciary Net Position			
Employer Contributions	199,929	95,613	295,542
Non-employer Contributions	-	214,918	214,918
Member Contributions	61,879	117,627	179,506
Transfers	(305)	-	(305)
Net Investment Income	378,047	741,784	1,119,831
Benefit Payments, Including Refunds of Member Contributions	(382,649)	(676,603)	(1,059,252)
Administrative Expense	(4,615)	(9,071)	(13,686)
Net Change in Plan Fiduciary Net Position	252,286	484,268	736,554
Beginning Plan Fiduciary Net Position	5,082,395	9,990,757	15,073,152
Ending Plan Fiduciary Net Position	5,334,681	10,475,025	15,809,706
Ending Net Pension Liability	<u>\$ 868,679</u>	<u>\$ 1,372,185</u>	<u>\$ 2,240,864</u>
Proportion			
June 30, 2025	94.558490 %	94.078955 %	100 %
June 30, 2024	94.845535 %	93.677413 %	100 %
Change - Increase (Decrease)	(0.287045)%	0.401542 %	0 %

Actuarial Assumptions

Actuarial assumptions used in the June 30, 2024 and 2023 valuations were based on results of an actuarial experience study for the period July 1, 2015 through June 30, 2020. Actuarially determined contribution rates for 2024 are calculated based on 2022 liabilities developed as a roll-forward of the 2021 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2022 using assets as of June 30, 2022. Actuarially determined contribution rates for 2023 were calculated based on 2020 liabilities developed as a roll-forward of the 2019 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2020 using assets as of June 30, 2020. The individual entry age normal method is used to determine liabilities. A 3-year smoothed market approach is used for the asset valuation method. Each plan's unfunded actuarial liability is being amortized as a level percentage of payroll. For the SETP, the amortization method used a level percentage of payroll over closed periods. The original UAL is amortized over a remaining 7 years from July 1, 2021. Subsequent layers of UAL are amortized over individual 20 year periods. The amortization period used by both the Judicial and Legislative Plans is an open 10-year amortization. The investment rate of return used for contributions in 2021 was 6.50 percent. Contributions in 2021 used an investment rate of return, inflation rate and annual salary increases, including inflation were 6.50 percent, 2.75 percent and 2.75 percent plus merit component based on employee's years of service, respectively. All plans used a 2.20 percent cost-of-living. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The Judicial and Legislative Plans assume that 100 percent retirement occurs at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50 percent are assumed to retire each year after reaching age 65.

The June 30, 2024 and 2023 investment rate of return used in the valuation was 6.50 percent. Judicial and Legislative annual salary increases remained constant at 2.75 percent.

The Maine State Constitution Article IX, Section 18-A was amended in fiscal year 2018 by CR 2017, c. 1. Any unfunded liability resulting from experience losses must be retired over a period not exceeding 20 years. Prior to the change a 10-year amortization period was used.

ANNUAL PENSION COST AND NET PENSION LIABILITY

For the year ended June 30, 2025, the State recognized pension expense of \$137,694 which includes \$44,145 of teacher pensions recorded in grant expense.

PENSION COSTS
(Expressed in Thousands)

SETP - State of Maine Primary Government Pension Expense	\$ 94,533
SETP - Teachers Non-Employer Pension Expense (grant expense)	44,145
Legislative Pension Expense	(634)
Judicial Pension Expense	(350)
Total	<u>\$ 137,694</u>

At June 30, 2025, the State reported \$267,261 of deferred outflows of resources and \$54,552 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of \$199,971 relate to the State contributions that were made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the next four years. Information by pension plan is as follows:

(Expressed in Thousands)

	SETP State of Maine		SETP Teachers		Total State of Maine SETP	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience demographic and economic	\$ 66,547	\$ -	\$ 130,576	\$ -	\$ 197,123	\$ -
Net difference between projected and actual earnings on pension plan investments	-	50,658	-	98,320	-	148,978
Changes in proportion and differences between State contributions and proportionate share of contributions	11	2,835	7,744	3,129	7,755	5,964
State and component unit contributions subsequent to the measurement date	199,694	-	220,366	-	420,060	-
Total	<u>\$ 266,252</u>	<u>\$ 53,493</u>	<u>\$ 358,686</u>	<u>\$ 101,449</u>	<u>\$ 624,938</u>	<u>\$ 154,942</u>
For the Year Ended						
2026	(51,930)		(118,324)		(170,254)	
2027	81,257		164,708		245,965	
2028	(6,485)		9,421		2,936	
2029	(9,777)		(18,934)		(28,711)	
2030	-		-		-	

	Legislative		Judicial	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience demographic and economic	\$ -	\$ -	\$ 732	\$ 37
Net difference between projected and actual earnings on pension plan investments	-	174	-	848
Changes in proportion and differences between State contributions and proportionate share of contributions	-	-	-	-
State and component unit contributions subsequent to the measurement date	3	-	274	-
Total	<u>\$ 3</u>	<u>\$ 174</u>	<u>\$ 1,006</u>	<u>\$ 885</u>
For the Year Ended				
2026	(329)		(1,439)	
2027	210		1,520	
2028	(21)		(82)	
2029	(34)		(152)	
2030	-		-	

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equities	30.0 %	5.6 %
U.S. Government	7.5 %	2.2 %
Private Equity	15.0 %	7.2 %
Real Assets:		
Real Estate	10.0 %	5.8 %
Infrastructure	10.0 %	5.3 %
Natural Resources	5.0 %	5.1 %
Traditional Credit	7.5 %	2.7 %
Alternative Credit	5.0 %	6.4 %
Diversifiers	10.0 %	4.8 %

The discount rate used to measure the collective total pension liability was 6.50 percent for the 2024 and 2023 actuarial valuations for the State Employee and Teacher Plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NET PENSION LIABILITY SENSITIVITY

The following table shows how the collective net pension liability would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for all plans is 6.50 percent.

(Expressed in Thousands)

Defined Benefit Plans Administered Through MPERS	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
State Employee and Teacher Plan			
State Employees	\$ 1,508,898	\$ 821,410	\$ 244,551
Teacher Members	2,708,735	1,290,937	110,860
Judicial Pension Plan	(1,242)	(8,357)	(14,574)
Legislative Pension Plan	\$ (4,712)	\$ (5,860)	\$ (6,830)

RECOGNITION OF CHANGES - EXCEPTIONS

Changes in net pension liability are recognized in pension expense with the following exceptions:

Differences Between Expected and Actual Experience - The difference between actual and expected experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2023 and 2024, this was one year for the Legislative Plan, three years for the Judicial Plan, three years for the State Employee and four years for the Teacher Plan.

Differences Between Projected and Actual Investment Earnings - Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed 5 year period.

Changes in Assumptions - Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the June 30, 2024 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020.

Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions - Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

COMPONENT UNIT PARTICIPANTS

The Maine Municipal Bond Bank, Maine Maritime Academy, Maine State Housing Authority, Maine Turnpike Authority and the Maine Public Employees Retirement System have defined benefit pension plans. All are participating local entity participants in plans administered by the Maine Public Employees Retirement System.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFIT PLANS**POST RETIREMENT HEALTHCARE PLANS AND BENEFITS****State Employees**

The State has a single-employer defined benefit healthcare OPEB plan that is administered through a trust. The State of Maine funds post retirement health care benefits for most retired State employees and legislators, as authorized by Title 5 MRSA § 285. For fiscal years ending after June 30, 2015 statute limited the total premium increase for active and retired State employee health insurance to no more than any percentage increase in the Consumer Price Index, as defined in Title 5 MRSA §17001, subsection 9 plus 3 percent. Pursuant to Title 5 MRSA § 285 most retired employees of the Maine Turnpike Authority, Maine Community College System, Maine Maritime Academy, Maine Public Employees Retirement System, and Maine Educational Center for the Deaf and Hard of Hearing are eligible to participate in the health plan but are not funded by the State.

The State pays 100 percent of post retirement health insurance premiums for state employee retirees who were first employed on or before July 1, 1991. A pro rata portion, ranging from zero percent for retirees with less than five years participation to 100 percent for retirees with ten or more years of participation, is paid for eligible individuals first employed after July 1, 1991. Per Title 5 MRSA § 285 paragraphs 2 and 3, coverage depends upon terms and conditions contained in collective bargaining agreements with the State Health Commission. Retirees who are not eligible for Medicare retain coverage in the same group health plan as active employees. Retirees must pay for Medicare Part B coverage to be eligible to participate in the State-funded Companion Plan. Coverage for retirees ineligible for Medicare includes basic hospitalization; supplemental major medical and prescription drugs; and costs for treatment of mental health, alcoholism, and substance abuse.

Part-time employees are eligible for prorated benefits. Retirees who worked 50 percent or more of full-time hours receive 100 percent of the benefit. Surviving spouses and dependents may continue in the plan and pay 100 percent of the premium. Retirees ineligible for a State contribution are allowed to participate and pay the retiree premium.

Teachers and First Responders

The State also committed to pay a statutorily determined portion of the retiree healthcare premiums for retired Teachers and retired First Responders as authorized by Title 20-A MRSA § 13451 and Title 5 MRSA § 286-M, respectively. First Responders are defined in statute as retired county or municipal law enforcement officers and municipal firefighters who participate in an employer-sponsored retirement plan. Specifically excluded (Title 5 MRSA § 285 1-B) from the definition of Teachers are members of the Maine Municipal Association, Maine Teachers Association and employees of counties and municipalities and their instrumentalities, except as provided in subsection 11-A. Each group is a collection of single employer defined benefit plans. State contributions are based on rates negotiated by each school district and municipality and reflect their individual healthcare experience rating.

The State contribution to first responder health premiums is 55 percent of the retiree-only premium. For teachers, the subsidy of 60 percent of the retiree medical premium is based on a single rate for single and employee plus children coverage, or 50 percent of the two-party rate for two party and family coverage. Eligibility mirrors that of State Employees.

For first responders, the rate is defined as being the cost of the retiree's share of the individual premium for the standard plan identified and offered under the group health insurance plan in which the retiree enrolls. The plan allows an enrollee to participate in the group health insurance plan in which the enrollee's spouse participates. The State subsidy ends after the retiree is eligible for Medicare. First Responders are eligible if they retire after age 50 with 25 or more years of service and receive a retirement benefit from either the MPERS or a defined contribution plan. If retirees have fewer than 25 years of service, the normal retirement benefit must be at least 50 percent of final average compensation. Retirees must have participated in the person's employer's health insurance plan or other fully insured health insurance plan while actively working as a county or municipal law enforcement officer or a municipal firefighter. Retirees can elect to participate in the plan at their retirement date. If participation is waived at that time, the retiree is ineligible to participate at a later date.

POST RETIREMENT GROUP LIFE INSURANCE PLAN

The Maine Public Employees Retirement System (the System) is a component unit of the State of Maine. For financial reporting purposes, the System administers two multiple-employer cost-sharing, defined benefit Group Life Insurance Plans (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers), members of the Judiciary and the Legislature, which are eligible for membership in the System. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the plan. Group life insurance benefits are also provided to employees of approximately 160 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine that elect to participate under provisions of the relevant statutes.

The Plan provides Basic group life insurance benefits during retirement to employees who participated in the group life insurance plan prior to retirement for a minimum of 10 years. The 10 year participation requirement does not apply to recipients of disability retirement benefits. The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of Basic group life insurance benefit is then subsequently reduced at the rate of 15 percent per year to the greater of 40 percent of the initial amount or \$2,500.

Group life insurance funds managed by the System are constitutionally restricted and held in trust for the payment of benefits to participants or their beneficiaries. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs a single actuarial valuation that provides separate data for each participating plan.

The System issues a publicly available annual comprehensive financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2025 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349 or on-line at www.mainebers.org.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State and the System's fiduciary financial statements are prepared on the accrual basis of accounting. Premiums are recognized when due and benefits are paid when incurred using the accrual basis of accounting. Premium refunds reduce premium revenue and claims recoveries reduce claims expense. Investment income is recognized when earned. In addition, an estimate is made for group life insurance death benefits incurred before year end but not reported to the System until after year end. Group life insurance death benefits incurred but not reported are reflected as other liabilities.

CONTRIBUTIONS AND RESERVES

The State Employees Health Insurance Committee establishes contributions to the plan by member employers and employees annually. Both active and retired members pay the same premium rate. Claims liabilities of the plan are periodically computed using statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants.

INVESTMENTS

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value of shares in managed investment pools is based on unit values reported by the funds. The fair value of other investments, including real estate holdings and mortgage participation agreements, are based on third-party appraisals and valuations provided by the sponsor of the agreement. Investment purchases and sales are recorded as of their trade date. Proceeds related to securities sold not yet purchased are carried as a liability and adjusted to the fair value of the securities.

PLAN MEMBERSHIP

Membership in the OPEB plans is as follows:

	Healthcare			Group Life	
	State Employees	Teachers	First Responders	State Employees*	Teachers
Actives	12,101	27,767	696	11,839	15,214
Retirees	8,713	10,851	146	8,864	7,978
Inactives Vested	182	482	-	-	-
Total	20,996	39,100	842	20,703	23,192

* Group life membership totals include component unit and other members.

STATE EMPLOYEE HEALTHCARE FUNDING POLICY

The Trustees of the State Employee Healthcare Plan are the State Controller and State Treasurer. Title 5 MRSA § 286-B authorized an Irrevocable Trust Fund for Other Post-Employment Benefits to meet the State's unfunded liability obligations for retiree health benefits for eligible participants who are the beneficiaries of the irrevocable trust fund. MPERS holds and invests long-term funds in the irrevocable trust fund. Its fiduciary responsibilities include setting investment policy in order to fund the plan in accordance with a projected disbursement schedule that does not begin before the year 2027. Annually the Legislature shall appropriate funds to meet the State's obligations under any group health plan, policy or contract purchased by the State Employee Health Commission. Unfunded liabilities may not be created except those resulting from experience losses. Unfunded liability resulting from experience losses must be retired over a period not to exceed 10 years. The unfunded liability for retiree health benefits for eligible participants must be retired in 30 years or less from July 1, 2007.

TEACHERS PLAN AND FIRST RESPONDERS PLAN HEALTHCARE FUNDING POLICY

A special funding situation exists for these plans. The State is statutorily responsible for contributions to the Teachers Plan and the First Responders Plan that cover the retirees of other governmental entities. The State is the sole contributing entity for Teachers and for the First Responders. It makes contributions on behalf of teachers at a 60 percent level for Teachers. It also makes contributions on behalf of the employing jurisdictions at a 55 percent level for the current portion of the health plan costs. The First Responders Plan is currently funded on a pay-as-you-go basis with the State directly paying insurers. The Teachers Plan had been funded on a pay-as-you-go basis until June 30, 2023.

An Irrevocable Trust Fund for Other Post-Employment Benefits for the Teachers Plan was funded with an initial \$103 million deposit on June 30, 2023. The Trustee of the Teachers Plan is Harpswell Capital Advisors, LLC. MPERS holds and invests long-term funds in the irrevocable trust fund. Its fiduciary responsibilities include setting investment policy in order to fund the plan in accordance with a projected disbursement schedule that does not begin before the year 2027. Annually the Legislature shall appropriate funds to meet the State's obligations under any group health plan, policy or contract purchased by the State Employee Health Commission. Unfunded liabilities may not be created except those resulting from experience losses. Unfunded liability resulting from experience losses must

be retired over a period not to exceed 10 years. The unfunded liability for retiree health benefits for eligible participants must be retired in 30 years or less from July 1, 2007.

Public Law 2019, Chapter 280 established a separate trust for the purpose of accumulating resources to assist in retiring the unfunded liability of the first responders plan. Beginning June 30, 2020, all monies not necessary to fund the normal costs and administrative costs of the program must be transferred from the Firefighters and Law Enforcement Officers Health Insurance Program Fund to the investment trust at the end of each fiscal year.

GROUP LIFE INSURANCE FUNDING POLICY

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims and cover administrative costs. For State employee, legislative and judicial classes, the premiums for retiree life insurance coverage are factored into the premiums paid for Basic coverage while participants are active members. The State remits premiums at a single rate that supports basic coverage for active and retired State employees. This rate is 98 cents per month for every \$1,000 of coverage. Premiums for retiree life insurance coverage for retired teachers are paid by the State based on a rate of 78 cents per \$1,000 of coverage per month during the post-employment retirement period.

CHANGES IN THE TOTAL OPEB LIABILITY

Changes in total OPEB liability are as follows:

(Expressed in Thousands)	
	Healthcare Increase (Decrease) First Responders
Balance at June 30, 2024	\$ 29,302
Changes for the Year:	
Service Cost	1,295
Interest	1,096
Contributions - Employee	(910)
Contributions - Non-Employer Contributing Entity	(405)
Administrative Expenses	145
Differences Between Expected and Actual Experience	(535)
Changes in Assumptions - Discount Rate	(701)
Net Changes	(15)
Balance at June 30, 2025	\$ 29,287
Covered Payroll	\$ 60,697
Total OPEB Liability as a Percentage of Covered Payroll	48.3 %
State's Proportionate Share of the Collective Total OPEB Liability	17 %

The State's proportionate share for fiscal years ended June 30, 2025 and June 30, 2024 was estimated using the same share of implicit subsidy for each municipality's OPEB Plan.

CHANGES IN NET OPEB LIABILITY

Changes in net OPEB liabilities are as follows:

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

(Expressed in Thousands)

	Healthcare		Group Life Insurance		
					State portion of Group Life Insurance
	State Employees	Teachers	State Employees	Teachers	
Total OPEB Liability					
Service Cost	\$ 12,482	\$ 19,954	\$ 1,350	\$ 1,509	\$ 2,859
Interest	48,779	60,442	7,668	8,145	15,813
Differences Between Expected and Actual Experience	-	68	(5,148)	(4,980)	(10,128)
Changes in Assumptions Discount Rate	-	-	101	-	101
Changes in Assumptions Other	30,006	-	-	1,647	1,647
Change in Proportion	-	-	(627)	-	(627)
Benefit Payments, Including Refunds of Member Contributions	(40,844)	(36,147)	(3,560)	(3,476)	(7,036)
Benefit Payments, Including Refunds of Member Contributions - Implicit	(41,729)	-	-	-	-
Net Change in Total OPEB Liability	8,694	44,317	(216)	2,845	2,629
Beginning Total OPEB Liability	778,598	927,707	118,504	121,023	239,527
Ending Total OPEB Liability	787,292	972,024	118,288	123,868	242,156
Plan Fiduciary Net Position					
Employer Contributions - Explicit	84,573	36,147	6,919	-	6,919
Non-employer Contributions	-	-	-	4,859	4,859
Net Investment Income	61,365	12,314	7,617	12,645	20,262
Changes in Proportion	-	-	(271)	-	(271)
Benefit Payments, Including Refunds of Member Contributions	(82,573)	(36,147)	(3,560)	(3,476)	(7,036)
Administrative Expense	(2)	(2)	(350)	(601)	(951)
Net Change in Plan Fiduciary Net Position	63,363	12,312	10,355	13,427	23,782
Beginning Plan Fiduciary Net Position	432,679	103,000	50,740	86,558	137,298
Ending Plan Fiduciary Net Position	496,042	115,312	61,095	99,985	161,080
Ending Net OPEB Liability	\$ 291,250	\$ 856,712	\$ 57,192	\$ 23,883	\$ 81,075
Proportion					
June 30, 2025	100.000000 %	64.000000 %	94.734729 %	100.000000 %	96.226885 %
June 30, 2024	100.000000 %	62.000000 %	95.243470 %	100.000000 %	96.794932 %
Change - Increase (Decrease)	0.000000 %	(2.000000)%	(0.508741)%	0.000000 %	0.568047 %
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	63.006102 %	11.863082 %	51.649817 %	80.718991 %	66.519344 %

The group life insurance plan includes discretely presented component units and other entities. Plan numbers in the table above report the primary government's totals.

ACTUARIAL METHODS AND ASSUMPTIONS

The projection of benefits is based on the terms of the substantive plan at the time of each valuation and include types of benefits in force at the valuation date and the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

State Health Insurance

The valuation date is June 30, 2023 rolled-forward to the June 30, 2024 measurement date using generally accepted actuarial principles. Costs are developed using the entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 95 percent of active participants currently enrolled. Actuarial assumptions used in the June 30, 2023 valuation and June 30, 2024 actuarial rollforward were based on the results of an actuarial experience study conducted for the period of July 1, 2015 to June 30, 2020. No method changes occurred since the prior valuation. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2024 and June 30, 2023 include: using a discount rate assumption of 6.50 percent, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The June 30, 2007 unfunded actuarial accrued liability is amortized as a level percentage of payroll over 30 years on a closed basis. The unfunded liability will be fully recognized by June 30, 2037. Assumption changes, plan changes and experience gains are amortized over a period to June 30, 2037. Experience losses are amortized over a 10 year fixed period. The initial medical trend rate had been -34.13 percent to 7.16 percent at 2023 and was 7.09 percent at June 30, 2024. The ultimate medical trend rate of 4.19 percent reached at 2075 remained constant. The State actively manages premium increases within the statutory cap, so healthcare cost increases are limited to no more than inflation plus 3 percent in any year. For active members and non-disabled retirees, the rates are based on the 2010 Public Plan General Headcount-Weighted Employee and Healthy Retiree Mortality Tables and MP-2020 Mortality Improvement Scale with different adjustments made to base employee and healthy retiree mortality rates.

The long-term expected rate of return on Other Post-Employment Benefit Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class were benchmarked against returns by asset class as forecast by Horizon Actuarial Services, LLC.

Group Life Insurance

The valuation date is June 30, 2024. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. The participation rate for future retirees is 100 percent of those currently enrolled. Actuarial assumptions used in the June 30, 2024 and June 30, 2023 actuarial valuations were based on the results of an actuarial experience study conducted for the period of July 1, 2015 to June 30, 2020. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2024 and June 30, 2023 include: using a discount rate of 6.50 percent, a 2.75 percent inflation rate; and, annual salary increases, including inflation of 2.75 percent plus merit component based on employee's years of service. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2024, there were 13 years remaining in the amortization schedule for state employees and teachers. For active members and non-disabled retirees, the rates are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The long-term expected rate of return on Other Post-Employment Benefit Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2024 are summarized in the table in the plan section below.

The discount rate used to measure the total OPEB liability for the State Employee and Teacher Plan was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Teachers Health Insurance

The valuation date is June 30, 2023 rolled-forward to the June 30, 2024 measurement date using generally accepted actuarial principles. Costs are developed using the entry age normal cost method based on a level percentage of payroll. 93.33 percent of all Teachers are assumed to be eligible to receive a State contribution at retirement. 75 percent of active participants currently with

coverage continue coverage at retirement. The State funded the plan on June 30, 2023. Prior to that date the State had funded the plan on a pay-as-you-go basis. The June 30, 2023 valuation included a discount rate and investment rate of return assumption of 6.5 percent. One third of active participants who have currently waived coverage elect coverage at retirement. Actuarial assumptions used in the June 30, 2024 roll-forward and June 30, 2023 actuarial valuation were based on the results of an actuarial experience study conducted for the period of July 1, 2015 to June 30, 2020. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2024 and June 30, 2023 include: using a 2.75 percent inflation rate and 3.00 percent annual salary increases. The initial medical trend rate had been 7.16 percent at June 30, 2023 and was 7.09 percent at June 30, 2024. The ultimate medical trend rate of 4.19 percent reached at 2075 remained constant. For active members and non-disabled retirees, the rates are based on the 2010 Public Plan Teacher Headcount-Weighted Employee and Healthy Retiree Mortality Tables and MP-2020 Mortality Improvement Scale with different adjustments made to base employee and healthy retiree mortality rates.

First Responders Health Insurance

The valuation date is June 30, 2023 rolled-forward to the June 30, 2024 measurement date using generally accepted actuarial principles. Costs are developed using the individual entry age normal cost method based on a level percentage of payroll. 90 percent of all active members who currently have coverage are assumed to elect coverage at retirement. No employee who has waived coverage will be assumed to be eligible for coverage at retirement. The State is currently funding the plan on a pay-as-you-go basis. The valuation assumes the State will continue this policy. Since the State's portion of the First Responders' post retirement medical plans are not being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the index rate as of the measurement date of a 20-year tax-exempt general obligation municipal bond index with an average rating of AA/Aa or higher. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. The discount rate was 3.93 percent as of the measurement date and 3.65 percent at June 30, 2023. Actuarial assumptions used in the June 30, 2023 and June 30, 2022 actuarial valuations were based on the results of an actuarial experience study conducted for the period of July 1, 2015 to June 30, 2020. Other significant actuarial assumptions employed by the actuary for June 30, 2024 and June 30, 2023 include using a 2.75 percent inflation rate and 3.00 percent annual salary increase. The initial medical trend rate had been 6.4 percent to 7.16 percent at June 30, 2023 and was 7.09 percent at June 30, 2024. The ultimate medical trend rate of 4.19 percent reached at 2075 remained constant. For active members and non-disabled retirees, the rates are based on the 2010 Public Plan General Headcount-Weighted Employee and Healthy Retiree Mortality Tables and MP-2020 Mortality Improvement Scale with different adjustments made to base employee and healthy retiree mortality rates.

OPEB EXPENSE AND DEFERRALS

For the year ended June 30, 2025, the State recognized OPEB expense of \$(110,573). Costs related to non-State employees are charged to the General Fund.

OPEB COSTS

(Expressed in Thousands)

SETP - State of Maine Healthcare OPEB Expense	\$ (52,122)
SETP - Teachers Non-Employer Healthcare OPEB Expense (grant expense)	(66,931)
First Responders Healthcare OPEB Expense	322
Group Life Insurance OPEB Expense - State Employees	5,351
Group Life Insurance OPEB Expense - Teachers (grant expense)	2,807
Total	<u><u>\$ (110,573)</u></u>

Of State employee costs charged to governmental funds, 52 percent is charged to the General Fund, 19 percent to Other Special Revenue Funds, 15 percent to the Highway Fund and 14 percent to Federal funds. Contributions made after the measurement date of the net OPEB liability but before the end of June 30, 2024 will be recognized as a reduction of the net OPEB liability. At June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Healthcare
(Expressed in Thousands)

	State		Teachers		First Responders	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience demographic and economic	\$ 31,155	\$ 237,662	\$ 11,513	\$ 353,969	\$ -	\$ 2,376
Changes of assumptions	35,262	16,079	160,612	675,103	1,330	3,035
Net difference between projected and actual earnings on OPEB plan investments	31,417	49,500	-	4,495	-	-
State and component unit contributions subsequent to the measurement date	124,853	-	35,980	-	883	-
Total	\$ 222,687	\$ 303,241	\$ 208,105	\$ 1,033,567	\$ 2,213	\$ 5,411
For the Year Ended						
2026	(85,233)		(128,424)		(790)	
2027	(43,657)		(137,759)		(680)	
2028	(60,264)		(157,850)		(1,015)	
2029	(18,164)		(181,991)		(962)	
2030	1,911		(128,899)		(382)	
Thereafter	-		(126,519)		(252)	

Group Life Insurance
(Expressed in Thousands)

	State		Teachers	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience demographic and economic	\$ 112	\$ 4,872	\$ 987	\$ 4,534
Changes of assumptions	1,650	-	1,851	2,136
Net difference between projected and actual earnings on OPEB plan investments	-	2,304	-	3,724
Changes in proportion and differences between State contributions and proportionate share of contributions	132	422	-	-
State and component unit contributions subsequent to the measurement date	4,092	-	4,993	-
Total	\$ 5,986	\$ 7,598	\$ 7,831	\$ 10,394
For the Year Ended				
2026	(1,196)		(2,032)	
2027	442		1,226	
2028	(1,639)		(2,755)	
2029	(1,758)		(1,980)	
2030	(781)		(568)	
Thereafter	(772)		(1,447)	

The long-term expected rate of return on OPEB plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation are summarized in the following table.

Asset Class:	State Employee and Teacher Healthcare		State and Teacher Group Life Insurance	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0 %	6.9 %	- %	- %
U.S. Government Securities	- %	- %	15.0 %	2.2 %
Public Equity	- %	- %	70.0 %	5.6 %
International Equity	25.0 %	6.9 %	- %	- %
Traditional Credit	- %	- %	15.0 %	2.7 %
Real Estate	5.0 %	5.0 %	- %	- %
U.S. Fixed Income	25.0 %	2.5 %	- %	- %

For the year ended June 30, 2025, the annual money-weighted average rate of return on investments, net of investment expense was 13.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the collective total OPEB liability for the actuarial valuations varied by plan and is disclosed below. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at the actuarially determined, contractually required rates. Based on the assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SENSITIVITY ANALYSIS

The following tables show how the collective OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The discount rate used for the funded healthcare plans is 6.50 percent. The discount rate used for unfunded healthcare plan is 3.93 percent. The discount rate used for funded group life insurance plans is 6.50 percent.

Discount Rate
(Expressed in Thousands)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liabilities			
State Employee Healthcare Plan	\$ 370,327	\$ 291,250	\$ 223,956
State Employee Group Life	\$ 73,745	\$ 57,193	\$ 43,663
Teacher Group Life	\$ 43,588	\$ 23,883	\$ 8,034
Total OPEB Liabilities			
Teacher Healthcare Plan	\$ 996,461	\$ 856,712	\$ 742,335
First Responders Healthcare Plan	\$ 31,893	\$ 29,287	\$ 26,954

Healthcare Cost Trend Rate
(Expressed in Thousands)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB State Employee Healthcare Plan	\$ 203,799	\$ 291,250	\$ 396,274
Total OPEB Teacher Healthcare Plan	\$ 717,856	\$ 856,712	\$ 1,031,860
Total OPEB First Responder Healthcare Plan	\$ 26,287	\$ 29,287	\$ 32,831

Current healthcare trend rates are as follows: for State Employees and Teachers and First Responder plans the current trend rate is 7.09 percent grading to an ultimate of 4.19 percent.

Plan Information

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, principal objective is to improve the usefulness of OPEB information in the external financial statements of State and local governments. GASB established different reporting requirements for OPEB plans based on whether or not plan assets accumulated for benefits are placed in trusts (or equivalent arrangements). Three OPEB Plans met the requirements for funded OPEB trusts or their equivalents: the State Employee Healthcare Plan, the Teachers Healthcare Plan and the Group Life Insurance Plan for State Employees and Teachers.

Information not already contained in this note disclosure at June 30, 2025 follows. The Trustees of the State Retiree Healthcare Plan (SRHP) are the State Controller and State Treasurer. The Trustee of the Teacher Retiree Healthcare Plan is Harpswell Capital Advisors, LLC.

Components of the Net OPEB Liability for the plans at June 30, 2025 were as follows:

(Expressed in Thousands)

	State Employee Healthcare Plan	Teachers Healthcare Plan	State and Teachers Group Life Insurance Benefit Plan
Total OPEB liability	\$ 798,312	\$ 1,016,639	\$ 257,050
Plan fiduciary net position	600,532	130,415	187,594
State of Maine's net OPEB liability	<u>\$ 197,780</u>	<u>\$ 886,224</u>	<u>\$ 69,456</u>
Plan fiduciary net position as a percentage of the total OPEB liability	75.2 %	12.8 %	73.0 %

Actuarial assumptions for the funded OPEB plans used in the June 30, 2025 valuations were based on results from an actuarial experience study for the period of June 30, 2015 to June 30, 2020. The individual entry age normal method is used to determine liabilities. Asset amounts are taken as reported to the actuaries by the System without audit or change. Specific health and group life insurance OPEB plans' actuarial assumptions are included in the plan specific section of this note. For the 2025 healthcare valuation, the initial medical trend rate of 7.09 percent decreased to 5.65 percent.

The long-term expected rate of return on OPEB plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plans' target asset allocation are summarized in the following table.

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class for the State Employee and Teacher Group Life Insurance Benefit Plan		
Public Equity	70.0 %	5.6 %
Traditional Credit	15.0 %	2.7 %
U.S. Government Securities	15.0 %	2.2 %
Asset Class for State Employee and Teacher Healthcare Plans		
U.S. Equity	45.0 %	6.9 %
International Equity	25.0 %	6.9 %
U.S. Fixed Income	25.0 %	2.5 %
Real Estate	5.0 %	5.0 %

For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 13.1 percent for the funded plans. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the collective total OPEB liability for the actuarial valuations varied by plan and is disclosed below. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the OPEB plans' fiduciary net position were projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table shows how the collective net OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for the plans is 6.50 percent.

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	\$ 276,805	\$ 197,780	\$ 130,559
Teachers Healthcare Plan	1,030,277	886,224	768,234
State Employee and Teacher Group Life Insurance Benefit Plan	\$ 107,400	\$ 69,456	\$ 38,673

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following table shows how the collective net OPEB liabilities would change if the healthcare rate used was one percentage point lower or one percentage point higher than the current rate of 5.65 percent grading down to 4.19 percent.

(Expressed in Thousands)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	\$ 103,317	\$ 197,780	\$ 311,648
Teachers Healthcare Plan	\$ 734,522	\$ 886,224	\$ 1,078,148

NOTE 11 - LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

The State records its liability for general obligation bonds in the Governmental Activities column on the Statement of Net Position. Other long-term obligations recognized by the State include: revenue bonds issued by the Maine Governmental Facilities Authority, a blended component unit; obligations under Certificates of Participation and other financing arrangements; loans payable to component unit for repayment of bonds issued by the Maine Municipal Bond Bank on behalf of the Maine Department of Transportation and compensated employee absences.

GENERAL OBLIGATIONS BONDS

Programs for which the State issues general obligation bonds include: adaptive equipment loan programs; environmental cleanup and protection; highway and transportation related projects; agricultural and small business job creation; and acquisition, construction, and renovation of major capital facilities including State parks and historic sites. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State's general tax revenues and are repaid in annual installments beginning not more than one year after issuance.

Changes in general obligation bonds of the primary government during fiscal year 2025 were:

Primary Government - Changes in General Obligation Bonds

(Expressed in Thousands)

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
General Obligation Debt:					
General Fund	\$ 454,295	\$ -	\$ 93,780	\$ 360,515	\$ 83,515
Unamortized Premiums:					
General Fund	65,312	-	12,774	52,538	11,327
Total	<u>\$ 519,607</u>	<u>\$ -</u>	<u>\$ 106,554</u>	<u>\$ 413,053</u>	<u>\$ 94,842</u>

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2025 until maturity, are summarized in the following table:

Future Debt Service on General Obligation Bonds

(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total
2026	\$ 83,515	\$ 17,712	\$ 101,227
2027	73,745	13,722	87,467
2028	63,945	10,068	74,013
2029	52,820	6,898	59,718
2030	38,730	4,273	43,003
2031-2035	47,760	3,807	51,567
Total	<u>\$ 360,515</u>	<u>\$ 56,480</u>	<u>\$ 416,995</u>
Unamortized Premiums	52,538		
Total Principal	<u>\$ 413,053</u>		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2025 are as follows:

Primary Government - General Obligation Bonds Outstanding

(Expressed in Thousands)

	<u>Amounts Issued</u>	<u>Outstanding June 30, 2025</u>	<u>Fiscal Year Maturities</u>		<u>Interest Rates</u>
			<u>First Year</u>	<u>Last Year</u>	
General Fund:					
Series 2016	\$ 97,705	\$ 9,770	2017	2026	1.00% - 5.00%
Series 2017	98,060	19,610	2018	2027	2.00% - 5.00%
Series 2019A	111,255	33,375	2019	2028	3.125% - 5.00%
Series 2019B	140,875	56,340	2020	2029	2.50% - 5.00%
Series 2020	114,905	63,825	2021	2030	1.25% - 5.00%
Series 2021	96,875	64,580	2022	2031	1.00% - 5.00%
Series 2022	85,470	60,285	2023	2032	3.75% - 5.00%
Series 2023	65,920	52,730	2024	2033	4.75% - 5.25%
		360,515			
Plus Unamortized Bond Premium		52,538			
Total General Fund		<u>\$ 413,053</u>			

AUTHORIZED UNISSUED BONDS

Any bonds not issued within five years of the date of ratification may not be issued after that date. Within two years after expiration of the five-year period, the Legislature may extend, by a majority vote, the five-year period for an additional five years or may deauthorize the bonds. If the Legislature fails to take action within those two years, the bond issue shall be considered to be deauthorized and no further bonds may be issued. At June 30, 2025, there were \$65 million in general obligation bonds authorized and unissued.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included \$440.1 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of \$1.1 billion outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2025, MGFA did not issue any new revenue bonds.

At June 30, 2025, there were no MGFA in-substance defeased bonds outstanding.

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

The State uses financing companies, Certificates of Participation (COP's), and lease/purchase agreements to finance construction of certain State buildings, to purchase or generate software, and to purchase equipment and vehicles, including school buses. COP's are issued through a trustee, and the State is responsible for payments to the trustee that approximate the interest and principal payments made to the certificate holders. The State and school districts maintain custody and use of the assets; however, the trustee holds a lien as security until such time as the certificates are fully paid.

Neither COP's nor the other financing arrangements constitute a legal debt, liability, or contractual obligation in excess of amounts appropriated. The State's obligation to make minimum payments or any other obligation under agreements is subject to, and dependent upon, appropriations being made by the Legislature. The Legislature has no obligation to appropriate the money for future minimum payments or other obligations under any agreement.

SHORT-TERM OBLIGATIONS

The State of Maine did not issue or retire Bond Anticipation Notes during fiscal year 2025. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2025 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

OTHER LONG-TERM OBLIGATIONS

In general, expenditures and fund liabilities are not recorded in governmental funds for long-term obligations until amounts owed are "due and payable." Fund liabilities are recorded in the proprietary funds when obligations are incurred. In the Statement of Net Position, the State has recorded long-term obligations for its compensated employee absences, net pension liability, other post-employment benefit obligations, pollution remediation landfill closure and post-closure care costs.

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2025, are summarized as follows:

Primary Government - Changes in Other Long-Term Obligations
(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2024*</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
MGFA Revenue Bonds	\$ 467,217	\$ -	\$ 27,142	\$ 440,075	27,880
COP's and Other Financing	100,536	22,100	18,597	104,039	19,940
Compensated Absences	147,412	18,747	11,834	154,325	31,340
Claims Payable	78,788	194,040	198,091	74,737	22,614
Leases	251,876	38,583	11,515	278,944	10,335
Subscriptions	97,325	18,997	16,378	99,944	28,291
Loans Payable to Component Unit	226,771	295	67,009	160,057	26,098
Total Governmental Activities	<u>\$ 1,369,925</u>	<u>\$ 292,762</u>	<u>\$ 350,566</u>	<u>\$ 1,312,121</u>	<u>166,498</u>
Business-Type Activities:					
COP's and Other Financing	\$ 2,142	\$ -	\$ 2,142	\$ -	-
Compensated Absences	2,120	485	150	2,455	505
Subscriptions	-	3,243	181	3,062	704
Total Business-Type Activities	<u>\$ 4,262</u>	<u>\$ 3,728</u>	<u>\$ 2,473</u>	<u>\$ 5,517</u>	<u>1,209</u>

* As restated

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2025 until maturity, are summarized as follows:

Future Debt Service on MGFA Revenue Bonds, COPS and Other Financing Arrangements

(Expressed in Thousands)

Fiscal Year	Governmental Activities			
	Governmental Funds		Internal Service Funds	
	Principal	Interest	Principal	Interest
2026	\$ 11,573	\$ 1,506	\$ 36,248	\$ 20,045
2027	10,795	1,189	36,337	18,603
2028	9,246	911	36,473	17,129
2029	8,423	681	37,870	15,692
2030	7,245	469	32,176	14,222
2031 - 2035	9,797	503	133,991	53,419
2036 - 2040	-	-	134,570	23,591
2041 - 2045	-	-	39,370	3,572
Total	<u>\$ 57,079</u>	<u>\$ 5,259</u>	<u>\$ 487,035</u>	<u>\$ 166,273</u>

LOANS PAYABLE TO COMPONENT UNIT

The State of Maine has pledged various revenue streams as security for Grant Anticipation Bonds (GARVEE) and Transportation Infrastructure Revenue Bonds (TransCap) issued by the Maine Municipal Bond Bank (MMBB) on behalf of the Maine Department of Transportation to provide financing for qualified transportation projects.

Changes in GARVEE and TransCap revenue bonds during fiscal year 2025 were:

Primary Government - Changes in GARVEE and TransCap Revenue Bonds Payable

(Expressed in Thousands)

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Loans Payable to Components Unit:					
Federal Funds	\$ 183,379	\$ 294	\$ 23,616	\$ 160,057	\$ 26,098
Special Revenue Fund	43,392	-	43,392	-	-
Total	<u>\$ 226,771</u>	<u>\$ 294</u>	<u>\$ 67,008</u>	<u>\$ 160,057</u>	<u>\$ 26,098</u>

Payment of principal and interest on the GARVEE bonds shall be subject to appropriation each year by the Legislature in an amount sufficient to cover the principal and interest requirements of MMBB's debt for these bonds. The State's receipt of these funds is subject to continuing federal appropriations. MMBB insured payments of principal and interest with a financial guaranty insurance policy. The bonds do not constitute a legal debt or obligation of the State.

Principal and interest on TransCap bonds are payable solely from pledged revenues, pledged rights, and pledged TransCap funds and accounts. Pledged revenues include certain motor vehicle registration and other fees, a portion of excise tax on gasoline and other special fuel, and certain amounts required to be transferred from the Highway Fund. All pledged revenues are required to be transferred to the TransCap Fund. The bonds do not constitute a legal debt or liability of the State.

GARVEE and TransCap Revenue bonds issued and outstanding at June 30, 2025 are as follows:

GARVEE and TransCap Revenue Bonds Outstanding

(Expressed in Thousands)

	<u>Amounts Issued</u>	<u>Outstanding June 30, 2025</u>	<u>Fiscal Year Maturities</u>		<u>Interest Rates</u>
			<u>First Year</u>	<u>Last Year</u>	
Federal Funds:					
Series 2014A	\$ 44,810	\$ 9,525	2015	2026	2.00% - 5.00%
Series 2016A	44,105	17,600	2017	2028	2.63% - 5.00%
Series 2018A	44,310	34,835	2023	2030	4.00% - 5.00%
Series 2020A	60,925	44,515	2021	2032	5.00%
Series 2022A	47,175	41,140	2023	2035	5.00%
Total Federal Funds		<u>\$ 147,615</u>			

Total principal and interest requirements over the life of the 2014 GARVEE bonds are \$59.0 million, with annual requirements up to \$5.0 million; for 2016 GARVEE bonds total principal and interest requirements are \$58.0 million, with annual requirements up to \$4.9 million; for 2018A GARVEE bonds total principal and interest requirements are \$63.3 million, with annual requirements up to \$6.7 million; for 2020A GARVEE bonds total principal and interest requirements are \$81.9 million, with annual requirements up to \$6.8 million; for 2022A GARVEE bonds total principal and interest requirements are \$63.4 million, with annual requirements up to \$5.2 million. Total federal highway transportation funds received in federal fiscal year 2025 were \$476.3 million. Current year payments to MMBB for GARVEE bonds were \$28.4 million (6.0 percent of federal highway transportation funds received).

MGFA REVENUE BONDS, COP'S AND OTHER FINANCING ARRANGEMENTS

MGFA revenue bonds will be liquidated by the MGFA Internal Service Fund, from revenues received through lease agreements with various governmental funds. The liability for loans payable to the component unit will be liquidated from the Federal Fund and Highway Fund. The vast majority of COP's and other financing arrangements will be liquidated by the internal service fund in which the leases are recorded; the General and Highway Funds will pay relatively small amounts.

CLAIMS PAYABLE

Claims payable that represent Medicaid claims will be paid from the General Fund and Federal Fund. Claims payable that represent workers' compensation and retiree/employee health will be liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. Other claims and judgments attributable to governmental activities will be liquidated by the General Fund and related special revenue funds.

COMPENSATED ABSENCES

In the government-wide statements and proprietary fund financial statements, compensated absences are reported as long-term liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments made to terminated employees as of June 30, 2025 but paid after the fiscal year end is also reported in the funds.

COMPONENT UNITS

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State. The following table summarizes bonds outstanding for selected material balances of discretely presented component units, as reported in their separately issued financial statements, utilizing their respective fiscal year-ends:

Component Unit Bonds Outstanding
(Expressed in Thousands)

Component Unit	Interest Rates	Amount	Maturity Dates
Finance Authority of Maine	2.120% - 5.250%	\$ 128,210	2025 - 2048
Maine Community College System	3.000% - 5.000%	12,219	2025 - 2036
Maine Health and Higher Educational Facilities Authority	0.359% - 5.500%	941,015	2025 - 2055
Maine Municipal Bond Bank	0.350% - 6.120%	1,503,340	2025 - 2055
Maine State Housing Authority	0.500% - 5.400%	2,336,786	2025 - 2054
Maine Turnpike Authority	2.000% - 5.000%	549,948	2025 - 2050
University of Maine System	1.400% - 5.500%	202,000	2025 - 2062

In periods of declining interest rates, Maine Health and Higher Educational Facilities Authority (MHHEFA) has refunded certain bond obligations. The proceeds of any advance refunding bonds are primarily used to purchase U.S. Treasury obligations, the principal and interest on which will be sufficient to pay the principal and interest, when due, of the defeased bonds.

At June 30, 2024, MHHEFA had approximately \$21.7 million of defeased bonds remaining outstanding with respect to all advance-refunding within the Reserve Fund Resolution.

In periods of declining interest rates, MMBB has refunded certain of its bond obligations, reducing aggregate debt service. Where allowed, the bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Government Treasury obligations that will provide for future payment on the debt. The U.S. Treasury obligations are deposited with the trustees of the in-substance defeased bonds.

On September 26, 2024, MMBB deposited \$37.1 million from existing resources to in-substance defease \$34.5 million in Transportation Infrastructure Revenue Refunding Series 2021 A bond. These deposits were used to purchase U.S. Government securities which will provide for all future debt service payments on the defeased bonds at their maturities through September 2026. This in-substance defeasance utilizing existing resources resulted in a loss on defeasance of \$2.5 million recorded in the Transportation Infrastructure Fund Group statement of revenues, expenses and changes in net position for the year ended June 30, 2025. At June 30, 2025, the remaining balance of these in-substance defeased bonds totaled \$34.5 million.

On November 7, 2024, MMBB issued \$30.7 million in General Tax-Exempt Series 2024 C bonds with an average interest rate of 5 percent to in-substance defease \$40.3 million of the remaining outstanding maturities of the 2014 C bonds. The net proceeds of approximately \$32.5 million, including a bond premium of approximately \$1.8 million and after payment of approximately \$0.1 million in underwriting fees and other issuance costs, along with a transfer of existing funds from the 2014 C debt service reserve of \$8.0 million, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. The MMBB in effect reduced the aggregate debt service payments by approximately \$2.9 million over the next eight years. At June 30, 2025, MMBB had no outstanding in-substance defeased bonds related to this advance refunding, as all were called on their respective call dates in fiscal 2025.

For the year ended December 31, 2024, the Maine State Housing Authority (MHSa) redeemed prior to maturity \$74.4 million of its Mortgage Purchase Fund Group bonds from recoveries of principal, reserve funds, mortgage prepayments, surplus revenues and the proceeds of remarketed bonds. Mortgage Purchase Fund gains of \$76 thousand were attributed to recognition of the related bond premium.

The following table summarizes debt service requirements for outstanding bonds of the discretely presented component units:

Component Units Principal Maturities
(Expressed in Thousands)

Fiscal Year Ending	FAME	MMBB	MCCS	MSHA	MTA	UMS	MHHEFA
2026	\$ 5,620	\$ 135,620	\$ 960	\$ 84,920	\$ 21,710	\$ 16,743	\$ 33,445
2027	5,780	130,550	1,050	110,503	25,700	14,697	35,820
2028	6,830	119,341	1,070	106,495	26,950	15,191	38,455
2029	7,350	119,185	1,120	111,843	28,190	13,611	39,670
2030	5,725	108,540	1,170	95,861	29,320	11,268	39,710
2031 - 2035	34,390	400,250	5,202	373,411	115,775	35,137	199,540
2036 - 2040	29,985	252,305	245	402,725	93,030	12,147	186,160
2041 - 2045	29,445	108,285	-	368,905	81,645	12,470	156,195
2046 - 2050	-	14,885	-	395,780	64,535	12,090	114,920
2051 - 2055	-	3,905	-	288,155	8,150	15,765	93,970
2056 - 2060	-	435	-	-	-	20,615	3,130
2061 - 2065	-	-	-	-	-	9,915	-
Net Unamortized Premium (or Deferred Amount)	3,085	110,039	1,402	(1,812)	54,943	12,351	-
Total Principal Payments	<u>\$ 128,210</u>	<u>\$ 1,503,340</u>	<u>\$ 12,219</u>	<u>\$ 2,336,786</u>	<u>\$ 549,948</u>	<u>\$ 202,000</u>	<u>\$ 941,015</u>

NOTE 12 - RIGHT TO USE LEASED ASSETS AND PUBLIC-PRIVATE PARTNERSHIPS

PRIMARY GOVERNMENT - GOVERNMENTAL ACTIVITIES RIGHT TO USE LEASED ASSETS

In the government-wide and proprietary fund statements, assets and liabilities resulting from right to use leased assets are recorded at lease inception. The principal portion of lease payments reduces the liability; the interest portion is expensed.

Most leases have cancellation clauses in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered because the likelihood that they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised.

Leases that exist between the State and the Maine Governmental Facilities Authority (MGFA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, MGFA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by MGFA to construct the assets associated with the leases. Future payments to MGFA are, therefore, not included in the schedule of lease commitments below. Note 11 provides information on the amount of MGFA bonds outstanding and a schedule of debt service requirements.

The Bureau of General Services (BGS) negotiates leases for most all state agencies. The accounting for BGS leases is recorded in an internal service fund.

The historical cost of assets acquired under leases, all of which are buildings, on the government-wide financial statements at June 30, 2025, is \$309.7 million. Accumulated amortization is \$42.8 million. Leased assets net of accumulated amortization is \$266.9 million.

Right to Use Leased Assets

(Expressed in Thousands)

	General Fund	Other Special Revenue Funds	Internal Service Funds	Total Governmental Activities
Buildings	\$ 11,218	\$ 620	\$ 297,894	\$ 309,732
Less: Accumulated Amortization	2,584	160	40,064	42,808
Total Right to Use Assets, net	<u>\$ 8,634</u>	<u>\$ 460</u>	<u>\$ 257,830</u>	<u>\$ 266,924</u>

A summary of lease commitments to maturity is as follows:

Future Lease Payments
(Expressed in Thousands)

Fiscal Years Ending June 30	Principal	Interest
2026	\$ 10,336	\$ 5,488
2027	10,642	5,289
2028	10,831	5,083
2029	10,721	4,873
2030	10,416	4,665
2031-2035	50,753	20,114
2036-2040	43,978	15,018
2041-2045	39,501	10,457
2046-2050	28,791	7,005
2051-2055	21,153	4,660
2056-2060	17,708	2,983
2061-2065	15,471	1,483
2066-2070	8,563	334
2071-2075	80	-
Total	\$ 278,944	\$ 87,452

Lease liabilities are valued using discount rates between 0.67% and 4.69% based on the lease term, using State Specific Municipal Market Data.

The State of Maine, Bureau of General Services, negotiates leases on behalf of Child Development Services. At June 30, 2025, leases receivable from CDS is \$4.1 million. Fiscal year 2025 lease revenue was \$523 thousand, interest revenue was \$64 thousand.

COMPONENT UNITS

RIGHT TO USE LEASED ASSETS

The University of Maine System leases building space for various terms under long-term non-cancelable lease agreements. The original lease terms expire at various dates through 2028 and provide for renewal options (ranging from 1-20 years) which extend them to 2047. As of June 30, 2025, right of use lease assets acquired through outstanding leases consisting of building and office space totaled \$71.2 million less \$13.4 million in accumulated amortization, or \$57.7 million net. The lease liabilities outstanding totaled \$59.5 million.

A non-major discretely presented component unit, Midcoast Regional Redevelopment Authority (MRRA), regularly operates and leases property and buildings within its jurisdiction to third parties. As of June 30, 2025, MRRA reported a lease receivable, including accrued interest, of \$36.8 million. At June 30, 2025, MRRA also had a \$34.0 million deferred inflow of resources balance associated with the leases that will be recognized as revenue over the lease terms that extend until 2069.

PUBLIC-PRIVATE PARTNERSHIP

On August 15, 2022, the System entered into a public-private partnership with a limited liability corporation (LLC1) to renovate two historic buildings and construct an adjacent 24,800 square foot addition creating a boutique hotel ensemble and extended stay residence consisting of 95 rooms and a café on the University of Maine campus in Orono. The hotel is under the operation of a second limited liability corporation (LLC2) and was opened to the public in March 2024.

As of June 30, 2025, public private leased assets totaled \$25.1 million less \$0.6 million depreciation, or \$24.5 million net. Upon termination, the improvements shall be surrendered to the System in the agreed upon condition.

The arrangement covers 99 years with a base rent subject to scheduled increases every five years. A net present value receivable for installment payments of \$5.9 million recognizing the expected future rental revenue under the lease. The System has reported deferred inflows of resources totaling \$27.9 million as of June 30, 2025, which will be recognized into revenue evenly over the term of the agreement.

The arrangement also includes a performance guarantee and an income sharing arrangement. The arrangement includes certain minimum projected revenues for the first 25 years that the System may have to supplement. In consideration for the services it will provide under the arrangement, the System will receive 20 percent of all net operating income, on a cumulative basis, earned annually in excess of annual amounts outlined in the contract and subject to an annual maximum of \$600 thousand. Both the shortfall supplement and the income sharing are variable in nature and will be recognized as incurred or earned. To date, no such amounts have been recognized.

NOTE 13 - SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS**PRIMARY GOVERNMENT**

In the government-wide and proprietary fund statements, assets and liabilities resulting from right to use subscription based information technology arrangements are recorded when the system is placed into service. Any implementation costs incurred prior to the system being placed into service are recorded as prepaid assets. The principal portion of subscription payments reduces the liability; the interest portion is expensed.

Most subscriptions have cancellation clauses in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered because the likelihood that they will be exercised is considered remote. Some subscription agreements include renewal options. The effect of such options is reflected in the minimum subscription payments only if it is considered reasonably assured that an option will be exercised.

GOVERNMENTAL ACTIVITIES

The historical cost of assets acquired under subscription based technology arrangements in the governmental activities column of the financial statements at June 30, 2025, is \$190.9 million. Accumulated amortization is \$69.7 million. Subscription assets net of accumulated amortization is \$121.3 million.

BUSINESS-TYPE ACTIVITIES

The historical cost of assets acquired under subscription based technology arrangements in the business -type activities column of the financial statements at June 30, 2025, is \$3.2 million. Accumulated amortization is \$184 thousand. Subscription assets net of accumulated amortization is \$3.1 million.

	General Fund	Highway Fund	Federal Funds	Other Special Revenue Funds	Internal Service Funds	Total Governmental Activities	Alcoholic Beverages Funds	Total Business- Type Activities
Right to Use Subscription Assets								
Subscriptions	\$ 95,474	\$ 2,881	\$ 31,582	\$ 11,936	\$ 49,043	\$ 190,916	\$ 3,243	\$ 3,243
Less: Accumulated Amortization	19,799	1,347	11,819	4,841	31,848	69,654	184	184
Total Right to Use Assets, net	<u>\$ 75,675</u>	<u>\$ 1,534</u>	<u>\$ 19,763</u>	<u>\$ 7,095</u>	<u>\$ 17,195</u>	<u>\$ 121,262</u>	<u>\$ 3,059</u>	<u>\$ 3,059</u>

A summary of subscription based information technology arrangements to maturity is as follows:

Future Minimum SBITA Payments
(Expressed in Thousands)

Fiscal Years Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 28,291	\$ 2,916	\$ 704	\$ 73
2027	19,422	2,182	723	54
2028	7,546	1,830	743	34
2029	5,446	1,590	763	14
2030	5,056	1,386	129	-
2031-2035	27,972	3,659	-	-
2036-2040	6,211	21	-	-
Total	<u>\$ 99,944</u>	<u>\$ 13,584</u>	<u>\$ 3,062</u>	<u>\$ 175</u>

Subscription based information technology arrangement liabilities are valued using discount rates between 2.66 percent and 4.08 percent based on the SBITA contract term including optional renewal periods using State Specific Municipal Market Data.

COMPONENT UNITS

The University of Maine System (UMS) has subscription based IT arrangements (SBITA). At June 30, 2025, SBITA assets totaled \$19.4 million, net of \$16.4 million of amortization. The associated liabilities totaled \$18.6 million. The remaining balance is reported

as a deferred inflow.

The Maine Community College has SBITA right-to-use assets net of amortization that totaled \$12.9 million at June 30, 2025. The associated liabilities totaled \$12.7 million.

NOTE 14 - SELF - INSURANCE

A. RISK MANAGEMENT

The State maintains several types of insurance plans and accounts for them in two funds that are combined for financial statement purposes as the Risk Management Fund. The Risk Management Division provides insurance advice and services to State governmental agencies. The State-Administered Fund offers similar services to quasi-governmental entities. Statute requires the Self-Insurance Fund to be replenished by appropriation if the fund balance drops below \$1 million. The State-Administered Fund balance has no similar provision; however, statutes prevent it from being used for any purpose other than providing insurance services.

Insurance plans offered include property, vehicle, boat and aircraft, tort, civil rights, employee bonds, police professionals, and a variety of other insurance products. These plans have limits of liability of as much as \$2 million per occurrence.

In some cases, the State purchases excess insurance to limit the State's liability for insured events. For example, coverage for property damage is \$400 million per occurrence. The State retains \$2 million of this risk per occurrence. A private insurance carrier covers the remaining risk (excess insurance). In some cases, individual claim settlements have exceeded policy limits in the past three fiscal years.

Coverage, risk retention, and excess insurance amounts for major types of insurance are listed below:

Type of Insurance:	Coverage Per Occurrence	Risk Retention Per Occurrence	Excess Insurance Per Occurrence
Property*	Per Schedule	\$2 million	\$400 million
Ocean Marine Boat Liability* ¹	Per Schedule	10 million	10 million
Boiler and Machinery*	150 million	2 million	150 million
General Liability Including Employment Practices	400 thousand	400 thousand	none
Police Professionals	400 thousand	1 million aggregate	none
Vehicular Liability ²	400 thousand	400 thousand	600 thousand
Bonding	500 thousand	500 thousand	none
Foster Parents	300 thousand	300 thousand	none
Inland Marine (various policies)* ⁴	400 thousand	400 thousand	none
Aircraft Liability* ³	10 million	Various	none
Data Breach	5 million	500 thousand	5 million

*These lines of insurance have commercial excess insurance covering losses above the risk retention amount up to the per occurrence amount listed. All other insurance programs are wholly self-insured. The property insurance limit per occurrence is per scheduled location. Total occurrence limit is \$400 million.

¹ 10 million is the maximum limit for per occurrence coverage. Some agencies have chosen \$400 thousand. Retentions vary up to \$10 thousand.

² Excess insurance is only for out of state travel.

³ \$10 million is the maximum limit for per occurrence coverage. Some agencies have chosen \$500 thousand. Retentions vary up to \$10 thousand.

⁴ Inland Marine policies vary by line, limit, and retention.

The plan funds the cost of providing claims servicing and claims payment by charging a premium to each agency based on a review of past losses and estimated losses for the current period.

All risk-financing liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2024. This cost of claims includes case reserves, the development of known claims, and the direct administrative expenses for settling specific claims.

Claims liabilities are determined on an actuarial basis. Biennial re-evaluation occurs to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

At March 31, 2025 and 2024 the present value of claims payable for the State's self-insurance plan was estimated at \$10.4 million and \$11.1 million, respectively. The actuary calculated this based on the State's rate on investments.

**Risk Management Fund
Changes in Claims Payable**

(Expressed in Thousands)

	<u>2025</u>	<u>2024</u>
Liability at Beginning of Year	\$ 11,142	\$ 11,329
Current Year Claims and Changes in		
Estimates	481	2,637
Claims/Fees Expense	1,266	2,824
Liability at End of Year	<u>\$ 10,357</u>	<u>\$ 11,142</u>

As of June 30, 2025, fund assets of \$35.2 million exceeded fund liabilities of \$12.1 million by \$23.1 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

B. UNEMPLOYMENT INSURANCE

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled \$950 thousand for the fiscal year ended June 30, 2025.

C. WORKERS' COMPENSATION

Workers' Compensation is accounted for in an Internal Service Fund. Interfund premiums are treated as quasi-external transactions. Each State agency is charged a premium based on the number of employees to be covered plus an added amount to reduce the unfunded liability. The Legislature, Legislative Council, and Law Library employees are self-insured for workers' compensation purposes. The State assumes the full risk of all claims filed for workers' compensation.

Claims liabilities are actuarially determined based on estimates of the ultimate cost of claims, including future claim adjustment expenses that have been incurred but not reported and claims reported but not settled. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The balance of claims liabilities as of June 30, 2025 and 2024:

**Workers' Compensation Fund
Changes in Claims Payable**

(Expressed in Thousands)

	<u>2025</u>	<u>2024</u>
Liability at Beginning of Year	\$ 51,235	\$ 51,744
Current Year Claims and Changes in		
Estimates	6,039	8,028
Claims Payments	8,029	8,537
Liability at End of Year	<u>\$ 49,245</u>	<u>\$ 51,235</u>

Based on the actuarial calculation as of June 30, 2025, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$69.2 million. The discounted amount is \$49.2 million and was calculated based on a 3.0 percent interest rate on investments.

D. EMPLOYEE HEALTH INSURANCE

The employee health and retiree health insurance programs are accounted for in two Internal Service Funds. The State became self-insured for employee and retiree health care coverage on July 1, 2003. A stop loss agreement provides catastrophic coverage for individual claims exceeding \$750 thousand.

The State retained third-party administration (TPA) and pharmacy benefit management (PBM) services for claims administration, utilization review, case management services, and pharmacy fulfillment. Premium equivalents are developed with the technical assistance of the plan's consulting actuary and paid by subscribers and associated State departments.

There are two primary health plans available. A Preferred Provider Organization (PPO) plan is available to all active employees, early retirees, and grandfathered retirees not eligible for Medicare Part A as of July 1, 2019. A Medicare Advantage plan is available to age sixty-five or older retirees. Total enrollment averaged approximately 36,293 covered individuals. This total includes approximately 26,535 active employees, retirees and their dependents in the PPO plan and 9,758 Medicare Advantage retirees and dependents.

The State maintains PPO plan funding through the accumulation of premiums from employee contract holders and from the departments with whom they are employed. Claims and administrative expense are paid through these accumulated premiums based on invoices remitted from the TPA.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of \$15.1 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2025 follows:

(Expressed in Thousands)

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	\$ 12,308	\$ 4,103
Claims and Changes in Estimate	142,620	44,900
Claims Payments	143,576	45,220
Liability at End of Year	<u>\$ 11,352</u>	<u>\$ 3,783</u>

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 75, certain costs reported above were reclassified for financial statement purposes. Retiree healthcare costs of \$40.8 million and teacher healthcare costs of \$36.1 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, \$41.7 million of active employee healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 15 - JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose. The State of Maine participates in two separate joint venture arrangements: the Tri-State Lotto Commission (Commission) and the Multi-State Lottery Association (MUSL).

TRI-STATE LOTTO COMMISSION

The Commission was established in 1985 pursuant to passage into law of the Tri-State Lotto Compact by the States of Maine, New Hampshire, and Vermont. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including ticket prices, prizes, and the licensing of agents under Title 8 MRSA C. 16.

The Commission is composed of one member from each of the participating states. Each member State's commission appoints one of its members to serve on the Commission and each member holds office at the pleasure of his or her appointing authority. The Commission annually elects a chairman from among its members. The Commission designated that 50 percent of its sales revenue be reserved for prize awards and agent bonuses.

A prize award liability is established when the winning ticket number is selected. If no winning ticket is selected, the available jackpot

is carried over to the following drawing. The Tri-State Lotto Compact requires that prizes not claimed within one year from the date of the drawing be forfeited. All expired unclaimed prizes are credited to future prize pools. The Commission funds its jackpots through U.S. Government Treasury Strips.

A proportional share of revenues and expenses are allocated to each State based on ticket sales made by each State. Exceptions are the facility's management fee, which is based on a contracted percentage of operating revenue that varies from State to State, per diem charges, advertising, and certain printing, travel, and miscellaneous costs, which are allocated based on actual charges generated by each state.

The table below was obtained from the Tri-State Lotto Commission financial report for fiscal year 2025, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008.

Tri-State Lotto Commission
(Expressed in Thousands)

Current Assets	\$ 20,586
Noncurrent Assets	<u>11,546</u>
Total Assets	<u><u>\$ 32,132</u></u>
Current Liabilities	\$ 20,619
Long-term Liabilities	<u>7,185</u>
Total Liabilities	<u><u>\$ 27,804</u></u>
Designated Prize Reserves	\$ 4,345
Reserve for Unrealized Gains (Losses)	<u>(17)</u>
Total Net Position	<u>4,328</u>
Total Liabilities and Net Position	<u><u>\$ 32,132</u></u>
Total Revenue	\$ 113,592
Total Expenses	83,686
Gain (Loss) on Sale of Investment	13
Allocation to Member States	29,919
Change in Unrealized Gain (Loss) on Investments Held for Resale	<u>309</u>
Change in Net Position	<u><u>\$ 309</u></u>

Multi-State Lottery Association

The Maine State Lottery became a member of the Multi-State Lottery Association (MUSL) in July 2004. The MUSL currently has 39 member State lotteries, including the District of Columbia and the United States Virgin Islands. The MUSL is managed by a board of directors, which is comprised of the lottery directors or their designee from each of the party States, and authorized to initiate, promulgate, administer and carry out one or more lottery product offerings that will enhance the participating parties' lottery revenue.

Participating lotteries sell Powerball tickets, collect all revenues, and remit prize funds to the MUSL, net of lower tier prize awards. The operating costs of the board are allocated among all of the participating lotteries. Jackpot prizes payable in installments are satisfied through investments purchased by the MUSL. The MUSL purchases US government obligations which are held in grantor trusts established by the MUSL for the benefit of participating State lotteries. Each week the MUSL allocates 50 percent of sales to the prize pool. If no winning ticket is selected, the available jackpot is carried over to the following jackpot drawing.

The table below was obtained from the Multi-State Lottery Association's financial report for fiscal year 2025, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008.

Multi State Lottery Association
(Expressed in Thousands)

Cash and Cash Equivalents	\$ 533,674
Investments in US Government Securities	316,550
US Government Securities Held for Prize Annuities	36,573
Due from Party Lotteries	35,872
Other Assets	1,230
Total Assets	<u>\$ 923,899</u>
Amount Held for Future Prizes	\$ 800,006
Grand Prize Annuities Payable	38,221
Other Liabilities	17,661
	855,888
Net Position, Unrestricted	68,011
Total Liabilities and Net Position	<u>\$ 923,899</u>
Total Revenue	\$ 40,627
Total Expenses	35,454
Excess (Deficit) of Revenues over Expenses	5,173
Net Position, beginning	62,838
Net Position, ending	<u>\$ 68,011</u>

NOTE 16 - RELATED PARTY TRANSACTIONS**PRIMARY GOVERNMENT**

The State of Maine entered into a memorandum of understanding with the Wells National Estuarine Research Reserve Management Authority, a jointly governed organization, through the Bureau of Parks and Lands. These agreements outline each entity's responsibilities in relation to the operation of the Reserve and the management of the property included within the boundaries of the Reserve. The agreement continues in effect from year to year until termination by either the Bureau or the Authority pursuant to Articles 8 and 9.

The Maine Technology Institute (MTI), a component unit of the State of Maine, received \$20.0 million in funding from the State of Maine, Department of Economic and Community Development. The Director of MTI is an employee of the State of Maine and two board members are Commissioners of the State of Maine. The Board members receive no compensation.

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, \$323.8 million; Maine Community College System, \$113.1 million; Finance Authority of Maine, \$33.3 million; and Maine State Housing Authority, \$162.1 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$32.1 million at June 30, 2025, as a liability in Amounts Held Under State Revolving Loan Programs in their fiduciary financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2025, the State expended \$934.9 thousand to FAME for State revolving loan funds.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. FAME paid approximately \$11.8 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

The Maine Turnpike Authority (MTA) pays the State for services rendered by the Maine State Police (MSP). MSP has a separate troop responsible for patrolling the Maine Turnpike. MTA pays all costs associated with that troop. For fiscal year 2025, the amount billed totaled \$7.5 million.

NOTE 17 - DEFERRED OUTFLOWS AND DEFERRED INFLOWS

The following table provides additional detail regarding deferred outflows of resources and deferred inflows of resources reported on the government-wide Statement of Net Position:

(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
Deferred Outflows of Resources:				
Refunding of Debt	\$ 395	\$ -	\$ 395	\$ 7,678
Pension Related	621,875	4,072	625,947	26,568
OPEB Related	443,699	3,123	446,822	26,402
Total Deferred Outflows of Resources	<u>\$ 1,065,969</u>	<u>\$ 7,195</u>	<u>\$ 1,073,164</u>	<u>\$ 60,648</u>
Deferred Inflows of Resources:				
Grant Income	\$ -	\$ -	\$ -	\$ 676
Benefit Recovery	3,806	-	3,806	-
Loan Origination Fees	-	-	-	319
Accumulated Increase in Fair Value of Hedging Derivatives	-	-	-	19,631
Pension Related	155,269	732	156,001	6,022
OPEB Related	1,355,968	4,243	1,360,211	86,429
Lease Related	4,081	-	4,081	71,176
Public Private Partnerships	-	-	-	27,876
Total Deferred Inflows of Resources	<u>\$ 1,519,124</u>	<u>\$ 4,975</u>	<u>\$ 1,524,099</u>	<u>\$ 212,129</u>

* Please refer back to Note 6 for information on the Opioid settlement.

The following table provides additional detail regarding deferred inflows of resources reported on the Governmental Funds Balance Sheet:

Governmental Funds (Expressed in Thousands)						
	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources:						
Tax Revenue or Assessments	\$ 376,275	\$ 822	\$ 450	\$ 4,255	\$ -	\$ 381,802
Settlements **	-	-	-	94,944	-	94,944
Benefit Recovery	-	-	3,806	-	-	3,806
Total Deferred Inflows of Resources	\$ 376,275	\$ 822	\$ 4,256	\$ 99,199	\$ -	\$ 480,552

** Please refer back to Note 6 and Note 19 for information on the Opioid settlement and the Tobacco settlement, respectively.

NOTE 18 - TAX ABATEMENTS

For financial reporting purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefits the government or its citizens.

As of June 30, 2025, the State provided tax abatements through the following programs:

Program Name	Pine Tree Development Zone Program	Employment Tax Increment Financing	New Markets Capital Investment Tax Credit
Program Purpose	The program encourages capital investment and job creation in designated industries and geographic areas within the state.	The program is designed to create and prevent loss of employment in designated industries and geographic areas within the state.	The program is designed to encourage investment in qualified businesses located in economically distressed areas within the state.
Abatement Type	Personal income, corporate income, insurance premiums, bank franchise and sales taxes.	4.5% of qualified gross wages multiplied by the applicable reimbursement rate.	Personal income, corporate income, insurance premiums, and bank franchise taxes.
Statutory Authority	36 M.R.S. §§2529 and 5219-W	36 M.R.S. §6754	36 M.R.S. §§2533 and 5219-HH
Eligibility Criteria	Businesses apply to be certified as a qualified business, agree to conduct a qualified business activity, and hire at least one net new employee within two years. No business may be certified under the program after December 31, 2024. Businesses certified prior to 2025 may continue to receive PTZ credit for the full benefit period of ten years. No PTZ benefits may be paid after 2034.	Businesses apply for certification and agree to hire at least five net new employees within two years. The program will sunset at the end of 2024. No businesses may be certified under the program after December 31, 2024. Businesses certified prior to 2025 may continue to receive annual ETIF benefits for the full benefit period of ten years. No ETIF benefits may be paid after 2034.	A person must make a qualified equity investment that has been certified by the Finance Authority of Maine, and execute a memorandum of agreement with the state.
Abatement Method	Allowance of credit against taxes attributable to qualified business activity, up to the amount of tax liability (nonrefundable credit).	Qualified business applies for annual reimbursement payment independent of any other tax reporting requirements.	Allowance of credit against taxes. Taxpayer receives full amount of annual credit regardless of tax liability (refundable credit).
Abatement Computation	Credit equals 100 percent of the tax liability attributable to the qualified activity of a certified business for a period of five years. Businesses located in certain areas receive a 50 percent credit for an additional five years.	Reimbursement equals 4.5% of qualified gross wages, multiplied by the applicable reimbursement rate from 30 - 80 percent, depending on the unemployment rate in the area where the employee works, for a period of ten years.	The credit amount equals a total of 39 percent of the qualified investment, spread over a period of seven years in varying amounts each year.
Recapture Provisions	None.	Any overpayment must be applied to reduce future reimbursement payments. Overpayments must be repaid if the business no longer qualifies for future payments.	The abatement amount may be recaptured upon 1) recapture of any amount of the related federal NMTC credits; 2) early repayment of any portion of the principle amount that forms the qualified equity investment, or 3) failure to reinvest less than 85% of the qualified equity investment into a qualified business.
Estimated Revenue Reduction for FYE 6/30/2025	\$3,309,606	\$10,823,215	\$3,979,326

The Dirigo business incentive program applies to tax years beginning on or after January 1, 2025. The credits cannot be claimed until tax years beginning in 2025 and therefore won't be claimed until the 2026 tax season.

Note: The cost of the PTZ sales tax exemptions, claimed at the point of purchase, cannot be determined.

Source: Maine Revenue Services

NOTE 19 - COMMITMENTS AND CONTINGENCIES**PRIMARY GOVERNMENT****LITIGATION**

The State of Maine, its units, and its employees are parties to numerous legal proceedings, many of which are the result of normal governmental operations. In the opinion of the Attorney General and other legal counsel representing the State, in all of the cases listed, the State or its agencies or employees have valid defenses. Certain cases have the potential for liability in excess of \$1 million. Even if liability is found, the State should not expect to pay out the full amounts being sought against it in all of the cases. In any given case, however, the State could incur a large judgment.

Central Maine Power Co., et al. v. Maine Commission on Governmental Ethics and Election Practices, et al. Several companies and individuals are challenging on constitutional grounds 21-A M.R.S. § 1064, a Maine law intended to prohibit foreign governments from contributing to or otherwise influencing state elections. Plaintiffs are not seeking monetary damages but, if they prevail, they could be awarded attorneys' fees in excess of \$1 million. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

Dr. Doe v. Maine Board of Dental Practice et al. Dr. Doe has filed a lawsuit against the Maine Board of Dental Practice and eleven individuals in connection with the Board's emergency suspension of his license to practice medicine and subsequent disciplinary proceedings. Dr. Doe alleges that agents and employees of the Board violated his due process rights. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

Justin Savage and Shawna Morse v. Maine State Police, et. al. Plaintiffs allege that law enforcement officers used excessive force when arresting Justin Savage and committed other unlawful acts, including negligent and intentional infliction of emotional distress, wrongful arrest, malicious prosecution, and defamation. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

Maine Service Employees Association, SEIU, Local 1989 and State of Maine Reclassification appeal of Eligibility Specialists (Case No. 67-2017): On 2/3/2017, 38 Eligibility Specialists appealed their classification, claiming that they are performing duties not represented in their current classification and requesting reclassification to a higher paying classification. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

Maine Service Employees Association, SEIU, Local 1989 and State of Maine Reclassification appeal of IF&W Resource Biologists (Case No. 361-2018): On 12/21/2018, 31 IF&W Resource Biologists appealed their classification, claiming that they are performing duties not represented in their current classification and requesting reclassification to a higher paying classification. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

Maine State Troopers Association (MSTA) and State of Maine Reclassification appeal of State Police Troopers (Case No. 65-2024). In or around February of 2024 the State submitted reallocation requests for all State Troopers classifications. The reallocation/range changes were implemented in August of 2024. MSTA appealed the reallocation, asserting that the duties of the Troopers warranted a higher pay range. The State subsequently received the reallocation award, which found that the Troopers should be reallocated from range 23 to range 24. The cost of both retroactive and prospective pay is currently being calculated.

Maine State Troopers Association and State of Maine Reclassification appeal of State Police Sergeants (Case No. 78-2024). In or around February of 2024 the State submitted reallocation requests for all State Police Sergeant classifications. The reallocation/range changes were implemented in August of 2024. MSTA appealed the reallocation, asserting that the duties of the Sergeants warranted a higher pay range. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

Maine State Troopers Association and State of Maine; (Grievance # 2024-202-T). In or around February of 2024 the State submitted reallocation requests for several classifications represented by the MSTA. The reallocation/range changes were implemented in August of 2024. The MSTA filed a grievance asserting that the State violated the collective bargaining agreement when it did not compensate its members with retroactive pay back to the date that the reallocation was approved by the Bureau of Human Resources. The State subsequently received the arbitration award, which found that the State violated the collective bargaining agreement when it failed to pay the affected employees' retroactive pay back to the date the reallocation was approved by the Bureau of Human Resources, and ordered that the State pay the employees retroactive pay. The cost of retroactive pay is currently being calculated.

Marie Searles v. Belanger, et al. Plaintiff alleges that a state law enforcement officer used excessive force and falsely arrested her, and alleges that the officer's supervisor failed to properly supervise the officer. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

Mascal v. DOC, et al: Alexander Mascal alleges that while he was housed at Long Creek Youth Development Center and Mountain

View Youth Development Center from 2012 to 2016, he was subject to excessive use of isolation, excessive use of force and restraint, sexual assault, and other violations of his statutory and constitutional rights. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

Meryl Nass, M.D. v. Maine Board of Licensure in Medicine, et al. Dr. Nass has filed a lawsuit against the Maine Board of Licensure in Medicine and several current and past Board members in their official and individual capacities alleging that the Board improperly restricted Dr. Nass's speech in violation of the First Amendment and the Maine Constitution, along with several other claims. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

United States vs. Maine Department of Education. The federal government filed a complaint against the Maine Department of Education alleging violations of Title IX of the Education Amendments of 1972 and related regulations by permitting transgender girls and women to participate in girls' and womens' school sports. The complaint seeks injunctive and declaratory relief, and an award of monetary damages, fees and costs to the United States. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

Zachary Swain v. Maine Department of Corrections, et al. Mr. Swain alleges that while he was confined at the Maine State Prison, staff there willfully ignored his mental illness and unnecessarily placed him in solitary confinement. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

The Office of the Attorney General is representing Maine Revenue Services in a number of cases in which taxpayers are challenging the assessment of taxes. In most of these cases, the taxpayers are not seeking refunds of taxes previously paid but are instead challenging taxes that were assessed but which the taxpayers have not paid. We are aware of only two cases in which a taxpayer seeks a refund in excess of \$1 million.

Apple Inc. v. State Tax Assessor. Apple Inc. has filed a Rule 80C petition for review to appeal a Board of Tax Appeals decision that affirmed the State Tax Assessor's denial of a claim for a corporate income refund for 2018. Petitioner contends that the form of alternative apportionment known as the Augusta Formula was not correctly applied by Maine Revenue Services to Petitioner's repatriation income. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

Bessemer Trust Company of Delaware, N.A., as Trustee of Harold Alfond Trust dated 10/25/1989 FBO Deborah Alfond v. State Tax Assessor. Bessemer Trust Company of Delaware, N.A., has filed a Rule 80C petition for review of the State Tax Assessor's decision denying its claim for a refund of Maine fiduciary income tax that was imposed on and paid by the Harold Alfond Trust dated 10/25/1989 FBO Deborah Alfond. Petitioner claims that the underlying Maine statute is unconstitutional. The probability that this case will result in future losses to the State in excess of \$1 million is undetermined at this time.

There are various lawsuits in which plaintiffs seek damages in excess of \$1 million against the State or against State officials, and there are various notices of claim which also specify damages in excess of \$1 million where no lawsuit has been filed. In none of these instances, in our view, is there any reasonable possibility that the State's liability could reach or exceed \$1 million.

In addition to the foregoing, there are various other suits pending against the State, State agencies and State officials involving damages or other potential costs. Since the amounts sought are less than \$1 million, these suits have not been individually identified in this letter.

There are also now pending numerous workers' compensation claims against various State agencies. Since most claims involve the possibility for significant long-term damages, and since the test for demonstrating a causal relationship between the employment and the illness or injury is not as rigorous as in ordinary civil cases, these cases involve the possibility of significant liability for the State. Since possible damages include future medical costs and wage replacements for the employee (and in some cases a spouse), it is difficult to estimate the total potential liability to the State.

ENCUMBRANCES

Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds encumbrance balances are \$142.8 million, \$5.2 million, \$729.3 million, \$123.5 million and \$5.9 million, respectively.

FEDERAL GRANTS

The State receives significant financial assistance from the federal government. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Grants are subject to the Federal Single Audit Act. Disallowances by federal officials as a result of these audits may become liabilities of the State. The amount of expenditures that may be disallowed by the grantor agencies cannot be determined at this time.

POLLUTION REMEDIATION

The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State's total amount of pollution remediation obligation as of June 30, 2025 is \$20.7 million. Superfund sites account for approximately \$6.9 million. Superfund is the federal government program to clean up hazardous waste sites.

The following are Superfund sites for which the State has recorded a liability for pollution remediation activities:

Eastland Woolen Mill – The State recorded a liability for pollution remediation activities of approximately \$599 thousand. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State assumed 100 percent of the operation and maintenance and long-term monitoring costs.

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately \$2.0 million. Beginning in August of 2012, the State assumed 100 percent of the operation, maintenance and monitoring costs. As of June 30, 2025, the State has received \$2.1 million in recoveries from the Department of Defense. The State expects to recover additional costs of \$14 thousand.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately \$4.3 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. The State will assume 100 percent of the cost for the operation and maintenance of the site.

The State recorded a liability for pollution remediation activities of approximately \$13.5 million (net of unrealized recoveries of \$298 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover \$409 thousand in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

The State has the knowledge and expertise to estimate the remediation obligation based on prior experience in identifying and funding similar remediation activities. The standard requires the liability to be measured using the expected cash flow technique. The remediation obligation estimates are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

MUNICIPAL SOLID WASTE LANDFILLS

Dolby Landfills – On September 16, 2011 the State entered into an agreement with Katahdin Paper Company (KPC) to acquire the Dolby Landfill, a solid waste disposal facility, located in the Town of East Millinocket. The State, as a holder of the permits, is responsible for closure and post closure monitoring and maintenance activities and costs.

The Dolby Landfill no longer accepts solid waste. In Calendar Year 2016, the first phase of a multi-year plan to cap approximately 100 acres at the facility was completed. The State originally allocated \$6 million of bond funds to pay for the first phase of capping. In fiscal year 2022, the State issued an additional \$7 million in bonds to complete the capping of the landfill. In fiscal year 2024, the State issued an additional \$2.8 million in bonds to complete the capping of the landfill. On June 30, 2025, remaining unspent bond funds were \$674 thousand. In addition to the closure of the facility, the State anticipates additional post-closure maintenance and monitoring costs of approximately \$18.2 million over the next 30 years based on current annual expense. However, the State anticipates a significant reduction in post closure costs due to the reduction in the amount of the leachate from the site that must be treated after the capping is complete. The State has entered into a cost sharing agreement with the Town of E. Millinocket to treat the leachate at the town's wastewater treatment facility. The State will likely renegotiate the cost sharing agreement once the amount leachate, subsequent to the completion of the capping can be determined or estimated. The State's total obligation related to the Dolby Landfill as of June 30, 2025 is \$18.9 million.

Title 38 M.R.S.A., §1310-F establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose a potential hazard and that meet other qualifying criteria. The law provides for reimbursement of 75% of a municipality's closure expenses. If initial closure of a landfill fails to protect public health and the environment, DEP is obligated to reimburse up to 90% of a municipality's subsequent remediation expenses. However, these obligations are subject to the availability of funds approved for that purpose. In 2012, DEP, through bonds, had paid all of the outstanding match requirements for closure, but had \$2,568,654 in outstanding match obligation for remediation. Additionally, several municipalities needed to close their failing landfills early, but could not afford to do so without the state match for closure, which had expired. To address this, in 2013 the legislature enacted a \$2/ton fee on disposal of certain Construction and Demolition Debris (CDD), and in 2015 extended the eligibility date for reimbursement of closure costs from 2015 to 2025. There is no eligibility end date for reimbursement of remediation costs. Therefore, DEP continues to incur new match cost obligations as additional qualifying landfills close before the December 31, 2025 date, and as others undertake necessary remediation actions. As the CDD fee does not generate enough funding to pay the Department's cost share obligations in their entirety, the Department provides partial payments to municipalities on a quarterly basis.

In FY25 the DEP received \$977 thousand from the CDD fee. As required, the entirety of this fee was used to reimburse municipalities for eligible expenses. At the beginning of FY25, DEP's total outstanding reimbursement obligation to municipalities was \$5.1 million. At the end of FY25, the outstanding match obligation was \$4.4 million. Additional debt was incurred due to qualifying closure and remediation expenses which were submitted by municipalities over the course of the year. DEP incurred the oldest outstanding match obligations in 2022.

SAND AND SALT STORAGE PROGRAM

The State estimates the potential aggregate cost to comply with the environmental requirements associated with the Sand and Salt Storage program to be \$800 thousand. The state no longer provides funding for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 MRSA §411, §411-A, and §412 establish within DEP cost-sharing programs for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the planning of municipal pollution abatement facilities; the design, engineering, and construction of private, commercial, and municipal pollution abatement facilities; and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30A §6006-A. During the 2025 fiscal year, \$4.8 million of general fund and other special revenue funds were expended for pollution abatement projects. As of June 30, 2025, amounts encumbered for pollution abatement projects totaled \$5.3 million, and general obligation bonds authorized for these projects, but not yet encumbered, totaled \$2.3 million. As of June 30, 2022, DEP estimates the total cost (federal, State, and local) of future projects to be \$3.1 billion according to the 2022 Clean Watershed Needs Survey.

GROUND WATER OIL CLEAN-UP FUND

The Maine Ground and Surface Waters Clean-up and Response Fund is established in Title 38 MRSA § 551. Fund activities include, but are not limited to, providing insurance to public and private entities for cleanup of oil spills. The program is funded by a per barrel assessment on petroleum products imported into the State. Coverage is up to \$750 thousand per occurrence for aboveground storage tanks and \$1 million per occurrence for underground storage tanks. Third party injury coverage may not exceed \$200 thousand per claimant.

Number of Priority Sites Requiring Long-term Remediation Calendar Year Ended December 31

	<u>Completed</u>	<u>Remaining</u>
2024	78	389
2023	85	401
2022	105	413
2021	127	440
2020	156	494

The annual average cost per spill over the past five years is \$9,313. The cost per spill can vary significantly based on the location and type of fuel discharged.

CONSTRUCTION COMMITMENTS

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is the debt of the municipalities, the State subsidizes a portion of the annual payments. As of June 30, 2025, the States share of outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$1.137 billion.

At June 30, 2025, the Department of Transportation had contractual commitments of approximately \$523.7 million for construction of various highway projects. The State's share of that amount is expected to be approximately \$83.0 million. Of these amounts, \$19.2 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

TOBACCO SETTLEMENTS

On November 23, 1998, Maine along with 45 other states and six civil jurisdictions, collectively known under the Master Settlement Agreement (MSA) as the "Settling States", entered into the MSA with certain Participating Tobacco Manufacturers (PMs). The MSA is a settlement of lawsuits brought by many States against the four largest tobacco companies alleging multiple counts of misconduct and claiming punitive and compensatory damages, including a claim for all the States' Medicaid costs caused by or related to tobacco use. The MSA includes provisions to annually compensate the State for smoking-related Medicaid costs and to impose marketing and advertising restrictions on PMs to protect public health. In this settlement, the PMs agreed, among other things, to make annual

payments to the states and jurisdictions based on their allocable share of the market. In return, the states agreed to relinquish claims to further damages resulting from, among other things, Medicaid costs. Annual payments fluctuate subject to various adjustments and are partially contingent on the passage and enforcement of a State statute imposing economic conditions related to the State's public health claims on the Nonparticipating Manufacturers (NPMs) in the form of an annual escrow payment due from each NPM with in-state sales. The NPM Adjustment is set forth in the Master Settlement Agreement (MSA). If the PMs claim an NPM Adjustment for a given year and prove that they lost market share to the NPMs and it is determined that the MSA was a significant factor contributing to that lost market share, then an NPM Adjustment 'shall apply' unless a Settling State passed a qualifying statute and 'diligently enforced' that statute. In effect this means that the Allocated Payment to a Settling State that diligently enforced will not be reduced, but a Settling State that did not diligently enforce its qualifying statute will be subject to a reduction in its payment due to the NPM Adjustment. NPM Adjustment Due to the provisions of the MSA, if a State that is found not to have diligently enforced its qualifying statute may lose up to its entire annual payment amount due to the NPM Adjustment for a given year.

The NPM Adjustment may be claimed each year and has been claimed for each completed calendar year since 2003. While the NPM Adjustment is being arbitrated, the PMs either withhold the amount from their annual payments or place the amount in what is known as a 'disputed payment account'. Maine arbitrated the 2003 NPM Adjustment and was found diligent, however the determination was not made until 2018. In the meantime, Maine was unable to access the withheld funds. Additionally, arbitration was incredibly time-consuming and resource intensive. Maine has entered into NPM Adjustment settlement agreements for 2004-2024 to prevent the withholding of significant portions of the annual payment and to save the State the significant costs and liabilities of arbitration. Maine anticipates settling the NPM Adjustment for 2025-2027.

In addition, in the MSA, the PMs agreed to pay \$8.6 billion in Strategic Contribution Payments (SCP) to certain states and jurisdictions as compensation for their contribution to the overall settlement. Maine's share of this total amount was approximately \$114 million. Maine received this amount in ten annual SCP payments which began in 2008 and ended in 2017.

In April 2025, Maine received an annual tobacco settlement payment of \$43.2 million.

CONTINGENT GAINS

The State of Maine is participating in the National Opioid Settlement, which negotiated conclusions to investigations and litigation by the Attorney General and certain Maine counties, cities, and towns, of the marketing and sales practices of opioid pain medications by entities in the pharmaceutical supply chain. In 2024 the State of Maine agreed to join five additional opioid settlements with similar terms and payment schedules as the original settlements in 2022. The 2022 Settlement will produce a stream of annual payments through 2038, the use of which is restricted for permissible opioid abatement activities described in the court order which gives effect to the Settlement, and the five additional settlements will add to the funding and will pay out over a somewhat shorter time, all restricted for the same permissible opioid abatement activities. All the settlements also impose certain injunctive terms agreed to by the Defendants. The expected total funding from all of the settlements to the State (excluding payments made by the Defendants directly to the 39 counties, cities, and towns eligible to participate in the settlements) through 2038 is \$161.3 million.

CONTINGENT LIABILITIES

Overpayments made by the Office for Family Independence (OFI) client services are recorded as accounts receivable in the State financial statements. The total overpayments for Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP), applicable to federal funds, are \$22.1 million as of June 30, 2025. All overpayments that are outstanding for more than one year, \$18.3 million, are fully reserved.

Federal regulations in the former Aid to Families with Dependent Children (AFDC) require States to continue collection efforts until the full amount is recovered. The AFDC Program was repealed and replaced with the TANF Program effective October 1, 1996. The federal portion of any AFDC overpayments (made prior to October 1, 1996) that are recovered, must be returned to the federal government. For AFDC and TANF overpayment recoveries, made from October 1, 1996 and forward, States are not required to repay any portion to the federal government. Instead, the full amount of the recovered overpayments is to be retained by the State and used for TANF program costs during the grant year in which they are recovered, or later.

The liability for TANF and SNAP overpayments that may be recovered and remitted to the federal government or retained for program costs cannot be determined at this time.

Overpayments made by the Department of Labor are recorded as accounts receivable in the State financial statements. The total overpayments for Unemployment Benefits applicable to federal funds, are \$54.8 million as of June 30, 2025. All overpayments that are outstanding for more than one year, \$54.4 million, are fully reserved. The liability for Unemployment Benefit overpayments that may be recovered and remitted to the Unemployment Insurance Trust Fund cannot be determined at this time.

ESCHEAT PROPERTY

The State Abandoned Property Statute requires the deposit of certain defined and unclaimed assets into a state-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Statute provides that whenever the cash balance of the fund exceeds \$.5 million at fiscal year-end, the excess must be remitted to the General Fund where it is reported as operating transfers from other funds. At June 30, 2025, the Fund included \$6.2 million of securities not yet liquidated that were not subject to transfer to the General Fund.

Net collections from inception (1979) to June 30, 2025 of approximately \$356.4 million represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

A liability representing the probable amount of escheat property that will be reclaimed and paid to claimants and other third parties is reported in the Fund. To the extent that the assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At June 30, 2025, the amount reported in the Fund for claimant liability is \$67.6 million. The General Fund shows a \$61.0 million payable to the Escheat Fund.

CONSTITUTIONAL OBLIGATIONS

The State of Maine's constitutional obligations represent nonexchange financial guarantees, as defined by GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The State acts as the guarantor for these ongoing insurance and loan programs operated by 2 discrete component units. The Finance Authority of Maine's mission covers commercial financing and loan insurance to Maine businesses and assistance to Maine students and their parents to finance costs of attendance at institutions of higher education. Maine State Housing Authority's mission encompasses loans to Maine veterans and members of Indian tribes or reservations. Details of the nonexchange financial guarantees are provided below.

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed \$90 million, \$1 million, and \$4 million, respectively. At June 30, 2025, loans outstanding pursuant to these authorizations are \$90.0 million, \$0 and less than \$0.1 million, respectively. The State has not paid, nor does it expect to pay, any amounts as a result of these authorizations as of June 30, 2025.

Article 8, § 2, of the Maine State Constitution provides that the State may secure funds, through the issuance of bonds authorized by the Governor, for loans to Maine students attending institutions of higher education. The amount of bonds issued and outstanding shall not at any one time exceed \$4 million in the aggregate. At June 30, 2025, no bonds were outstanding. The State has not paid, nor does it expect to pay, any amount as a result of this authorization as of June 30, 2025.

MORAL OBLIGATIONS

The State of Maine, through statute, enables certain Authorities to establish capital reserve funds. These funds may be used to secure a variety of financial undertakings including the issuance of bonds. The minimum amount of the capital reserve fund may be determined by statute or set by the Authority. The statutes may also limit the amount of debt that may be secured by the capital reserve funds, and allow the Authority to issue debt that is not secured by these funds.

On or before December first of each year, the Authorities are required to certify to the Governor the amount, if any, necessary to restore any capital reserve fund to its required minimum. If there is a shortfall, the Governor is required to pay first from the "Contingent Account" the amounts necessary for restoration. The Governor shall certify any remaining unpaid amounts to the Legislature, which is then required to appropriate and pay the remaining amounts to the Authority during the then-current State fiscal year.

These moral obligations are not considered to be "full faith and credit" obligations of the State, and voter approval of the underlying bonds is not required. No capital reserve fund restorations have been made in the current or previous years.

The following summarizes information regarding outstanding moral obligations:

Moral Obligation Bonds (Expressed in Thousands)

Issuer	Bonds Outstanding	Required Debt Reserve	Obligation Debt Limit ¹	Legal Citation
Maine Health and Higher Educational Facilities Authority	\$ 941,015	\$ 77,000	NIL	22 MRSA § 2075
Finance Authority of Maine	67,182	-	730,500	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	125,125	1,697	225,000	20-A MRSA §11424
Maine Municipal Bond Bank	1,313,630	136,209	NIL	30-A MRSA §6006
Maine State Housing Authority	2,281,295	180,667	3,000,000	30-A MRSA §4906
Total	<u>\$ 4,728,247</u>	<u>\$ 395,573</u>		

¹ NIL indicates a "no limit" obligation.

COMPONENT UNITS**CONSTRUCTION CONTRACTS**

At June 30, 2025, UMS and MCCS had outstanding commitments on uncompleted construction contracts. They totaled \$102.9 million and \$3.9 million, respectively. A non-major discretely reported component unit, Maine Maritime Academy, had commitments on construction projects at June 30, 2025 totaling \$88.3 million.

At December 31, 2024, the Maine Turnpike Authority had \$43.2 million remaining in commitments on outstanding construction projects for improvements and maintenance.

MORTGAGE COMMITMENTS

Mortgage commitments are agreements to lend provided there is no violation of any term or condition of the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as deemed necessary. At December 31, 2024 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately \$312.6 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2024, single-family loans being processed by lenders totaled \$65.7 million.

INSURED LOAN COMMITMENTS

The Finance Authority of Maine (FAME) insures loans made by financial institutions to qualifying businesses under various insurance programs. FAME is contingently liable for the insured portion of payments due on these loans. At June 30, 2025, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately \$157.2 million. At June 30, 2025, FAME was insuring loans with an aggregate outstanding principle balance approximating \$4.7 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately \$2.9 million at June 30, 2025. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2025, these commitments under the Loan Insurance Program were approximately \$7.3 million. FAME provides loan insurance on direct educational loans and consolidation loans made by participating financial institutions in the Maine Private Education Loan Network. At June 30, 2025, approximately \$19.3 million of loans were insured under this program. Such loans are unsecured.

NOTE 20 - SUBSEQUENT EVENTS**PRIMARY GOVERNMENT**

On December 10, 2025, the State issued \$3.7 million of certificates of participation (COP's) for the acquisition of approximately 75 motor vehicles for Public Safety. The COP's carry interest rates of 3.23 percent and maturities from 2026 to 2029.

COMPONENT UNITS

Maine State Housing Authority (MSHA), has a December 31 fiscal year end.

On March 26, 2025, MSHA issued Series A bonds of \$60.0 million with interest rates between 3.20% and 4.70% in the General Mortgage Purchase Bond Resolution and mature from 2029 to 2053.

On July 2, 2025, MSHA issued Series B bonds of \$73.6 million with interest rates between 3.25% and 6.25% in the General Mortgage Purchase Bond Resolution and mature from 2027 to 2055.

On September 11, 2025, MSHA issued Series C bonds of \$125.0 million with interest rates between 2.90% and 5.25% in the General Mortgage Purchase Bond Resolution and mature from 2027 to 2055.

On October 29, 2025, MSHA issued Series D bonds of \$117.7 million with interest rates between 2.85% and 6.00% in the General Mortgage Purchase Bond Resolution and mature from 2028 to 2055.

MSHA has an Issue Commitment Date of December 30, 2025 for Series E bonds of \$70.0 million with interest rates between 3.00% and 4.90% in the General Mortgage Purchase Bond Resolution with maturity dates from 2028 to 2055.

After its December 31 fiscal year end, MSHA retired \$145.3 million of bonds in the General Mortgage Purchase Bond Resolution. It also retired \$3.1 million bonds in the Maine Energy, Housing and Economic Recovery Fund..

On July 17, 2025, Bowdoin College defeased certain maturities of Maine Health and Higher Education Facilities Authority's (MHHEFA) with a par value of \$20.7 million within the 2008 issue with funds from other sources. On August 11, 2025, Bowdoin College defeased certain maturities of the General Resolution Bonds with a par value of \$19.8 million within the 2009B issue with funds from other sources.

On November 6, 2025, the Maine Municipal Bond Bank issued \$56.9 million of Series 2025B General Resolution Bonds with a True Interest Cost (TIC) of 3.93% and an average coupon rate of 5.00%. Principal payments begin November 1, 2026, and mature November 1, 2055.



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STATE OF MAINE
REQUIRED SUPPLEMENTARY INFORMATION
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STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Taxes	\$ 5,488,772	\$ 5,723,312	\$ 5,836,056	\$ 112,744	\$ 212,705	\$ 217,324	\$ 220,547	\$ 3,223
Assessments and Other	101,105	95,744	99,858	4,114	102,756	104,431	113,059	8,628
Federal Grants	1,630	1,780	119	(1,661)	-	-	-	-
Service Charges	47,252	48,933	49,575	642	6,467	6,467	6,580	113
Income from Investments	38,008	64,591	111,153	46,562	1,975	4,164	4,137	(27)
Miscellaneous Revenue	68,595	93,790	30,521	(63,269)	64,945	64,920	59,378	(5,542)
Total Revenues	<u>5,745,362</u>	<u>6,028,150</u>	<u>6,127,282</u>	<u>99,132</u>	<u>388,848</u>	<u>397,306</u>	<u>403,701</u>	<u>6,395</u>
Expenditures								
Governmental Support & Operations	532,330	577,976	511,700	66,276	55,149	69,378	2,691	66,687
Economic Development & Workforce								
Training	62,640	69,461	64,573	4,888	-	-	-	-
Education	2,193,094	2,282,100	2,235,088	47,012	-	-	-	-
Health and Human Services	1,871,491	2,204,953	2,048,480	156,473	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	129,554	145,177	135,107	10,070	34	35	22	13
Justice and Protection	494,482	570,704	525,309	45,395	40,169	43,735	40,235	3,500
Arts, Heritage & Cultural Enrichment	10,604	13,350	11,135	2,215	-	-	-	-
Transportation Safety & Development	-	-	-	-	407,270	470,009	465,970	4,039
Total Expenditures	<u>5,294,195</u>	<u>5,863,721</u>	<u>5,531,392</u>	<u>332,329</u>	<u>502,622</u>	<u>583,157</u>	<u>508,918</u>	<u>74,239</u>
Revenues Over (Under) Expenditures	<u>451,167</u>	<u>164,429</u>	<u>595,890</u>	<u>431,461</u>	<u>(113,774)</u>	<u>(185,851)</u>	<u>(105,217)</u>	<u>80,634</u>
Other Financing Sources (Uses)								
Operating Transfers Net	(430,840)	(450,476)	(739,900)	(289,424)	115,418	137,031	135,738	(1,293)
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	<u>(430,840)</u>	<u>(450,476)</u>	<u>(739,900)</u>	<u>(289,424)</u>	<u>115,418</u>	<u>137,031</u>	<u>135,738</u>	<u>(1,293)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 20,327</u>	<u>\$ (286,047)</u>	<u>\$ (144,010)</u>	<u>\$ 142,037</u>	<u>\$ 1,644</u>	<u>\$ (48,820)</u>	<u>\$ 30,521</u>	<u>\$ 79,341</u>
Fund balances, beginning of year			<u>1,909,442</u>				<u>79,147</u>	
Fund balances, end of year			<u>\$ 1,765,432</u>				<u>\$ 109,668</u>	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 349,117	\$ 382,229	\$ 401,870	\$ 19,641
641	641	-	(641)	220,233	217,757	195,640	(22,117)
4,890,378	6,467,349	5,289,302	(1,178,047)	188,243	35,856	28,472	(7,384)
6,730	13,006	-	(13,006)	259,982	286,412	285,867	(545)
-	-	18,977	18,977	1,571	2,309	13,141	10,832
391	287	196	(91)	262,734	366,303	140,066	(226,237)
4,898,140	6,481,283	5,308,475	(1,172,808)	1,281,880	1,290,866	1,065,056	(225,810)
9,782	99,789	32,613	67,176	326,464	408,737	342,309	66,428
120,897	304,075	131,455	172,620	134,995	231,579	204,924	26,655
284,117	687,324	465,989	221,335	59,564	81,798	56,406	25,392
3,826,331	4,504,555	4,001,262	503,293	580,161	859,589	748,272	111,317
17,125	55,831	22,566	33,265	83,955	100,262	82,156	18,106
64,245	263,384	113,217	150,167	249,901	353,397	145,533	207,864
83,139	488,005	242,241	245,764	69,476	169,380	117,005	52,375
4,138	5,662	4,153	1,509	1,927	2,450	459	1,991
485,657	699,469	472,381	227,088	324,647	597,013	246,576	350,437
4,895,431	7,108,094	5,485,877	1,622,217	1,831,090	2,804,205	1,943,640	860,565
2,709	(626,811)	(177,402)	449,409	(549,210)	(1,513,339)	(878,584)	634,755
4,922	3,789	1,902	(1,887)	677,503	926,998	685,886	(241,112)
-	-	-	-	53,966	74,966	47,385	(27,581)
4,922	3,789	1,902	(1,887)	731,469	1,001,964	733,271	(268,693)
<u>\$ 7,631</u>	<u>\$ (623,022)</u>	<u>\$ (175,500)</u>	<u>\$ 447,522</u>	<u>\$ 182,259</u>	<u>\$ (511,375)</u>	<u>\$ (145,313)</u>	<u>\$ 366,062</u>
		487,834				1,227,292	
		<u>\$ 312,334</u>				<u>\$ 1,081,979</u>	



STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	\$ 1,765,432	\$ 109,668	\$ 312,334	\$ 1,081,979
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	369,984	1,067	-	13,989
Other Receivables	66,317	7,513	158,810	140,476
Inventories	4,074	-	5,106	133
Due from Component Units	-	-	-	62,374
Due from Other Governments	-	-	780,772	1,811
Due from Other Funds	52,678	33,740	7,086	327,020
Other Assets	106	(1)	337	1,598
Unearned Revenues	-	(3,250)	(1,947)	(3,023)
Deferred Inflows - Taxes and Assessment Revenues	(376,275)	(822)	(4,256)	(99,199)
Total Revenue Accruals/Adjustments	<u>116,884</u>	<u>38,247</u>	<u>945,908</u>	<u>445,179</u>
Expenditure Accruals/Adjustments:				
Accounts Payable	(386,296)	(64,154)	(730,944)	(89,842)
Due to Component Units	(3,446)	143	(8,720)	(9,310)
Accrued Liabilities	(36,925)	(11,353)	(10,673)	(17,598)
Taxes Payable	(429,841)	-	-	-
Intergovernmental Payables	-	-	(453,609)	-
Due to Other Funds	(124,639)	(8,487)	(40,225)	(60,439)
Total Expenditure Accruals/Adjustments	<u>(981,147)</u>	<u>(83,851)</u>	<u>(1,244,171)</u>	<u>(177,189)</u>
Fund Balances - GAAP Basis	<u>\$ 901,169</u>	<u>\$ 64,064</u>	<u>\$ 14,071</u>	<u>\$ 1,349,969</u>

STATE OF MAINE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING

Fiscal Year Ended June 30, 2025

Statutory/Budgetary Presentation

In accordance with statute, the Governor presents a biennial budget for the General Fund and special revenue funds to the Legislature for enactment or revision. Effective November 27, 1995, a State Constitutional Amendment provided the Governor a “line item” veto of dollar amounts, allowing a dollar substitution for those amounts disapproved, as long as an appropriation or allocation is not increased (or a deappropriation or deallocation decreased) either in the specified line or in any other line in the legislative document. Another Constitutional Amendment requires the State to fund at least 90 percent of the annual cost of future mandates imposed on local governments; any exception requires a two-thirds vote of the elected members of the House and Senate.

Once passed and signed, the budget becomes the financial plan for the next biennium. It includes proposed expenditures for all departments and agencies, interest and debt redemption charges, and expenditures for capital projects to be undertaken and executed during each fiscal year. The budget also includes anticipated revenues and any other means of financing expenditures. The State Budget Officer is required to use the revenue projections of the Revenue Forecasting Committee in preparing the General Fund and Highway Fund budgets.

Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget or separate pieces of legislation. For the year ended June 30, 2025, the legislature increased appropriations to the General Fund by \$138.3 million.

Governmental funds use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation or allocation. Unencumbered appropriations in the General Fund and Highway Fund lapse at June 30 unless, by law, they are carried forward to a subsequent year. For financial statement purposes, unless amounts would create deficits, fund balance is classified based on existing resources, if any, which will liquidate the encumbrances outstanding at June 30 (shown as restrictions, commitments or assignments of fund balance).

The State’s budget is prepared primarily on a cash basis. Sales, income, corporate and fuel taxes include a modified accrual basis adjustment to recognize revenues that are expected to be collected within 60 days of the end of the fiscal year. The Budgetary Comparison Schedule is presented as Required Supplementary Information (RSI) in this report. Actual amounts in this schedule are presented on a budgetary basis. Because this basis differs from accounting principles generally accepted in the United States of America (GAAP), a reconciliation between the budgetary and GAAP basis is presented in the RSI.

The various funds and programs within funds utilize a number of different budgetary control processes. Annual legislative appropriations and revenue estimates are provided for most “operating” funds.

The original executive budget and original legislative appropriations provide general purpose (unrestricted) revenue estimates in order to demonstrate compliance with constitutional provisions. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with controlling related expenditure accounts.

For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2024 - 2025, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of August 9, 2024, and includes encumbrances carried forward from the prior year.

STATE OF MAINE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING

Fiscal Year Ended June 30, 2025

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore, updated revenue estimates available for appropriations as of June 30, 2025 rather than the amounts shown in the original budget, are reported.

The final appropriations budget represents original and supplemental appropriations, carry-forwards, approved transfers, and executive order reductions. Expenditures, transfers out, other financing uses, and encumbrances are combined and classified by policy area rather than being reported by character and function as shown in the GAAP statements. This policy area classification is used to better reflect organizational responsibility and to be more consistent with the budget process.

Compliance at the Legal Level of Budgetary Control

The Budgetary Comparison Schedules by Agency depict budgeted to actual expenditures at the Department level, which is the legal level of budgetary control for all governmental funds. The schedules provide further detail at the agency level within departments for transparency.

STATE OF MAINE
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET)
JUDICIAL PENSION PLAN

Last ten Fiscal Years
(Expressed in Thousands)

	2025	2024	2023
Total Pension Liability			
Service Cost	\$ 1,748	\$ 1,770	\$ 1,734
Interest	4,986	4,915	4,876
Changes in Benefit Terms	55	19	274
Differences Between Expected and Actual Experience	1,098	(110)	(151)
Changes of Assumptions	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(5,627)	(5,434)	(5,095)
Net Change in Total Pension Liability	2,260	1,160	1,638
Beginning Total Pension Liability	78,586	77,426	75,788
Ending Total Pension Liability	80,846	78,586	77,426
Plan Fiduciary Net Position			
Employer Contributions	456	620	868
Member Contributions	732	663	651
Net Investment Income	6,298	5,094	(454)
Transfers	-	730	30
Benefit Payments, Including Refunds of Member Contributions	(5,627)	(5,434)	(5,095)
Administrative Expense	(79)	(71)	(73)
Net Change in Plan Fiduciary Net Position	1,780	1,602	(4,073)
Beginning Plan Fiduciary Net Position	87,423	85,821	89,894
Ending Plan Fiduciary Net Position	89,203	87,423	85,821
Ending Net Pension Liability (Asset)	\$ (8,357)	\$ (8,837)	\$ (8,395)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	110.3 %	111.2 %	110.8 %
Covered Payroll	\$ 9,568	\$ 8,658	\$ 8,502
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(87.3)%	(102.1)%	(98.7)%

	2022	2021	2020	2019	2018	2017	2016
\$	1,547	\$ 1,609	\$ 1,597	\$ 1,487	\$ 1,466	\$ 1,397	\$ 1,606
	4,823	4,645	4,582	4,442	4,358	4,155	3,863
	-	-	-	-	-	2,017	28
	1,066	943	(1,087)	469	(893)	(1,746)	2,238
	836	-	-	698	-	2,490	-
	(4,681)	(4,317)	(4,068)	(3,805)	(3,652)	(3,502)	(3,384)
	3,591	2,880	1,024	3,291	1,279	4,811	4,351
	72,197	69,317	68,293	65,002	63,723	58,912	54,561
	75,788	72,197	69,317	68,293	65,002	63,723	58,912
	739	716	1,213	1,179	1,144	1,078	979
	636	617	620	604	585	550	550
	19,280	2,165	4,709	6,607	7,800	130	1,055
	473	765	(3)	-	-	6,343	-
	(4,681)	(4,317)	(4,068)	(3,805)	(3,652)	(3,502)	(3,384)
	(68)	(69)	(68)	(62)	(57)	(48)	(49)
	16,379	(123)	2,403	4,523	5,820	4,551	(849)
	73,515	73,638	71,235	66,712	60,892	56,341	57,190
	89,894	73,515	73,638	71,235	66,712	60,892	56,341
\$	(14,106)	\$ (1,318)	\$ (4,321)	\$ (2,942)	\$ (1,710)	\$ 2,831	\$ 2,571
	118.6 %	101.8 %	106.2 %	104.3 %	102.6 %	95.6 %	95.6 %
\$	8,312	\$ 8,054	\$ 8,117	\$ 7,894	\$ 7,640	\$ 7,188	\$ 7,186
	(169.7)%	(16.4)%	(53.2)%	(37.3)%	(22.4)%	39.4 %	35.8 %

STATE OF MAINE
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET)
LEGISLATIVE PLAN

Last ten Fiscal Years
(Expressed in Thousands)

	2025	2024	2023
Total Pension Liability			
Service Cost	\$ 392	\$ 311	\$ 376
Interest	733	703	699
Changes in Benefit Terms	15	6	44
Differences Between Expected and Actual Experience	(308)	65	(200)
Changes of Assumptions	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(670)	(655)	(619)
Net Change in Total Pension Liability	162	430	300
Beginning Total Pension Liability	11,409	10,979	10,679
Ending Total Pension Liability	11,571	11,409	10,979
Plan Fiduciary Net Position			
Employer Contributions	15	6	44
Member Contributions	184	227	162
Net Investment Income	1,232	975	(90)
Benefit Payments, Including Refunds of Member Contributions	(670)	(655)	(619)
Transfers	-	-	-
Administrative Expense	(15)	(13)	(12)
Net Change in Plan Fiduciary Net Position	746	540	(515)
Beginning Plan Fiduciary Net Position	16,685	16,145	16,660
Ending Plan Fiduciary Net Position	17,431	16,685	16,145
Ending Net Pension Liability (Asset)	\$ (5,860)	\$ (5,276)	\$ (5,166)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	150.7 %	146.2 %	147.1 %
Covered Payroll	\$ 3,057	\$ 2,962	\$ 2,802
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(191.7)%	(178.1)%	(184.4)%

	2022	2021	2020	2019	2018	2017	2016
\$	287	\$ 335	\$ 297	\$ 282	\$ 265	\$ 412	\$ 451
	658	611	578	565	530	549	545
	-	-	-	-	-	-	4
	181	414	239	(91)	158	(246)	(508)
	374	-	-	100	-	(147)	-
	(550)	(698)	(607)	(460)	(469)	(446)	(439)
	950	662	507	396	484	122	53
	9,729	9,067	8,560	8,164	7,680	7,558	7,505
	10,679	9,729	9,067	8,560	8,164	7,680	7,558
	-	-	-	-	-	-	4
	215	157	221	154	202	138	193
	3,560	391	845	1,176	1,366	48	206
	(550)	(698)	(607)	-	-	-	-
	(3)	366	45	(460)	(469)	(446)	(439)
	(12)	(14)	(12)	(11)	(9)	(8)	(9)
	3,210	202	492	859	1,090	(268)	(45)
	13,450	13,248	12,756	11,897	10,807	11,075	11,120
	16,660	13,450	13,248	12,756	11,897	10,807	11,075
\$	(5,981)	\$ (3,721)	\$ (4,181)	\$ (4,196)	\$ (3,733)	\$ (3,127)	\$ (3,517)
	156.0 %	138.2 %	146.1 %	149.0 %	145.7 %	140.7 %	146.5 %
\$	2,802	\$ 2,814	\$ 2,660	\$ 2,711	\$ 2,651	\$ 2,590	\$ 2,528
	(213.5)%	(132.2)%	(157.2)%	(154.8)%	(140.8)%	(120.7)%	(139.1)%

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS

Last ten Fiscal Years
(Expressed in Thousands)

	2025	2024	2023
Judicial Pension Plan			
Actuarially Determined Contribution	\$ 426	\$ 401	\$ 602
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(426)</u>	<u>(401)</u>	<u>(602)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	\$ 10,256	\$ 9,568	\$ 8,658
Contributions as a percentage of covered payroll	4.15 %	4.19 %	6.95 %
Legislative Pension Plan			
Actuarially Determined Contribution	\$ -	\$ -	\$ -
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered Payroll	\$ 4,662	\$ 3,057	\$ 2,962
Contributions as a Percentage of Covered Payroll	0.00 %	0.00 %	0.00 %

(continued)

2022	2021	2020	2019	2018	2017	2016
\$ 594 (594)	\$ 739 (739)	\$ 716 (716)	\$ 1,213 (1,213)	\$ 1,179 (1,179)	\$ 1,144 (1,144)	\$ 1,078 (1,078)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 8,502 6.99 %	\$ 8,312 8.89 %	\$ 8,054 8.89 %	\$ 8,117 14.94 %	\$ 7,894 14.94 %	\$ 7,640 14.97 %	\$ 7,188 15.00 %
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,801 0.00 %	\$ 2,802 0.00 %	\$ 2,814 0.00 %	\$ 2,660 0.00 %	\$ 2,711 0.00 %	\$ 2,651 0.00 %	\$ 2,590 0.00 %

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS (CONTINUED)

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2025 can be found in the June 30, 2022 actuarial valuation report.

Notes to Schedule

**Key Methods and Assumptions Used to Determine
Contribution Rates**

Valuation date	June 30, 2021 June 30, 2025 actuarially determined contribution rates are calculated based on 2022 liabilities developed as a roll-forward of the 2021 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2022 using preliminary assets as of June 30, 2022.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level percent of payroll, open 10-year amortization
Discount rate	6.5%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75%
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Most recent review of plan experience	2020
Mortality	Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

Former and future actuarial assumptions:**Discount rate and other information**

Change in assumptions 2021: Demographic assumptions were changed based on recommendations from the July 1, 2015 to June 30, 2020 experience study as well as the actuarial audit completed of the June 30, 2020 actuarial valuation, first effective with the development of the NPL as of June 30, 2021. The annual rate of investment interest was also reduced from 6.75 percent to 6.50 percent effective as of this same date.

Discount rate

Change in assumptions 2018: The annual rate of investment return was reduced from 6.875 percent used at funding to 6.75 percent. The impact of this change is included in the TPL reconciliation as a change in assumptions.

Other information

Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first \$20,000 of annual benefit, indexed. This is a permanent increase in retiree's benefit. The \$20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.

STATE OF MAINE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE EMPLOYEES AND TEACHERS PLAN - STATE EMPLOYEES ONLY

Last ten Fiscal Years
(Expressed in Thousands)

	2025	2024	2023
State Employees - Primary Government			
Proportion of the Collective Net Pension Liability	94.558490 %	94.845535 %	95.160789 %
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 821,410	\$ 882,298	\$ 883,273
Covered Payroll	\$ 824,519	\$ 775,283	\$ 733,368
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	99.62 %	113.80 %	120.44 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	86.00 %	84.50 %	84.10 %
Maine Community College System - DCU			
Proportion of the Collective Net Pension Liability	4.809223 %	4.512781 %	4.205865 %
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 41,777	\$ 41,980	\$ 39,038
Covered Payroll	\$ 43,964	\$ 39,033	\$ 32,896
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	95.03 %	107.55 %	118.67 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	86.00 %	84.50 %	84.10 %
Non-Major and Formerly Reported Component Units			
Proportion of the Collective Net Pension Liability	0.632287 %	0.641684 %	0.633346 %
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 5,492	\$ 5,969	\$ 5,878
Covered Payroll	\$ 5,645	\$ 5,415	\$ 5,029
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	97.29 %	110.23 %	116.88 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	86.00 %	84.50 %	84.10 %
Total SETP - State of Maine Employees			
Proportion of the Collective Net Pension Liability	100.000000 %	100.000000 %	100.000000 %
Proportionate Share (Amount) of the Collective Net Pension Liability	\$ 868,679	\$ 930,247	\$ 928,189
Covered Payroll	\$ 874,128	\$ 819,731	\$ 771,293
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	99.38 %	113.48 %	120.34 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	86.00 %	84.50 %	84.10 %

Notes to Schedule:

As of June 30, 2025, the SETP includes the State, 1 major component unit, 1 non-major component unit and 1 formerly reported component unit in its definition of state employees. Totals for the non-major and formerly reported component unit have been combined.

2022	2021	2020	2019	2018	2017	2016
95.299042 %	95.090771 %	94.775523 %	94.652308 %	94.829879 %	94.498857 %	92.825250 %
\$ 615,520	\$ 1,129,955	\$ 991,147	\$ 993,438	\$ 1,080,168	\$ 1,269,080	\$ 950,597
\$ 726,579	\$ 688,817	\$ 627,615	\$ 608,615	\$ 601,904	\$ 588,415	\$ 520,115
84.71 %	164.04 %	157.92 %	163.23 %	179.46 %	215.68 %	182.77 %
88.60 %	77.30 %	79.41 %	78.70 %	76.10 %	71.00 %	76.80 %
4.085948 %	4.295313 %	4.610452 %	4.695230 %	4.605776 %	4.969634 %	6.640831 %
\$ 26,390	\$ 51,041	\$ 48,215	\$ 49,280	\$ 52,462	\$ 66,740	\$ 68,007
\$ 32,619	\$ 32,713	\$ 31,535	\$ 31,106	\$ 30,867	\$ 32,627	\$ 32,008
80.90 %	156.03 %	152.89 %	158.43 %	169.96 %	204.55 %	212.47 %
88.60 %	77.30 %	79.41 %	78.70 %	76.10 %	71.00 %	76.80 %
0.615050 %	0.613916 %	0.614025 %	0.652461 %	0.564345 %	0.531509 %	0.533919 %
\$ 3,972	\$ 7,295	\$ 6,421	\$ 6,848	\$ 6,428	\$ 7,138	\$ 5,468
\$ 4,768	\$ 4,571	\$ 4,115	\$ 4,240	\$ 3,700	\$ 3,424	\$ 3,927
83.31 %	159.59 %	156.04 %	161.51 %	173.73 %	208.47 %	139.24 %
88.60 %	77.30 %	79.41 %	78.70 %	76.10 %	71.00 %	76.80 %
100.000000 %	100.000000 %	100.000000 %	100.000000 %	100.000000 %	100.000000 %	100.000000 %
\$ 645,881	\$ 1,188,292	\$ 1,045,784	\$ 1,049,566	\$ 1,139,058	\$ 1,342,959	\$ 1,024,072
\$ 763,966	\$ 726,101	\$ 663,265	\$ 643,961	\$ 636,471	\$ 624,466	\$ 556,050
84.54 %	163.65 %	157.67 %	162.99 %	178.96 %	215.06 %	184.17 %
88.60 %	77.30 %	79.41 %	78.70 %	76.10 %	71.00 %	76.80 %

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS
STATE EMPLOYEES AND TEACHERS PLAN - STATE EMPLOYEES ONLY

Last ten Fiscal Years
(Expressed in Thousands)

	2025	2024	2023	2022
State Employees - Primary Government				
Actuarially Determined Contribution	\$ 199,403	\$ 177,789	\$ 177,882	\$ 167,081
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(199,403)</u>	<u>(177,789)</u>	<u>(177,882)</u>	<u>(167,081)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 925,021	\$ 824,519	\$ 775,283	\$ 733,367
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	21.56 %	21.56 %	22.94 %	22.78 %
Maine Community College System - DCU				
Actuarially Determined Contribution	\$ 9,667	\$ 9,047	\$ 8,468	\$ 7,385
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(9,667)</u>	<u>(9,047)</u>	<u>(8,468)</u>	<u>(7,385)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 46,861	\$ 43,964	\$ 39,033	\$ 32,896
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	20.63 %	20.58 %	21.69 %	22.45 %
Combined Non-major and Formerly Reported Component Units				
Actuarially Determined Contribution	\$ 1,135	\$ 1,189	\$ 1,204	\$ 926
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(1,135)</u>	<u>(1,189)</u>	<u>(1,204)</u>	<u>(926)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 5,360	\$ 5,645	\$ 5,415	\$ 5,030
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	21.18 %	21.06 %	22.23 %	18.41 %
Total SETP - State of Maine Employees				
Actuarially Determined Contribution	\$ 210,205	\$ 188,025	\$ 187,554	\$ 175,392
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(210,205)</u>	<u>(188,025)</u>	<u>(187,554)</u>	<u>(175,392)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 977,242	\$ 874,128	\$ 819,731	\$ 771,293
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered Payroll	21.51 %	21.51 %	22.88 %	22.74 %

(continued)

2021	2020	2019	2018	2017	2016
\$ 164,103 (164,103)	\$ 155,628 (155,628)	\$ 152,439 (152,439)	\$ 148,115 (148,115)	\$ 141,295 (141,295)	\$ 136,139 (136,139)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 726,579 22.59 %	\$ 688,817 22.59 %	\$ 627,615 24.29 %	\$ 608,615 24.34 %	\$ 601,904 23.47 %	\$ 588,415 23.14 %
\$ 7,036 (7,036)	\$ 7,030 (7,030)	\$ 7,416 (7,416)	\$ 7,347 (7,347)	\$ 6,863 (6,863)	\$ 7,159 (7,159)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 32,619 21.57 %	\$ 32,713 21.49 %	\$ 31,535 23.52 %	\$ 31,106 23.62 %	\$ 30,867 22.23 %	\$ 32,627 21.94 %
\$ 1,059 (1,059)	\$ 1,005 (1,005)	\$ 987 (987)	\$ 1,021 (1,021)	\$ 840 (840)	\$ 766 (766)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,768 22.21 %	\$ 4,571 21.99 %	\$ 4,115 23.99 %	\$ 4,240 24.08 %	\$ 3,700 22.70 %	\$ 3,424 22.37 %
\$ 172,198 (172,198)	\$ 163,663 (163,663)	\$ 160,842 (160,842)	\$ 156,483 (156,483)	\$ 148,998 (148,998)	\$ 144,064 (144,064)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 763,966 22.54 %	\$ 726,101 22.54 %	\$ 663,265 24.25 %	\$ 643,961 24.30 %	\$ 636,471 23.41 %	\$ 624,466 23.07 %

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS
STATE EMPLOYEES AND TEACHERS PLAN - STATE EMPLOYEES ONLY (CONTINUED)

Notes to Schedule:

The SETP includes the State, 1 major component unit, 1 non-major component unit and 1 formerly reported component unit in its definition of state employees. Totals for the non-major and formerly reported component unit have been combined.

Valuation date	June 30, 2021
	June 30, 2025 actuarially determined contribution rates are calculated based on 2022 liabilities developed as a roll-forward of the 2021 valuation liability, adjusted for expected experience and any assumption or methodology changes during fiscal 2022 using preliminary assets at June 30, 2022.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed periods. Cumulative UAL amortized over a remaining 7 years from July 1, 2021. Subsequent layers of UAL are amortized over individual 20-year periods.
Discount rate	6.50%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.
Most recent review of plan experience	2020

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2025 can be found in the June 30, 2022 actuarial valuation report.

Former and future actuarial assumptions:

Discount rate and other assumptions

Change in assumptions 2021: Demographic assumptions were changed based on recommendations from the July 1, 2015 to June 30, 2020 experience study as well as the actuarial audit completed of the June 30, 2020 actuarial valuation, first effective with the development of the NPL as of June 30, 2021. The annual rate of investment interest was also reduced from 6.75 percent to 6.50 percent effective as of this same date.

Discount rate

Change in assumptions 2018: The annual rate of investment return was reduced from 6.875 percent used at funding to 6.75 percent. The impact of this change is included in the TPL reconciliation as a change in assumptions.

Other information

Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first \$20,000 of annual benefit, indexed. This is a permanent increase in retiree's benefit. The \$20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.

STATE OF MAINE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE EMPLOYEES AND TEACHERS PLAN - TEACHERS

Last ten Fiscal Years
(Expressed in Thousands)

	2025	2024	2023
Non-employer Contributing Entity's Proportion of:			
Percentage of the Collective Net Pension Liability	94.078955 %	93.677413 %	93.504374 %
Amount of the Collective Net Pension Liability	\$ 1,372,185	\$ 1,517,141	\$ 1,484,911
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	- %	86.80 %	86.70 %

2022	2021	2020	2019	2018	2017	2016
94.381819 %	95.704826 %	95.540502 %	95.298384 %	95.016790 %	95.002519 %	95.036038 %
\$ 845,826	\$ 1,632,252	\$ 1,465,876	\$ 1,349,443	\$ 1,452,536	\$ 1,766,662	\$ 1,350,118
92.10 %	83.10 %	84.50 %	85.20 %	83.30 %	79.00 %	83.60 %

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS
STATE EMPLOYEES AND TEACHERS PLAN - TEACHERS

Last ten Fiscal Years
(Expressed in Thousands)

	2025	2024	2023
Teachers - Non-Employer Contributions			
Actuarially Determined Contribution	\$ 220,828	\$ 214,918	\$ 200,007
Contributions in Relation to the Actuarially Determined Non-Employer Contribution	<u>(220,828)</u>	<u>(214,918)</u>	<u>(200,007)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer Contributions			
Actuarially Determined Contribution	\$ 81,675	\$ 81,730	\$ 70,616
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(81,675)</u>	<u>(81,730)</u>	<u>(70,616)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total SETP - Teachers			
Actuarially Determined Contribution	\$ 302,503	\$ 296,647	\$ 270,623
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(302,503)</u>	<u>(296,647)</u>	<u>(270,623)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

2022	2021	2020	2019	2018	2017	2016
\$ 194,229 (194,229)	\$ 179,330 (179,330)	\$ 174,530 (174,530)	\$ 132,981 (132,981)	\$ 129,422 (129,422)	\$ 116,080 (116,080)	\$ 112,478 (112,478)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 68,677 (68,677)	\$ 67,031 (67,031)	\$ 61,582 (61,582)	\$ 56,761 (56,761)	\$ 54,472 (54,472)	\$ 47,659 (47,659)	\$ 45,349 (45,349)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 262,906 (262,906)	\$ 246,361 (246,361)	\$ 236,112 (236,112)	\$ 189,742 (189,742)	\$ 183,894 (183,894)	\$ 163,739 (163,739)	\$ 157,827 (157,827)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS
STATE EMPLOYEES AND TEACHERS PLAN - TEACHERS (CONTINUED)

Notes to Schedule:

Valuation date	June 30, 2021 June 30, 2025 actuarially determined contribution rates are calculated based on 2022 liabilities developed as a roll-forward of the 2021 valuation liability, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2022 using preliminary assets as of June 30, 2022.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed period amortization of the UAL prior to 2012 amortized over a remaining 7 years from July 1, 2021. Subsequent layers of UAL are amortized over individual 20 year periods.
Discount rate	6.50%
Amortization growth rate	2.75%
Price inflation	2.75%
Salary increases	2.75% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.
Most recent review of plan experience	2020
A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2025 can be found in the June 30, 2022 actuarial valuation report.	
Discount rate and other information	Change in assumptions 2021: Demographic assumptions were changed based on recommendations from the July 1, 2015 to June 30, 2020 experience study as well as the actuarial audit completed of the June 30, 2020 actuarial valuation, first effective with the development of the NPL as of June 30, 2021. The annual rate of investment interest was also reduced from 6.75 percent to 6.50 percent effective as of this same date.
Discount rate	Change in assumptions 2018: The annual rate of investment return was reduced from 6.875 percent used at funding to 6.75 percent. The impact of this change is included in the TPL reconciliation as a change in assumptions.
Other information	Change in assumptions 2016: the amounts reported as changes of assumptions were due to assumptions that were updated based on the experience study covering the period from June 30, 2012 through June 30, 2015.

Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first \$20,000 of annual benefit, indexed. This is a permanent increase in retiree's benefit. The \$20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.

STATE OF MAINE
SCHEDULE OF CHANGES IN
THE NET OPEB LIABILITIES
HEALTHCARE PLANS - STATE EMPLOYEES AND TEACHERS

Last Nine Fiscal Years
(Expressed in Thousands)

	2025	2024	2023
State Employee Healthcare Plan			
Total OPEB Liability			
Beginning Total Liability	\$ 787,292	\$ 1,100,482	\$ 1,077,787
Service Cost	12,856	12,482	18,237
Interest	49,138	69,701	68,578
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	38,808	(373,843)	19,145
Changes of Assumptions Discount Rate	-	-	-
Changes of Assumptions Others	-	61,043	-
Benefit Payments, Including Refunds of Member Contributions	(89,782)	(82,573)	(83,265)
Net Change in Total OPEB Liability	11,020	(313,190)	22,695
Ending Total OPEB Liability	798,312	787,292	1,100,482
Plan Fiduciary Net Position			
Beginning Plan Fiduciary Net Position	496,042	432,679	331,180
Employer Contributions	89,782	82,573	83,265
Discretionary/Prefunded	37,071	2,000	65,000
Net Investment Income	67,421	61,365	36,502
Benefit Payments, Including Refunds of Member Contributions	(89,782)	(82,573)	(83,265)
Administrative Expense	(2)	(2)	(3)
Net Change in Plan Fiduciary Net Position	104,490	63,363	101,499
Ending Plan Fiduciary Net Position	600,532	496,042	432,679
Ending Net OPEB Liability	\$ 197,780	\$ 291,250	\$ 667,803
Proportion			
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	75.2 %	63.0 %	39.3 %
Covered Payroll	\$ 939,940	\$ 835,682	\$ 785,462
Net OPEB Liability as a Percentage of Covered Payroll	21.0 %	34.9 %	85.0 %
Teacher Healthcare Plan			
Total OPEB Liability			
Beginning Total Liability	\$ 972,024	\$ 1,006,594	\$ 1,480,042
Service Cost	20,552	19,954	45,372
Interest	63,366	65,569	53,324
Changes in Benefit Terms	-	77,309	-
Differences Between Expected and Actual Experience	(3,323)	(180,235)	2,824
Changes of Assumptions Discount Rate	-	-	(536,445)
Changes of Assumptions Others	-	18,980	-
Benefit Payments, Including Refunds of Member Contributions	(35,980)	(36,147)	(38,523)
Net Change in Total OPEB Liability	44,615	(34,570)	(473,448)
Ending Total OPEB Liability	1,016,639	972,024	1,006,594
Plan Fiduciary Net Position			
Beginning Plan Fiduciary Net Position	115,312	103,000	-
Non-Employer Contributions	35,980	36,147	38,523
Discretionary/Prefunded	-	-	103,000
Net Investment Income	15,105	12,314	-
Benefit Payments, Including Refunds of Member Contributions	(35,980)	(36,147)	(38,523)
Administrative Expense	(2)	(2)	-
Net Change in Plan Fiduciary Net Position	15,103	12,312	103,000
Ending Plan Fiduciary Net Position	130,415	115,312	103,000
Ending Net OPEB Liability	\$ 886,224	\$ 856,712	\$ 903,594
Proportion			
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	12.8 %	11.9 %	10.2 %
Covered Payroll	\$ 1,593,797	\$ 1,562,947	\$ 1,492,683
Net OPEB Liability as a Percentage of Covered Payroll	55.6 %	54.8 %	60.5 %

This information relates to the OPEB Plans at June 30, 2025 administered through trusts. This is not the employer's or non-employer contributing entity's plan. The Teacher's Plan was funded on June 30, 2023.

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

	2022	2021	2020	2019	2018	2017
\$	1,236,901	\$ 1,180,487	\$ 1,226,111	\$ 1,199,512	\$ 1,161,320	\$ 1,143,542
	17,706	18,311	17,777	17,425	16,917	12,246
	79,021	78,426	81,020	79,128	76,921	75,650
	554	-	-	-	-	-
	(59,931)	6,689	(56,455)	20,875	17,725	-
	-	28,083	-	-	-	-
	(116,306)	-	652	-	5,241	-
	(80,158)	(75,095)	(88,618)	(90,829)	(78,612)	(70,118)
	(159,114)	56,414	(45,624)	26,599	38,192	17,778
	1,077,787	1,236,901	1,180,487	1,226,111	1,199,512	1,161,320
	382,842	291,559	277,703	256,860	233,596	203,088
	82,158	77,095	88,618	92,829	80,612	74,118
	-	-	-	-	-	-
	(53,659)	89,286	13,859	18,846	21,270	26,513
	(80,158)	(75,095)	(88,618)	(90,829)	(78,612)	(70,118)
	(3)	(3)	(3)	(3)	(6)	(5)
	(51,662)	91,283	13,856	20,843	23,264	30,508
	331,180	382,842	291,559	277,703	256,860	233,596
\$	746,607	\$ 854,059	\$ 888,928	\$ 948,408	\$ 942,652	\$ 927,724
	30.7 %	31.0 %	24.7 %	22.6 %	21.4 %	20.1 %
\$	737,707	\$ 736,411	\$ 687,595	\$ 626,384	\$ 612,195	\$ 574,663
	101.2 %	116.0 %	129.3 %	151.4 %	154.0 %	161.4 %

STATE OF MAINE
SCHEDULE OF CHANGES IN
THE NET OPEB LIABILITY
GROUP LIFE INSURANCE PLAN - STATE EMPLOYEES AND TEACHERS

Last Nine Fiscal Years
(Expressed in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total OPEB Liability			
Beginning Total Liability	\$ 248,730	\$ 245,450	\$ 235,060
Service Cost	3,111	2,934	2,856
Interest	16,023	16,241	15,219
Changes of Assumptions Other	-	1,754	-
Differences Between Expected and Actual Experience	-	(10,415)	-
Changes of Assumptions Discount Rate	-	-	-
Benefit Payments, Including Refunds of Member Contributions	<u>(10,814)</u>	<u>(7,234)</u>	<u>(7,685)</u>
Net Change in Total OPEB Liability	<u>8,320</u>	<u>3,280</u>	<u>10,390</u>
Ending Total OPEB Liability	<u>257,050</u>	<u>248,730</u>	<u>245,450</u>
Plan Fiduciary Net Position			
Beginning Plan Fiduciary Net Position	164,475	139,836	123,155
Employer and Non-Employer Contributions	12,911	12,163	11,053
Net Investment Income	22,077	20,683	14,264
Benefit Payments, Including Refunds of Member Contributions	(10,814)	(7,234)	(7,685)
Administrative Expense	<u>(1,054)</u>	<u>(973)</u>	<u>(951)</u>
Net Change in Plan Fiduciary Net Position	<u>23,120</u>	<u>24,639</u>	<u>16,681</u>
Ending Plan Fiduciary Net Position	<u>187,595</u>	<u>164,475</u>	<u>139,836</u>
Ending Net OPEB Liability	<u>\$ 69,455</u>	<u>\$ 84,255</u>	<u>\$ 105,614</u>
Proportion			
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	73.0 %	66.1 %	57.0 %
Covered Payroll	\$ 1,782,495	\$ 1,734,788	\$ 1,644,477
Net OPEB Liability as a Percentage of Covered Payroll	3.9 %	4.9 %	6.4 %

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

	2022		2021		2020		2019		2018		2017
\$	223,516	\$	213,309	\$	204,432	\$	196,263	\$	183,723	\$	175,647
	2,757		2,683		2,191		2,132		2,122		2,065
	15,240		13,847		14,275		13,155		12,531		12,015
	-		-		-		-		-		-
	365		-		589		-		1,957		-
	-		291		-		-		3,200		-
	(6,818)		(6,614)		(8,178)		(7,118)		(7,270)		(6,004)
	11,544		10,207		8,877		8,169		12,540		8,076
	235,060		223,516		213,309		204,432		196,263		183,723
	140,600		105,617		100,617		94,287		86,883		77,416
	10,585		9,867		9,311		7,756		7,639		6,921
	(20,387)		32,552		4,886		6,418		7,805		9,886
	(6,818)		(6,614)		(8,178)		(7,118)		(7,270)		(6,004)
	(825)		(822)		(1,019)		(726)		(770)		(1,336)
	(17,445)		34,983		5,000		6,330		7,404		9,467
	123,155		140,600		105,617		100,617		94,287		86,883
\$	111,905	\$	82,916	\$	107,692	\$	103,815	\$	101,976	\$	96,840
	52.4 %		62.9 %		49.5 %		49.2 %		48.0 %		47.3 %
\$	1,600,465	\$	1,525,193	\$	1,484,373	\$	1,380,619	\$	1,343,669	\$	1,277,009
	7.0 %		5.4 %		7.3 %		7.5 %		7.6 %		7.6 %

STATE OF MAINE
SCHEDULE OF CHANGES IN
TOTAL OPEB LIABILITY
HEALTHCARE PLAN - TEACHERS

Fiscal Years 2017 - 2022
(Expressed in Thousands)

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Beginning Total Liability	\$ 1,905,991	\$ 1,441,260	\$ 1,235,862	\$ 1,248,326	\$ 1,323,731	\$ 1,323,731
Service Cost	68,197	44,132	33,787	35,795	42,214	-
Interest	43,314	51,449	48,502	45,495	38,521	-
Changes in Benefit Terms	325,417	-	-	-	-	-
Contribution - Non-Employer Contributing Entity	(28,719)	(31,133)	(33,032)	(26,855)	(28,848)	-
Differences Between Expected and Actual Experience	(457,831)	846	59,296	(5,178)	-	-
Changes of Assumptions Discount Rate	12,837	399,437	90,624	(61,721)	(170,420)	-
Changes of Assumptions - Others	(79,412)	-	6,221	-	-	-
Differences Between Expected and Actual Investment Earnings	-	-	-	-	43,128	-
Net Change in Total OPEB Liability	(116,197)	464,731	205,398	(12,464)	(75,405)	-
Ending Total OPEB Liability	1,789,794	1,905,991	1,441,260	1,235,862	1,248,326	1,323,731

Proportion

Covered-Employee Payroll	\$ 1,414,447	\$ 1,276,975	\$ 1,260,742	\$ 1,156,592	\$ 1,149,126	\$ 1,125,444
Net OPEB Liability as Percentage of Covered Employee Payroll	126.5 %	149.3 %	114.3 %	106.9 %	107.5 %	117.6 %
State's Proportionate Share of the Collective Total OPEB	78 %	80 %	75 %	74 %	83 %	83 %

This information relates to the OPEB Plan up to the date that the plan was funded on June 30, 2023. The plan did not previously accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The plan was funded on a pay-as-you go basis prior to June 30, 2023. Information related to the funded plan is included in a schedule titled "Changes in Net OPEB Liability - Healthcare - State and Teachers."



STATE OF MAINE
SCHEDULE OF CHANGES IN
TOTAL OPEB LIABILITY
HEALTHCARE PLAN - FIRST RESPONDERS

Last Nine Fiscal Years
(Expressed in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total OPEB Liability			
Beginning Total Liability	\$ 29,302	\$ 29,949	\$ 32,680
Service Cost	1,295	1,246	1,639
Interest	1,096	1,079	729
Changes in Benefit Terms	-	-	-
Contribution - Employee	(910)	(769)	(837)
Contribution - Non-Employer Contributing Entity	(405)	(829)	(397)
Administrative Expenses	145	134	98
Differences Between Expected and Actual Experience	(535)	(1,108)	(287)
Changes of Assumptions Discount Rate	(701)	(271)	(3,676)
Changes of Assumptions - Others	-	(129)	-
Net Change in Total OPEB Liability	<u>(15)</u>	<u>(647)</u>	<u>(2,731)</u>
Ending Total OPEB Liability	<u>\$ 29,287</u>	<u>\$ 29,302</u>	<u>\$ 29,949</u>

Proportion

Covered Employee Payroll	\$ 60,697	\$ 51,267	\$ 55,806
Total OPEB Liability as Percentage of Covered Employee Payroll	48.3 %	57.2 %	53.7 %
State's Proportionate Share of the Collective Total OPEB	17 %	24 %	24 %

The plan does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. This plan is funded on a pay-as-you go basis.

Per GASB Statement No. 75, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

	2022		2021		2020		2019		2018		2017
\$	31,926	\$	27,506	\$	19,232	\$	18,980	\$	26,052	\$	-
	1,553		1,142		751		776		1,836		-
	731		989		763		698		786		-
	165		-		8,247		-		-		-
	(693)		(696)		(592)		(617)		(618)		-
	(218)		(242)		(48)		(5)		(78)		-
	72		132		92		98		99		-
	(1,641)		(210)		(863)		(191)		(2,909)		-
	138		3,305		939		(507)		(1,325)		-
	647		-		(1,015)		-		(4,863)		-
	754		4,420		8,274		252		(7,072)		-
\$	32,680	\$	31,926	\$	27,506	\$	19,232	\$	18,980	\$	26,052

\$	46,207	\$	46,395	\$	66,360	\$	64,427	\$	62,551	\$	55,651
	70.7 %		68.8 %		41.4 %		29.9 %		30.3 %		46.8 %
	24 %		24 %		23 %		13 %		23 %		23 %

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
STATE FUNDED OPEB PLANS

Last Nine Fiscal Years
(Expressed in Thousands)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
State Employee Healthcare			
Actuarially Determined Contribution	\$ 40,033	\$ 27,551	\$ 74,913
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(126,853)</u>	<u>(84,573)</u>	<u>(148,265)</u>
Contribution Deficiency (Excess)	<u>\$ (86,820)</u>	<u>\$ (57,022)</u>	<u>\$ (73,352)</u>
 Covered Payroll	 \$ 939,940	 \$ 835,682	 \$ 785,462
Contributions as a Percentage of Covered Payroll	13.50 %	10.12 %	18.88 %
 State Employee and Teacher Group Life Insurance Benefit Plan			
Actuarially Determined Contribution	\$ 13,416	\$ 13,057	\$ 11,593
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(12,911)</u>	<u>(12,163)</u>	<u>11,053</u>
Contribution Deficiency (Excess)	<u>\$ 505</u>	<u>\$ 894</u>	<u>\$ 540</u>
 Covered Payroll	 \$ 1,782,495	 \$ 1,734,788	 \$ 1,644,477
Contributions as a Percentage of Covered Payroll	0.72 %	0.70 %	0.67 %
 Teacher Healthcare			
Actuarially Determined Contribution	\$ 108,458	\$ 99,341	\$ 106,617
Contributions in Relation to the Actuarially Determined Employer Contribution	<u>(35,980)</u>	<u>(36,147)</u>	<u>(141,523)</u>
Contribution Deficiency (Excess)	<u>\$ 72,478</u>	<u>\$ 63,194</u>	<u>\$ (34,906)</u>
 Covered Payroll	 \$ 1,593,797	 \$ 1,562,947	 \$ 1,492,683
Contributions as a Percentage of Covered Payroll	2.26 %	2.31 %	9.48 %

Notes to Schedule:

Actuarial assumptions for both Health Insurance plans and Group Life Insurance plans:

All plans use the same basic assumptions including: the entry age normal actuarial cost method, inflation based on 2.75 percent, and a 5-year smoothed market asset valuation; and an investment interest rate and discount rate of 6.5 percent. Salary increases mirror the inflation rate plus a merit component. Plans based their mortality assumptions using the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC 2020 model adjusted for experience. The experience study used is the one from July 1, 2015 to June 30, 2020. The unfunded actuarial liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis.

State Health Insurance

The valuation date is June 30, 2025. The participation rate for future retirees is 95 percent of active participants currently enrolled. Experience losses (gains) are amortized over a 10-year fixed period. Assumption changes and plan changes are amortized over a period to June 30, 2037. The unfunded liability will be fully recognized by June 30, 2037. The initial medical trend rate started at 5.65 percent. The ultimate medical trend rate of 4.19 percent is used at 2075. The State actively manages premium increases within the statutory cap, so healthcare cost increases are limited to no more than inflation plus 3 percent in any year.

Group Life Insurance

The valuation date is June 30, 2025. The ADCs for 2025 and 2024 were based on the June 30, 2020 valuation rolled forward and adjusted for changes in assumptions. The discount rate is 6.75%. The participation rate for future retirees is 100 percent of those currently enrolled.

Teacher Health Insurance

The valuation date is 2025 and establishment of a funded Irrevocable OPEB Trust was June 30, 2023. Prior to that date the State funded the plan on a pay-as-you-go basis. 93.33 percent of all Teachers are assumed to be eligible to receive a State contribution at retirement. 75 percent of active participants currently with coverage continue coverage at retirement. One third of active participants who have currently waived coverage elect coverage at retirement. The initial medical trend rate was 5.65 percent. The ultimate medical trend rate of 4.19 percent is used at 2075. Assumption changes and plan changes are amortized over a period to June 30, 2037. The unfunded liability will be fully recognized by June 30, 2037.

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
\$ 52,922 <u>(82,158)</u>	\$ 58,819 <u>(77,095)</u>	\$ 56,241 <u>(88,618)</u>	\$ 71,363 <u>(92,829)</u>	\$ 71,179 <u>(80,612)</u>	\$ 69,000 <u>(74,000)</u>
<u>\$ (29,236)</u>	<u>\$ (18,276)</u>	<u>\$ (32,377)</u>	<u>\$ (21,466)</u>	<u>\$ (9,433)</u>	<u>\$ (5,000)</u>
\$ 737,707 11.14 %	\$ 736,411 10.47 %	\$ 687,595 12.89 %	\$ 626,384 14.82 %	\$ 612,195 13.17 %	\$ 582,934 12.67 %
\$ 11,242 <u>(10,585)</u>	\$ 10,965 <u>(9,867)</u>	\$ 10,671 <u>(9,310)</u>	\$ 9,040 <u>(7,756)</u>	\$ 8,806 <u>(7,638)</u>	\$ 8,240 <u>(6,921)</u>
<u>\$ 657</u>	<u>\$ 1,098</u>	<u>\$ 1,361</u>	<u>\$ 1,284</u>	<u>\$ 1,168</u>	<u>\$ 1,319</u>
\$ 1,600,465 0.66 %	\$ 1,525,193 0.65 %	\$ 1,484,373 0.63 %	\$ 1,380,619 0.56 %	\$ 1,343,669 0.57 %	\$ 1,277,009 0.54 %
\$ - <u>-</u>	\$ - <u>-</u>	\$ - <u>-</u>	\$ - <u>-</u>	\$ - <u>-</u>	\$ - <u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ - - %	\$ - - %	\$ - - %	\$ - - %	\$ - - %	\$ - - %

**SCHEDULE OF INVESTMENT RETURNS
STATE FUNDED OPEB PLANS**

Last Nine Fiscal Years

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
State Employee Healthcare Plan & State Employee and Teacher Group Life Insurance Benefit Plan									
Annual money-weighted rate of return, net of investment expense	13.1 %	14.2 %	11.0 %	14.1 %	30.6 %	6.0 %	6.6 %	9.0 %	12.9 %
Teacher Healthcare Plan									
Annual money-weighted rate of return, net of investment expense	13.1 %	12.2 %							

Notes to Schedule:

The Teacher Healthcare Plan was funded on June 30, 2023. There was no investment return in 2023.

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to those assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,777 highway miles or 17,828 lane miles of roads and 3,034 bridges having a total deck area of 12.6 million square feet that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved at, or above, the established condition level.

Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

HIGHWAYS

Measurement Scale for Highways

The Maine Department of Transportation (MDOT) uses six indicators to determine the condition of highway adequacy. The six indicators and their relative point weighting are listed in the table below.

Data Element	Point Rating (%)	Description
Pavement Condition Rating (PCR)	45	PCR is defined as the composite condition of the pavement on a roadway only, and is compiled from the severity and extent of pavement distresses such as cracking, rutting and patching. It is the key indicator used to determine the optimum time to treat a particular section of road. Points decrease as PCR decreases
Safety	20	Statewide crash rates are used to allocate points. Locations with high rates get fewer points.
Backlog (Built vs. Unbuilt roadway)	15	A "Built" road is one that has been constructed to a modern standard, usually post 1950. This includes adequate drainage, base, and pavement to carry the traffic load, and adequate sight distance and width to meet current safety standards. "Unbuilt" (backlog) is defined as a roadway section that has not been built to modern standards. Yes or No (15 or 0).
Annual Average Daily Traffic divided by the hourly highway capacity (AADT/C)	10	This ratio measures how intensely a highway is utilized. As a highway facility's AADT/C ratio increases, the average speed of vehicles on that facility tends to decrease. This decrease in average speed is evidence of reduced mobility. As congestion increases, points decrease (0-10).
Posted Speed	5	Lower speeds equal fewer points
Paved Shoulder	5	In general, roadways with paved shoulders perform at a higher level and last longer than those without shoulders or with only gravel shoulders. Yes or No (5 or 0).
100		

STATE OF MAINE
INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH

BRIDGES

MDOT uses four separate factors to obtain a numerical value used to indicate the ability of bridges to remain in service at the current level of usage. The numeric value is a percentage ranging from 0 percent to represent an entirely insufficient or deficient bridge, and 100 percent to represent an entirely sufficient bridge. The four indicators and their relative point weighting are listed in the table below. The composite numeric value is based on the sufficiency rating formula in the Recording and Coding Guide for Structure Inventory and Appraisal of the Nation's Bridges.

Data Element	Point Rating (%)	Description
Structural Adequacy and Safety	55	This category considers inventory rating, superstructure, substructure and culverts.
Serviceability and Functional Obsolescence	30	Serviceability and functional obsolescence that addresses the number of lanes, average daily traffic, roadway width, bridge width, deck condition, under clearances, waterway adequacy, alignment, and defense highway designation.
Essentiality for Public Use	15	This considers detour length, average daily traffic, and defense highway designation.
Special Reduction	(13)	The sufficiency rating also includes consideration of special reductions for detour length, safety features, and type of structure.

Assessed Conditions

The following table shows adequacy ratings for maintenance levels from Excellent to Poor.

Adequacy Rating	Total
Excellent	80 - 100
Good	70 - 80
Fair	60 - 70
Poor	0 - 60

MDOT intends to maintain highways and bridges at an adequacy rating of 60 or higher. The following table shows adequacy ratings achieved by MDOT.

Fiscal Year	Highways	Bridges
2025	74.1	75.0
2024	73.1	74.0
2023	74.3	74.0

STATE OF MAINE
INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH

Comparison of Estimated-to-Actual Preservation Costs

The following table presents the State's preservation costs for the past five fiscal years. It also shows the estimate of spending necessary to preserve and maintain the roads and bridges at, or above, a sufficiency rating of 60 for both highways and bridges (in millions).

Actual Preservation Costs					
(Expressed in millions)					
	2025	2024	2023	2022	2021
Highways	\$ 248.7	\$ 198.4	\$ 197.0	\$ 153.2	\$ 157.4
Bridges	18.3	18.3	8.7	22.8	34.9
Total	<u>\$ 267.0</u>	<u>\$ 216.7</u>	<u>\$ 205.7</u>	<u>\$ 176.0</u>	<u>\$ 192.3</u>

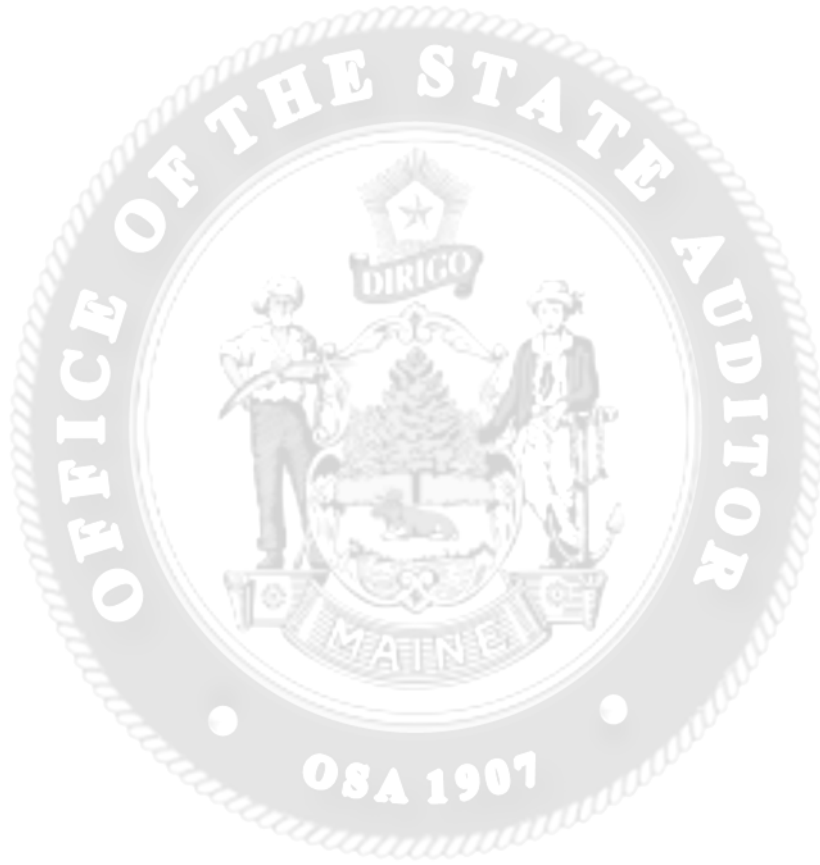
Estimated Preservation Costs					
(Expressed in millions)					
	2025	2024	2023	2022	2021
Highways	\$ 215.0	\$ 185.0	\$ 175.0	\$ 150.0	\$ 150.0
Bridges	25.0	22.0	30.0	35.0	35.0
Total	<u>\$ 240.0</u>	<u>\$ 207.0</u>	<u>\$ 205.0</u>	<u>\$ 185.0</u>	<u>\$ 185.0</u>

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by PL 2021, Chapter 408, \$24.3 million in General Fund bonds were spent during FY2025. Of the amount authorized by PL 2019, Chapter 673, \$400 thousand in General Fund bonds were spent during FY2025.



**STATE OF MAINE
INDEPENDENT AUDITOR'S REPORTS
ON INTERNAL CONTROL AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2025**





STATE OF MAINE

OFFICE OF THE STATE AUDITOR

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Matthew Dunlap, CIA
State Auditor

B. Melissa Perkins, CPA
Deputy State Auditor

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*

Honorable Members of the Legislative Council, 132nd Maine Legislature;

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information (except for blended component unit, Maine Governmental Facilities Authority, and fiduciary component unit, Maine Public Employees Retirement System) of the State of Maine as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the State of Maine's basic financial statements, and have issued our report thereon dated December 12, 2025. Our report includes a reference to other auditors who audited the financial statements of the following component units: Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Connectivity Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, and the University of Maine System, as described in our report on the State of Maine's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Maine's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2025-002 through 2025-010 to be significant deficiencies.

Report on Compliance and Other Matters

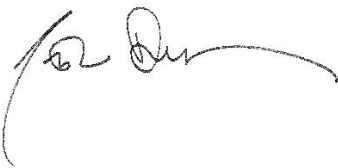
As part of obtaining reasonable assurance about whether the State of Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or any matters that are required to be reported under *Government Auditing Standards*.

State of Maine's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the State of Maine's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Matthew Dunlap, CIA
State Auditor

Augusta, Maine
December 12, 2025



STATE OF MAINE

OFFICE OF THE STATE AUDITOR

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Matthew Dunlap, CIA
State Auditor

B. Melissa Perkins, CPA
Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Members of the Legislative Council, 132nd Maine Legislature;

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the State of Maine's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the State of Maine's major Federal programs for the year ended June 30, 2025. The State of Maine's major Federal programs are identified in the Summary of Auditor's Results section (E-3 to E-5) of the accompanying Schedule of Findings and Questioned Costs.

The State of Maine's basic financial statements include the operations of the following component units: Efficiency Maine Trust, Finance Authority of Maine, Maine Community College System, Maine Connectivity Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, and the University of Maine System. The Federal awards that these component units received are not included in the State of Maine's Schedule of Expenditures of Federal Awards during the year ended June 30, 2025. Our audit, described below, did not include the operations of these component units because the component units engaged other auditors to perform an audit in accordance with the Uniform Guidance, if required.

Qualified Opinion on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the State of Maine complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the following major Federal programs for the year ended June 30, 2025:

- ALN 10.551, 10.561 SNAP Cluster
- ALN 10.553, 10.555, 10.556, 10.559, 10.582 Child Nutrition Cluster
- ALN 10.646 Summer Electronic Benefits Transfer Program for Children
- ALN 93.391 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises
- ALN 93.434 Every Student Succeeds Act/Preschool Development Grants
- ALN 93.558 Temporary Assistance for Needy Families (TANF)
- ALN 93.658 Foster Care – Title IV-E
- ALN 93.659 Adoption Assistance – Title IV-E
- ALN 93.775, 93.777, 93.778 Medicaid Cluster
- ALN 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Maine complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the Summary of Auditor’s Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2025.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State of Maine and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major Federal program. Our audit does not provide a legal determination of the State of Maine’s compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinions

As identified in the table below and as described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements that could have a direct and material effect on the following major Federal programs:

Assistance Listing No.	Assistance Listing Title	Compliance Area	Finding Number
10.551 10.561	SNAP Cluster	Allowable costs/cost principles Eligibility Special tests and provisions	2025-011
		Allowable costs/cost principles Special tests and provisions	2025-012
		Allowable costs/cost principles Special tests and provisions	2025-013
		Special tests and provisions	2025-014
10.553 10.555 10.556 10.559 10.582	Child Nutrition Cluster	Allowable costs/cost principles Eligibility	2025-018
		Allowable costs/cost principles Reporting	2025-019
		Subrecipient monitoring	2025-020
		Reporting	2025-021
10.646	Summer Electronic Benefits Transfer Program for Children	Allowable costs/cost principles Special tests and provisions	2025-013
		Allowable costs/cost principles Eligibility	2025-026
93.391	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	Reporting	2025-030
		Cash management Subrecipient monitoring	2025-031
		Subrecipient monitoring	2025-032
93.434	Every Student Succeeds Act/Preschool Development Grants	Allowable costs/cost principles Subrecipient monitoring	2025-036
		Reporting	2025-037
		Reporting	2025-038
93.558	Temporary Assistance for Needy Families (TANF)	Allowable costs/cost principles Special tests and provisions	2025-013
93.658	Foster Care – Title IV-E	Allowable costs/cost principles Eligibility	2025-055
		Special tests and provisions	2025-056
93.659	Adoption Assistance – Title IV-E	Allowable costs/cost principles Eligibility	2025-055
93.775 93.777 93.778	Medicaid Cluster	Special tests and provisions	2025-061
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Reporting	2025-069

Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to those major Federal programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the State of Maine's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State of Maine's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the State of Maine's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State of Maine's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the State of Maine's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the State of Maine's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed one other instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 2025-060. Our opinion on the major Federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the State of Maine's response to the noncompliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

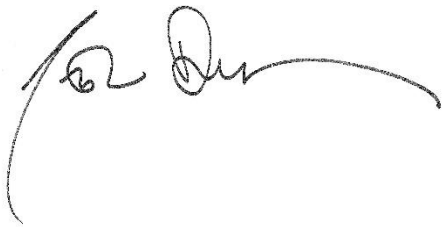
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2025-011 through 2025-014, 2025-018 through 2025-021, 2025-026, 2025-030 through 2025-032, 2025-036 through 2025-038, 2025-055, 2025-056, 2025-061, and 2025-069 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 2025-010, 2025-015 through 2025-017, 2025-22 through 2025-025, 2025-027 through 2025-029, 2025-033 through 2025-035, 2025-039 through 2025-054, 2025-057 through 2025-060, 2025-062 through 2025-068, 2025-070, and 2025-071 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State of Maine's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Augusta, Maine
March 26, 2026

**STATE OF MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**



STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Agency

ALN	Clusters and Program Titles	Amounts Provided to Subrecipients**	Direct Expenditures	ALN Total
DEPARTMENT OF AGRICULTURE				
10.025	Plant and Animal Disease, Pest Control, and Animal Care	-	474,778	474,778
Specialty Crop Block Grant Program - Farm Bill				
10.170	Specialty Crop Block Grant Program - Farm Bill	576,247	-	576,247
10.170	COVID-19 - Specialty Crop Block Grant Program - Farm Bill	102,762	2,431	105,193
Specialty Crop Block Grant Program - Farm Bill Total				
10.171	Organic Certification Cost Share Programs	679,010	2,431	681,441
10.182	COVID-19 - Food Bank Network	338,433	14,258	352,691
10.185	Local Food for Schools Cooperative Agreement Program	1,401,172	-	1,401,172
The Emergency Food Assistance Program (TEFAP) Commodity Credit Corporation				
10.187	Eligible Recipient Funds	157,962	-	157,962
10.187	Eligible Recipient Funds	524,778	-	524,778
10.190	COVID-19 - Resilient Food System Infrastructure Program	2,521,864	24,037	2,545,901
10.310	Agriculture and Food Research Initiative (AFRI)	-	13,451	13,451
10.351	Rural Business Development Grant	-	113,290	113,290
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	-	725,424	725,424
10.525	Farm and Ranch Stress Assistance Network Competitive Grants Program	20,664	-	20,664
10.541	Child Nutrition-Technology Innovation Grant	-	639,228	639,228
10.542	COVID-19 - Pandemic EBT Food Benefits	-	74,418	74,418
WIC Special Supplemental Nutrition Program for Women, Infants, and Children				
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	5,411,388	19,746,319	25,157,707
10.557	COVID-19 - WIC Special Supplemental Nutrition Program for Women, Infants, and Children	187,732	5,323	193,055
WIC Special Supplemental Nutrition Program for Women, Infants, and Children Total				
10.558	Child and Adult Care Food Program	5,599,120	19,751,642	25,350,762
10.560	State Administrative Expenses for Child Nutrition	8,664,510	140,425	8,804,935
10.572	WIC Farmers' Market Nutrition Program (FMNP)	-	1,601,784	1,601,784
Senior Farmers Market Nutrition Program				
10.576	Senior Farmers Market Nutrition Program	15,582	247,003	262,585
10.576	COVID-19 - Senior Farmers Market Nutrition Program	822,983	75,657	898,640
Senior Farmers Market Nutrition Program Total				
10.578	WIC Grants To States (WGS)	77,908	30,656	108,564
10.579	Child Nutrition Discretionary Grants Limited Availability	900,891	106,313	1,007,204
10.645	COVID-19 - Farm to School State Formula Grant	13,270	2,913,419	2,926,689
10.646	Summer Electronic Benefit Transfer Program for Children	25,792	-	25,792
10.652	Forestry Research	-	160,993	160,993
10.664	Cooperative Forestry Assistance	-	14,565,469	14,565,469 *
10.676	Forest Legacy Program	-	380,301	380,301
10.680	Forest Health Protection	501,167	1,804,098	2,305,265
10.698	State & Private Forestry Cooperative Fire Assistance	-	73,639	73,639
10.720	Infrastructure Investment and Jobs Act Community Wildfire Defense Grants	-	53,707	53,707
10.721	Infrastructure Investment and Jobs Act Temporary Bridge Program	-	109,305	109,305
10.727	Inflation Reduction Act Urban & Community Forestry Program	88,768	39,551	128,319
5 10.872	Healthy Food Financing Initiative	18,607	113,676	132,284
10.904	Watershed Protection and Flood Prevention	-	770	770
10.912	Environmental Quality Incentives Program	-	294,152	294,152
10.932	Regional Conservation Partnership Program	-	30,152	30,152
Testing, Mitigation, and Relief for Agricultural Contamination by Per- and Polyfluoroalkyl Substances				
10.982	Polyfluoroalkyl Substances	709,326	138,267	847,593
SNAP Cluster				
10.551	Supplemental Nutrition Assistance Program	-	355,903,620	355,903,620 *
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	5,159,598	14,308,658	19,468,257 *
SNAP Cluster Total				
10.561	Supplemental Nutrition Assistance Program	5,159,598	14,308,658	19,468,257 *
Food Distribution Cluster				
10.565	Commodity Supplemental Food Program	543,668	2,079,673	2,623,341
Emergency Food Assistance Program (Administrative Costs)				
10.568	Emergency Food Assistance Program (Administrative Costs)	183,718	85,247	268,965
10.568	COVID-19 - Emergency Food Assistance Program (Administrative Costs)	416,237	-	416,237
Emergency Food Assistance Program (Administrative Costs) Total				
10.569	Emergency Food Assistance Program (Food Commodities)	599,955	85,247	685,202
Food Distribution Cluster Total				
10.569	Emergency Food Assistance Program (Food Commodities)	-	12,517,866	12,517,866
Child Nutrition Cluster				
10.553	School Breakfast Program	1,143,623	14,682,786	15,826,409
10.555	National School Lunch Program	15,914,165	67,211	15,981,376 *
10.556	Special Milk Program for Children	49,070,856	122,698	49,193,554 *
10.559	Summer Food Service Program for Children	2,161	-	2,161 *
10.582	Fresh Fruit and Vegetable Program	3,118,060	291,291	3,409,351 *
Child Nutrition Cluster Total				
10.582	Fresh Fruit and Vegetable Program	2,624,484	90,469	2,714,953 *
Child Nutrition Cluster Total				
10.582	Fresh Fruit and Vegetable Program	70,729,726	571,669	71,301,396

DEPARTMENT OF AGRICULTURE Total		102,679,297	430,072,994	532,752,291
DEPARTMENT OF COMMERCE				
11.407	Interjurisdictional Fisheries Act of 1986	-	122,818	122,818
11.417	Sea Grant Support	183,637	79,068	262,705
11.419	Coastal Zone Management Administration Awards	628,036	2,550,208	3,178,244
11.454	Unallied Management Projects	-	75,381	75,381
11.463	Habitat Conservation	43,566	86	43,651
11.469	Congressionally Identified Awards and Projects	-	370,183	370,183
11.472	Unallied Science Program	982,488	7,241,284	8,223,772
11.473	Office for Coastal Management	243,638	1,097,274	1,340,912
11.474	Atlantic Coastal Fisheries Cooperative Management Act	-	877,372	877,372
Economic Development Cluster				
11.307	COVID-19 - Economic Adjustment Assistance	5,775,467	1,178,434	6,953,901
Economic Development Cluster Total		5,775,467	1,178,434	6,953,901
DEPARTMENT OF COMMERCE Total		7,856,831	13,592,105	21,448,936
DEPARTMENT OF DEFENSE				
State Memorandum of Agreement Program for the Reimbursement of Technical				
12.113	Services	-	394,389	394,389
12.400	Military Construction, National Guard	-	14,512,827	14,512,827
12.401	National Guard Military Operations and Maintenance (O&M) Projects	-	30,117,357	30,117,357 *
DEPARTMENT OF DEFENSE Total		-	45,024,573	45,024,573
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
14.171	Manufactured Housing	-	-	-
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				
14.228	Hawaii	10,564,827	527,122	11,091,949
COVID-19 - Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				
14.228	Entitlement Grants in Hawaii	512,663	-	512,663
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii Total		11,077,490	527,122	11,604,612
14.267	Continuum of Care Program	10,616,443	60,018	10,676,461
14.401	Fair Housing Assistance Program	-	223,096	223,096
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Total		21,693,933	810,235	22,504,169
DEPARTMENT OF THE INTERIOR				
15.073	Earth Mapping Resources Initiative	-	63,242	63,242
15.564	Central Valley Project Conservation	-	6,144	6,144
15.608	Fish and Aquatic Conservation - Aquatic Invasive Species	139,115	34,240	173,355
15.614	Coastal Wetlands Planning, Protection and Restoration	395,000	4,326	399,326
15.615	Cooperative Endangered Species Conservation Fund	-	43,605	43,605
15.616	Clean Vessel Act	127,692	119,756	247,448
15.622	Sportfishing and Boating Safety Act	-	198,696	198,696
15.634	State Wildlife Grants	17,000	453,131	470,131
15.657	Endangered Species Recovery Implementation	-	-	-
¹ 15.663	NFWF-USFWS Conservation Partnership	-	-	-
15.676	Youth Engagement, Education, and Employment	-	58,799	58,799
15.684	White-nose Syndrome National Response Implementation	-	40,808	40,808
15.685	National Fish Passage	-	35,628	35,628
15.808	U.S. Geological Survey Research and Data Collection	-	7,132	7,132
15.810	National Cooperative Geologic Mapping	-	156,427	156,427
15.814	National Geological and Geophysical Data Preservation	-	19,482	19,482
15.904	Historic Preservation Fund Grants-In-Aid	179,307	657,998	837,305
15.916	Outdoor Recreation Acquisition, Development and Planning	2,308,412	148,726	2,457,138
15.931	Youth and Veteran Organizations Conservation Activities	-	87,406	87,406
15.935	National Trails System Projects	-	26,195	26,195
15.980	National Ground-Water Monitoring Network	-	2,140	2,140
Fish and Wildlife Cluster				
15.605	Sport Fish Restoration	13,547	3,257,064	3,270,612
15.611	Wildlife Restoration and Basic Hunter Education and Safety	249,810	11,635,409	11,885,218
Fish and Wildlife Cluster Total		263,357	14,892,473	15,155,830
DEPARTMENT OF THE INTERIOR Total		3,429,883	17,056,355	20,486,238
DEPARTMENT OF JUSTICE				
16.017	Sexual Assault Services Formula Program	627,741	10,138	637,879
16.034	COVID-19 - Coronavirus Emergency Supplemental Funding Program	-	-	-
16.036	Comprehensive Forensic DNA Analysis Grant Program	-	156,119	156,119
16.540	Juvenile Justice and Delinquency Prevention	-	654,097	654,097
16.543	Missing Children's Assistance	-	338,984	338,984
16.554	National Criminal History Improvement Program (NCHIP)	-	375,149	375,149
16.575	Crime Victim Assistance	4,109,049	695,498	4,804,547
16.576	Crime Victim Compensation	-	184,227	184,227
16.582	Crime Victim Assistance/Discretionary Grants	-	127,655	127,655

16.588	Violence Against Women Formula Grants	692,234	474,329	1,166,563
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	-	29,631	29,631
16.593	Residential Substance Abuse Treatment for State Prisoners	-	161,218	161,218
16.606	State Criminal Alien Assistance Program	-	41,934	41,934
16.609	Project Safe Neighborhoods	88,528	-	88,528
16.710	Public Safety Partnership and Community Policing Grants	-	66,775	66,775
16.735	PREA Program: Strategic Support for PREA Implementation	-	21,026	21,026
16.738	Edward Byrne Memorial Justice Assistance Grant Program	-	1,290,889	1,290,889
16.741	DNA Backlog Reduction Program	-	386,793	386,793
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	-	251,137	251,137
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	-	39,872	39,872
16.753	Congressionally Recommended Awards	-	36,055	36,055
16.754	Harold Rogers Prescription Drug Monitoring Program	-	78,516	78,516
16.812	Second Chance Act Reentry Initiative	-	261,943	261,943
16.816	John R. Justice Prosecutors and Defenders Incentive Act	-	73,105	73,105
16.831	Children of Incarcerated Parents	-	165,576	165,576
16.838	Comprehensive Opioid, Stimulant, and other Substances Use Program	-	233,166	233,166
16.839	STOP School Violence	127,765	449,415	577,180
DEPARTMENT OF JUSTICE Total		5,645,318	6,603,245	12,248,562
DEPARTMENT OF LABOR				
17.002	Labor Force Statistics	-	868,988	868,988
17.005	Compensation and Working Conditions	-	138,610	138,610
Unemployment Insurance				
17.225	Unemployment Insurance	-	154,723,271	154,723,271
17.225	COVID-19 - Unemployment Insurance	932,847	2,371,676	3,304,523
Unemployment Insurance Total		932,847	157,094,947	158,027,794
17.235	Senior Community Service Employment Program	-	270,494	270,494
17.245	Trade Adjustment Assistance	-	173,340	173,340
17.271	Work Opportunity Tax Credit Program (WOTC)	-	146,620	146,620
17.273	Temporary Labor Certification for Foreign Workers	-	409,680	409,680
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	2,952,111	1,715,984	4,668,095
17.285	Registered Apprenticeship	831,397	1,896,527	2,727,925
17.289	Community Project Funding/Congressionally Directed Spending	-	525,571	525,571
17.503	Occupational Safety and Health State Program	-	768,192	768,192
17.504	Consultation Agreements	-	605,297	605,297
17.600	Mine Health and Safety Grants	-	133,552	133,552
WIOA Cluster				
17.258	WIOA Adult Program	1,940,228	444,067	2,384,295
17.259	WIOA Youth Activities	2,350,290	469,038	2,819,329
17.278	WIOA Dislocated Worker Formula Grants	1,255,513	817,611	2,073,123
WIOA Cluster Total		5,546,031	1,730,716	7,276,747
Employment Service Cluster				
17.207	Employment Service/Wagner-Peyser Funded Activities	-	4,656,290	4,656,290
17.801	Jobs for Veterans State Grants	-	662,777	662,777
Employment Service Cluster Total		-	5,319,066	5,319,066
DEPARTMENT OF LABOR Total		10,262,386	171,797,585	182,059,971
DEPARTMENT OF TRANSPORTATION				
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and				
20.106	COVID-19 Airports Programs	-	41,684	41,684
20.205	Highway Planning and Construction	-	418,152,024	418,152,024
20.219	Recreational Trails Program	669,771	412,241	1,082,012
20.325	Consolidated Rail Infrastructure and Safety Improvements	-	12,685,574	12,685,574
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and				
20.505	Research	230,401	46,458	276,858
Formula Grants for Rural Areas and Tribal Transit Program				
20.509	Formula Grants for Rural Areas and Tribal Transit Program	11,210,320	2,097,247	13,307,567
20.509	COVID-19 - Formula Grants for Rural Areas and Tribal Transit Program	-	29,693	29,693
Formula Grants for Rural Areas and Tribal Transit Program Total		11,210,320	2,126,940	13,337,260
Passenger Ferry Grant Program, Electric or Low-Emitting Ferry Pilot Program, and Ferry				
20.532	Service for Rural Communities Program	-	1,000,000	1,000,000
20.611	Incentive Grant Program to Prohibit Racial Profiling	-	15,105	15,105
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and				
20.614	Cooperative Agreements	-	74,645	74,645
20.700	Pipeline Safety Program State Base Grant	-	489,902	489,902
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	276,665	-	276,665
20.721	PHMSA Pipeline Safety Program One Call Grant	-	47,040	47,040
Transit Services Programs Cluster				
Enhanced Mobility of Seniors and Individuals with Disabilities				
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	877,699	1,024,781	1,902,480
20.513	COVID-19 - Enhanced Mobility of Seniors and Individuals with Disabilities	-	171,902	171,902
Enhanced Mobility of Seniors and Individuals with Disabilities Total		877,699	1,196,683	2,074,382
Transit Services Programs Cluster Total		877,699	1,196,683	2,074,382
Highway Safety Cluster				
20.600	State and Community Highway Safety	1,183,595	1,179,992	2,363,588

20.616	National Priority Safety Programs	279,189	4,385,092	4,664,281
	Highway Safety Cluster Total	1,462,785	5,565,084	7,027,869
	Federal Transit Cluster			
	Federal Transit Formula Grants			
20.507	Federal Transit Formula Grants	271,072	324,793	595,865
20.507	COVID-19 - Federal Transit Formula Grants	-	761,875	761,875
	Federal Transit Formula Grants Total	271,072	1,086,668	1,357,740
20.526	Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	217,689	7,644,480	7,862,169
	Federal Transit Cluster Total	488,761	8,731,148	9,219,909
	Federal Motor Carrier Safety Assistance Cluster			
20.218	Motor Carrier Safety Assistance	-	2,114,141	2,114,141
	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative			
20.237	Agreements	-	626,828	626,828
	Federal Motor Carrier Safety Assistance Cluster Total	-	2,740,969	2,740,969
DEPARTMENT OF TRANSPORTATION Total		15,216,401	453,325,497	468,541,897
DEPARTMENT OF THE TREASURY				
21.019	Coronavirus Relief Fund	-	-	-
21.026	COVID-19 - Homeowner Assistance Fund	3,329,502	74,468	3,403,970
21.027	COVID-19 - Coronavirus State And Local Fiscal Recovery Funds	71,197,432	126,690,178	197,887,611
DEPARTMENT OF THE TREASURY Total		74,526,934	126,764,647	201,291,581
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION				
30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964	-	289,008	289,008
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION Total		-	289,008	289,008
GENERAL SERVICES ADMINISTRATION				
39.003	Donation of Federal Surplus Personal Property	-	820,333	820,333
GENERAL SERVICES ADMINISTRATION Total		-	820,333	820,333
LIBRARY OF CONGRESS				
42.010	Teaching with Primary Sources	-	10,289	10,289
LIBRARY OF CONGRESS Total		-	10,289	10,289
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
43.001	Science	-	35,481	35,481
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION Total		-	35,481	35,481
NATIONAL ENDOWMENT FOR THE ARTS				
45.025	Promotion of the Arts Partnership Agreements	548,038	376,899	924,937
NATIONAL ENDOWMENT FOR THE ARTS Total		548,038	376,899	924,937
NATIONAL ENDOWMENT FOR THE HUMANITIES				
45.149	Promotion of the Humanities Division of Preservation and Access	-	79,681	79,681
NATIONAL ENDOWMENT FOR THE HUMANITIES Total		-	79,681	79,681
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
45.310	Grants to States	20,800	1,447,425	1,468,225
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES Total		20,800	1,447,425	1,468,225
NATIONAL SCIENCE FOUNDATION				
47.050	Geosciences	-	1,609	1,609
NATIONAL SCIENCE FOUNDATION Total		-	1,609	1,609
DEPARTMENT OF VETERANS AFFAIRS				
64.055	Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	194,226	395,151	589,377
64.057	Suicide Mortality Review Cooperative Agreements	36,600	5,710	42,310
64.U01	Plot Allowance	-	1,278,003	1,278,003
64.U02	State Approving Agency	-	208,026	208,026
DEPARTMENT OF VETERANS AFFAIRS Total		230,826	1,886,890	2,117,715
ENVIRONMENTAL PROTECTION AGENCY				
66.032	State and Tribal Indoor Radon Grants	-	109,638	109,638
	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act			
	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose			
66.034	Activities Relating to the Clean Air Act	-	754,959	754,959

	COVID-19 - Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	-	32,873	32,873
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	-	787,832	787,832
66.040	Diesel Emissions Reduction Act (DERA) State Grants	250,140	464,620	714,760
66.046	Climate Pollution Reduction Grants	-	1,795,812	1,795,812
66.204	Multipurpose Grants to States and Tribes	-	1,388	1,388
66.432	State Public Water System Supervision	-	1,185,361	1,185,361
	Water Infrastructure Improvements for the Nation Small and Underserved Communities			
66.442	Emerging Contaminants Grant Program	-	3,198,678	3,198,678
	Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	-	39,929	39,929
66.447	Sewer Overflow and Stormwater Reuse Municipal Grant Program	150,250	-	150,250
66.454	Water Quality Management Planning	112,845	61,284	174,129
66.461	Regional Wetland Program Development Grants	-	145,816	145,816
66.468	Drinking Water State Revolving Fund	-	2,376,803	2,376,803
66.472	Beach Monitoring and Notification Program Implementation Grants	-	281,068	281,068
66.605	Performance Partnership Grants	900,803	7,027,651	7,928,454
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	-	33,502	33,502
	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative			
66.802	Agreements	-	197,371	197,371
66.804	Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	-	281,390	281,390
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	-	478,603	478,603
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	-	107,956	107,956
66.817	State and Tribal Response Program Grants	-	1,573,829	1,573,829
	Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative			
66.818	Agreements	2,030,146	52,037	2,082,183
66.920	Solid Waste Infrastructure for Recycling Infrastructure Grants	290,200	24,056	314,256
66.959	Greenhouse Gas Reduction Fund: Solar for All	-	154,285	154,285
ENVIRONMENTAL PROTECTION AGENCY Total		3,734,384	20,378,908	24,113,292
DEPARTMENT OF ENERGY				
81.041	State Energy Program	1,013,500	1,413,974	2,427,474
81.128	Energy Efficiency and Conservation Block Grant Program (EECBG)	-	165,441	165,441
81.138	State Heating Oil and Propane Program	-	11,065	11,065
DEPARTMENT OF ENERGY Total		1,013,500	1,590,481	2,603,981
DEPARTMENT OF EDUCATION				
84.002	Adult Education - Basic Grants to States	1,555,967	260,993	1,816,960
84.010	Title I Grants to Local Educational Agencies	61,543,267	1,402,853	62,946,120
84.011	Migrant Education State Grant Program	609,736	163,727	773,462
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	-	40,610	40,610
84.048	Career and Technical Education -- Basic Grants to States	6,966,022	629,167	7,595,189
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	-	20,384,898	20,384,898
84.144	Migrant Education Coordination Program	94,157	3,323	97,480
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	264,536	264,536
84.181	Special Education-Grants for Infants and Families	2,349,072	-	2,349,072
84.184	School Safety National Activities	1,495,980	685,970	2,181,950
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	-	2,176	2,176
84.196	Education for Homeless Children and Youth	299,798	108,930	408,728
84.287	Twenty-First Century Community Learning Centers	4,462,445	287,577	4,750,022
84.323	Special Education - State Personnel Development	-	683,392	683,392
84.358	Rural Education	752,182	66,754	818,937
84.365	English Language Acquisition State Grants	1,008,757	185,830	1,194,587
	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)			
84.367	Grants for State Assessments and Related Activities	10,785,413	211,313	10,996,726
84.369	Statewide Longitudinal Data Systems	-	5,610,149	5,610,149
84.372	Disability Innovation Fund (DIF)	-	708,972	708,972
84.421	Student Support and Academic Enrichment Program	-	689,677	689,677
84.424		7,742,540	197,188	7,939,728
84.425C	COVID-19 - Education Stabilization Fund - Governor's Emergency Education Relief Fund	142,067,854	26,535,549	168,603,403
Special Education Cluster (IDEA)				
Special Education Grants to States				
84.027	Special Education Grants to States	64,661,317	6,419,484	71,080,801
84.027	COVID-19 - Special Education Grants to States	542,640	-	542,640
Special Education Grants to States Total		65,203,957	6,419,484	71,623,441
Special Education Preschool Grants				
84.173	Special Education Preschool Grants	2,795,643	63,566	2,859,209
84.173	COVID-19 - Special Education Preschool Grants	263,607	-	263,607
Special Education Preschool Grants Total		3,059,250	63,566	3,122,816
Special Education Cluster (IDEA) Total		68,263,207	6,483,049	74,746,257
DEPARTMENT OF EDUCATION Total		309,996,396	65,606,636	375,603,031

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION

89.003	National Historical Publications and Records Grants	-	40,000	40,000
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION Total		-	40,000	40,000

NORTHERN BORDER REGIONAL COMMISSION

90.601	Northern Border Regional Development	147,802	104,156	251,958
NORTHERN BORDER REGIONAL COMMISSION Total		147,802	104,156	251,958

ELECTION ASSISTANCE COMMISSION

90.404	HAVA Election Security Grants	-	1,430,445	1,430,445
ELECTION ASSISTANCE COMMISSION Total		-	1,430,445	1,430,445

DEPARTMENT OF HEALTH AND HUMAN SERVICES

93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	4,387	-	4,387
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	99,659	-	99,659
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services				
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	137,248	3,050	140,298
93.043	COVID-19 - Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	24,465	-	24,465
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services Total		161,712	3,050	164,762
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects				
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	278,729	69,531	348,260
93.048	COVID-19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	46,412	-	46,412
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects Total		325,141	69,531	394,672
National Family Caregiver Support, Title III, Part E				
93.052	National Family Caregiver Support, Title III, Part E	637,383	-	637,383
93.052	COVID-19 - National Family Caregiver Support, Title III, Part E	25,988	-	25,988
National Family Caregiver Support, Title III, Part E Total		663,371	-	663,371
93.069	Public Health Emergency Preparedness	223,312	6,113,213	6,336,525
93.070	Environmental Public Health and Emergency Response	28,060	1,297,656	1,325,716
93.071	Medicare Enrollment Assistance Program	258,523	60,159	318,681
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	-	135,441	135,441
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	-	36,648	36,648
93.090	Guardianship Assistance	-	1,147,707	1,147,707
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	216,767	7,272	224,039
93.103	Food and Drug Administration Research	-	388,105	388,105
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	495,778	437,789	933,567
93.110	Maternal and Child Health Federal Consolidated Programs	13,889	2,003,008	2,016,897
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	-	356,931	356,931
93.127	Emergency Medical Services for Children	-	60,352	60,352
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	-	227,486	227,486
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,469,218	3,260,217	4,729,435
93.150	Projects for Assistance in Transition from Homelessness (PATH)	291,663	6,417	298,080
93.165	COVID-19 - Grants to States for Loan Repayment	654,813	33,190	688,003
93.197	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	-	480,227	480,227
Traumatic Brain Injury State Demonstration Grant Program				
93.234	Traumatic Brain Injury State Demonstration Grant Program	-	320,837	320,837
93.234	COVID-19 - Traumatic Brain Injury State Demonstration Grant Program	-	20,106	20,106
Traumatic Brain Injury State Demonstration Grant Program Total		-	340,943	340,943
93.241	State Rural Hospital Flexibility Program	-	755,616	755,616
Substance Abuse and Mental Health Services Projects of Regional and National Significance				
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	4,495,458	3,218,947	7,714,406
93.243	COVID-19 - Substance Abuse and Mental Health Services Projects of Regional and National Significance	-	335	335
Substance Abuse and Mental Health Services Projects of Regional and National Significance Total		4,495,458	3,219,282	7,714,740
93.251	Early Hearing Detection and Intervention	-	161,125	161,125
Immunization Cooperative Agreements				
93.268	Immunization Cooperative Agreements	-	23,036,706	23,036,706
93.268	COVID-19 - Immunization Cooperative Agreements	1,711,766	2,663,090	4,374,856
Immunization Cooperative Agreements Total		1,711,766	25,699,796	27,411,562
93.270	Viral Hepatitis Prevention and Control	395,194	435,792	830,986
93.301	Small Rural Hospital Improvement Grant Program	-	282,442	282,442

	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	-	106,504	106,504
93.314	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	-	2,309,055	2,309,055
93.323	COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	686,325	11,492,119	12,178,443
	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) Total	686,325	13,801,174	14,487,499
	State Health Insurance Assistance Program			
93.324	State Health Insurance Assistance Program	612,653	81,895	694,549
93.324	COVID-19 - State Health Insurance Assistance Program	-	19,671	19,671
	State Health Insurance Assistance Program Total	612,653	101,566	714,219
	The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels	-	474,908	474,908
93.334		-	474,908	474,908
93.336	Behavioral Risk Factor Surveillance System	-	480,553	480,553
	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			
	Public Health Emergency Response: Cooperative Agreement for Emergency Response: COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	-	4,027	4,027
93.354		-	4,027	4,027
93.354	Response: Public Health Crisis Response	36,511	1,896,789	1,933,300
	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	36,511	1,900,816	1,937,327
93.369	ACL Independent Living State Grants	362,779	15,867	378,646
93.387	National and State Tobacco Control Program	470,283	51,362	521,645
	COVID-19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health			
93.391	Department Response to Public Health or Healthcare Crises	3,542,735	3,156,652	6,699,387 *
93.413	The State Flexibility to Stabilize the Market Grant Program	-	6,280	6,280
93.426	The National Cardiovascular Health Program	-	941,460	941,460
93.434	Every Student Succeeds Act/Preschool Development Grants	1,618,848	9,834,324	11,453,172 *
93.464	ACL Assistive Technology	189,993	-	189,993
93.472	Title IV-E Prevention Program	1,928,105	2,780,110	4,708,215
93.493	Congressional Directives	140,862	-	140,862
93.495	COVID-19 - Community Health Workers for Public Health Response and Resilient COVID-19 - Family Violence Prevention and Services/ Sexual Assault/Rape Crisis Services and Supports	607,529	181,467	788,996
93.497		202,900	7,544	210,444
93.556	MaryLee Allen Promoting Safe and Stable Families Program	1,793,807	210,017	2,003,825
93.558	Temporary Assistance for Needy Families	34,763,990	70,226,056	104,990,046 *
93.563	Child Support Services	-	19,078,267	19,078,267 *
93.569	Community Services Block Grant	3,601,969	479,245	4,081,215
93.586	State Court Improvement Program	-	295,176	295,176
93.597	Grants to States for Access and Visitation Programs	-	103,705	103,705
93.599	Chafee Education and Training Vouchers Program (ETV)	9,440	152,990	162,430
93.603	Adoption and Legal Guardianship Incentive Payments Program	26,300	469,166	495,466
	Developmental Disabilities Basic Support and Advocacy Grants			
93.630	Developmental Disabilities Basic Support and Advocacy Grants	468,391	-	468,391
93.630	COVID-19 - Developmental Disabilities Basic Support and Advocacy Grants	-	1	1
	Developmental Disabilities Basic Support and Advocacy Grants Total	468,391	1	468,392
93.643	Children's Justice Grants to States	-	40,152	40,152
93.645	Stephanie Tubbs Jones Child Welfare Services Program	-	1,075,737	1,075,737
93.658	Foster Care Title IV-E	36,184	26,831,501	26,867,685 *
93.659	Adoption Assistance	-	34,584,584	34,584,584 *
93.667	Social Services Block Grant	5,697,390	8,108,437	13,805,827
	Child Abuse and Neglect State Grants			
93.669	Child Abuse and Neglect State Grants	36,733	495,070	531,803
93.669	COVID-19 - Child Abuse and Neglect State Grants	-	1,040	1,040
	Child Abuse and Neglect State Grants Total	36,733	496,110	532,843
	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services			
	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services			
93.671		977,651	9,737	987,388
	COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services			
93.671		621,610	-	621,610
	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services Total	1,599,261	9,737	1,608,998
93.674	John H. Chafee Foster Care Program for Successful Transition to Adulthood	37,844	621,187	659,031
93.687	Maternal Opioid Misuse Model	-	779,734	779,734
	Section 206 Consolidated Appropriations Act, 2024: State Planning Grants to Promote Continuity of Care for Medicaid & CHIP Beneficiaries	-	25,805	25,805
93.694		-	25,805	25,805
93.698	Elder Justice Act – Adult Protective Services	2,334	95,118	97,451
93.747	COVID-19 - Elder Abuse Prevention Interventions Program	563,575	107,771	671,346
93.767	Children's Health Insurance Program	-	73,469,537	73,469,537
93.788	Opioid STR	6,268,336	1,717,289	7,985,625
93.791	Money Follows the Person Rebalancing Demonstration	431,070	806,952	1,238,022
93.796	State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid	-	1,057,065	1,057,065
93.797	Expanding Access to Women's Health Grant	-	82,810	82,810
93.800	Organized Approaches to Increase Colorectal Cancer Screening	-	353,874	353,874
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services	-	496,042	496,042
93.869	Transforming Maternal Health (TMAH) Model	-	10,297	10,297
	Maternal, Infant and Early Childhood Home Visiting Grant			

93.870	Maternal, Infant and Early Childhood Home Visiting Grant	5,812,353	420,187	6,232,541
93.870	COVID-19 - Maternal, Infant and Early Childhood Home Visiting Grant	112,076	177,598	289,674
Maternal, Infant and Early Childhood Home Visiting Grant Total		5,924,429	597,785	6,522,214
93.889	National Bioterrorism Hospital Preparedness Program	234	1,078,506	1,078,740
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	-	2,127,302	2,127,302
93.913	Grants to States for Operation of State Offices of Rural Health	-	280,755	280,755
93.917	HIV Care Formula Grants	142,882	1,667,158	1,810,040
93.940	HIV Prevention Activities Health Department Based	443,332	508,152	951,484
	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health			
93.946	Initiative Programs	-	156,484	156,484
Block Grants for Community Mental Health Services				
93.958	Block Grants for Community Mental Health Services	3,335,605	1,082,598	4,418,203
93.958	COVID-19 - Block Grants for Community Mental Health Services	893,846	868,623	1,762,469
Block Grants for Community Mental Health Services Total		4,229,451	1,951,221	6,180,672
Block Grants for Prevention and Treatment of Substance Abuse				
93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,582,376	1,958,494	7,540,870
93.959	COVID-19 - Block Grants for Prevention and Treatment of Substance Abuse	845,054	751,435	1,596,489
Block Grants for Prevention and Treatment of Substance Abuse Total		6,427,430	2,709,929	9,137,359
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health				
	Centers for Disease Control and Prevention Collaboration with Academia to Strengthen			
93.967	Public Health	-	859,863	859,863
	COVID-19 - Centers for Disease Control and Prevention Collaboration with Academia to			
93.967	Strengthen Public Health	-	1,260,861	1,260,861
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health Total		-	2,120,724	2,120,724
Sexually Transmitted Diseases (STD) Prevention and Control Grants				
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants	118,488	193,380	311,868
93.977	COVID-19 - Sexually Transmitted Diseases (STD) Prevention and Control Grants	321,907	842,901	1,164,808
Sexually Transmitted Diseases (STD) Prevention and Control Grants Total		440,395	1,036,281	1,476,676
93.982	Mental Health Disaster Assistance and Emergency Mental Health	-	1,191,325	1,191,325
93.988	Cooperative Agreements for Diabetes Control Programs	-	844,938	844,938
93.991	Preventive Health and Health Services Block Grant	57,559	1,228,082	1,285,641
93.994	Maternal and Child Health Services Block Grant to the States	17,361	3,935,540	3,952,901
Medicaid Cluster				
93.775	State Medicaid Fraud Control Units	-	1,699,753	1,699,753 *
	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)			
93.777	Medicare	-	3,850,158	3,850,158 *
93.778	Grants to States for Medicaid	-	3,426,753,935	3,426,753,935 *
Medicaid Cluster Total		-	3,432,303,846	3,432,303,846
Head Start Cluster				
93.600	Head Start	-	127,853	127,853
Head Start Cluster Total		-	127,853	127,853
CCDF Cluster				
93.575	Child Care and Development Block Grant	2,791,386	27,051,915	29,843,301 *
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	-	15,289,801	15,289,801 *
CCDF Cluster Total		2,791,386	42,341,716	45,133,103
Aging Cluster				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers				
	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and			
93.044	Senior Centers	2,244,716	688,058	2,932,774
	COVID-19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive			
93.044	Services and Senior Centers	298,834	1,773	300,607
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers Total		2,543,550	689,831	3,233,381
Special Programs for the Aging, Title III, Part C, Nutrition Services				
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	3,422,342	113,182	3,535,523
93.045	COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	220,882	-	220,882
Special Programs for the Aging, Title III, Part C, Nutrition Services Total		3,643,224	113,182	3,756,406
93.053	Nutrition Services Incentive Program	262,354	-	262,354
Aging Cluster Total		6,449,127	803,013	7,252,140
DEPARTMENT OF HEALTH AND HUMAN SERVICES Total		104,168,445	3,819,654,956	3,923,823,401
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
AmeriCorps State Commissions Support Grant				
94.003	AmeriCorps State Commissions Support Grant	-	191,426	191,426
94.003	COVID-19 - AmeriCorps State Commissions Support Grant	-	70,772	70,772
AmeriCorps State Commissions Support Grant Total		-	262,198	262,198
AmeriCorps State and National 94.006				
94.006	AmeriCorps State and National 94.006	406,489	717,497	1,123,986
94.006	COVID-19 - AmeriCorps State and National	65,936	37,521	103,456
AmeriCorps State and National 94.006 Total		472,424	755,018	1,227,442
94.009	Training and Technical Assistance	-	298,485	298,485
94.013	AmeriCorps Volunteers In Service to America 94.013	-	163,711	163,711
94.021	AmeriCorps Volunteer Generation Fund 94.021	-	-	-
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE Total		472,424	1,479,410	1,951,834

SOCIAL SECURITY ADMINISTRATION

Disability Insurance/SSI Cluster				
96.001	Social Security Disability Insurance	13,573	9,753,020	9,766,593
Disability Insurance/SSI Cluster Total		13,573	9,753,020	9,766,593
SOCIAL SECURITY ADMINISTRATION Total		13,573	9,753,020	9,766,593

DEPARTMENT OF HOMELAND SECURITY

97.008	Non-Profit Security Program	1,951,649	26,453	1,978,102
97.012	Boating Safety Financial Assistance	-	1,433,881	1,433,881
97.032	Crisis Counseling	-	-	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	37,362,472	894,569	38,257,041 *
97.036	COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	117,863,047	4,351,103	122,214,150 *
Disaster Grants - Public Assistance (Presidentially Declared Disasters) Total		155,225,519	5,245,672	160,471,191
97.039	Hazard Mitigation Grant (Presidentially Declared Disasters)	555,518	33,668	589,186
97.041	National Dam Safety Program	-	149,946	149,946
Emergency Management Performance Grants				
97.042	Emergency Management Performance Grants	1,862,495	993,986	2,856,481
97.042	COVID-19 - Emergency Management Performance Grants	225,153	-	225,153
Emergency Management Performance Grants Total		2,087,648	993,986	3,081,634
97.045	Cooperating Technical Partners	-	177,454	177,454
97.047	BRIC: Building Resilient Infrastructure and Communities	453,822	331,772	785,594
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	-	-	-
⁴ 97.067	Homeland Security Grant Program	3,951,206	1,466,036	5,417,242
97.137	State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	-	1,494,439	1,494,439
97.143	Pre-Disaster Mitigation (PDM) Congressionally Directed Spending (CDS)	862,350	9,627	871,976
DEPARTMENT OF HOMELAND SECURITY Total		165,087,711	11,362,933	176,450,644

		-	-	-
		-	-	-
Total	Federal Expenditures	826,744,881	5,201,395,795	6,028,140,676

**Amounts Provided to Subrecipients may include non-cash distributions of food commodities or other donated items.

Funding provided to the State of Maine from external entities:

¹ National Fish and Wildlife Fund

² Aroostook County

³ Washington County

⁴ Aroostook CountyFranklin CountyWashington County

⁵ Coastal Enterprises INC



STATE OF MAINE
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Purpose of the Schedule

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the State's basic financial statements (BFS) and is presented for purposes of additional analysis. Total expenditures for each federal financial assistance program as identified by the Assistance Listing Number (ALN) are shown. Federal financial assistance programs, which have not been assigned a ALN number, have been identified using the two-digit federal agency number and a suffix containing a "U". Federal award amounts aggregated by federal agency, direct and pass-through amounts are reported by the primary recipient to prevent overstatement of expenditures of federal awards. This schedule is required by *Title 2 U.S. Code of Federal Regulations §200, Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

1. Significant Accounting Policies

- A. *Reporting Entity* – The reporting entity is defined in Note 1 to the BFS. The accompanying Schedule includes all federal financial assistance programs of the State of Maine reporting entity for the fiscal year ended June 30, 2025, with the exception of the discrete component units identified in Note 1 to the BFS. The discrete component units engaged other auditors.
- B. *Basis of Presentation* – The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance.
 - 1) Federal Awards – A federal award is defined by the Uniform Guidance as federal financial assistance and federal cost-reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance. Accordingly, non-cash federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.
 - 2) Type A and Type B Programs – Levels of expenditures to be used in defining Type A and Type B federal financial assistance programs are specified by the Uniform Guidance. Type A programs for the State of Maine are those programs that equal or exceed \$18.1 million in expenditures, distributions, or issuances for the year ended June 30, 2025. Programs audited as major programs are marked with asterisks in the accompanying schedule.
- C. *Basis of Accounting* – The information presented in the Schedule of Expenditures of Federal Awards is presented primarily on the cash basis of accounting, which is consistent with the other Federal grant reports. The fund level financial statements are reported on the modified accrual basis of accounting. Consequently, the schedule's data may not be directly traceable to the financial statements.

2. Indirect Costs

The State of Maine did not elect to use the 10% de minimis indirect cost rate with the exception of the following program:

20.700 Pipeline Safety Program State Base Grant

3. Unemployment Insurance Program

The expenditures reported on the Schedule for Unemployment Insurance (ALN 17.225) include:

State Funds	\$ 137,117,430
Federal Funds	<u>17,605,841</u>
Federal Funds (Coronavirus)	<u>3,304,523</u>
Maine's UI Program Total	<u><u>\$ 158,027,794</u></u>

4. Noncash Awards

The State of Maine is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements. Noncash awards received by the State are included in the Schedule of Expenditures of Federal Awards as follows:

ALN	Assistance Listing	Noncash Awards
10.542	Pandemic EBT Food Benefits	\$74,818
10.551	SNAP (Supplemental Nutrition Assistance Program)	\$355,903,620
10.555	National School Lunch Program	\$9,194,243
10.559	Summer Food Service Program for Children	\$6,856
10.565	Commodity Supplemental Food Program	\$2,056,081
10.569	Emergency Food Assistance Program	\$12,517,866
10.664	Cooperative Forestry Assistance	\$198,750
12.401	National Guard Military Operations and Maintenance Projects	\$20,089
39.003	Donation of Federal Surplus Property	\$820,333
93.268	Immunization Cooperative Agreements	\$20,473,565

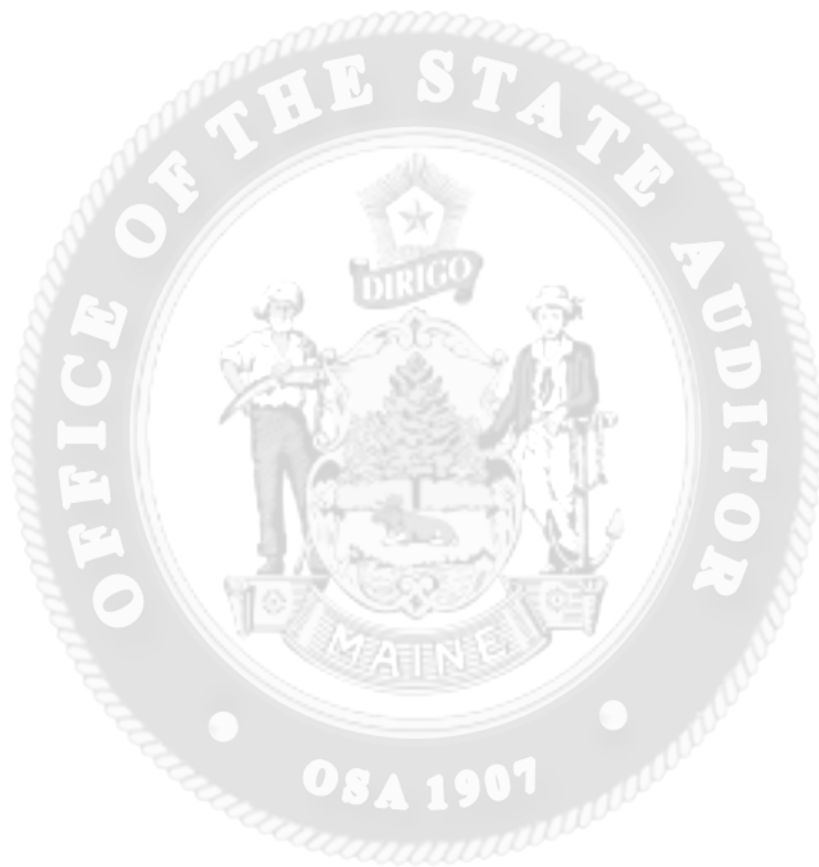
5. Donated Personal Protective Equipment

In response to the COVID 19 pandemic, the federal government donated PPE with an estimated fair market value of \$179,352 to the State of Maine. Per the 2025 Compliance Supplement, this amount is not included in the Schedule of Expenditures of Federal Awards and is not subject to Audit. Therefore, this amount is unaudited.



**STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section I – Summary of Auditor's Results



SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor’s report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	YES ☒	NO ☐
• Significant deficiencies identified that were not considered to be material weaknesses?	YES ☒	NO ☐
• Noncompliance material to financial statements noted?	YES ☐	NO ☒

Federal Awards:

Internal control over major programs:		
• Material weaknesses identified?	YES ☒	NO ☐
• Significant deficiencies identified that were not considered to be material weaknesses?	YES ☒	NO ☐

Type of auditor’s report issued on compliance for major programs:

Unmodified

CCDF Cluster

Child Support Services

National Guard Military Operations and Maintenance (O&M) Projects

Qualified

Activities to Support State, Tribal, Local and Territorial (STLT) Health Department

Response to Public Health or Healthcare Crises

Adoption Assistance – Title IV-E

Child Nutrition Cluster

Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Every Student Succeeds Act/Preschool Development Grants

Foster Care – Title IV-E

Medicaid Cluster

SNAP Cluster

Summer Electronic Benefits Transfer Program for Children

Temporary Assistance for Needy Families (TANF)

Any audit findings that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516?	YES ☒	NO ☐

Clusters Identified as Major Programs:

<u>ALN</u>	<u>Name of Federal Program or Cluster</u>
SNAP Cluster	
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
10.582	Fresh Fruit and Vegetable Program
CCDF Cluster	
93.489	Child Care Disaster Relief
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Medicaid Cluster	
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program (Medicaid; Title XIX)

Other Major Programs:

10.646	Summer Electronic Benefits Transfer Program for Children (Summer EBT)
12.401	National Guard Military Operations and Maintenance (O&M) Projects
93.391	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises
93.434	Every Student Succeeds Act/Preschool Development Grants
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Services
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance – Title IV-E
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between type A and type B programs: \$18,084,422

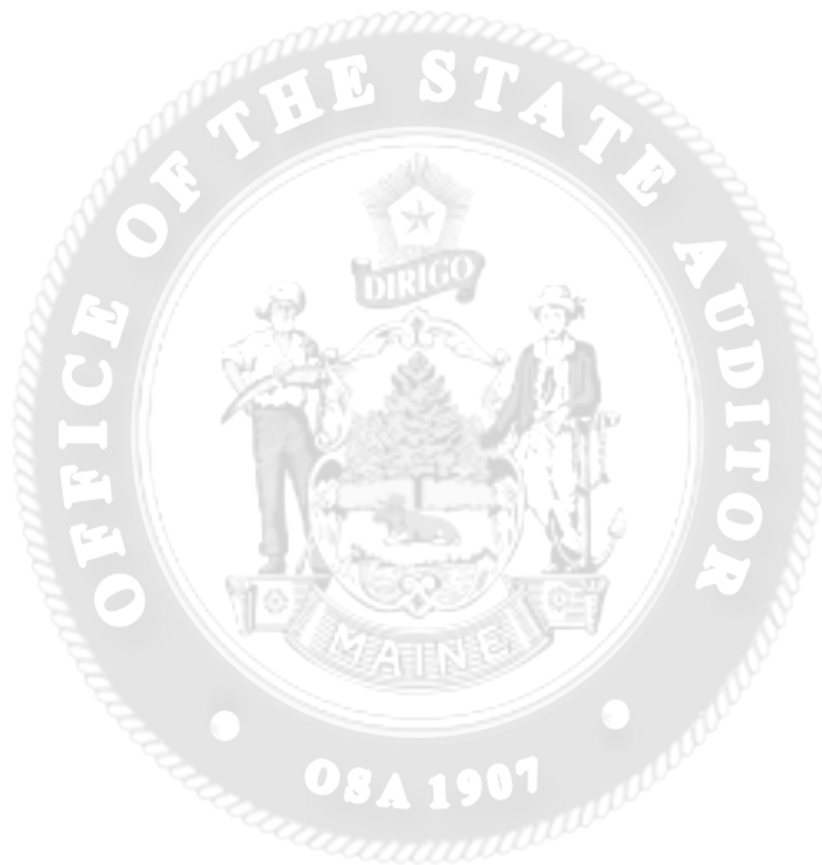
Does the auditee qualify as low risk?

YES ☐

NO ☒

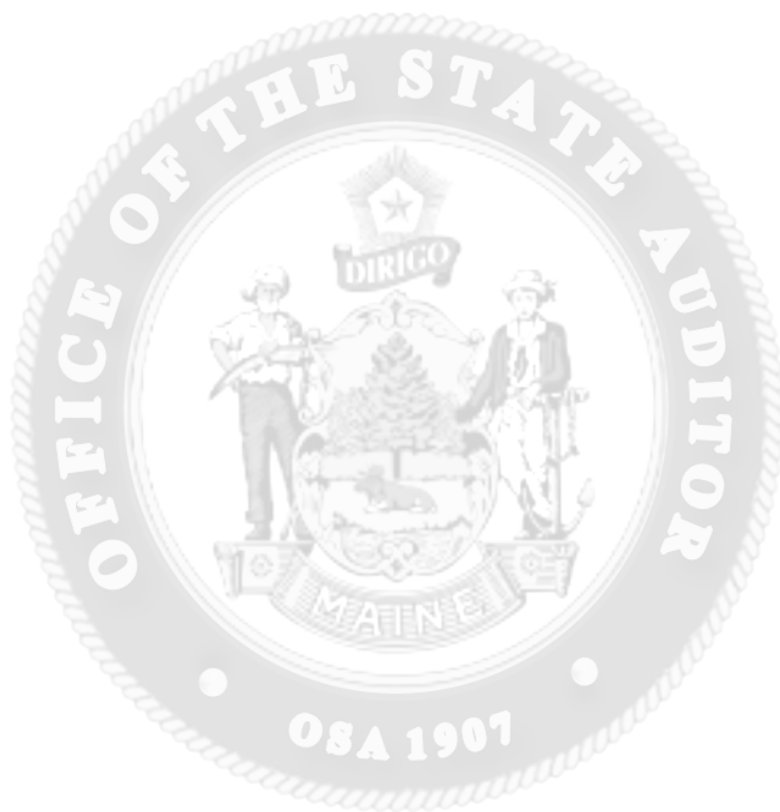
Summary of Questioned Costs:

Federal Agency	Federal Program	Known Questioned Costs	Finding Number
U.S. Department of Agriculture	SNAP Cluster	\$47,493	2025-011
		\$7,658	2025-012
	Child Nutrition Cluster	\$300,456	2025-018
		\$73,551	2025-019
	Summer Electronic Benefits Transfer Program for Children	\$1,680	2025-026
U.S. Department of Health and Human Services	Foster Care – Title IV-E	\$51,247	2025-055
		\$3,003	2025-056
	Adoption Assistance – Title IV-E	\$42,689	2025-055
		\$1,645	2025-060
	Every Student Succeeds Act/Preschool Development Grants	\$128,333	2025-036



**STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section II – Index to Financial Statement Findings



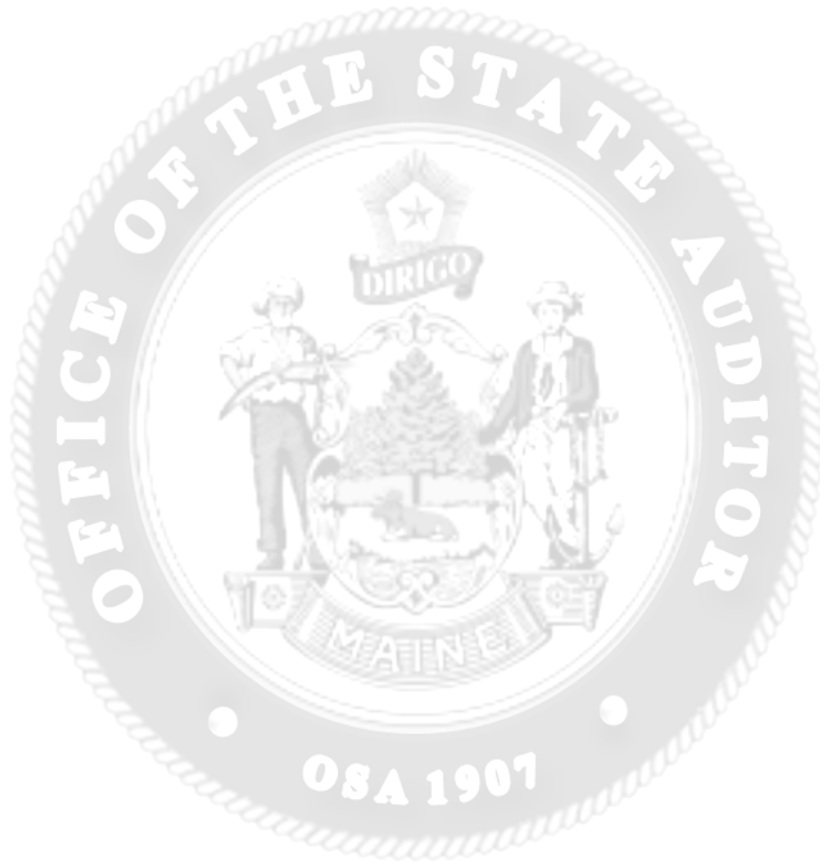
State of Maine
Index to Financial Statement Findings
For the Year Ended June 30, 2025

Finding #	Brief Summary of Finding	Finding Type	Page
2025-001	Internal control over Paid Family and Medical Leave Fund financial reporting needs improvement	MW	E-13
2025-002	Internal control over financial reporting related to individual income taxes needs improvement	SD	E-17
2025-003	Internal control over financial reporting of subscription-based information technology arrangements needs improvement	SD	E-20
2025-004	Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables needs improvement	SD	E-23
2025-005	Internal control over the valuations of the allowances for uncollectible Unemployment Insurance receivables needs improvement	SD	E-26
2025-006	Internal control over Lottery Fund financial reporting needs improvement	SD	E-29
2025-007	Internal control over Leased Services Fund financial reporting needs improvement	SD	E-31
2025-008	Internal control over financial reporting of capital assets needs improvement	SD	E-33
2025-009	Internal control over procurement and contract payment procedures needs improvement	SD	E-36
2025-010	<i>Confidential finding*</i>	SD	E-48

** 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 6.64 through 6.66)*

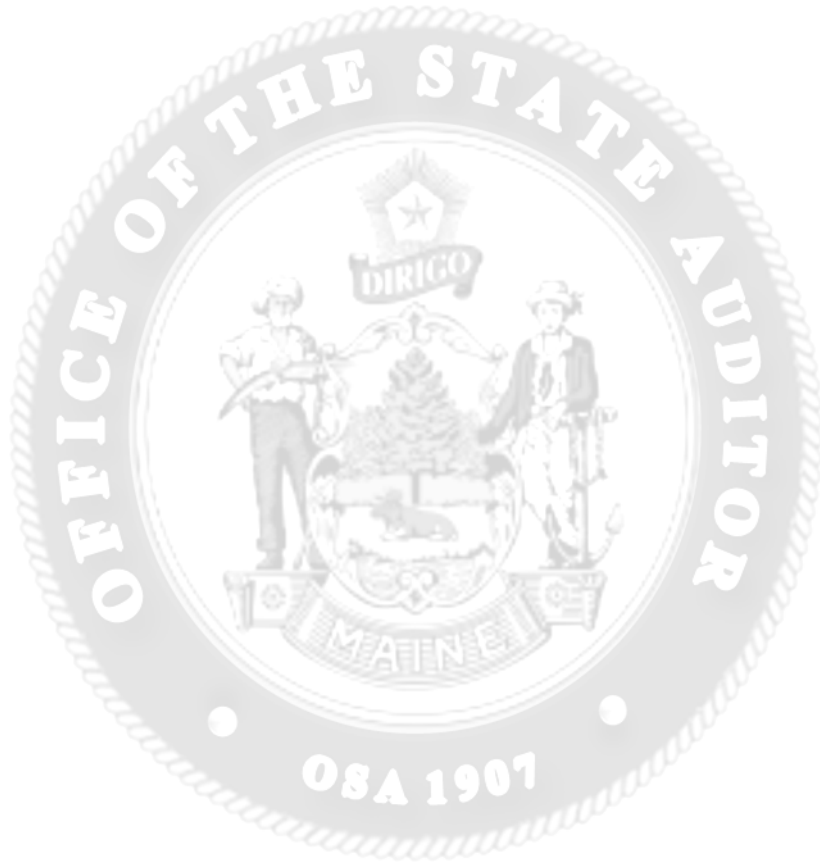
Legend of Abbreviations:

MW Material Weakness
SD Significant Deficiency



**STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section II – Financial Statement Findings



(2025-001)

Title: Internal control over Paid Family and Medical Leave Fund financial reporting needs improvement

Prior Year Findings: None

State Department: Labor

Administrative and Financial Services

State Bureau: Paid Family and Medical Leave

Security and Employment Service Center

Office of the State Controller

Type of Finding: Material weakness

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1547; Governmental Accounting Standards Board (GASB) Statement 51; State Administrative and Accounting Manual (SAAM) Chapters 30 and 90

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

Accounting and reporting activities of the State of Maine are required by statute to be in conformance with U.S. Generally Accepted Accounting Principles (GAAP).

GASB Statement 51 states that intangible assets should be included as capital assets for accounting and financial reporting purposes. Intangible assets include both purchased and licensed computer software and possess the following characteristics:

- Lack of physical substance
- Nonfinancial in nature
- Initial useful life extending beyond a single reporting period

SAAM Chapter 30 requires departments to capitalize software assets meeting a minimum dollar threshold of \$1 million that will be used for more than one fiscal year. The policy is inclusive of new acquisitions, additions to existing assets, and extraordinary repairs, betterments, or improvements, meeting the State's capitalization policy. Assets must be capitalized when accepted or substantially complete and placed into service.

SAAM Chapter 90 states that agencies are responsible for making accounting estimates, including preparing, submitting, and retaining copies of auditable supporting documentation for all of the GAAP information submitted to the Office of the State Controller (OSC), to be included in the State's financial statements. Agencies must report the total accounts receivable outstanding, their estimates of and methodology for estimating the uncollectible portion, and the amount that must be deferred.

Condition: The Paid Family and Medical Leave (PFML) program, administered by the Maine Department of Labor (MDOL), was established to create a statewide insurance program that provides wage-replacement benefits to eligible workers who need extended time off for various family and medical reasons. Beginning January 1, 2025, any employer with at least one Maine-based employee was required to withhold contributions of up to one percent of wages for each employee, and remit payments to the State on a quarterly basis. All employers were required to register for an account in a new system, the Maine Paid Family and Medical Leave Portal, beginning in fiscal year 2025. The Security and Employment Service Center (SESC) is responsible for recording financial activity for the PFML program in the PFML Fund.

According to MDOL, some employers:

- registered in the Portal but did not file the required quarterly returns.
- registered in the Portal and filed the required quarterly returns, but had not paid their fiscal year 2025 contributions.
- did not register in the Portal at all and thus, did not file the required quarterly returns or pay their fiscal year 2025 contributions.

Therefore, MDOL should have established a receivable related to the employers who did not comply with the PFML program. The Office of the State Auditor's (OSA) audit procedures identified that accounts receivable for the PFML Fund was erroneously omitted from the State's financial statements.

Once notified by OSA of this omission, OSC recorded a \$59.1 million receivable to accrue for contributions due on June 30, 2025; however, OSC's journal entry erroneously utilized the Portal's contribution reports which included \$5,000 placeholder contributions for employers who had registered in the Portal but had not yet filed the required quarterly returns. According to MDOL, the \$5,000 placeholder contribution in the Portal was intentionally set higher than estimated actual required contributions in order to encourage compliance with the PFML program. As a result, the contribution amounts due (receivable) utilizing data in the Portal is overstated.

In order to evaluate the reasonableness of OSC's estimate, OSA calculated an average contribution amount based on known fiscal year 2025 contributions and proposed a \$12.1 million adjusting journal entry that reduced the \$59.1 million receivable to \$47 million. OSC agreed and the proposed adjusting journal entry was recorded by OSC.

Additionally, other financial reporting issues related to the PFML Fund for fiscal year 2025 that were identified by OSA include the following:

- The State pools cash and cash equivalents for a variety of State agencies and public sector entities; this is known as the Treasurer's Cash Pool (TCP). Though the PFML Fund participates in the TCP, it was erroneously excluded in the reclassification of cash balances to the TCP for financial statement purposes and was reported as cash & short-term investments. OSA's proposed adjusting journal entry that properly reclasses \$95.8 million related to the PFML Fund as equity in TCP was recorded by OSC.
- Expenditures totaling \$7.1 million related to the PFML Portal system were erroneously expensed rather than capitalized and depreciated over the estimated life of the asset. SESC did not report the PFML Portal system to OSC in the year-end closing package. As a result, the software assets were not properly reported in the State's financial statements.

Context: In fiscal year 2025, the following amounts were reported in the State's financial statements:

- \$84.2 million in PFML Fund revenues
- \$218.1 million in software assets

Cause:

- Lack of adequate procedures
- Lack of supervisory oversight

Effect:

- Before OSA's proposed audit adjustments:
 - o PFML Fund accounts receivable was understated by \$47 million, and
 - o cash & short-term investments and equity in TCP were misclassified by \$95.8 million.
- Software assets totaling \$7.1 million were expensed rather than capitalized. As a result, expenditures are overstated and software assets are understated in the State's financial statements.

Recommendation: We recommend that MDOL, SESC, and OSC collaborate to implement procedures and enhance oversight to ensure all PFML Fund-related activity and balances are properly recorded in the State's financial statements.

Corrective Action Plan: See F-6

Management's Response:

SESC Response: The SESC agrees that the receivable balance was not reported to the Office of the State Controller in a timely manner. The SESC disagrees that the expenditures related to the PFML Portal system were not reported to the OSC in the year-end closing package. SESC used the guidance provided in the OSC's decision tree/survey to determine the applicability of GASB 51 for the PFML system.

SESC Contact: Marilyn Leimbach, Director, Security and Employment Service Center, DFPS, DAFS, 207-248-2556

OSC Response: The OSC agrees with this finding with respect to the misclassification of Cash and ST investments in the TCP of \$95.8 million. Procedures will be updated to include PFML fund in the TCP analysis.

OSC Contact: Stacey Thomas, Financial Management Coordinator, OSC, DAFS, 207-626-8431

Auditor's Concluding Remarks: In response to SESC's partial disagreement, GASB Statement 51 requires governments to report intangible assets for both purchased and licensed computer software, as stated in the Criteria. In Management's Response, SESC references utilizing OSC's decision tree/survey in determining whether the PFML Portal system needed to be capitalized; however, OSC's decision tree/survey only provides guidance on internally developed or generated

intangible assets. Since the PFML Portal system was purchased as an off-the-shelf product, SESC erroneously reported to OSC that GASB Statement 51 did not apply to the PFML Portal system and thus, the system was not capitalized.

MDOL did not respond to the finding.

The finding remains as stated.

(State Number: 25-0301-02)

(2025-002)

Title: Internal control over financial reporting related to individual income taxes needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services

State Bureau: Maine Revenue Services

Office of the State Controller

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR, Part 5, Section A: Internal Control; 5 MRSA 1547; Governmental Accounting Standards Board (GASB) Statement 100

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

Accounting and reporting activities of the State of Maine are required by statute to be in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

GASB Statement 100:

- defines an accounting estimate as an amount subject to measurement uncertainty, based on inputs such as data, assumptions, and measurement methodologies, that is recognized or disclosed in the financial statements. A change in accounting estimate should be justified on the basis that the newly adopted measurement methodology is preferable to the measurement methodology used before the change. The nature of the change in accounting estimate should be disclosed in the notes to the financial statements.
- states that an error correction needs to be reported when there are mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date. For financial statements that present a single period:
 - an error correction should be reported retroactively by restating beginning net position for the cumulative effect of the error correction on prior periods.
 - the nature of the error and its correction and the effect on the prior period's change in net position had the error not occurred should be disclosed in the notes to the financial statements.

Condition: Maine Revenue Services (MRS) is responsible for estimating the amount of individual income tax owed to the State but received after fiscal year end in order to properly report deferred inflows of resources on the State's financial statements. The estimate is comprised of two distinct tax types, each requiring a separate calculation methodology. MRS provides this estimate, along with supporting documentation, to the Office of the State Controller (OSC) for inclusion in the State's financial statements. OSC is responsible for reviewing and approving MRS' estimate prior to recording it in the State's financial statements.

During the Office of the State Auditor's (OSA) review of 2025 year-end adjusting entries and account balances, a prior change in MRS' methodology used to estimate deferred inflows of resources related to individual income tax revenue was identified. The estimate is based on budgetary information received from the Revenue Forecasting Committee (RFC). In fiscal year 2024, a change in the presentation of the information received from the RFC resulted in MRS modifying the inputs used in its calculation and erroneously applying the same calculation methodology to both tax types. MRS also applied the revised methodology again for fiscal year 2025, resulting in an overstatement of taxes receivable and deferred inflows of resources.

OSC's review of MRS' estimate did not identify the change in methodology or the resulting overstatement caused by the change in either fiscal year 2024 or fiscal year 2025. In addition, OSC did not disclose the change in methodology in the fiscal year 2024 notes to the financial statements. After the issue was identified by OSA, OSC corrected the fiscal year 2025 year-end adjusting entries and restated beginning net position based on a revised estimate calculation using the correct methodology.

Additionally, in Note 3 to the financial statements which disclosed the restatement, OSC erroneously reported that the State recorded \$371.9 million of individual income tax revenue in fiscal year 2024, which was based on the fiscal year 2024 year-end entry to record revenue associated with individual income taxes receivable, rather than the total amount of \$2.5 billion. After the understatement was identified by OSA, OSC corrected the note disclosure.

Context: Prior to recording OSA's proposed audit adjustments, MRS estimated and OSC recorded \$409.1 million in deferred inflows of resources related to individual income tax revenue, a 76 percent increase from the fiscal year prior to the change in methodology.

Cause:

- Instead of applying separate methodologies to each individual income tax type in estimating deferred inflows of resources, MRS incorrectly applied the same methodology.
- Lack of adequate review procedures to ensure that year-end adjusting entries and note disclosures are accurately reflected in the State's financial statements

Effect: Prior to correcting the year-end adjusting entries, beginning net position, and note disclosure:

- Governmental Activities' beginning net position was overstated by \$119.3 million, deferred inflows of resources was understated by \$117.3 million, and tax revenue was understated by \$2 million.
- General Fund taxes receivable and deferred inflows of resources were overstated by \$117.3 million.
- fiscal year 2024 individual income tax revenue was understated by \$2.1 billion in Note 3.

Recommendation: We recommend that MRS:

- review the methodology for estimating deferred inflows of resources related to individual income tax revenue to ensure the appropriate methodology is utilized, and
- implement procedures to ensure that any changes to the methodology for calculating estimates are communicated to OSC.

We further recommend that OSC enhance oversight procedures over the review of year-end adjusting entries and note disclosures to ensure the State's financial statements are complete and accurate.

Corrective Action Plan: See F-6

Management's Response:

MRS Response: MRS partially agrees with this finding. MRS does not believe there was a change to the methodology used to estimate deferred inflows of resources related to individual income tax. Rather this is a calculation error that resulted from the change in the general ledger account activity and MRS utilizing the data that was available.

MRS Contact: Derek Higgins, Director of Accounting/Financial Risk Manager, MRS, 207-441-5010

OSC Response: OSC partially agrees with this finding. OSC doesn't receive detail tax data. OSC will incorporate additional steps to the year-end process to help identify any significant changes.

OSC does not agree with the statement included in the 3rd bullet under Effect "fiscal year 2024 individual income tax revenue was understated by \$2.1 billion in Note 3". The original number included in the Note \$371.9 million- referred to the particular line item in the FY24 journal entry which was overstated and discussed the adjustment to that line item in the journal entry.

OSC Contact: April Newman, Public Service Coordinator II, OSC, 207-626-8436

Auditor's Concluding Remarks: To address MRS' partial disagreement, GASB Statement 100 states, "a *change* in accounting estimate occurs when inputs (such as data, assumptions, and measurement methodologies) change." The inputs used by MRS to estimate taxes receivable and deferred inflows of resources related to individual income tax changed in fiscal year 2024. This change in inputs, whether intentional or in error, resulted in a change in methodology used to estimate deferred inflows of resources.

To address OSC's partial disagreement, the original draft of Note 3 erroneously reported the total individual income tax revenue recorded by the State in fiscal year 2024 as \$371.9 million. As a result, individual income tax revenue was understated by \$2.1 billion.

The finding remains as stated.

(State Number: 25-0204-01)

(2025-003)

Title: Internal control over financial reporting of subscription-based information technology arrangements needs improvement

Prior Year Findings:

FY24	FY23
2024-003	2023-013

State Department: Administrative and Financial Services

State Bureau: Office of the State Controller

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1547; State Administrative and Accounting Manual (SAAM) Chapter 30; Governmental Accounting Standards Board (GASB) Statement 96

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

Accounting and reporting activities of the State of Maine are required by statute to be in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

Departments should capitalize software assets that meet the minimum dollar threshold of \$1 million and will be used for more than one fiscal year.

GASB Statement 96 defines a subscription-based information technology arrangement (SBITA) as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription asset should be measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable implementation costs. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. If a contract does not include prices for individual components, or if any of those prices appear to be unreasonable, a government should use professional judgment to determine its best estimate for allocating the contract price to those components, maximizing the use of observable information. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

Condition: GASB Statement 96 requires governments to identify and recognize IT subscription assets and liabilities in the financial statements. These IT assets and liabilities result from arrangements between the government and vendors for right-to-use IT assets such as software and

associated tangible capital assets. The Office of the State Controller (OSC) is responsible for GASB Statement 96 reporting in the State's financial statements.

The Office of the State Auditor (OSA) reviewed contracts and related invoices for SBITAs recorded by OSC, as well as potential SBITAs that were not recorded by OSC, and found:

- one contract reported as a SBITA erroneously excluded capitalizable costs totaling \$3.6 million even though some of the components in the contract were for fixed costs.
- one contract with capitalizable costs totaling \$1.7 million was erroneously not reported as a SBITA even though actual cost in the contracts presented as fixed costs associated with the asset.

Context: As of June 30, 2025, OSC reported SBITA assets and liabilities of \$110.2 million and \$103.1 million, respectively, in the State's financial statements.

Cause: Lack of adequate procedures to ensure all available contract information is utilized to properly record SBITAs

Effect: SBITA assets and related liabilities, as well as IT-related expenses, are misstated in the State's financial statements.

Recommendation: We recommend that OSC enhance procedures to ensure all available contract information is utilized to properly report SBITAs and to maintain adequate documentation to support OSC's determination.

Corrective Action Plan: See F-7

Management's Response: The Department partially agrees with this finding. The Department acknowledges that contract details across the State can be limited and that further enhancements can be made to our collaborative processes with our partner agencies.

However, OSC has implemented adequate procedures to identify and evaluate potential SBITAs. For all items, OSC:

- sought and obtained information directly from responsible agencies;
- conducted a reasonable assessment of agency-provided amounts;
- evaluated statutory provisions and contract language; and
- applied GASB 96 guidance where observable information existed and documented where it did not.

OSC followed professional judgment in accordance with GASB 96, assessed the presence or absence of identifiable right-to-use components, and appropriately concluded that the excluded amounts were not capitalizable.

Contact: Jordan Kennedy, Financial Management Coordinator, OSC, 207-626-8492

Auditor's Concluding Remarks: For both exceptions identified through OSA's audit procedures, observable information within the contract should have been utilized to conclude that fixed costs

associated with the identified SBITA asset should have been capitalized. GASB Statement 96, paragraph 48 supports this determination by stating “a government should use professional judgment to determine its best estimate for allocating the contract price to those components, maximizing the use of observable information. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.” OSC’s procedures in both cases did not lead to an estimate or inclusion of all components as promulgated by GASB Statement 96. Instead, OSC excluded costs when estimates could not be made, and did not account for all components when it was not practicable to determine a best estimate for price allocation. Therefore, OSC’s procedures to ensure that SBITAs are properly reported and related documentation is maintained are not adequate.

The finding remains as stated.

(State Number: 25-0121-01)

(2025-004)

Title: Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables needs improvement

Prior Year Findings:

FY24	FY23	FY22	FY21	FY20
2024-004	2023-015	2022-011	2021-008	2020-007

State Department: Judicial Branch
Administrative and Financial Services

State Bureau: Administrative Office of the Courts
Office of the State Controller

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1547; State Administrative and Accounting Manual (SAAM) Chapter 90

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

Accounting and reporting activities of the State of Maine are required by statute to be in accordance with U.S. Generally Accepted Accounting Principles (GAAP).

Agencies are responsible for making accounting estimates, including preparing, submitting, and retaining copies of auditable supporting documentation for all of the GAAP information submitted to the Office of the State Controller (OSC), to be included in the State's financial statements. Any changes or corrections to information originally submitted must also be sent to OSC. Agencies must report the total accounts receivable outstanding, their estimates of and methodology for estimating the uncollectible portion, and the amount that must be deferred.

Condition: The valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables reported on the State's financial statements is not supported.

Though the Judicial Branch provided the receivable aging report to OSC, they did not provide an estimate or methodology for the allowance for uncollectible fines and fees. Instead, utilizing the receivable aging report, OSC established an estimate for uncollectible accounts receivable. This estimate identifies all receivables outstanding more than 360 days as uncollectible, and an allowance for this amount is recorded in the State's financial statements.

The Office of the State Auditor (OSA) obtained current and historical collection data from the Judicial Branch in order to evaluate OSC's estimate. The Judicial Branch provided detailed collections activity derived from its payment information systems. OSA reviewed the data and estimated that approximately \$3.2 million is collected annually on receivables outstanding over

one year. As a result, OSA's calculated estimate of \$22.7 million for the allowance for uncollectible fines and fees is less than OSC's estimate by \$3.2 million.

Context: Fines and fees receivables for the Judicial Branch totaled \$32.5 million as of June 30, 2025. The financial statements present receivables net of OSC's allowance for uncollectible amounts of \$25.9 million, resulting in a presentation of \$6.6 million.

Cause:

- The Judicial Branch does not have procedures to provide an estimate and methodology for the allowance for uncollectible fines and fees.
- OSC does not enforce the requirement that the Judicial Branch provide an estimate and methodology for the allowance for uncollectible fines and fees and assess its reasonableness.

Effect: The allowance for uncollectible amounts, the resulting net balance of fines and fees receivable, and the separately disclosed amount for the allowance for uncollectible amounts in Note 6 to the financial statements may be misstated.

Recommendation: We recommend that the Judicial Branch implement procedures to calculate and provide their estimate of and methodology for estimating the uncollectible portion of fines and fees receivables to OSC. We further recommend that OSC enhance oversight to ensure that the allowance estimate and methodology obtained from the Judicial Branch is accurate.

Corrective Action Plan: See F-7

Management's Response: OSC agrees with the process description. Judicial provides the aging report and OSC calculates the reserve. OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective as well as objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is conservative, not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC accumulates relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. OSC will continue to reserve 100% of all fines over 360 days old, which has been the acceptable method for many years until we receive an aging report from Judicial that provides an estimate or methodology for the calculation of the allowance.

Contact: April Newman, Public Service Coordinator II, OSC, 207-626-8436

Auditor's Concluding Remarks: As stated in the Criteria, the SAAM requires agencies (in this case, the Judicial Branch) to calculate accounting estimates, including preparing, submitting, and retaining copies of auditable supporting documentation, and provide the estimates to OSC for recording in the State's financial statements. The Judicial Branch did not provide their estimate of and methodology for the allowance for uncollectible fines and fees to OSC as required. As a

result, OSC calculated an estimate using an “aging methodology” and professional judgment. Therefore, the Judicial Branch was not able to assess the reasonableness of OSC’s estimate.

OSA obtained current and historical collection data from the Judicial Branch to evaluate OSC’s estimate of the allowance for uncollectible fines and fees. Through the evaluation process, OSA determined that OSC’s estimate did not factor actual collections of receivables and data provided to OSA by the Judicial Branch indicates that significant collections are received on balances outstanding more than one year which is not consistent with OSC’s method. The Judicial Branch did not provide this information to OSC as required nor did OSC request the support from the Judicial Branch when establishing the estimate.

The Judicial Branch did not respond to the finding.

The finding remains as stated.

(State Number: 25-0203-01)

(2025-005)

Title: Internal control over the valuations of the allowances for uncollectible Unemployment Insurance receivables needs improvement

Prior Year Findings:

FY24	FY23	FY22	FY21	FY20	FY19
2024-006	2023-008	2022-021	2021-009	2020-009	2019-004

State Department: Labor
Administrative and Financial Services

State Bureau: Unemployment Compensation
Security and Employment Service Center
Office of the State Controller

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1547; State Administrative and Accounting Manual (SAAM) Chapter 90

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

Agencies are required by statute to prepare, submit, and retain auditable supporting documentation for all information submitted to the Office of the State Controller (OSC) for financial reporting purposes. Accounting and reporting activities of the State of Maine are required by statute to be in conformance with U.S. Generally Accepted Accounting Principles (GAAP).

Agencies are responsible for making accounting estimates, including preparing, submitting, and retaining copies of auditable supporting documentation for all of the GAAP information submitted to OSC, to be included in the State's financial statements. Agencies must report the total accounts receivable outstanding, their estimates of and methodology for estimating the uncollectible portion, and the amount that must be deferred.

Condition: The Maine Department of Labor (MDOL) utilizes the outsourced ReEmployME information system for processing and storage of data related to the Unemployment Insurance (UI) program. ReEmployME stores extensive financial and programmatic data, including records of balances owed to the State by individuals and employers. The Security and Employment Service Center (SESC) is responsible for recording financial activity for the UI program in the State's accounting system based on information provided by MDOL from the ReEmployME system. Detailed reports of receivables balances are necessary for accurate financial reporting. MDOL cannot provide an accounts receivable report from ReEmployME containing records for each debtor as of June 30, 2025, unless the report is generated in real time at year end. Without the generation of real-time, year-end reports or accurate historical account balance reports, MDOL cannot properly monitor account balances and collections activity.

Furthermore, failure to generate and retain detailed UI receivables reports results in a lack of historical data and evidence available to properly support the estimated allowances for uncollectible accounts related to UI receivables. The estimated allowances for uncollectible accounts related to Federal and State benefit overpayment receivables, unemployment tax receivables, and UI interest and penalties receivables are all based on the same management assumption. Receivables outstanding for more than one year are automatically deemed uncollectible, rather than applying management judgments and assumptions supported by data and evidence for each classification of receivables. As a result, the estimates of the allowances for uncollectible UI receivables reported on the State's financial statements are not supported.

OSC's review and analysis of the estimated allowances does not include supporting documentation outlining management's considerations of historical data, detailed collections activity, or current economic trends.

Context: UI receivables for the Employment Security Trust Fund (ESTF) totaled \$105.2 million as of June 30, 2025, reduced by the estimated allowance for uncollectible accounts of \$68.3 million. This results in management's presentation of \$36.9 million in net ESTF UI receivables, not including interest and penalties.

UI interest and penalties receivable included in the Other Special Revenue Fund totaled \$93 million as of June 30, 2025, reduced by the estimated allowance for uncollectible accounts of \$89.1 million. This results in management's net presentation of \$3.9 million in net UI receivables for interest and penalties.

UI receivables for the Federal Fund totaled \$54.8 million as of June 30, 2025, reduced by the estimated allowance for uncollectible accounts of \$54.4 million. This results in management's presentation of approximately \$400,000 in net Federal UI receivables.

Cause:

- Management has identified long-term and ongoing information system limitations and reporting errors that have not been resolved, which inhibit functionality and accuracy of receivables reporting.
- Lack of documented effective policies and procedures to:
 - generate and retain detailed UI receivables information for financial reporting purposes
 - support management's considerations in developing the estimated allowances for uncollectible accounts
- Lack of supervisory oversight

Effect: Potential misstatement of UI receivables balances, the allowances for uncollectible accounts which are also disclosed in Note 6 to the financial statements, and the resulting net receivables balances.

Recommendation: We recommend that MDOL and SESC implement procedures to calculate and provide their estimate of and methodology for estimating the uncollectible portion of UI

receivables to OSC. We further recommend that OSC enhance oversight to ensure that the allowance estimate and methodology obtained from MDOL and SESC is accurate.

Corrective Action Plan: See F-8

Management's Response: The Department disagrees with this finding. The Departments agree that detailed receivables reports should be generated and retained during the fiscal year. The OSC will provide guidance to the Department of Labor (DOL) to develop a reporting mechanism that will provide a more detailed analysis of the activity of the receivable balances. The OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgment is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns, and is not overly subjective or susceptible to bias. Applying this methodology, the OSC and the DOL accumulate relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. The OSC recently performed a five-year trend analysis of historical collections with information provided by the DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. The DOL implemented a new system and the OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.

Contact: Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431

Auditor's Concluding Remarks: As stated in the Criteria, the SAAM requires agencies (in this case, MDOL and SESC) to calculate accounting estimates, including preparing, submitting, and retaining copies of auditable supporting documentation, and provide the estimates to OSC for recording in the State's financial statements. The Departments have agreed that detailed receivables reports should be routinely generated and retained for purposes of determining estimates in the financial statements since the fiscal year 2021 audit; however, the Departments have yet to implement corrective action to require such reports. MDOL and SESC did not provide their estimate of and methodology for the allowance for uncollectible UI receivables to OSC as required. As a result, OSC calculated an estimate using a five-year trend analysis, which was not made available to the auditor to substantiate management assumptions used to estimate the allowances for uncollectible accounts. In addition, management assumptions and related reserve percentages utilized in the calculations of estimated allowances have not been updated since the original issuance of this significant deficiency in the fiscal year 2019 audit. MDOL and SESC did not assess the reasonableness of OSC's estimate. Therefore, the estimates of the allowances for uncollectible UI receivables reported on the State's financial statements remain unsupported.

MDOL and SESC did not respond to the finding.

The finding remains as stated.

(State Number: 25-0308-01)

(2025-006)

Title: Internal control over Lottery Fund financial reporting needs improvement

Prior Year Findings:

FY24	FY23	FY22	FY21	FY20
2024-007	2023-003	2022-006	2021-001	2020-002

State Department: Administrative and Financial Services

State Bureau: General Government Service Center

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; State Administrative and Accounting Manual (SAAM) Chapter 90

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

SAAM Chapter 90 states that agencies are responsible for ensuring that assets and liabilities are properly and completely stated. All agencies are responsible for preparing, submitting, and retaining copies of auditable supporting documentation for all financial information submitted to the Office of the State Controller for inclusion in the Annual Comprehensive Financial Report.

Condition: The Department contracts with a gaming vendor to administer Maine State Lottery instant ticket and draw games. The General Government Service Center (GGSC) utilizes vendor reports to record Lottery Fund revenue, expenses, accounts receivable, and other accrued liabilities in the State's accounting system. In addition, GGSC performs monthly reconciliations to ensure that the information provided by the vendor agrees to the amounts included in the State's accounting system.

Audit procedures identified two accounts that were excluded by GGSC from the monthly reconciliation. The excluded accounts have carried an unreconciled balance for several years and relate to a game that the Maine State Lottery will be ending in fiscal year 2026. Due to the complexity of the reconciliation and the game's upcoming expiration date, GGSC chose not to allocate resources to the project in fiscal year 2025.

Context: The unreconciled accrued liabilities accounts total \$2,252,295. Lottery Fund totals reported on the State's financial statements are as follows:

- \$333.8 million in operating expenses
- \$23.3 million in other accrued liabilities

Cause: GGSC chose to defer reconciling the accounts until fiscal year 2026 and allocated those resources to other projects.

Effect: Lottery Fund liabilities and expenditures are misstated on the State's financial statements.

Recommendation: We recommend that GGSC follow established policies and procedures which require monthly reconciliations to ensure that Lottery Fund activity is appropriately recorded within the State's accounting system and that balances reconcile to vendor reports.

Corrective Action Plan: See F-8

Management's Response: The Department agrees with this finding. The Department will complete a full reconciliation of the liability accounts by fiscal year-end 2026 and implement standardized monthly/quarterly reconciliation procedures. The Department recognizes the potential financial impacts of inaccuracies in the financial statements and are committed to strengthening controls to ensure accuracy and transparency moving forward.

Contact: Albert Gorneau, Director, General Government Service Center, DFPS, DAFS, 207-649-1436

(State Number: 25-0301-01)

(2025-007)

Title: Internal control over Leased Services Fund financial reporting needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services

State Bureau: General Government Service Center

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; State Administrative and Accounting Manual (SAAM) Chapter 90

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

SAAM Chapter 90 states that agencies are responsible for ensuring that assets and liabilities are properly and completely stated. All agencies are responsible for preparing, submitting, and retaining copies of auditable supporting documentation for all financial information submitted to the Office of the State Controller for inclusion in the Annual Comprehensive Financial Report.

Condition: The Bureau of General Services' Division of Leased Space is responsible for the administration of all active leases for State agencies, including drafting lease terms and entering information into the State's lease software system. The system generates capitalization schedules based on information entered, which then interfaces with the State's accounting system in order to initiate invoices and process vendor payments.

The General Government Service Center (GGSC) is responsible for recording accounting transactions for the Division of Leased Space. A review is performed by GGSC to ensure information entered in the lease software system is accurate and in accordance with the lease agreement. Due to lease software system limitations, manual entry by GGSC is required for renewal periods and not for the initial lease period.

During the Office of the State Auditor's (OSA) review of a new lease entered into during fiscal year 2025, GGSC identified that the base rent automatically calculated by the lease software system and transmitted to the State's accounting system was duplicated. GGSC personnel erroneously manually entered base rent information on the capitalization schedules for the length of the lease; however, this step is only required for renewal periods and not for the initial lease period. Further procedures identified six additional new leases entered into during fiscal year 2025 where the base rent was duplicated.

Context: For fiscal year 2025, right-to-use assets (leases), lease liabilities, and operating expenses for the Leased Services Fund are overstated by \$493,378 in the financial statements. Leased Services Fund totals reported in the State's financial statements are as follows:

- \$257.8 million in right-to-use assets (leases)
- \$269.4 million in lease liabilities

- \$19.4 million in operating expenses

Cause: Lack of year-end oversight procedures to ensure that Leased Services Fund activity is appropriately recorded within the State's accounting system.

Effect: Misstatement of right-to-use assets (leases), lease liabilities, and operating expenses reported in the State's financial statements.

Recommendation: We recommend that GGSC implement year-end oversight procedures to ensure that Leased Services Fund activity is appropriately recorded within the State's accounting system.

Corrective Action Plan: See F-8

Management's Response: The Department agrees with this finding. During a recent transition of responsibility for this process, manual entry for the renewal period was inadvertently entered for the entire lease resulting in the initial lease period to double count the base rent in the GASB 87 calculations. This affected 6 leases that were capitalized in SFY2025.

Contact: Albert Gorneau, Director, General Government Service Center, DFPS, DAFS,
207-649-1436

(State Number: 25-0320-01)

(2025-008)

Title: Internal control over financial reporting of capital assets needs improvement

Prior Year Findings:

FY24	FY23	FY22
2024-009	2023-007	2022-008

State Department: Administrative and Financial Services
Agriculture, Conservation and Forestry
Defense, Veterans and Emergency Management

State Bureau: Corrections Service Center
Natural Resources Service Center
Forestry
Military Bureau

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; Governmental Accounting Standards Board (GASB) Statement 34, Paragraphs 18 through 22; State Administrative and Accounting Manual (SAAM) Chapter 30

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

GASB Statement 34 defines capital assets as land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations and have initial useful lives extending beyond a single reporting period. Capital assets should be depreciated over their estimated useful lives.

SAAM Chapter 30 requires departments to:

- capitalize assets meeting a minimum dollar threshold of \$5,000 that will be used for more than one fiscal year. The policy is inclusive of new acquisitions, additions to existing assets, and extraordinary repairs, betterments, or improvements, including leasehold improvements, meeting the State's capitalization policy. Assets must be capitalized when accepted or substantially complete and placed into service.
- adopt internal policies and procedures consistent with those promulgated by the Office of the State Controller (OSC) and the Bureau of General Services regarding the timely removal of capital assets from inventory.

Condition: The State's financial Service Centers and Departments maintain capital asset records including buildings, structures, equipment, land, and improvements used in operations; this includes recording new assets when acquired, removing assets when disposed, and tracking improvements to existing assets and construction in progress.

The Office of the State Auditor's audit procedures identified the following exceptions:

- According to the registry of deeds, one Department of Agriculture, Conservation and Forestry (DACF) property was sold in fiscal year 2025; however, DACF did not remove the property from capital asset records. The value of the sold property is unknown by DACF.
- Two expenditures totaling \$1.1 million related to a construction project were expensed but should have been capitalized as construction in progress by the Natural Resources Service Center (NRSC).
- One expenditure totaling \$203,383 related to building improvements was expensed but should have been capitalized as improvements other than buildings by the Corrections Service Center (CSC).
- Three Department of Defense, Veterans and Emergency Management (DVEM) properties were sold but were not removed from capital asset records, as follows:
 - One land property totaling \$78,888 was sold in fiscal year 2013.
 - One property totaling \$530,536, which consisted of land and buildings totaling \$45,300 and \$485,236, respectively, was sold in fiscal year 2022.
 - One property totaling \$112,892, which consisted of land and buildings totaling \$1,500 and \$111,392, respectively, was sold in fiscal year 2025.

Context: In fiscal year 2025, capital asset totals reported in the State's financial statements are as follows:

- \$964 million in buildings
- \$660.8 million in land
- \$165.3 million in construction in progress
- \$113.7 million in improvements other than buildings

Cause:

- Lack of adequate procedures
- Lack of supervisory oversight

Effect: Capital assets are misstated in the State's financial statements, as follows:

- Assets with an unknown value were sold but remain recorded as a capital asset. As a result, capital assets are overstated.
- Assets totaling \$1.3 million were expensed rather than capitalized. As a result, expenditures are overstated and capital assets are understated.
- Assets totaling \$722,316 were sold but remain recorded as a capital asset. As a result, capital assets are overstated.

Recommendation: We recommend that the Departments collaborate with OSC to develop procedures and enhance oversight to ensure capital assets are accurately reported in the State's financial statements.

Corrective Action Plan: See F-9

Management's Response:

CSC Response: The Department agrees with this finding. The Department will ensure payments are posted correctly in the fixed asset records no later than the end of the fiscal year.

CSC Contact: Mitchell Boynton, Director, CSC, DAFS, 207-557-0791

NRSC Response: The Department agrees with this finding. The Maine Department of Inland Fisheries and Wildlife and the Natural Resources Service Center are collaborating to work toward a solution that will ensure construction in progress payments are accurately reported by fiscal year end.

NRSC Contact: Gilbert M. Bilodeau, Director, NRSC, DAFS, 207-624-6363

DACF Response: The Department partially agrees with this finding. This asset was conveyed to DACF on September 12, 1958, and recorded in the Franklin County Registry of Deeds in Book 347, Page 213. We believe that due to the age of the asset, it was not brought into the system. At that time, Forestry was its own department and has since been combined with the Department of Conservation, and later combined into the Department of Agriculture, Conservation & Forestry. We feel this is an anomaly, but we will continue to analyze our assets.

DACF Contact: Aimee Carlton, Business Operations Manager, DACF, 207-592-6129

DVEM Response: The Department agrees with this finding. The audit results highlight the need for strengthened understanding of fixed asset procedures at the department level. DVEM is committed to improving in this area and will continue working with OSC to obtain the training and clarification needed to ensure our responsibilities within the fixed asset process are carried out appropriately.

DVEM Contact: Joseph Wilson, Public Service Manager I, DVEM, 207-430-5696

Auditor's Concluding Remarks: In response to DACF's partial disagreement, departments are responsible for developing internal control policies and procedures to protect and control the use of capital assets; this includes ensuring assets are properly recorded to capital asset records, regardless of age. DACF acknowledges that the asset was not recorded in capital asset records as required.

The finding remains as stated.

(State Number: 25-0600-01)

(2025-009)

Title: Internal control over procurement and contract payment procedures needs improvement

Prior Year Findings:

FY24
2024-015

State Department: Administrative and Financial Services

Health and Human Services

Labor

Professional and Financial Regulation

State Bureau: Office of State Procurement Services

Maine Center for Disease Control & Prevention

Office of Aging and Disability Services

Office of Child and Family Services

Office of MaineCare Services

Office of Substance Abuse and Mental Health Services

Rehabilitation Services

Board of Nursing

Board of Licensure for Professional Engineers

Type of Finding: Significant deficiency

Criteria: 2 CFR 200.303; Governmental Accounting, Auditing, and Financial Reporting (GAAFR), Part 5, Section A: Internal Control; 5 MRSA 1812; 5 MRSA 1819; 5 MRSA 1825; Office of State Procurement Services (OSPS) Purchasing Policy and Operations Manual (PPOM)

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The GAAFR states that a comprehensive framework of internal control is required to obtain reasonable assurance over financial reporting.

5 MRSA 1812 outlines that OSPS' function is to purchase collectively all services, supplies, materials and equipment for the State or any department or agency thereof in a manner to best secure the greatest possible economy consistent with the grade or quality of the services, supplies, materials and equipment best adapted for the purposes for which they are needed. OSPS is responsible for annually updating a central database of information including, but not limited to, procurement policies, market information, technical data and demonstration project results.

5 MRSA 1819 defines an unlawful purchase and describes the penalty for approving unlawful purchases. Any purchase of services, supplies, materials or equipment contrary to purchasing law or the rules and regulations adopted under purchasing law, that contract is void and has no effect.

5 MRSA 1825-B outlines the role of the Bureau of General Services (BGS) in purchasing, and establishing rules governing the competitive bid process, including the process to obtain waivers for noncompetitive bidding. Sole-source contracts must be approved through reasonable investigation by the Director of BGS, and contractually required reports must be written and retained by the applicable Department.

The OSPS PPOM outlines responsibilities within and requirements of the procurement process. It states that:

- cost or price analyses must be performed in connection with every procurement action, including contract modifications, consistent with OSPS' statutory authority to purchase collectively in a manner that will best secure the greatest possible economy.
- Contract/Grant Specialists must maintain a contract/order monitoring system which ensures vendors perform in accordance with the terms of the agreement/contract.
- a Notice of Intent to Waive Competitive Bidding (NOI) is required for all procurements over \$10,000 that are being carried out without a competitive process. The NOI consists of the fully signed Procurement Justification Form (PJF) that is required to be uploaded to the public OSPS website for a minimum of seven days before the start of the contract.

Condition: OSPS is responsible for overseeing the procurement of services, supplies, materials, and equipment by State agencies and departments. In accordance with 5 MRSA 1812, OSPS publishes applicable policies, procedures, and statutes related to the procurement process on its website; however, the comprehensive PPOM has not been formally updated since 2015. In addition, OSPS maintains an intranet with information, guidance, and templated forms for utilization by departments and agencies. The guidance and templated forms are intended to aid in ensuring that contracts are complete, and that required and standard terms and conditions are consistently applied.

For purchases greater than \$10,000, departments and agencies must submit a PJF in conjunction with a purchase request for OSPS review and approval. In accordance with 5 MRSA 1825-B, to ensure a competitive bidding process, OSPS is responsible for reviewing and approving PJFs, and for approving the agreements that have been drafted by the department. Through this oversight and centralized review of the procurement process, OSPS is directly responsible for the purchase of all services, supplies, materials and equipment for the State.

The Office of the State Auditor (OSA) tested 57 active contracts, master agreements, and purchase orders to ensure the procurement of services, supplies, materials, and equipment were in accordance with Federal and State requirements, statutes, and policies, and identified the following:

- 36 contracts and 26 PJFs tested were not signed at least 14 days prior to the contract start date as required by OSPS policy, including:
 - 24 contracts and 21 PJFs were signed after the contract start date, up to 220 days and 360 days later, respectively;
 - 1 contract and 3 PJFs were signed the same day the contract started; and
 - 11 contracts and 2 PJFs were signed before the contract started, but not at least 14 days prior to the start date.

- In the application of sole-source justification as a waiver of the State’s competitive bidding process, reasonable investigation by the Director of BGS is statutorily required; however, 18 PJFs tested were designated as sole-source and there was no documentation to support reasonable investigation by the Director occurred as required. Of the 18 Department-identified sole-source PJFs:
 - 6 were reclassified and treated as other procurement types that do not require public posting without documented rationale.
 - 12 were ultimately treated as sole-source, but for 11 of the 12, documentation could not be provided to validate that NOIs were publicly posted before the contract started as required by OSPS policy; some as late as 8 months into the contract period.
- Documentation to support performance of a cost analysis as required by OSPS policy could not be provided for 41 contracts.
- 11 contracts contained amendments; however, OSPS did not request or review information related to vendor performance during the contract amendment process. None of the 11 amendments tested included documentation to support a review and determination of satisfactory vendor performance in line with terms and conditions of the existing contracts.
- 1 contract was approved with a requirement that the deliverable report be provided verbally, resulting in a contract term that did not comply with 5 MRSA 1825’s requirement for a written report.

In addition, OSA tested 80 procurement-related payments to ensure the payments were made in accordance with Federal and State requirements, statutes, and policies. Exceptions were identified in 16 of the 80 payments tested, as follows:

- 9 payments were processed despite incomplete annual on-site vendor reviews as required by the underlying contract. Of the 9 payments:
 - 7 were processed without documentation that an on-site review was conducted, and
 - 2 were processed with evidence that an on-site review was conducted, but the documentation did not adhere to requirements.
- For 6 contract payments, no documentation could be provided to support the consideration of contract terms and conditions, including required contractual deliverables and performance measures, prior to payment processing.
- Contractually required performance measures documentation could not be provided for 3 contract payments; the performance measures reports were not requested, retained, or reviewed.
- Department personnel responsible for approving 2 contract payments could not provide the underlying master agreement’s negotiated rates.

Context: In fiscal year 2025, the State expended approximately \$1.6 billion in contract-related payments.

Cause:

- Lack of due diligence
- Lack of understanding of the responsibilities between departments and OSPS
- Lack of adequate policies and procedures, including documentation of monitoring and oversight procedures

- OSPS did not enforce existing policies and procedures to ensure that agreements are valid, in conformance with Federal and State requirements.

Effect:

- Contracts with incomplete or inadequate terms and conditions may not be valid.
- Noncompliance with Federal and State procurement requirements and contract regulations could result in questioned costs or disallowances.
- Allowing departments to engage vendors for work prior to approved signatures on contracts creates a potential liability for the State and exposure to legal proceedings.
- Circumvention of and/or noncompliance with competitive bidding policies, including NOI posting requirements, could result in the need to void a contract or exposure to legal proceedings.
- Lack of cost analyses prior to contract completion does not allow OSPS to secure the best value in contracting as required by statute.
- Lack of enforcement of contract reporting requirements prior to payment processing increases the risk of payments for unsatisfactory or incomplete work and undetected vendor noncompliance.
- Amendment of contracts without a review of vendor performance may allow additional or excessive payments for unsatisfactory or incomplete work.
- Unsupported payments may be approved, increasing the risk of overpayments, unallowable costs, or improper use of funds, and payments made for incomplete, late, or deficient products or services.

Recommendation: We recommend that OSPS increase oversight to enforce Federal and State regulations and standards and existing policies and procedures regarding review and approval of procurement documents. We further recommend that Departments enhance monitoring and documentation to ensure that contractual terms, deliverables, and performance measures are verified and documented as required before disbursement of procurement-related payments.

Corrective Action Plan: See F-9

Management's Response:

DAFS Response: The Department disagrees with this finding.

To clarify the “**Context**,” which currently reads, “In fiscal year 2025, the State expended approximately \$1.6 billion in contract-related payments,” we provide the following stratification of the population from which the transactions were selected:

<u>Procurement Category</u>	<u>FY25 Expense (millions)</u>
Services	\$442,428
Commodities	\$157,355
Materials (Highway)	\$60
Equipment	\$174,734
Grants	\$768,899
Total	<u>\$1,534,477</u>

Each of these strata are subject to differing procurement rules. For example, a significant amount of “Grants” are formula grants or statutorily directed funding, not subject to competition; a significant amount of “Commodities” purchases are related to Master Agreements negotiated directly by OSPS or as participating addenda to agreements negotiated by NASPO ValuePoint, which is a cooperative purchasing program facilitating public procurement solicitations and agreements using a lead-State model. Consequently, each issue identified in this finding should be considered in relation to those strata, not combined under one system or process umbrella.

1) 36 contracts and 26 PJFs tested were not signed at least 14 days prior to the contract start date as required by OSPS policy - This finding is misassigned to OSPS. The State of Maine operates under a hybrid procurement model whereby State agencies and OSPS share procurement responsibilities. The execution of contracts is controlled by the contracting signatories at the agency level where scope and specifications, solicitation parameters, award evaluations, and contract negotiations occur according to OSPS policy and procedure. To support the consistent application of procurement policies and procedures within this hybrid model, OSPS provides extensive, ongoing training to agencies, covering evolving requirements, procedural updates, and process improvements. OSPS is so committed to this responsibility that a full-year FTE position was created specifically to develop, deliver, and continuously update procurement training materials and guidance for both OSPS staff and agency partners. Regarding contract dates: OSPS does not allow or give approval for vendors to work at risk; nor does OSPS have statutory authority to further delay the execution of agency contracts with vendors already working at risk. To do so would only exacerbate the situation, increasing liability risks and may run afoul of agency statutory and federal responsibilities. OSPS has little insight into agency activities prior to submission for review within the State’s accounting system after contract execution. Furthermore, functioning under the State’s hybrid procurement structure, most agencies have statutory authority/responsibility to execute, administer, and manage their contracts; and yet others have legislatively established authority to conduct procurement or grant activities independent of OSPS statute and rule. For example: DHHS statute establishes their independent authority/responsibility for timely contract execution and renewal pursuant to 22-A MRSA 207. However, OSPS supports and encourages OSA to directly address the agencies engaged in delayed contracting for the same concerns listed in this communication. Secondly, the signature of the coversheet will not always correlate with the contracting dates as contracts are negotiated and executed prior to submission into our State’s ERP system for OSPS review and approval. As a third point, the 14 days is a recommendation to allow for OSPS review and processing time as our review process will not be circumvented due to agency tardiness. Lastly, in a departure from historic OSA practice, the numbers portrayed as Fiscal Year 2025 are statistically misrepresented and inaccurately framed. Of the purported 36 contracts listed in this finding, 23 are documents from previous fiscal years linked to the contract document number (up to 5 years ago), 7 of which were signed on or before the contract date, 2 are delivery orders (based on master contracts) which require no signature, and 1 was a blanket contract for therapist reimbursements which was signed from the previous fiscal year.

2) 18 PJFs tested were designated as sole-source and there was no documentation to support reasonable investigation by the Director occurred as required - All PJFs are subject to thorough qualitative and contextual review by OSPS staff, in conjunction with the associated contracting documents. The OSPS approval signature serves as verification that the submission

meets required review standards. In instances where an agency provides incomplete or substandard information, OSPS responds by requesting additional information/documentation for verification purposes or may reject the PJF. Secondly, the document rationale for each classification is reflected and defined in the PJF guidance document. The PJF and contract documents are reviewed for efficacy, rejected if not appropriately designated, or approved based on provided information.

Dates of NOI public postings were provided to the auditor. The execution of contracts is controlled by the contracting signatories at the agency level where scope and specifications, solicitation parameters, award evaluations, and contract negotiations occur. The 6 documents described as reclassified were comprised of 2 statute-directed (student IEP team directed schools), 1 agency grant exempt from OSPS oversight, 1 grant-directed (Good Shepherd Food Bank), 1 University Cooperative under the authority of 5 MRSA 1825-B (E), and 1 extension to multiple vendors (5 substance abuse centers) through legislative funding. It is important to note that 8 of the 18 cited documents for this FY2025 audit are from prior years dating back to 2020.

3) Documentation to support performance of a cost analysis as required by OSPS policy could not be provided for 41 contracts - A) the referenced 2015 manual is no longer authoritative. It has been superseded by multiple policies, procedures, training materials, and organizational changes implemented through subsequent OSPS reorganizations and decentralization of functions. As such, the condition cited in the finding does not represent noncompliance with current requirements. B) The statement relies on evidence that is not representative of the FY 2025 environment. The finding is based on information (such as a 2015 job description) from an earlier process that no longer reflects the present structure nor established procurement practices. By relying on evidence outside the applicable period and disregarding current processes, the conclusion does not accurately characterize OSPS/agency shared control structure or operations. C) This finding is misleading as it fails to identify or acknowledge that 13 of the listed 41 were awarded based on a competitive process or determined by a specific grant funding formula; another 26 of those reviewed were outside the fiscal year dating back to 2020. One was a Low Cost Service Contract issued, below the statutory threshold, at agency discretion, and, lastly, one was compared to market rates for previous event and sponsorship activities.

4) 11 contracts contained amendments; however, OSPS did not request or review information related to vendor performance during the contract amendment process. None of the 11 amendments tested included documentation to support a review and determination of satisfactory vendor performance in line with terms and conditions of the existing contracts – Under the State’s hybrid procurement model, OSPS and State agencies share contracting responsibilities. The distribution of these procurement functions is necessary and, given the volume of transactions and the specialized technical knowledge held by agencies, a hybrid model is the only practical and effective choice. As such, agencies have the statutory authority/responsibility to enter into/administer contracts. Performance is a component of the agency administration of their contracts required as contract signatories. It is implied in the proposed amendment that performance was sufficient to warrant a continued relationship. Although there may not be specific documentation that says the agency evaluated performance and deemed it satisfactory, there are other indications to support that it was considered satisfactory. A) the referenced 2015 manual is no longer authoritative. It has been superseded by multiple policies, procedures, training materials, and organizational changes implemented through

subsequent OSPA reorganizations and decentralization of functions. As such, the condition cited in the finding does not represent noncompliance with current requirements. B) The statement relies on evidence that is not representative of agency contract management during FY 2025. The finding is based on information from an antiquated process that no longer reflects OSPA's established procurement practices. By relying on evidence outside the applicable period and disregarding current processes, the conclusion does not accurately characterize OSPA's and agencies' present control structure or operations.

5) One contract was approved with a requirement that the deliverable report be provided verbally, resulting in a contract term that did not comply with 5 MRSA 1825's requirement for a written report – This finding is accurate and has been addressed through targeted retraining on reviewing agency contract documents for subtle language changes. Looking ahead, we expect opportunities to leverage AI-assisted comparison tools to detect minor contract alterations and other errors, which would help reduce the types of issues that can occur under manual review.

OSPA Summary Statement

During the audit communication phase, OSPA completed an initial, contract-by-contract review and provided detailed explanations; however, those explanations were not incorporated into the revised drafts. Our review identified several systemic concerns within the three versions of finding communications, including reliance on non-authoritative and superseded guidance (such as the 2015 PPOM and outdated job descriptions used as policy criteria), inaccurate characterizations of OSPA review processes, use of non-representative or period-incorrect transactions, misunderstanding of operational recommendations as formal policy, and the misassignment of Accounts Payable responsibilities to OSPA despite the State's segregated control structure. Collectively, these inaccuracies lead to erroneous conclusions that do not reflect current procurement practices under the State's hybrid model.

Although the audit approach and presentation of contracting activities represent a significant departure from historical practice and has created notable challenges in the review-response process, we do recognize opportunities to further strengthen clarity, enhance documentation detail, and reduce potential misinterpretation moving forward. The evaluation also underscores the importance of clearly communicating how Maine's hybrid procurement model operates effectively without the organizational structure or staffing levels of a fully centralized system.

OSPA proposes the following targeted improvements:

- 1. Standardizing Agency Cost Narrative Requirements for the PJF Document**

Inconsistencies were the result of variable agency documentation practices within the existing single PJF format. To remove ambiguity and prevent future misinterpretation, OSPA will establish standardized, mandatory cost narrative elements that clearly define what agencies must document when justifying price reasonableness, aligned with present-day policy. This clarification strengthens OSPA's existing review processes and ensures that cost narratives accurately reflect the shared responsibility of the hybrid procurement model and current operating structure.

- 2. Modularize the Draft Policy Manual**

Current reference, training, and guidance materials reflect continued advancements in procurement policy since the 2015 PPOM cited by OSA, and we agree these evolving updates have not yet been consolidated into a single document. Rather, changes have

occurred in response to ongoing operational needs, including new technologies, organizational restructuring, statutory updates, and external oversight such as OPEGA reviews. To more effectively communicate current requirements, OSPS will transition from a single manual to sequential modules covering policy, procedure, and role-specific responsibilities, released in phases aligned with operational changes. This modular approach allows for timely updates, supports transparency, prevents reliance on outdated guidance, and clearly delineates roles and responsibilities between agencies and OSPS.

3. Provide OSA With LMS Certification Training

To avoid reliance on brief entrance meetings or outdated materials, neither of which effectively educates auditors on complex procedure and process, OSPS will grant OSA auditors access to our procurement certification training tracks within the LMS in advance of the audit season. This will facilitate the proper understanding of current policy, procedure, and practice.

DAFS Contact: David Morris, Acting Chief Procurement Officer, OSPS, DAFS, 207-624-7335

DHHS Response: Due to the timing of when DHHS was notified of these audit exceptions, the number of bureaus involved, and the response deadline, DHHS currently cannot agree or disagree with this finding. These potential exceptions have been noted and will be addressed.

DHHS Contact: Anthony Madden, Deputy Director of Audit, DHHS, 207-287-2834

DOL Response: The Department disagrees with this finding. The Department of Labor has one procurement-related payment included in this finding and disagrees with the statement that no documentation was provided. The Department provided detailed information for the selected payment, including specific cost categories, monthly progress reports for the six service areas, and the applicable quarterly status report.

DOL Contact: Kimberly Smith, Deputy Commissioner, DOL, 207-621-5095

PFR Response: The Department disagrees with this finding. For the two payments identified, the rates used were reviewed and confirmed to be accurate as evidenced by the signature on the invoices. While the Service Level Agreement with the underlying master agreement's negotiated rate was not immediately available at the time of review, this documentation is not the primary control used to ensure the accuracy of contract payment rates. The Department has established controls that provide reasonable assurance that the correct rates are consistently applied. Rate validation is performed by trained and knowledgeable supervisory level staff who are familiar with the long-standing rate structure, which has remained unchanged for many years. Additionally, rates are available on the daily Batch Reports within the Regulatory Licensing & Permitting site.

PFR Contact: Rachel Hendsbee, Director of Administrative Services, PFR, 207-624-8500

Auditor's Concluding Remarks: In response to OSPS' additional stratification of fiscal year 2025 contract-related expenditures by procurement category, this does not alter the basis for the finding or the conclusions reached. The audit scope and testing were not premised on the

assumption that all procurement categories are subject to identical statutory or policy requirements. Rather, OSA evaluated whether applicable Federal and State statutes, rules, and OSPS policies were followed within the context of the specific procurement method applicable to each contract tested, including sole-source procurements, master agreements, and contract amendments. Furthermore, OSPS could not provide complete, supported population data identifying procurement characteristics that would allow further disaggregation of risk or exceptions. Accordingly, audit testing focused on whether required documentation was requested, reviewed, or retained for each item tested, consistent with applicable statutes, rules and policies, not by applying a single procurement standard across all categories.

As described in the Condition, OSPS' statutorily required role includes centralized oversight of procurement activities and enforcement of applicable requirements, regardless of whether procurement authority is exercised directly by OSPS or delegated to departments under specific circumstances. OSPS' stratification does not address the primary focus of this finding, which is oversight and internal control related to compliance with specific requirements for procurement.

In response to 1) outlined in OSPS' Management's Response, OSA acknowledges that agencies are responsible for developing scopes, negotiating terms, and executing contracts at the agency level; however, OSPS' statement that they operate under a hybrid model does not negate their statutory responsibilities for central oversight, nor does it relieve OSPS of the responsibility to enforce compliance with procurement requirements once contracts and procurement justifications are submitted to OSPS.

This finding does not assert that OSPS authorizes vendors to work at risk, nor does it suggest that OSPS should delay contract execution where vendors have already begun work. Rather, the focus of the finding is that OSPS approved contracts and PJFs that were executed after the contract start dates, or within a timeframe that did not comply with OSPS policy, without documented evidence of escalation, corrective action, or enforcement. OSPS' assertion that it has "little insight" into agency activities prior to submission into the State's accounting system further supports, rather than refutes, the basis for the finding. Once contracts and PJFs are submitted for OSPS review and approval, OSPS has both the opportunity and responsibility to enforce compliance with procurement requirements, including execution timing, justification, and documentation standards. This finding is appropriately assigned to OSPS because it relates to OSPS' oversight and enforcement controls, not the operational conduct of individual agencies.

Regarding OSPS' assertion that the contracts are "statistically misrepresented" or "inaccurately framed" as fiscal year 2025 activity, OSA's testing focused on contracts and PJFs that were active, amended, or connected to State expenditures verified as reported by the Office of the State Controller in the Annual Comprehensive Financial Report for fiscal year 2025. Additionally, delivery orders and blanket contracts were evaluated based on applicable policy requirements and supporting documentation at the time of audit testing. When contracts originated in prior years, OSA appropriately evaluated subsequent procurement actions such as amendments, funding increases, extensions, and continued payment activity that occurred during the audit period.

OSPS cites 22-A MRSA 207 as an example of statutory authority that establishes independent agency responsibility for contractual execution and renewal and suggests that such authority limits

OSPS responsibility for procurement compliance. This statute, in the context of the State's broader procurement framework, does not relieve OSPS of its statutory responsibilities in the procurement process. Agency-specific statutes that authorize departments to carry out programs or enter into agreements establish what a department is permitted to do; they do not eliminate or override how those activities must be conducted under applicable State laws. While OSPS encourages OSA to address agencies directly regarding delayed contracting, the audit's objective is to assess whether the State's overall statutorily directed, centralized procurement oversight framework is adequately designed and implemented. The finding identifies systemic control weaknesses whereby procurement actions that do not comply with State, Federal, and OSPS requirements are approved without documented resolution or consideration.

In response to 2) outlined in OSPS' Management's Response, the audit finding does not question whether OSPS personnel review submissions or exercise professional judgement. The finding identifies that OSPS did not consistently request, review, or retain documentation sufficient to support the claims made by departments on PJFs. OSPS utilizes department claims as the primary basis for determining the procurement method, including whether a procurement is treated as sole-source or subject to competitive bidding. Department claims such as assertions regarding vendor uniqueness, lack of reasonable alternatives, statutory direction, or exemption from competition directly determine whether competitive bidding requirements qualify to be waived. These claims are subject to determination; therefore, OSPS responsibility extends beyond form review and signature approval. It requires verification and documentation to support the factual basis of those assertions, particularly when approving a sole-source procurement that circumvents competitive bidding.

For the 18 PJFs tested that were designated sole-source, OSPS could not provide documentation demonstrating that it requested or evaluated evidence to substantiate departmental claims, nor documentation evidencing that a reasonable investigation by the Director of the Bureau of General Services occurred, as required by 5 MRSA 1825-B. An approval signature alone does not demonstrate that information was reviewed and relied upon, what alternatives were considered, or how the determination was valid.

The requirement to publicly post a Notice of Intent to Waive Competitive Bidding (NOI) before a contract begins is intended to provide the public and potential vendors with advance notice and an opportunity to challenge or respond to a proposed waiver of competition before the State becomes contractually or operationally committed. Posting a NOI after contract execution, or after services have commenced, undermines the purpose of the NOI. Once a contract has started, the State's leverage to reconsider the procurement method, assess alternative vendors, or correct an improper sole-source designation is significantly diminished.

In response to 3) outlined in OSPS' Management's Response, OSPS has repeatedly stated that the 2015 Purchasing Policy and Operations Manual (PPOM) is no longer authoritative; however, despite multiple requests during the audit, OSPS did not provide a successor comprehensive policy document that provides consolidated mapping of applicable State and Federal procurement requirements to current OSPS policies, procedures, and assigned responsibilities. In addition, while OSPS references multiple policies, trainings, and organizational changes implemented since 2015, there is no evidence that these changes have been formally communicated in a unified

method to departments and agencies. Furthermore, OSA's findings are not based on the 2015 PPOM as standalone or exclusive authority. The PPOM was referenced as part of the control environment in effect during the audit period, in conjunction with governing statutes, Federal requirements, and internal control standards. Effective internal control requires that management establish, document, and communicate policies and procedures in a manner that enables consistent execution and accountability. A decentralized or hybrid procurement model increases the need for clear, authoritative documentation that defines roles, responsibilities, and required evidentiary support.

OSPS asserts that certain contracts were awarded through competitive process or based on a specific grant funding formula; however, this characterization was not documented as part of OSPS' review at the time of procurement approval. In addition, under OSPS policy, a PJF designated as "grant" procurement is premised on the condition that the vendor is specifically named in the grant award, thereby exempting the procurement from competitive bidding requirements. OSPS did not request, review, or retain documentation verifying that the vendor listed on the PJF was the entity specifically named in the grant award. OSPS' characterization of certain contracts as competitive or grant-based does not resolve the exceptions noted in the finding. The finding is based on what was reviewed, verified, and documented at the time of OSPS approval, not based on subsequent explanations in response to audit inquiries.

In response to 4) outlined in OSPS' Management's Response, for the OSPS-related finding area, the deficiency is not whether agencies possess operational knowledge of vendor performance, but whether OSPS exercised oversight by requesting, reviewing, or retaining evidence that vendor performance was satisfactory before approving contract amendments. OSPS asserts that continued amendments imply satisfactory performance and that "other indications" exist to support that conclusion; however, effective internal control requires documented evidence. Without documented evidence, neither OSPS nor the agencies can demonstrate that contract amendments are supported by actual performance results.

OSPS' assertion that the audit evidence is not representative of fiscal year 2025 practices is not supported by documentation. The contracts and amendments tested were active during the audit period, and OSPS was unable to provide documentation demonstrating that vendor performance was reviewed as part of the amendment renewal process. The lack of documentation during fiscal year 2025 is the condition identified and reflects the current control environment, not an "antiquated" process.

In response to OSPS' Summary Statement in Management's Response, OSA disagrees that findings and conclusions were the result of reliance on non-authoritative guidance, misunderstandings of the State's hybrid procurement model, or mischaracterization of OSPS' role. The findings reflect conditions, supported by testing, evaluated against applicable statutes, Federal requirements, and OSPS' own articulated control expectations as documented during the audit period. In addition, the absence of such authoritative replacement does not negate statutory requirements or internal control obligations. From both a State and Federal perspective, fragmentation of guidance without clear mapping or formal adoption increases the risk of inconsistent application and weakens accountability. The finding focuses on OSPS' statutory and control responsibilities, where OSPS approval serves as a control over procurement method

selection, contract execution, and compliance with competitive bidding requirements. The audit evidence demonstrated that OSPS approval was routinely granted without requesting, reviewing, or retaining documentation to substantiate assertions made by departments, including sole-source justifications, cost or price analyses, and reasons for delayed posting of NOIs. OSA does not assert that OSPS performs accounts payable functions. Findings related to testing specific procurement-related payments were directed to the individual departments that disbursed payments to those vendors.

OSPS' proposed improvement initiatives reinforce, rather than contradict, the audit conclusions. The need to standardize documentation, consolidate guidance, and improve shared understanding underscores the core finding that existing controls and documentation practices were not sufficient during the audit period to provide reasonable assurance of compliance. Although the targeted improvements outlined in Management's Response, including enhanced training and automated tools, may strengthen future reviews, they do not replace the need for consistent application of statutory requirements and oversight controls designed to ensure that contract terms conform to law at the point of approval.

In regard to the other agency responses within Management's Response, all audit conclusions are based on documentation requested and evaluated during fieldwork, direct communication with department personnel involved in the tested transactions, and evidence available at the time of audit testing, not on subsequent remediation or internal review efforts. OSA began requesting supporting documentation and explanations for contract and procurement testing on November 8, 2025, and continued those requests throughout the fieldwork period.

The Office of the State Auditor's objective is to assess whether the State's overall statutorily directed, centralized procurement oversight framework is adequately designed and implemented. The finding identifies systemic control weaknesses whereby procurement documents that do not comply with State, Federal, and OSPS requirements are approved without documented resolution or consideration.

The finding remains as stated.

(State Number: 25-0208-02)

(2025-010) Confidential finding, see below for more information

Title: _____

Pursuant to paragraph 6.64 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 condition we identified, as well as the related criteria, context, causes, effects, and our specific recommendations for improvement.

Prior Year Findings:

FY24	FY23	FY22	FY21	FY20
Redacted	Redacted	Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Action Plan: See F-11

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 25-0900-01)

**STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

**Section III - Federal Finding Indexes and
Federal Award Identification Numbers**

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One finding (2025-010) included in Section II – Financial Statement Findings also relates to Section III – Federal Findings and Questioned Costs and will be included in the following indexes.

State of Maine
Index to Federal Findings
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Program / Finding #	Brief Summary of Finding	Finding Type/QC	Page

SNAP Cluster

ALN 10.551, 10.561

2025-011	Internal control over SNAP eligibility determinations and benefit calculations needs improvement	MW MNC QC (\$47,493/UN)	E-69
2025-012	Internal control over automated SNAP eligibility certification periods needs improvement	MW MNC QC (\$7,658/UN)	E-73
2025-013	Internal control over EBT card security needs improvement	MW MNC	E-76
2025-014	Internal control over EBT reconciliation needs improvement	MW MNC	E-80
2025-015	Internal control over SNAP deceased client cases needs improvement	SD	E-83
2025-016	Internal control over SNAP procurement needs improvement	SD	E-86
2025-017	Internal control over SNAP subrecipient monitoring procedures needs improvement	SD	E-90

Child Nutrition Cluster (CNC)

ALN 10.553, 10.555, 10.556, 10.559, 10.582

2025-018	Internal control over CNC eligibility needs improvement	MW MNC QC (\$300,456/UN)	E-93
2025-019	Internal control over CNC claim reimbursements needs improvement	MW MNC QC (\$73,551/UN)	E-97
2025-020	Internal control over CNC subrecipient monitoring procedures needs improvement	MW MNC	E-101
2025-021	Internal control over CNC special reporting needs improvement	MW MNC	E-105
2025-022	Internal control over CNC donated food inventory needs improvement	SD	E-107
2025-023	Internal control over CNC subrecipient audit monitoring needs improvement	SD	E-110
2025-024	<i>Confidential finding*</i>	SD	E-112
2025-025	<i>Confidential finding*</i>	SD	E-113

* 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 6.64 through 6.66)

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Summer Electronic Benefits Transfer Program for Children

ALN 10.646

2025-013	Internal control over EBT card security needs improvement	MW MNC	E-76
2025-026	Internal control over Summer EBT eligibility needs improvement	MW MNC QC (\$1,680/UN)	E-114
2025-027	Internal control over Summer EBT procurement needs improvement	SD	E-119

National Guard Military Operations and Maintenance (O&M) Projects

ALN 12.401

2025-028	Internal control over National Guard cash management and the related financial reporting needs improvement	SD	E-122
2025-029	Internal control over National Guard payroll costs needs improvement	SD	E-124

Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises

ALN 93.391

2025-030	Internal control over Health Disparities program SEFA reporting needs improvement	MW MNC	E-127
2025-031	Internal control over Health Disparities program cash management needs improvement	MW MNC	E-129
2025-032	Internal control over Health Disparities program subrecipient monitoring procedures needs improvement	MW MNC	E-132
2025-033	Internal control over Health Disparities program payments to subrecipients needs improvement	SD	E-136
2025-034	Internal control over Health Disparities program subrecipient cash management needs improvement	SD	E-138
2025-035	Internal control over Health Disparities program procurement needs improvement	SD	E-141

Every Student Succeeds Act/Preschool Development Grants (PDG)

ALN 93.434

2025-036	Internal control over PDG subrecipient monitoring procedures needs improvement	MW MNC QC (\$128,333/ UN)	E-145

Every Student Succeeds Act/Preschool Development Grants (PDG) continued on next page

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<i>Every Student Succeeds Act/Preschool Development Grants (PDG) continued from previous page</i>			
2025-037	Internal control over PDG SEFA reporting needs improvement	MW MNC	E-149
2025-038	Internal control over PDG special reporting needs improvement	MW MNC	E-151
2025-039	Internal control over PDG procurement needs improvement	SD	E-153
2025-040	Internal control over PDG subrecipient cash management needs improvement	SD	E-157

<u>CCDF Cluster</u> ALN 93.489, 93.575, 93.596			
2025-049	Internal control over CCDF financial reporting needs improvement	SD	E-181
2025-050	Internal control over CCDF provider health and safety requirements needs improvement	SD	E-183
2025-051	Internal control over CCDF procurement needs improvement	SD	E-185
2025-052	Internal control over CCDF eligibility determinations needs improvement	SD	E-189
2025-053	Internal control over CCDF subrecipient cash management needs improvement	SD	E-192
2025-054	Internal control over CCDF subrecipient risk evaluation procedures needs improvement	SD	E-195

<u>Temporary Assistance for Needy Families (TANF)</u> ALN 93.558			
2025-013	Internal control over EBT card security needs improvement	MW MNC	E-76
2025-041	Internal control over TANF client payments needs improvement	SD	E-160
2025-042	Internal control over Income Eligibility and Verification System procedures needs improvement	SD	E-162
2025-043	Internal control over TANF subrecipient risk evaluation procedures needs improvement	SD	E-164
2025-044	Internal control over TANF performance reporting procedures needs improvement	SD	E-167
2025-045	Internal control over TANF work verification plan procedures needs improvement	SD	E-169
2025-046	Internal control over TANF procurement needs improvement	SD	E-172
2025-047	Internal control over TANF subrecipient monitoring procedures needs improvement	SD	E-176

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Child Support Services

ALN 93.563

2025-048	Internal control over Child Support Services expenditures needs improvement	SD	E-178

Foster Care – Title IV-E

ALN 93.658

2025-055	Internal control over the Foster Care and Adoption Assistance eligibility and benefit determination process needs improvement	MW MNC QC (\$51,247/UN)	E-198
2025-056	Internal control over Foster Care level of care assessments needs improvement	MW MNC QC (\$3,003/UN)	E-203
2025-057	Internal control over Foster Care procurement needs improvement	SD	E-206
2025-058	Internal control over Foster Care and Adoption Assistance cash management needs improvement	SD	E-210
2025-059	<i>Confidential finding*</i>	SD	E-212

Adoption Assistance – Title IV-E

ALN 93.659

2025-055	Internal control over the Foster Care and Adoption Assistance eligibility and benefit determination process needs improvement	MW MNC QC (\$42,689/UN)	E-198
2025-058	Internal control over Foster Care and Adoption Assistance cash management needs improvement	SD	E-210
2025-059	<i>Confidential finding*</i>	SD	E-212
2025-060	Internal control over the Adoption Assistance eligibility and benefit determination process needs improvement	SD QC (\$1,645/UN)	E-213

Medicaid Cluster

ALN 93.775, 93.777, 93.778

2025-010	<i>Confidential finding*</i>	SD	E-48

Medicaid Cluster continued on next page

* 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 6.64 through 6.66)

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Medicaid Cluster continued from previous page

2025-061	Internal control over Medicaid Nursing Facility audits needs improvement	MW MNC	E-216
2025-062	Internal control over Medicaid drug rebates needs improvement	SD	E-218
2025-063	Internal control over Medicaid SEFA reporting needs improvement	SD	E-221
2025-064	Internal control over Medicaid utilization control needs improvement	SD	E-223
2025-065	Internal control over Medicaid procurement needs improvement	SD	E-227
2025-066	<i>Confidential finding*</i>	SD	E-231
2025-067	<i>Confidential finding*</i>	SD	E-232
2025-068	<i>Confidential finding*</i>	SD	E-233

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG-PA)

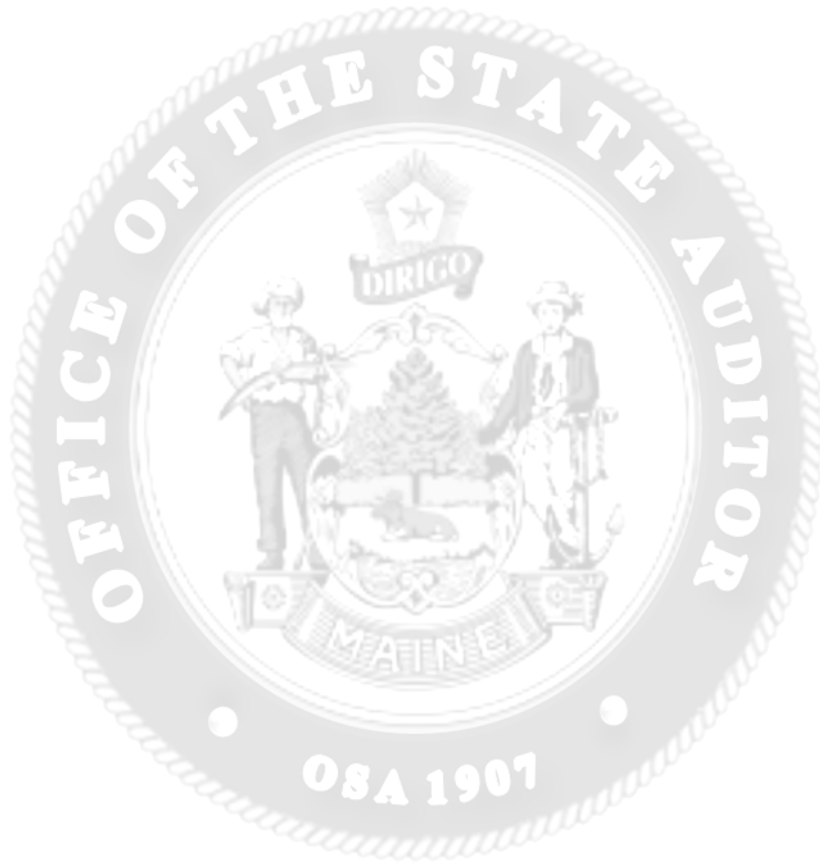
ALN 97.036

2025-069	Internal control over DG – PA program special reporting needs improvement	MW MNC	E-234
2025-070	Internal control over DG – PA program financial reporting needs improvement	SD	E-236
2025-071	Internal control over DG – PA program subrecipient audit procedures needs improvement	SD	E-238

** 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 6.64 through 6.66)*

Legend of Abbreviations:

MNC Material Noncompliance
MW Material Weakness
SD Significant Deficiency
QC Questioned Costs (Known/Likely)
UN Undeterminable



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Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page

Department of Administrative and Financial Services													
2025-010	Medicaid Cluster		✓										E-48
2025-016	SNAP Cluster							✓					E-86
2025-027	Summer Electronic Benefits Transfer Program for Children							✓					E-119
2025-029	National Guard Military Operations and Maintenance (O&M) Projects		✓										E-124
2025-030	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises									✓			E-127
2025-031	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises			✓							✓		E-129
2025-035	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises							✓					E-141
2025-037	Every Student Succeeds Act/Preschool Development Grants (PDG)									✓			E-149
2025-039	Every Student Succeeds Act/Preschool Development Grants (PDG)							✓					E-153
2025-046	Temporary Assistance for Needy Families (TANF)							✓					E-172
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Department of Administrative and Financial Services continued from previous page

2025-048	Child Support Services		✓										E-178
2025-049	CCDF Cluster									✓			E-181
2025-051	CCDF Cluster							✓					E-185
2025-057	Foster Care – Title IV-E							✓					E-206
2025-058	Foster Care – Title IV-E, Adoption Assistance – Title IV-E			✓									E-210
2025-063	Medicaid Cluster									✓			E-221
2025-065	Medicaid Cluster							✓					E-227
2025-066	Medicaid Cluster		✓										E-231
2025-067	Medicaid Cluster		✓										E-232
2025-068	Medicaid Cluster		✓										E-233

Department of Defense, Veterans and Emergency Management

2025-028	National Guard Military Operations and Maintenance (O&M) Projects			✓						✓			E-122
2025-029	National Guard Military Operations and Maintenance (O&M) Projects		✓										E-124
2025-069	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA)									✓			E-234
2025-070	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA)									✓			E-236
2025-071	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (DG – PA)										✓		E-238

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Department of Education													
2025-018	Child Nutrition Cluster (CNC)		✓		✓								E-93
2025-019	Child Nutrition Cluster (CNC)		✓							✓			E-97
2025-020	Child Nutrition Cluster (CNC)										✓		E-101
2025-021	Child Nutrition Cluster (CNC)									✓			E-105
2025-022	Child Nutrition Cluster (CNC)											✓	E-107
2025-023	Child Nutrition Cluster (CNC)										✓		E-110
2025-024	Child Nutrition Cluster (CNC)		✓		✓					✓		✓	E-112
2025-025	Child Nutrition Cluster (CNC)		✓		✓					✓		✓	E-113
2025-036	Every Student Succeeds Act/Preschool Development Grants (PDG)		✓								✓		E-145
2025-037	Every Student Succeeds Act/Preschool Development Grants (PDG)									✓			E-149
2025-038	Every Student Succeeds Act/Preschool Development Grants (PDG)									✓			E-151
Department of Health and Human Services													
2025-011	SNAP Cluster		✓		✓							✓	E-69
2025-012	SNAP Cluster		✓									✓	E-73
2025-013	SNAP Cluster, Summer Electronic Benefits Transfer Program for Children, TANF		✓									✓	E-76
2025-014	SNAP Cluster											✓	E-80
2025-015	SNAP Cluster		✓		✓								E-83
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<i>Department of Health and Human Services continued from previous page</i>													
2025-016	SNAP Cluster							✓					E-86
2025-017	SNAP Cluster										✓		E-90
2025-026	Summer Electronic Benefits Transfer Program for Children		✓		✓								E-114
2025-027	Summer Electronic Benefits Transfer Program for Children							✓					E-119
2025-031	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises			✓							✓		E-129
2025-032	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises										✓		E-132
2025-033	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises		✓										E-136
2025-034	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises			✓							✓		E-138
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2025-035	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises							✓					E-141
2025-036	Every Student Succeeds Act/Preschool Development Grants (PDG)		✓								✓		E-145
2025-037	Every Student Succeeds Act/Preschool Development Grants (PDG)									✓			E-149
2025-039	Every Student Succeeds Act/Preschool Development Grants (PDG)							✓					E-153
2025-040	Every Student Succeeds Act/Preschool Development Grants (PDG)			✓							✓		E-157
2025-041	Temporary Assistance for Needy Families (TANF)	✓	✓										E-160
2025-042	Temporary Assistance for Needy Families (TANF)											✓	E-162
2025-043	Temporary Assistance for Needy Families (TANF)										✓		E-164
2025-044	Temporary Assistance for Needy Families (TANF)									✓			E-167
2025-045	Temporary Assistance for Needy Families (TANF)											✓	E-169
2025-046	Temporary Assistance for Needy Families (TANF)							✓					E-172
<i>Department of Health and Human Services continued on next page</i>													

State of Maine
Index to Federal Findings
By State Agency and Federal Compliance Area
For the Year Ended June 30, 2025

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page

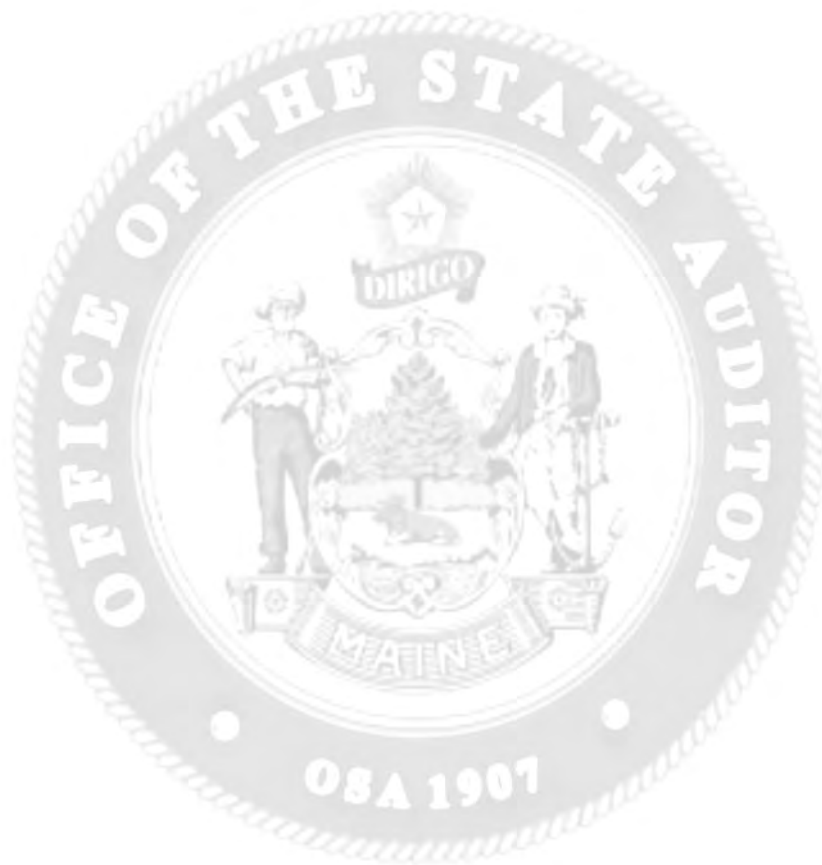
<i>Department of Health and Human Services continued from previous page</i>													
2025-047	Temporary Assistance for Needy Families (TANF)									✓			E-176
2025-048	Child Support Services		✓										E-178
2025-049	CCDF Cluster									✓			E-181
2025-050	CCDF Cluster											✓	E-183
2025-051	CCDF Cluster						✓						E-185
2025-052	CCDF Cluster				✓								E-189
2025-053	CCDF Cluster			✓							✓		E-192
2025-054	CCDF Cluster										✓		E-195
2025-055	Foster Care – Title IV-E, Adoption Assistance – Title IV-E		✓		✓								E-198
2025-056	Foster Care – Title IV-E											✓	E-203
2025-057	Foster Care – Title IV-E						✓						E-206
2025-058	Foster Care – Title IV-E, Adoption Assistance – Title IV-E			✓									E-210
2025-059	Foster Care – Title IV-E, Adoption Assistance – Title IV-E	✓	✓		✓							✓	E-212
2025-060	Adoption Assistance – Title IV-E		✓		✓								E-213
2025-061	Medicaid Cluster											✓	E-216
2025-062	Medicaid Cluster		✓										E-218
2025-064	Medicaid Cluster											✓	E-223
2025-065	Medicaid Cluster						✓						E-227

State of Maine
Index to Federal Findings
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For the Year Ended June 30, 2025

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page

Department of Public Safety													
2025-031	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises			✓							✓		E-129
2025-032	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises										✓		E-132

Judicial Branch													
2025-048	Child Support Services		✓										E-178



State of Maine
Schedule of Findings and Questioned Costs
Table of Federal Award Identification Numbers
For the Year Ended June 30, 2025

Name of Federal Program or Cluster (Assistance Listing Number):

SNAP Cluster (10.551, 10.561):

Award Number			
SNAP Benefits, Maine	244ME421Q3903	244ME401S2520	244ME401S2519
244ME442Q7503	244ME401S2514	254ME421Q3903	254ME401S2519
254ME401S8026	254ME401S2514	254ME401S2520	254ME401S8036
254ME442Q7503			

Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559, 10.582):

Award Number			
244ME300L1603	244ME301N1099	244ME301N1199	254ME300L1603
254ME301N1099	254ME301N1199		

Summer Electronic Benefits Transfer Program for Children (Summer EBT) (10.646):

Award Number			
244ME833N1175	244ME833N1803	254ME833N1037	254ME833N1175
254ME833N1803	244ME833N1037		

National Guard Military Operations and Maintenance (O&M) Projects (12.401):

Award Number			
W912JD-20-2-1002	W912JD-21-2-1001	W912JD-21-2-1002	W912JD-22-2-1001
W912JD-22-2-1002	W912JD-22-2-1021	W912JD-23-2-1001	W912JD-23-2-1002
W912JD-23-2-1021	W912JD-23-2-1031	W912JD-24-2-1001	W912JD-24-2-1002
W912JD-24-2-1003	W912JD-24-2-1004	W912JD-24-2-1007	W912JD-24-2-1010
W912JD-24-2-1021	W912JD-24-2-1022	W912JD-24-2-1023	W912JD-24-2-1024
W912JD-24-2-1031	W912JD-24-2-1040	W912JD-25-2-1001	W912JD-25-2-1002
W912JD-25-2-1003	W912JD-25-2-1004	W912JD-25-2-1007	W912JD-25-2-1021
W912JD-25-2-1022	W912JD-25-2-1023	W912JD-25-2-1024	W912JD-25-2-1040

Activities to Support State, Tribal, Local and Territorial (STLT) Health Department

Response to Public Health or Healthcare Crises (93.391):

Award Number			
NH75OT000043			

Every Student Succeeds Act/Preschool Development Grants (93.434):

Award Number			
90TP0097			

CCDF Cluster (93.489, 93.575, 93.596):

Award Number			
2301MECCDD	2301MECCDF	2401MECCDD	2401MECCDF
2401MECCDM	2501MECCDD	2501MECCDF	2501MECCDM
2501MECCDY			

Temporary Assistance for Needy Families (TANF) (93.558):

Award Number			
2301METANF	2401METANF	2501METANF	

Child Support Services (93.563):

Award Number			
2401MESCSS	2501MESCSS		

Foster Care – Title IV-E (93.658):

Award Number			
2401MEFOST	2501MEFOST		

State of Maine
Schedule of Findings and Questioned Costs
Table of Federal Award Identification Numbers
For the Year Ended June 30, 2025

Name of Federal Program or Cluster (Assistance Listing Number):

Adoption Assistance – Title IV-E (93.659):

Award Number

2401MEADPT	2501MEADPT

Medicaid Cluster (93.775, 93.777, 93.778):

Award Number

2405ME5MAP	2505ME5MAP

Disaster Grants – Public Assistance (Presidentially Declared Disasters) – COVID-19 (97.036):

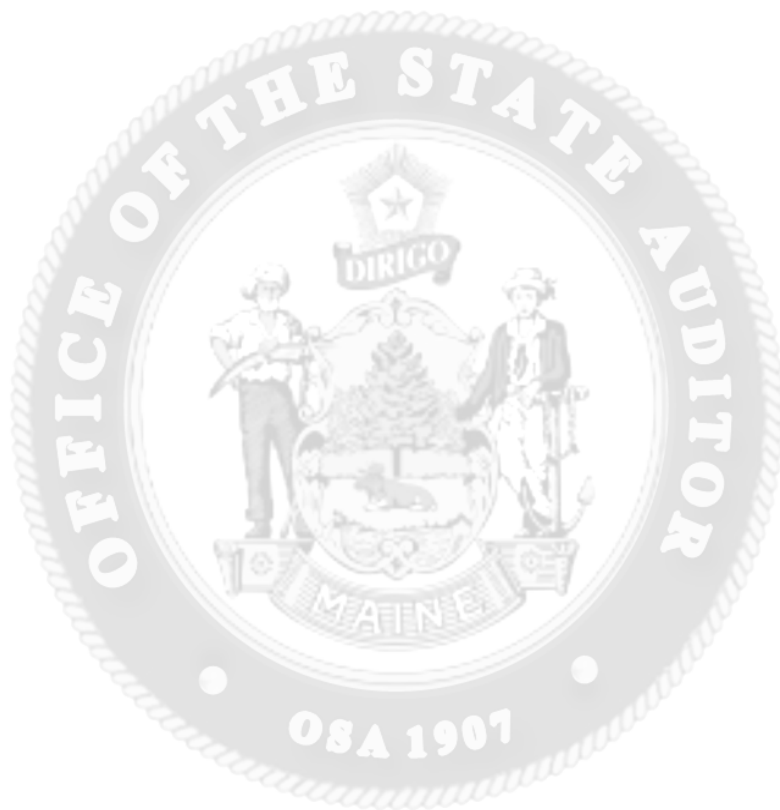
Award Number

3598EMMEP1SME500	4737DREMP1SME500	4754DRMEP1SME500	4764DRMEP1SME500
4785DRMEP1SME500	4354DRMEP1SME500	4367DRMEP1SME500	4522DRMEP1SME500
4647DRMEP1SME500	4696DRMEP1SME500	4719DRMEP1SME500	4736DREMP1SME500

As a result of the COVID-19 pandemic, many new Federal programs were established, and funding was added to existing Federal programs. Funding arising from these sources is denoted by “COVID-19” following the program or cluster name.

**STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025**

Section III – Federal Findings and Questioned Costs



(2025-011)

Title: Internal control over SNAP eligibility determinations and benefit calculations needs improvement

Prior Year Findings:

FY24	FY23	FY22
2024-022	2023-031	2022-025

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: SNAP Cluster

Assistance Listing Number: 10.551, 10.561

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles
Eligibility
Special tests and provisions

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: ALN 10.551 \$47,493

Likely Questioned Costs: Undeterminable; incorrectly calculated Supplemental Nutrition Assistance Program (SNAP) benefits may result in overpayments or underpayments to clients. Due to the unique circumstances of each case, a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 272.10; 7 CFR 273.2 and .12

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

All State agencies must sufficiently automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing and transmitting information concerning SNAP.

State agencies shall verify information such as residency, identity, disability, and household composition. Changes reported during the certification period are subject to the same verification procedures as applied at initial certification, except that the State agency shall not verify changes

in income less than \$50 or actual medical or utility expenses less than \$25, unless the information is incomplete, inaccurate, inconsistent, or outdated.

The State agency shall take prompt action on all changes to determine if the change affects the household's eligibility or allotment.

Condition: SNAP is administered by the Office for Family Independence (OFI) and provides monthly benefits to eligible households to purchase nutritious foods. OFI is required by Federal program regulations to utilize an automated information system for SNAP. The information system must maintain all case file information necessary to properly process eligibility determinations and benefit calculations.

The Automated Client Eligibility System (ACES) is the information system used by OFI to automate SNAP operations. ACES relies on the maintenance of a complex framework of system results to make eligibility determinations and related benefit calculations.

The Office of the State Auditor (OSA) tested 40 household monthly benefit payments to verify the accuracy of SNAP operations utilizing ACES, and identified:

- that OFI does not require verification or investigation of information that is unclear, incomplete, inaccurate, or outdated as required by Federal requirements. A total of 32 overpayments of monthly SNAP benefits were identified, including:
 - o 29 benefit overpayments totaling \$25,800 due to manual processing errors, including:
 - 9 benefit overpayments totaling \$5,095 to clients whose household income or expenses were not verified.
 - 8 benefit overpayments totaling \$6,084 to clients whose household income was incorrectly calculated.
 - 6 benefit overpayments totaling \$6,209 to clients whose information was outdated but was not further investigated for verification. 1 of the 6 clients disclosed new living arrangements; however, documentation from 2014 was not updated.
 - 5 benefit overpayments totaling \$6,656 to clients whose household composition was not verified.
 - 1 benefit overpayment of \$1,756 to a client whose disability status, exempting the client from work requirements, was not verified.
 - o 3 benefit overpayments due to automated processes errors in ACES, including:
 - 1 benefit overpayment of \$442; income information was available in ACES, however, it was not utilized when the benefit amount was calculated.
 - 1 benefit overpayment of \$292, resulting from an incorrect benefit suspension. OSA identified a material weakness/material noncompliance with questioned costs as issued in finding 2025-012, Internal control over automated SNAP eligibility certification periods needs improvement, for incorrect benefit suspensions.
 - 1 benefit overpayment of \$266; the full standard utility allowance was utilized in the calculation of the monthly benefit, however, the only reported

utility was a phone. ACES applied the full standard utility allowance based on a phone expense manually entered into ACES by an eligibility specialist.

- 15 of the 40 clients tested whose ACES case file information did not include proper verification of identity or residency documentation, including:
 - 8 clients whose case file information did not include any verification of identity documentation.
 - 5 clients whose identification card was expired at the time it was presented and was accepted for verification by OFI.
 - 2 clients whose only identification was an out-of-state license or school identification card, which is not acceptable documentation to support residency.

OSA utilized a risk-based approach to select 20 cases with the highest monthly benefits and selected a non-statistical random sample for the remaining 20 cases.

OSA reviewed self-employment income information reported by SNAP clients in fiscal year 2025, identified 10 clients with reported losses greater than \$10,000 for further review, and found the following:

- 4 benefit overpayments totaling \$19,462; self-employment income was incorrectly entered into ACES and did not match underlying documentation. Of the 4 clients, 1 client's income information was from a 2021 tax return.
- 1 benefit overpayment totaling \$1,231; income information was calculated utilizing tax documentation that did not include all income sources.

The Department does not have adequate policies and procedures in place to ensure that ACES case file modifications, whether manual or system interfaced, that result in adjustments to previously issued monthly SNAP benefits are appropriately processed. This includes a recalculation of previously issued benefits when case file modifications are processed, the establishment of corresponding overpayments or underpayments, and related follow-up actions by OFI.

Context: In fiscal year 2025, the State provided approximately 169,000 SNAP clients with \$355.9 million in Federal benefits.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Known questioned costs
- Potential future questioned costs and disallowances
- Benefits may be incorrectly calculated, resulting in households being underpaid or overpaid.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement additional policies and procedures to ensure that:

- case information entered into ACES is accurate;

- automated eligibility determinations and benefit calculations are processed in accordance with Federal regulations;
- information that is unclear, incomplete, inaccurate, or outdated is investigated and verified with supporting documentation as required; and
- recalculations of previously issued benefits and related follow-up actions occur when case file modifications are retroactive.

Corrective Action Plan: See F-11

Management's Response: The Department partially agrees with the finding. There are many instances of exceptions cited by the Office of State Auditor (OSA) in which there isn't a specific requirement that exists or the requirement has been waived in unusual cases such as the 2 clients who could not provide proof of residency. The residency requirements state that they shall be verified "except in unusual cases like households newly arrived in a project area."

There is merit in each of the larger categories identified by OSA however, the extent of the issues is far less than those cited and many of the verification standards applied by OSA far exceed the requirements of Food and Nutrition Services (FNS).

The Department agrees with the exception based on an expired certification period.

Contact: Ian Yaffe, Director, OFI, DHHS, 207-592-1481

Auditor's Concluding Remarks: The Department must comply with the following Federal requirements:

- At initial certification and recertification, the State agency shall verify information that is incomplete, inaccurate, inconsistent, or outdated (7 CFR 273.2(e)(1), and 273.2(f)(8)(i)(A) and (D)), including:
 - o residency (7 CFR 273.2(f)(1)(vi));
 - o identity (7 CFR 273.2(f)(1)(vii));
 - o disability (7 CFR 273.2(f)(1)(viii)); and
 - o household composition (7 CFR 273.2(f)(1)(x)).
- When a household reports a change in residence, the State agency must investigate and take action on potential changes in shelter costs arising from this reported change (7 CFR 273.12(c)(4)(i)).

For the cases cited in the Condition, OFI could not provide documentation to support that information used to determine eligibility and benefits was verified or investigated. Therefore, OFI is not in compliance with Federal regulations.

The finding remains as stated.

(State Number: 25-1108-05)

(2025-012)

Title: Internal control over automated SNAP eligibility certification periods needs improvement

Prior Year Findings:

FY24	FY23
2024-024	2023-033

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: SNAP Cluster

Assistance Listing Number: 10.551, 10.561

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles
Special tests and provisions

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: ALN 10.551 \$7,658

Likely Questioned Costs: Undeterminable; incorrectly suspending Supplemental Nutrition Assistance Program (SNAP) benefits may result in overpayments and underpayments to households. Since there are known overpayments and underpayments in our sample, a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 272.10; 7 CFR 273.10 and .12

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

All State agencies must sufficiently automate their SNAP operations and computerize their systems for obtaining, maintaining, utilizing and transmitting information concerning SNAP, which includes automatic cutoff of participation for households which have not been recertified at the end of their certification period.

SNAP households must be assigned eligibility certification periods of at least 6 months, unless the household is classified as exempt based on program regulations. The State agency must have at least 1 contact with each SNAP household every 12 months.

Submission of periodic eligibility reports is required by non-exempt households. Non-exempt households that are certified for longer than 6 months must file a periodic report between 4 months and 6 months, as required by the State agency. In addition, the State agency must not require the submission of periodic reports by households certified for 12 months or less in which all adult members are elderly or have a disability and no earned income.

Condition: SNAP is administered by the Office for Family Independence (OFI) and provides monthly benefits to eligible households to purchase nutritious foods. OFI is required by Federal program regulations to utilize an automated information system for SNAP. The information system must maintain all case file information necessary to properly process eligibility determinations and benefit computations.

The Automated Client Eligibility System (ACES) is the information system used by OFI to automate SNAP operations. ACES relies on the maintenance of a complex framework of system rules to make eligibility determinations, including notification letters to clients when 6-month reports and 12-month redeterminations of eligibility are required. All SNAP households, except for elderly and disabled cases with no earned income, are required to submit 6-month reports. In addition, all SNAP households must undergo an annual redetermination of eligibility. Each household's recertification requirements are indicated by date fields in the ACES case file. If a required report or redetermination is not completed by the date indicated in the applicable field, the case's monthly SNAP benefit is automatically suspended by the system.

The Office of the State Auditor (OSA) tested a sample of 40 cases automatically suspended for failure to complete a required review in fiscal year 2025 to verify the accuracy of automated SNAP operations utilizing ACES. In 11 of the 40 cases tested, OSA identified that ACES incorrectly suspended benefits, as follows:

- 8 cases were overpaid SNAP benefits totaling \$7,543 because benefit suspensions occurred 1 to 4 months after the 6-month reporting requirement.
- 2 cases were underpaid SNAP benefits totaling \$873 because benefit suspensions occurred 1 to 2 months prior to the annual redetermination requirement.
- 1 case was overpaid SNAP benefits totaling \$115 because benefit suspension occurred 5 months after the annual redetermination requirement.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, the State provided approximately 169,000 SNAP clients with \$355.9 million in Federal benefits. 279 clients were automatically suspended by ACES during fiscal year 2025 due to recertification or redetermination requirements.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight
- Automated SNAP eligibility system recertification and suspension criteria were not configured in accordance with Federal regulations.

Effect:

- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations
- Benefits may be incorrectly suspended, resulting in households being underpaid or overpaid.

Recommendation: We recommend that the Department enhance policies and procedures to ensure that automated SNAP eligibility certification periods and related ACES case file fields are properly configured to process benefits in accordance with Federal regulations. In addition, we recommend that the Department identify underpayments and/or overpayments resulting from recertification period errors and take action as warranted.

Corrective Action Plan: See F-11

Management's Response: The Department agrees with this finding. OFI has had a number of technological challenges with the automatic setting of renewal and six-month report dates related to the suspension of Medicaid renewals during the pandemic, the extension of certification periods during the unwinding period, and the application of the new passive Medicaid renewal technology.

Contact: Michael E. Downs, Public Service Coordinator II – SNAP, OFI, DHHS, 207-592-4850

(State Number: 25-1108-02)

(2025-013)

Title: Internal control over EBT card security needs improvement

Prior Year Findings:

FY24	FY23	FY22	FY21	FY20	FY19
2024-025 2024-028	2023-035 2023-036	2022-028 2022-029	2021-012 2021-017	2020-020	2019-014

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Agriculture

U.S. Department of Health and Human Services

Assistance Listing Title: SNAP Cluster

Summer Electronic Benefits Transfer Program for Children

Temporary Assistance for Needy Families (TANF)

Assistance Listing Number: 10.551, 10.561; 10.646; 93.558

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles

Special tests and provisions

Type of Finding: Material weakness

Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 7 CFR 274.5; 7 CFR 292.16(h)(3); National Institute of Standards and Technology (NIST) Special Publication 800 Series

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The State is required to provide the following minimum security and control procedures for electronic benefits transfer (EBT) cards: secure storage; access limited to authorized personnel; inventory control records; and a periodic review and validation of inventory controls and records by parties not otherwise involved in maintaining control records. Issuance, inventory, reconciliation, and other accountability records must be maintained for a period of 3 years.

NIST Special Publication 800 Series states that organizations:

- consider the inherited risk from the use of common controls. If common controls are provided to organizations by external entities, arrangements must be made with the external/shared service providers to obtain information on the effectiveness of the deployed controls.

- are responsible and accountable for information security risk incurred through the use of system services provided by external vendors. The responsibility for mitigating risks arising from the use of external information system services remains with authorizing officials.

Condition: The Temporary Assistance for Needy Families (TANF) program provides cash assistance to families while they work towards becoming self-sufficient. The Supplemental Nutrition Assistance Program (SNAP) and Summer Electronic Benefits Transfer Program for Children (Summer EBT) provide benefits to eligible households to purchase nutritious foods. The programs distribute benefits through EBT cards utilizing the Electronic Payment Processing and Information Control (EPPIC) system.

Review of vendor, subservice provider, and subcontractor controls

The Office for Family Independence (OFI) contracts with a vendor that engages a subservice provider and a subcontractor to support EBT card services. The contract with the vendor requires annual System and Organization Controls (SOC) 1 type 2 and SOC 2 type 2 assurance testing and reporting of results of the vendor and its subservice providers. Also, since the vendor relies on a subcontractor for printing and distributing the EBT cards, OFI relies on SOC-type testing results of the subcontractor's controls for assurance over the security of the EBT cards. The Department's policy is to perform an annual review and document a plan to remediate deviations identified in these reports. SOC-type testing results can measure the degree to which the Department is able to rely on the suitability of the design and operating effectiveness of specific controls provided by the vendor, subservice provider, and subcontractor.

OFI did not receive the required 2025 SOC 1 type 2 or SOC 2 type 2 reports from the vendor, subservice provider, or subcontractor, as follows:

- Vendor – The Department did not receive SOC 1 type 2 or SOC 2 type 2 reports for the period of October 1, 2024, through June 30, 2025.
- Subservice provider – The Department did not receive SOC 1 type 2 or SOC 2 type 2 reports for fiscal year 2025.
- Subcontractor – The Department did not receive SOC 1 type 2 or SOC 2 type 2 reports for the period of October 1, 2024, through June 30, 2025. Additionally, documentation could not be provided to support that OFI followed up on the deviations identified in the 2024 SOC report.

As a result, OFI did not have assurance over the suitability of the design and operating effectiveness over EBT card security controls with the vendor, subservice provider, or subcontractor.

Department controls

EBT cards are processed and distributed through the EPPIC system and then mailed to the client. EBT cards that are undeliverable are returned to the regional Department of Health and Human Services (DHHS) office, where they are then sent to the central DHHS office for processing. Upon receipt of a returned EBT card, OFI staff use the Automated Client Eligibility System (ACES) to verify a client's personal information, determine what action to take based on case file information, and to document the action through electronic case notes. The Department has assigned

responsibility for processing returned EBT cards to 3 employees. This process includes receipt of returned cards, maintenance of inventory control records including supporting documentation in ACES and EPPIC, and destruction or retransmission of the card.

The Office of the State Auditor (OSA) identified that once delivered to the central office, the returned cards are placed in an open mailbox. While the mailbox is in a secure area of the facility, any employee working within this area has access to this mailbox. Furthermore, while the returned cards are being processed, they are placed in a locked closet that was previously used for storage. OSA identified that the personal identification number lock was never changed after the closet was repurposed for EBT returned card storage. Therefore, access to the returned card mailbox and storage area is not limited to the 3 employees assigned responsibility for processing returned EBT cards.

In addition, the State is required to maintain accurate and complete inventory records for returned EBT cards. Returned cards must be destroyed or retransmitted, and OFI documents actions taken on tracking spreadsheets and in ACES and the EPPIC system. Quarterly, management monitors the inventory tracking spreadsheets by selecting a sample of returned EBT cards for review; however, this oversight procedure does not include a reconciliation between the number of cards returned and the number of cards entered on the tracking spreadsheets. To further evaluate this oversight procedure, OSA obtained documentation of the total number of EBT cards returned in June 2025 and compared it to the number of cards entered on the tracking spreadsheets and found that only 113 of the 1,184 returned cards had been entered on the tracking spreadsheets. OSA also identified instances where information recorded on the tracking spreadsheets was incorrect or incomplete, including invalid client identification numbers, client names that did not match the correct client identification numbers, and the name of the person who processed the returned card was not entered as required.

A total of 2,383 returned SNAP and Summer EBT cards were recorded on the fiscal year 2025 inventory tracking spreadsheets. OSA tested a sample of 60 returned SNAP cards and 7 returned Summer EBT cards to verify the accuracy and completeness of the activity recorded, and identified:

- 10 returned SNAP EBT cards and 1 returned Summer EBT card were recorded on the tracking spreadsheet as retransmitted to an updated address, but no documentation was maintained in ACES to support that a new address was obtained.
 - 1 of the 10 EBT cards returned had online purchase activity during the period that the card was in the mail, and there was no documentation in ACES to support that the Department investigated the purchase activity.
- 3 returned SNAP EBT cards where processing activity was not documented in a case note.
- 2 returned SNAP EBT cards were retransmitted to another DHHS office for pickup, but no documentation was maintained in ACES to support the reason.
- 1 returned Summer EBT card was retransmitted to an out-of-state address, but no documentation was maintained in ACES to support that client contact was made, or that the case was referred to an eligibility specialist in accordance with DHHS' returned mail procedures.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, the State provided approximately 169,000 SNAP clients and 100,000 Summer EBT clients with \$355.9 million and \$14.5 million in Federal benefits, respectively. According to the inventory tracking spreadsheets, the Department processed 2,383 returned SNAP and Summer EBT cards; 802 were recorded as retransmitted and 1,581 were recorded as destroyed. The total number of EBT cards returned in the mail is unknown.

Cause:

- The Department did not enforce contractual obligations with the vendor as they anticipate utilizing a new EBT card vendor in fiscal year 2026.
- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Potential unauthorized use of EBT cards, which may lead to unallowable costs
- Potential breach of confidential or sensitive information
- Potential corrupted, lost, or inaccurate information
- Potential downtime and/or extended shutdowns

Recommendation: We recommend that the Department enhance and subsequently monitor policies and procedures to:

- ensure the contractually required SOC-type assurance testing and reported results is obtained and reviewed timely, and document and implement effective corrective action plans, if necessary. This will provide assurance that any deviations identified in the annual SOC reports are being tracked and remediated in a timely manner.
- require adequate security and oversight of returned EBT cards, including maintenance of accurate and complete inventory control records and increased physical security controls.

Corrective Action Plan: See F-12

Management's Response: The Department agrees with this finding. There were separate processes mentioned in the finding. Therefore, there will be two separate Corrective Action Plans (CAP), which will be tracked independently. The first CAP is to correct deficiencies associated to SOC reporting. The second CAP is to strengthen our internal processes regarding returned EBT cards.

Contact: Ian Yaffe, Director, OFI, DHHS, 207-592-1481

(State Number: 25-1108-01)

(2025-014)

Title: Internal control over EBT reconciliation needs improvement

Prior Year Findings: None

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: SNAP Cluster

Assistance Listing Number: 10.551, 10.561

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 7 CFR 274.4; National Institute of Standards and Technology (NIST) Special Publication 800 Series

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

State agencies shall account for the full cycle of electronic benefit transfer (EBT) issuance through a reconciliation process. The EBT system shall provide reports and documentation pertaining to, but not limited to:

- reconciliation of individual household account balances against account activities on a daily basis;
- reconciliation of each individual retail store's Supplemental Nutrition Assistance Program (SNAP) transactions per point of sale (POS) terminal and in total to deposits on a daily basis;
- verification of retailer's credits against deposit information entered into the automated clearinghouse (ACH) network; and
- maintenance of audit trails that document the full cycle of issuance from benefit allotment posting to the State issuance authorization file through posting to POS transactions at retailers through settlement of retailer credits.

NIST Special Publication 800 Series states that organizations:

- consider the inherited risk from the use of common controls. If common controls are provided to organizations by external entities, arrangements must be made with the external/shared service providers to obtain information on the effectiveness of the deployed controls.

- are responsible and accountable for information security risk incurred through the use of system services provided by external vendors. The responsibility for mitigating risks arising from the use of external information system services remains with authorizing officials.

Condition: SNAP provides monthly benefits to eligible households to purchase nutritious foods by distributing benefits through EBT cards utilizing the Electronic Payment Processing and Information Control (EPPIC) system. The Department must account for all issuances through a reconciliation process.

The Office for Family Independence (OFI) contracts with the EBT card vendor to perform the following:

- Reconciliation of individual household account balances against account activities on a daily basis
- Reconciliation of each individual retail store's SNAP transactions per POS terminal and in total to deposits on a daily basis
- Verification of retailer's credits against deposit information entered into the ACH network
- Maintenance of audit trails that document the full cycle of issuance from benefit allotment posting to the State issuance authorization file through posting to POS transactions at retailers through settlement of retailer credits

EBT card vendor reconciliations and maintenance of audit trails are reviewed by OFI through annual System and Organization Controls (SOC)-type assurance testing and reporting of results. However, the Office of the State Auditor identified a material weakness/material noncompliance as issued in finding 2025-013 for OFI's lack of receipt and review of the required SOC 2 type 2 report from the vendor for the period of October 1, 2024, through June 30, 2025. OFI did not perform alternative procedures to ensure these reconciliations were performed by the vendor. As a result, OFI did not have assurance over the suitability of the design and operating effectiveness over EBT reconciliation controls with the vendor for the last nine months of fiscal year 2025.

Context: In fiscal year 2025, the State provided approximately 169,000 SNAP clients with \$355.9 million in Federal benefits.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight
- The Department did not enforce contractual obligations with the vendor as they anticipate utilizing a new EBT card vendor in fiscal year 2026.

Effect:

- Noncompliance with Federal regulations
- Potential inaccurate reconciliations performed by the EBT card vendor

Recommendation: We recommend that the Department enhance and subsequently monitor policies and procedures to ensure adequate oversight of vendor-provided EBT reconciliations.

Corrective Action Plan: See F-12

Management's Response: The Department agrees with this finding. The Office for Family Independence has developed and will implement a corrective action plan to address the issue identified.

Contact: Ian Yaffe, Director, OFI, DHHS, 207-592-1481

(State Number: 25-1108-07)

(2025-015)

Title: Internal control over SNAP deceased client cases needs improvement

Prior Year Findings:

FY24	FY23	FY22	FY21	FY20	FY19
2024-023	2023-032	2022-026	2021-015	2020-019	2019-013

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: SNAP Cluster

Assistance Listing Number: 10.551, 10.561

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 272.8 and .14

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

State agency action on information items about recipient households shall include review of information and comparison of it to case record information. State agencies must initiate and pursue actions on recipient households within 45 days of the receipt of the information items.

States shall establish a system to verify and ensure that benefits are not issued to individuals who are deceased.

Condition: The Office for Family Independence (OFI) manages the Automated Client Eligibility System (ACES) used to determine eligibility for Federal assistance programs, including the Supplemental Nutrition Assistance Program (SNAP). Information maintained in ACES is relied upon by OFI for determining monthly SNAP benefits issued to client Electronic Benefit Transaction (EBT) cards.

OFI relies on numerous data sources for identifying and providing client date of death (DOD) information for input into ACES, including monthly data exchanges with the Maine Center for

Disease Control & Prevention's (MeCDC) Vital Records, which includes Social Security Administration data. Federal program regulations require OFI to act on client cases within 45 days of receipt of DOD information. This includes review and comparison of DOD information to ACES case file information, and suspension of program participation and related benefits as warranted. OFI policies for SNAP require deactivation of the client's EBT card as well as expungement of authorized benefits from the EBT card. If activity occurs on the client's EBT card subsequent to the DOD, the case must be reported as potential fraud and referred for investigation.

The Office of the State Auditor (OSA) obtained DOD information from MeCDC Vital Records and compared it to clients who received SNAP benefits during fiscal year 2025. OSA identified 29 cases where SNAP benefits were issued more than 75 days following the client's DOD; this benchmark was applied to denote the 45-day Federal program regulation related to monthly receipt of DOD information. OSA tested all 29 cases and identified the following:

- Single-member household clients should not have EBT card purchase activity after DOD; however, 7 single-member household clients had \$4,335 in total EBT card purchase activity after DOD that occurred in fiscal year 2025:
 - 6 clients were identified as potential fraud in the ACES case file between 3 and 6 months after the DOD information was received by MeCDC Vital Records.
 - 1 client's DOD was not properly recorded in ACES until 11 months after the DOD information was received by MeCDC Vital Records. OFI recorded an incorrect DOD in ACES and did not identify EBT purchase activity after the DOD as potential fraud until OSA notified OFI.
- 1 client's DOD was not recorded in ACES until the client's family informed OFI of the client's death 268 days after the DOD information was received by MeCDC Vital Records. As a result, SNAP benefits were calculated based on incorrect income and household composition information, resulting in an overpayment of \$2,359.
- 14 single-member household clients had benefits loaded to their cards more than 75 days after DOD information was received by MeCDC Vital Records. Of those 14 clients:
 - 11 clients' cases remained open 77 to 305 days after DOD information was received by MeCDC Vital Records, resulting in 2 to 11 months of unauthorized SNAP benefit issuances. Of these 11 clients, 5 clients' benefits were not expunged upon receipt of DOD information as required by OFI policies; benefits remained open and available for spending up to 274 days after the last issuance when they were expunged by the system-automated process based on inactivity.
 - 2 clients were not identified as deceased by OFI until OSA notified OFI. As of June 30, 2025, MeCDC Vital Records received DOD information 644 days and 587 days prior, respectively; benefits were expunged by the system-automated process based on inactivity after 274 days.
 - 1 client was not identified as deceased by OFI until July 2025. As of June 30, 2025, DOD information was on file for 196 days.

Context: In fiscal year 2025, the State provided approximately 169,000 SNAP clients with \$355.9 million in Federal benefits. Of the 169,000 SNAP clients, 1,970 had a DOD in fiscal year 2025.

Cause:

- Monthly data exchanges with MeCDC Vital Records did not alert OFI of DOD information in 27 of the 29 cases tested.
- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Benefits issued to deceased clients may result in unauthorized EBT card purchase activity.
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department enhance policies and procedures to ensure that DOD information is received, reviewed, and updated in ACES on a more frequent basis to prevent unauthorized SNAP benefit issuances and EBT card purchase activity. In addition, we recommend that the Department review all client cases noted in the Condition of this finding to ensure that:

- ACES case file DOD information is accurate, including verifying that all DOD information is received timely from MeCDC Vital Records;
- SNAP benefits are expunged and EBT cards are deactivated in accordance with existing policies;
- cases are identified as potential fraud and referred for investigation as warranted; and
- unallowable costs are identified and reported to Federal oversight agencies and required recoupment activities are pursued.

Corrective Action Plan: See F-12

Management's Response: The Department agrees with this finding. The data matching failed because there were inconsistencies in the data between the two systems, specifically in the spelling of names. The Department acted timely on all deaths that were reported correctly.

Contact: Michael E. Downs, Public Service Coordinator II – SNAP, OFI, DHHS, 207-592-4850

(State Number: 25-1108-03)

(2025-016)

Title: Internal control over SNAP procurement needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
Health and Human Services

State Bureau: Office of State Procurement Services
Division of Contract Management
Office for Family Independence

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: SNAP Cluster

Assistance Listing Number: 10.551, 10.561

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.317; 7 CFR 277.14; 5 MRSA 1825-B and D; Office of State Procurement Services (OSPS) policies

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must follow the same policies and procedures it uses for procurements with non-Federal funds.

7 CFR 277.14 requires the Department to submit proposed contracts and related procurement documents to the U.S. Department of Agriculture's Food and Nutrition Service (FNS) for preaward review and approval when the procurement is expected to exceed \$10,000 and is to be awarded without competition, or only one bid or offer is received in response to solicitation.

Awards shall be made to the best-value bidder, taking into consideration the best interest of the State. The requirement to competitively bid a contract may be waived if specific criteria is met, including the item or service can only be procured from one source or it is an emergency procurement. Each bid, with the name of the bidder, must be entered on record. Each record, with the successful bid indicated, must be open to public inspection after the letting of the contract. The Department must justify the selection of vendor, either through competitive or noncompetitive process, and provide a detailed explanation of cost, demonstrating how the best value for the State is ensured.

The Chief Procurement Officer shall make the public aware of contracts and grants for which bids are being requested and communicate the procedure used in reviewing bids.

Contracts must be submitted to OSPS at least 14 days prior to the contract start date.

Condition: The Supplemental Nutrition Assistance Program (SNAP) provides monthly benefits to eligible households to purchase nutritious foods, along with funds for administration, nutrition education, and obesity prevention. SNAP is administered by the Office for Family Independence (OFI).

OSPS is the central oversight agency for all State procurement. The Department of Health and Human Services (DHHS) Division of Contract Management (DCM) oversees the solicitation and contract implementation for all DHHS procurement. DCM coordinates with DHHS program personnel to evaluate and select vendors and subrecipients, determine contract terms, and provide required documentation to OSPS. OSPS is responsible for reviewing and approving Procurement Justification Forms (PJF) submitted by DCM on behalf of program personnel prior to the award of contracts. The PJF represents program personnel's assertion that the selected procurement method is appropriate under applicable State and Federal requirements, and that required evaluation procedures have been performed.

The Office of the State Auditor (OSA) tested 2 noncompetitive contracts that accounted for \$4.4 million of the \$5.8 million in SNAP procurement-related transactions in fiscal year 2025 and found:

- OFI could not provide documentation that FNS approved applicable procurement documents prior to contract award as required by 7 CFR 277.14.
- PJFs were reviewed for reasonableness by DCM and OSPS, but DHHS could not provide documentation to support the assertions made by OFI were accurate.
- for 1 contract, DCM provided the PJF to OSPS for their review and OSPS approved the PJF after the contract had commenced, 42 days and 66 days, respectively, after the contract start date.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, the Department expended \$5.8 million in procurement-related transactions from SNAP administration funds of \$19.5 million.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Potential questioned costs and future disallowances
- Noncompliance with Federal and State procurement requirements could result in the need to void a contract or exposure to legal proceedings.

Recommendation: We recommend that OSPA:

- increase agency awareness of the procedures related to the timing of procurement contract documentation being submitted to OSPA for review prior to the contract start date; and
- finalize and implement an updated procurement policy and procedure manual that identifies the parties responsible for key aspects of the procurement process.

We also recommend that DCM and OFI develop policies and procedures and increase oversight to ensure all procurement transactions comply with Federal and State requirements, including:

- Federal pre-procurement approvals are obtained before contracts are awarded, if required;
- DCM obtaining and reviewing documentation to support the assertions made by OFI for accuracy and reasonableness; and
- ensuring PJFs are completed, reviewed, and submitted to OSPA prior to the contract start date.

Corrective Action Plan: See F-13

Management's Response:

DAFS Response: The Department agrees with this finding. OSPA does not authorize, encourage, or approve agencies allowing vendors to perform work at risk. However, OSPA also does not delay review and approval solely due to contract start-date issues, as doing so would increase the State's risk exposure, potentially disrupt federally required programs, and hinder agencies' compliance with federal period-of-performance requirements.

To address these concerns, OSPA will formalize and issue policy guidance that clearly defines agency and OSPA roles and responsibilities in the contracting process. This guidance will expand the agency-focused section to emphasize timely submission and processing, along with the risks and implications associated with contracting delays.

In advance of fiscal year-end, OSPA will issue a separate policy document and companion guidance as a spotlight topic in the monthly newsletter and posted to the intranet for agency reference.

DAFS Contact: David Morris, Acting Chief Procurement Officer, OSPA, 207-624-7335

DHHS Response: The Department partially agrees with this finding. There is not a requirement to provide documentation that the Department personnel's assertions are accurate regarding Department personnel's review of PJFs.

The Department agrees that it can improve the timing of procurement documents in relation to the start dates of the contracts. Extenuating circumstances exist periodically that prevent the timeliness of these documents. In some cases, there are delays in the grant approval at the Federal level. Delays in Legislative approval of budgets can also lead to procurement documentation delays.

DHHS Contact: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075

Auditor's Concluding Remarks: 2 CFR 200.303 requires the Department to establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Absent adequate documentation to support the veracity of the assertions made on the PJF by program personnel, the best value for the State cannot be ensured.

The finding remains as stated.

(State Number: 25-1108-06)

(2025-017)

Title: Internal control over SNAP subrecipient monitoring procedures needs improvement

Prior Year Findings: None

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: SNAP Cluster

Assistance Listing Number: 10.551, 10.561

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must:

- ensure that every subaward is clearly identified to the subrecipient as a subaward and includes specific information.
- evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring procedures.

Condition: The Supplemental Nutrition Assistance Program (SNAP) is administered by the Office for Family Independence (OFI). In addition to providing monthly benefits to eligible households to purchase nutritious foods, SNAP has administrative funding that may be used to educate the public on nutrition and to assist SNAP clients in gaining the skills, training, and work experience needed to build a career and achieve long-term stability.

The Office of the State Auditor (OSA) tested all 7 contracts with 4 SNAP subrecipients for compliance with:

- award identification requirements, and found that 6 contracts did not include Federal award identification numbers and 1 contract did not include the Assistance Listing title and number.
- subrecipient risk evaluation procedures. OFI provided evidence to support that subrecipient monitoring procedures were performed; however, documentation that risk

evaluation procedures performed corresponded to the appropriate level of monitoring activities could not be provided.

Context: In fiscal year 2025, OFI provided \$5.1 million from a total of \$19.7 million in SNAP administrative funds to SNAP subrecipients.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Subrecipients that are deemed higher risk may not be monitored on a more frequent basis. Conversely, subrecipients that are deemed lower risk may not be monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.

Recommendation: We recommend that the Department implement policies and procedures to:

- ensure that all required information is included in contracts and contract amendments. This will ensure compliance with Federal requirements.
- require evaluation of each subrecipient's risk of noncompliance specifically for the purpose of determining the appropriate subrecipient monitoring to be performed. This will ensure subrecipients are monitored appropriately based on risk designation.

Corrective Action Plan: See F-13

Management's Response: The Department partially agrees with the finding. We acknowledge six of the contracts did not include the Federal award identification number, and that one contract did not include the assistance listing title and number. The Department disagrees that we do not have adequate subrecipient risk evaluation procedures. The Department evaluates risk on its subrecipients for the purposes of determining the appropriate subrecipient monitoring in multiple ways. The first assessment of risk is when a subaward is competitively bid. The second assessment of risk is built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which higher risk subrecipients undergo a higher level of testing by Independent Public Accountants. Finally, the Social Service Unit of the Division of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk.

Contact: Patricia Dushuttle, Special Projects Manager- SNAP, OFI, DHHS, 207-215-0995

Auditor's Concluding Remarks: 2 CFR 200.332(b) states that the Department must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

The Department has indicated in Management's Response that the criteria set forth in 2 CFR 200.332(b) have been met; however, the following rebuttals illustrate that the Department is not in compliance with Federal requirements:

- The Department identifies the first assessment of risk: when a subaward is competitively bid.
 - While OSA acknowledges this does occur, 6 of the 7 subawards tested were not competitively bid.
 - The level of subrecipient monitoring that the Department performs is based on the services provided, not on specific subrecipients, as required.
- The Department identifies the second assessment of risk: built into MAAP in which higher risk subrecipients undergo a higher level of testing by independent public accountants.
 - A subrecipient deemed higher risk as the result of a risk evaluation in accordance with 2 CFR 200.332 may not be deemed higher risk in accordance with MAAP standards.
- The Department identifies the third assessment of risk: the Social Service Unit of the Division of Audit (DOA) performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk.
 - The Department did not provide documentation to demonstrate that subrecipient monitoring procedures are performed by program personnel as a result of a risk evaluation conducted by DOA.

The Department's existing policies and procedures do not require nor provide support for the evaluation of each subrecipient's risk of noncompliance specifically for the purpose of determining the appropriate subrecipient monitoring to be performed.

The finding remains as stated.

(State Number: 25-1108-04)

(2025-018)

Title: Internal control over CNC eligibility needs improvement

Prior Year Findings:

FY24
2024-030

State Department: Education

State Bureau: Child Nutrition Services

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: Child Nutrition Cluster

Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: ALN 10.555 \$73,683
ALN 10.559 \$226,773

Likely Questioned Costs: Undeterminable; erroneous eligibility determinations do not always result in overpayments of Federal program funds; therefore, an error rate cannot be applied to the population and a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 7 CFR 210.7 and .9; 7 CFR 225.6, .14, and .16; 7 CFR 245.12

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

7 CFR 210 outlines the application requirements for participation in the National School Lunch Program (NSLP) and specifies that applications shall provide the State agency with sufficient information to determine eligibility.

7 CFR 225 requirements for the Summer Food Service Program (SFSP) include:

- the type of information that must be required in sponsor applications for participation;
- sites that serve an area in which poor economic conditions exist or are approved for reimbursement only for free meals served to enrolled children who meet the program's income standards;
- the proposed site is not or will not be served in whole or in part by another site;

- State agency requirements related to the approval of applications and determinations of eligibility;
- the process and requirements for claims for reimbursement (CFRs); and
- performance standards for financial viability, administrative capability, and program accountability.

7 CFR 245 describes the action taken by State agencies related to the eligibility determination of individuals and special eligibility determinations of schools including Provision II and Community Eligible Provision schools. These regulations outline how the School Food Authority (SFA) and State agency should collect and report eligibility information in the schools, and how that information should be used in establishing rates and percentages in CFRs.

Condition: The Child Nutrition Cluster (CNC) includes the School Breakfast Program, NSLP, Special Milk Program for Children, SFSP, and the Fresh Fruit and Vegetable Program. The objectives of the programs are to provide nutritious meals to eligible children in schools and summer food programs; to foster healthy eating habits by providing fresh fruits and vegetables to children attending elementary schools; and to encourage the consumption of nutritious agriculture commodities.

The Department of Education (DOE) is responsible for the administration of CNC programs for the State. DOE provides benefits to each SFA or sponsor on a reimbursement basis. SFAs and sponsors must submit electronic applications for participation in CNC programs and DOE is required to review every application and site information sheet to ensure that only eligible SFAs or sponsors participate in the programs.

The Office of the State Auditor (OSA) tested 47 SFA and sponsor applications and found instances that did not align with program regulations, as follows:

- 9 applications were approved with sites that did not meet the eligibility criteria, as follows:
 - 5 sponsors with sites classified as camps and also designated as open sites. This allowed the camp to use area eligibility determination, rather than individual child eligibility as required for camps, resulting in questioned costs totaling \$180,788.
 - 1 sponsor of a camp used projected enrollment numbers on their application and did not provide the actual number of eligible children for each session at the site prior to submitting claims, resulting in questioned costs totaling \$26,381.
 - 1 sponsor was erroneously approved as a non-congregate site without required supporting documentation. In addition, incorrect census data was used to demonstrate eligibility, resulting in questioned costs totaling \$73,683.
 - 1 sponsor site was erroneously classified as a school; however, supporting documentation within the application indicated that the correct site classification was a non-residential day camp.
 - 1 sponsor without a designated site classification used special eligibility certification rather than area eligibility determination; OSA determined that the site was eligible based on other information in the application.
- 1 application's financial viability calculation did not meet program requirements, as reported expenses exceeded reported revenue and budget revisions were not made prior to approval of the program by DOE, resulting in questioned costs totaling \$1,350.

- 1 application was missing a required policy statement, resulting in questioned costs totaling \$18,254.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, CNC program expenditures totaled \$71.3 million, including \$58.5 million for NLSP and \$2.8 million for SFSP in SFA and sponsor reimbursements.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- CNC program participation by ineligible SFAs or sponsors
- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department enhance policies and procedures and increase oversight to ensure that:

- all required documentation for applications is complete and in compliance with program requirements prior to participation in CNC programs;
- eligibility determinations and resulting site classifications are properly supported; and
- appropriate eligibility information is collected and reviewed prior to SFA and sponsor claim payments.

Corrective Action Plan: See F-14

Management's Response: The Department partially agrees with this finding. The exceptions referenced in this finding are from the program FY23 audit. All identified exceptions have been addressed in the 2025 program year and the upcoming 2026 program year.

The SUN Meals (SFSP) application packet is updated continually to reflect evolving federal program requirements. In recent years, significant federal changes have required substantial updates to application processes, data collection, and training for program operators. Requests for system updates are submitted to the Child Nutrition software developer to ensure continued alignment with federal guidelines. Child Nutrition with the supporting documents provided by the Northeast Regional Office of the USDA, disagrees with the exception addressing the “camp” definition in this finding.

The application review process is administered by 1.5 FTE State Agency staff, who review over 1,000 documents within a 6–8 week timeframe, while also providing training and technical assistance to sponsors. Despite these constraints and ongoing federal program changes, staff manage the application process with only limited and isolated incidents.

Contact: Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880

Auditor’s Concluding Remarks: Management’s Response stating “the exceptions referenced in this finding are from the program FY23 audit” is incorrect. All exceptions identified relate to SFA and sponsor applications active during fiscal year 2025.

OSA is not defining site classification nor taking exception to DOE’s “camp” definition. The exceptions identified are approved camp site sponsors that do not conform to the required eligibility criteria for camps.

The exceptions noted were not limited or isolated, as 11 out of 47 SFA and sponsor applications tested did not align with Federal program requirements for eligibility. This results in an error rate of 23.4 percent.

The finding remains as stated.

(State Number: 25-1203-01)

(2025-019)

Title: Internal control over CNC claim reimbursements needs improvement

Prior Year Findings:

FY24	FY23	FY22
2024-031	2023-038	2022-031

State Department: Education

State Bureau: Child Nutrition Services

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: Child Nutrition Cluster

Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles
Reporting

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: ALN 10.559 \$61,336
ALN 10.582 \$12,215

Likely Questioned Costs: Undeterminable; due to the variety of exceptions in the test population, an error rate cannot be applied to the population, and a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 7 CFR 210.7 and .8; 7 CFR 225.6, .9, and .16; Richard B. Russell National School Lunch Act (NSLA), Section 19

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

7 CFR 210.7 and .8 for the National School Lunch Program (NSLP) require:

- claims for reimbursement (CFRs) to be based on lunch counts taken daily at the point of service, which correctly identify the number of free, reduced price, and paid lunches served to eligible children.
- the Department to compare, on a monthly basis, the number of free and reduced price lunches claimed to the number of children approved for free and reduced price lunches enrolled in the School Food Authority (SFA) for the month of October and multiply that

number by the days of operation and the attendance factor employed by the SFA. At its discretion, the Department may conduct this comparison against data which reflects the number of children approved for free and reduced price lunches for a more current month(s).

7 CFR 225 for the Summer Food Service Program (SFSP) requires:

- information that must be on a site information sheet provided by the sponsor for approval by the Department prior to participation in SFSP, including estimated meal counts, types of meals, meal service times, and procedures to ensure duplicate meals are not distributed at non-congregate sites. In order to approve a site, the area where the site proposes to serve is not or will not be served in whole or in part by another site.
- payments to a sponsor must equal the amount derived by multiplying the number of eligible meals, by type, actually served under the sponsor's program to eligible children by the current applicable reimbursement rate for each meal type. Sponsors must be eligible to receive additional reimbursement for each meal served to participating children at rural or self-preparation sites.

Section 19 of the Richard B. Russell NSLA states that the per-pupil grant provided to a school under the Fresh Fruit and Vegetable Program (FFVP) shall be not less than \$50, nor more than \$75.

Condition: The Child Nutrition Cluster (CNC) includes the School Breakfast Program, NSLP, Special Milk Program for Children, SFSP, and FFVP. The objectives of the programs are to provide nutritious meals to eligible children in schools and summer food programs; to foster healthy eating habits by providing fresh fruits and vegetables to children attending elementary schools; and to encourage the consumption of nutritious agriculture commodities.

The Department of Education (DOE) is responsible for the administration of CNC programs for the State. DOE provides benefits to each SFA or sponsor on a reimbursement basis. SFAs and sponsors must submit CFRs based on actual meals served for the month utilizing the Child Nutrition Program (CNPWeb) system. Claims pass through a system of edit checks built into the CNPWeb system, are automatically approved after those edit checks, and are processed based on rates programmed in the system. DOE does not verify the allowability or accuracy of monthly CFRs prior to payment, and edit checks built into the CNPWeb system are not routinely monitored. There are no monthly procedures in place that operate as controls over the allowability of claims. As a result, DOE has no assurance that SFA and sponsor monthly claim submissions are accurate or complete, or that the resulting CFR is allowable prior to payment.

For SFSP, DOE requires applications from sponsors that include individual site sheets. The information on the sheet must include the estimated number of meals, types of meals to be served, and meal service times. Non-congregate sites must provide enough detail to ensure the area where the site proposes to serve meets certain criteria, including verification that the site is rural; is not or will not be served in whole or in part by another site; serves an area in which poor economic conditions exist or is approved for reimbursement only for free meals served to enrolled children who meet income standards; and has procedures to ensure that duplicate meals are not served to any child. Residential and non-residential camps must include in their site sheets the number of

children enrolled in each session who meet income standards prior to filing the camp's CFR for each session.

The Office of the State Auditor (OSA) tested 44 SFSP CFRs and found:

- 4 residential or non-residential camp CFRs that did not include the number of children enrolled in each session who met income standards prior to filing their CFR, resulting in questioned costs totaling \$31,647. Additionally, of these 4 CFRs:
 - 2 were missing non-congregate site plan attestations; and
 - 1 did not include a site classification type on its site sheet, which determines the appropriate reimbursement rate.
- 1 CFR to a non-congregate site that did not have documented procedures to prevent duplicate meal service on the site sheet and had census data contained within the non-congregate plan that did not match U.S. Census Bureau data, resulting in questioned costs totaling \$29,689.

OSA selected a non-statistical random sample.

Furthermore, for each month of operation, DOE must report the number of meals served by meal type and sponsor type to the United States Department of Agriculture's Food Nutrition Services (FNS) on the FNS-418 report. DOE does not have assurance that the CNPWeb system's default classification of urban sites as self-prep when the field is left blank results in accurate FNS-418 reporting. DOE initiated a request to the CNPWeb system vendor to correct this system error in April 2025; however, the issue persisted for the entirety of fiscal year 2025.

For FFVP, allocations made by DOE must result in a per-pupil grant not less than \$50 nor more than \$75 to participating SFAs and sponsors. OSA tested 18 SFAs and sponsors that participated in FFVP in fiscal year 2025 and found that 11 SFAs and sponsors had per-pupil allocations that were not between \$50 and \$75 per pupil, ranging from \$15 per pupil to \$104 per pupil. The allocation of funds over \$75 per pupil resulted in questioned costs of \$12,215.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, DOE processed SFA and sponsor CFRs totaling:

- \$58.5 million under NSLP;
- \$2.8 million under SFSP; and
- \$2.7 million under FFVP.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Known questioned costs
- Potential future questioned costs and disallowances
- Potential incorrect rates of reimbursement paid to SFAs and sponsors

- Inaccurate FNS-418 reports submitted to FNS

Recommendation: We recommend that the Department enhance policies and procedures and increase oversight to:

- review CFRs on a monthly basis to provide assurance that SFA and sponsor payments are accurate and complete;
- ensure all required information is included in SFA and sponsor applications and CFR submissions prior to payment, including site classification types and non-congregate plan information on site information sheets; and
- ensure FFVP per pupil allocation amounts comply with Federal regulations.

Corrective Action Plan: See F-14

Management's Response: The Department agrees with this finding. The exceptions referenced in this finding are from the program FY23 audit. All identified exceptions have been addressed in the 2025 program year and the upcoming 2026 program year with the strengthening of program software and provided training to the program sponsors.

During program years 2020–2023, the Summer Food Service Program (SFSP) operated under emergency authorities in response to COVID-19, during which the USDA implemented numerous program flexibilities and temporarily waived certain regulatory requirements. In subsequent years, many of these flexibilities continued but were reintroduced with additional regulatory requirements, expanded data collection, and ongoing updates to program guidance. As a result, program regulations and administrative requirements have evolved rapidly, with federal guidance frequently being released throughout the program year. The Child Nutrition team has worked to remain current with these evolving requirements and implement updates as changes occur.

In some instances, updated regulations or federal guidance are issued after the program year has begun, which can result in necessary system changes or corrections to the Child Nutrition software system being implemented after the operating period has already started.

At the request of School Administrative Units, Child Nutrition re-allocated funds for the FFVP from schools with unexpended balances, to schools requesting additional funds. A procedure has been implemented for SFY 2026 to ensure school allocations remain within the \$50-75/student allocation range.

Contact: Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880

Auditor's Concluding Remarks: Management's Response stating "the exceptions referenced in this finding are from the program FY23 audit" is incorrect. All exceptions identified relate to payments made to SFAs and sponsors and Federal reporting submissions during fiscal year 2025.

The finding remains as stated.

(State Number: 25-1203-02)

(2025-020)

Title: Internal control over CNC subrecipient monitoring procedures needs improvement

Prior Year Findings:

FY24	FY23
2024-032	2023-043

State Department: Education

State Bureau: Child Nutrition Services

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: Child Nutrition Cluster

Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332; 7 CFR 210.18; 7 CFR 225.7; U.S. Department of Agriculture Policy Memo SP 46-2015

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are achieved.

The Department must conduct administrative reviews of School Food Authorities (SFAs) participating in the National School Lunch Program (NSLP) and the School Breakfast Program (SBP). These procedures must also be followed, as applicable, to conduct administrative reviews of the Special Milk Program (SMP) and the Fresh Fruit and Vegetable Program (FFVP). Documented corrective action is required for any degree of violation of general or critical areas identified in an administrative review. Corrective action may be provided at the time of the review; however, it must be postmarked or submitted electronically to the State agency no later than 30 days from the deadline for completion of each required corrective action. The State agency must maintain any documented corrective action on file for review by the Food and Nutrition Service (FNS).

The Department must withhold all program payments to an SFA if:

- documented corrective action for critical area violations is not provided with deadlines specified; or
- corrective action for critical area violations was not completed.

FNS may suspend or withhold program payments, in whole or in part, to those states failing to withhold payments in accordance with regulations and may withhold administrative funds.

The Department must review sponsors to ensure compliance with Summer Food Service Program (SFSP) regulations.

The Department is required to conduct a review of base year certification and benefit issuance documentation for any SFA requesting approval to participate in NSLP or SBP using U.S. Department of Agriculture (USDA) Special Provision 2, which is a provision established to reduce application burdens and simplify claim procedures. The review must occur at some point during the base year. If errors are identified as a result of the review, the Department must adjust all of the SFA's closed claims that occurred in the current school year.

Condition: The Child Nutrition Cluster (CNC) includes the NSLP, SBP, SMP, SFSP, and FFVP. The objectives of the programs are to provide nutritious meals to eligible children in schools and summer food programs; to foster healthy eating habits by providing fresh fruits and vegetables to children attending elementary schools; and to encourage the consumption of nutritious agriculture commodities.

The Department of Education (DOE) is responsible for the administration of CNC programs for the State. DOE partners with local SFAs and sponsors to provide benefits to school-aged children. DOE has assigned subrecipient monitoring responsibilities, which include administrative reviews and other reviews as needed, to the Child Nutrition Services (CNS) division. Administrative reviews of all SFAs and sponsors are required at least once every 5 years; however, regulations also specify that high-risk SFAs and sponsors must receive targeted follow-up within 2 years.

CNS utilizes a spreadsheet to track and facilitate the reviews, and a USDA questionnaire and information within the Child Nutrition Program (CNPWeb) system to document the completion of the review and related corrective action. CNS does not have a mechanism to centrally track the high-risk SFAs and sponsors to ensure follow-up occurs. CNS is required to retain documentation to support all elements of the administrative reviews and to demonstrate SFA and sponsor compliance with the program, even if corrective action occurs onsite during the review.

The Office of the State Auditor (OSA) tested 16 administrative reviews completed by CNS and found:

- Performance Standard 1 findings, deemed critical findings by USDA, were identified in 1 NSLP review, but required follow up fiscal action was not properly tracked.
- Performance Standard 2 findings, also deemed critical by USDA, were identified in 3 reviews, but follow up corrective actions were not properly tracked, received, and/or approved. In addition, corrective action was not provided within 30 days for 2 of the 3 reviews.

- corrective action for 3 reviews required fiscal action; 2 reviews indicated a reduction of a future claim would be processed, and 1 review indicated a check for repayment to the State would be received. Documentation in the CNPWeb system:
 - was not available to support that 2 required fiscal actions were taken, and
 - conflicted with the tracking spreadsheet for 1 fiscal action.
- corrective action responses were missing for 4 reviews, 1 of which was marked as approved by CNS.
- corrective action responses submitted by 2 SFAs were missing CNS approval information, but the reviews were marked as closed.
- corrective action responses submitted by 3 SFAs were missing SFA contact information and submission dates.
- the date for required corrective action to be provided was omitted for 4 reviews.
- corrective action for 1 review was received late.
- USDA questionnaire sections related to SFSP procurement were erroneously excluded for 4 reviews.
- USDA questionnaires were not fully completed for 2 reviews.
- the review tracking spreadsheet was not fully completed or conflicted with information obtained from the administrative review for 10 reviews.
- the SFSP administrative review tracking spreadsheet was not designed to properly track corrective action, related due dates, and CNS review and approval dates; this was noted in all 8 SFSP administrative reviews tested. CNS updated the design of the tracking spreadsheet in fiscal year 2025 to ensure this information is properly tracked.

OSA selected a non-statistical random sample.

In addition to administrative reviews, CNS must perform base year reviews for all SFAs and sponsors that have applied to participate in USDA Special Provision 2. These base year reviews provide the required information necessary to determine the level of claims the SFA or sponsor may submit in the subsequent 3 years. In fiscal year 2025, CNS identified 4 SFAs that required a base year review, 2 of which were completed alongside the SFA's administrative review. OSA tested the remaining 2 base year reviews and identified that neither review was completed by CNS as required.

OSA cannot determine if unallowable costs exist through the audit of subrecipient monitoring activities, as required information was not collected through OSA's subrecipient monitoring testing procedures; however, OSA reported questioned costs in the audit of eligibility and allowable costs/cost principles. See findings 2025-018 Internal control over CNC eligibility needs improvement, and 2025-019 Internal control over CNC claim reimbursements needs improvement.

Context: In fiscal year 2025, the Department provided 241 subrecipients with \$70.7 million in CNC program funds, which represents 99 percent of CNC programs' \$71.3 million total expenditures.

Cause:

- Lack of supervisory oversight
- Lack of adequate policies and procedures

Effect:

- Noncompliance with Federal regulations
- Subrecipients may not be complying with Federal statutes, regulations, or the terms and conditions of the subaward.
- Base year reviews provide authorization for the level of allowable claims an SFA or sponsor can claim in subsequent periods; if a base year review is not completed and participation in USDA Special Provision 2 continues, SFAs and sponsors could be underclaiming or overclaiming costs.
- Potential questioned costs and disallowances

Recommendation: We recommend that the Department enhance policies and procedures and increase oversight to ensure that:

- reviews are completed as required and supporting documentation is retained;
- required corrective and fiscal actions are implemented, reviewed, and completed; and
- high-risk SFAs and sponsors are tracked and considered in planning follow-up reviews.

Corrective Action Plan: See F-15

Management's Response: The Department partially agrees with this finding. Regulatory requirements for the administrative review process including corrective and fiscal action were met. Staff will receive training on tracking sheet completion and additional internal control measures that document requirements were met. The 2026 SFSP tracker has been updated to clarify the date of corrective action and now reads "Corrective Action Received Date".

Contact: Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880

Auditor's Concluding Remarks: The exceptions noted in the finding outline instances where documentation in support of the administrative review process, including required corrective action by subrecipients, could not be provided or was incomplete. The Department's existing policies and procedures do not provide assurance that administrative reviews are monitored, completed, documented, and considered in subsequent reviews as required by Federal program regulations.

The finding remains as stated.

(State Number: 25-1203-04)

(2025-021)

Title: Internal control over CNC special reporting needs improvement

Prior Year Findings: None

State Department: Education

State Bureau: Commissioner's Office

Child Nutrition Services

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: Child Nutrition Cluster

Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Reporting

Type of Finding: Material weakness

Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 170

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Agencies must report each subaward that equals or exceeds the first-tier subaward threshold of \$30,000 in Federal funds in the public-facing Federal Funding Accountability and Transparency Act (FFATA) System for Award Management (SAM).

Condition: The Child Nutrition Cluster (CNC) includes the School Breakfast Program, National School Lunch Program, Special Milk Program for Children, Summer Food Service Program, and the Fresh Fruit and Vegetable Program. The objectives of the programs are to provide nutritious meals to eligible children in schools and summer food programs; to foster healthy eating habits by providing fresh fruits and vegetables to children attending elementary schools; and to encourage the consumption of nutritious agriculture commodities.

The Department of Education (DOE) is responsible for the administration of CNC programs for the State and provides subawards to eligible School Food Authorities and sponsors. When an amount exceeding the first-tier subaward threshold is awarded to a CNC subrecipient, DOE must collect and enter data into SAM. Documentation could not be provided to demonstrate that subaward information or amounts were reviewed or approved prior to being reported to the Federal government.

Additionally, the Office of the State Auditor (OSA) tested 23 CNC program subawards totaling \$6,124,073 that exceeded the first-tier subaward threshold. Federal regulations require the following information for identified noncompliance to be included in FFATA findings:

- 11 subawards totaling \$1,039,361 were not reported;
- 6 subawards totaling \$1,147,396 were not reported timely;
- 6 subaward amounts were reported incorrectly; and
- 4 subawards reported incorrect key data elements.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, the Department was required to report 185 first-tier subawards totaling \$60.9 million under CNC programs. First-tier subawards account for 85 percent of CNC programs' fiscal year 2025 expenditures totaling \$71.3 million.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Accurate first-tier subaward information for CNC programs was not reported to the Federal government timely and included inaccurate or incomplete information. This information may be used for programmatic, policy, or statistical purposes.

Recommendation: We recommend that the Department enhance policies and procedures and increase oversight to ensure that first-tier subawards are reported accurately, timely, and in accordance with Federal regulations.

Corrective Action Plan: See F-15

Management's Response: The Department agrees with this finding. Regular monthly reporting was disrupted mid-year on March 8, 2025, due to a change in federal reporting systems. Due to the volume of monthly reportable items, the department was unable to manually input this data until a batch upload option was available. Reporting was brought up to date by August 2025.

Contact: Nicole Denis, Director of Finance, DOE, 207-530-2161

(State Number: 25-1203-05)

(2025-022)

Title: Internal control over CNC donated food inventory needs improvement

Prior Year Findings:

FY24	FY23	FY22
2024-035	2023-042	2022-036

State Department: Education

State Bureau: Child Nutrition Services

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: Child Nutrition Cluster

Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 7 CFR 250.12 and .19

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

On an annual basis, the distributing agency must conduct a physical review of donated food inventories at all storage facilities used by the distributing agency and must reconcile physical and book inventories of donated foods.

The distributing agency must ensure that a separate inventory record of donated foods is maintained. The distributing agency's system of inventory management must ensure that donated foods are distributed in a timely manner and in optimal condition.

Condition: The Child Nutrition Cluster includes the School Breakfast Program, National School Lunch Program (NSLP), Special Milk Program for Children, Summer Food Service Program (SFSP), and the Fresh Fruits and Vegetable Program. The objectives of the programs are to provide nutritious meals to eligible children in schools and summer food programs; to foster healthy eating habits by providing fresh fruits and vegetables to children attending elementary schools; and to encourage the consumption of nutritious agriculture commodities.

The Department receives donated foods from the U.S. Department of Agriculture (USDA) for distribution to School Food Authorities (SFAs) and sponsors participating in the NSLP or the SFSP. The donated food inventory is managed by a vendor and tracked by the Department using the Child Nutrition Program (CNPWeb) system. In March 2024, the Department identified that

the CNPWeb system was not functioning correctly and SFA and sponsor order quantities were duplicated, resulting in inaccurate inventory tracking. The Department remediated the system error in October 2024.

The Office of the State Auditor (OSA) tested 9 donated food products to ensure proper tracking by the Department. OSA reviewed the USDA food requests, inventory receipts, and distributions made to SFAs and sponsors to verify that the documentation corresponded to information in the inventory system and physical inventory counts. OSA found 5 instances where records did not agree, including:

- 4 food products where the physical inventory count indicated 2 cases fewer than OSA calculated and system inventory records, as follows:
 - The physical inventory totaled 887 cases; OSA calculated and system inventory records totaled 889 cases.
 - The physical inventory totaled 326 cases; OSA calculated and system inventory records totaled 328 cases.
 - The physical inventory totaled 489 cases; OSA calculated and system inventory records totaled 491 cases.
 - The physical inventory totaled 1380 cases; OSA calculated and system inventory records totaled 1382 cases.
- 1 food product where the physical inventory totaled 232 cases; OSA calculated and system inventory records totaled 233 cases.

Upon further review, the Department documented the discrepancies on monthly tracking sheets as damaged cases; however, a reconciliation of system records was not completed throughout the year to account for such activity. The Department does not have controls in place to ensure that CNPWeb system inventory tracking is accurate and complete.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, the Department distributed 45 USDA donated food products valued at \$9.2 million to SFAs and sponsors.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Potential inaccurate reporting of noncash Federal awards on the Schedule of Expenditures of Federal Awards
- Theft, loss, or damage of inventory may go undetected.

Recommendation: We recommend that the Department enhance policies and procedures and increase oversight to ensure that:

- system inventory records are regularly reconciled to physical inventory counts;
- justification of inventory discrepancies is documented in the CNPWeb system timely; and
- CNPWeb system inventory tracking is accurate and complete.

Corrective Action Plan: See F-15

Management's Response: The Department partially agrees with this finding. The Child Nutrition acknowledges the identified miscounts and has implemented an additional tracking system to monitor and reconcile inventory. However, the Department maintains that its existing internal control procedures provide reasonable assurance that CNPWeb inventory counts are not materially misstated. The errors found in case counts attribute to less than 1% of the total cases in the test group and may be due to pick errors from the vendor or warehouse, or the delivery of out-of-condition food. The vendor is responsible for the accuracy of counts, all loss or damage caused by the vendor including delivery of out-of-condition food. Monthly inventory tests have been established between the department and the distributor. A ticket has been placed for fixes to the computerized inventory system.

Contact: Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880

Auditor's Concluding Remarks: OSA acknowledges planned corrective action outlined in Management's Response; however, these additional measures, including monthly inventory tests and CNPWeb system enhancements, were not in place during the audit period. As a result, the Department did not have controls in place to ensure that CNPWeb system inventory tracking was accurate and complete for fiscal year 2025.

The finding remains as stated.

(State Number: 25-1203-03)

(2025-023)

Title: Internal control over CNC subrecipient audit monitoring needs improvement

Prior Year Findings: None

State Department: Education

State Bureau: Commissioner's Office

Child Nutrition Services

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: Child Nutrition Cluster

Assistance Listing Number: 10.553, 10.555, 10.556, 10.559, 10.582

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must verify that subrecipients are audited as required.

Condition: The Department of Education (DOE) is responsible for the administration of Child Nutrition Cluster (CNC) programs for the State. DOE partners with subrecipient School Food Authorities and sponsors to provide nutritious meals to eligible children in schools and summer food programs; to foster healthy eating habits by providing fresh fruits and vegetables to children attending elementary schools; and to encourage the consumption of nutritious agriculture commodities.

DOE is required to verify that all subrecipients are audited as required when Federal award expenditures exceed the Single Audit threshold. DOE utilizes a spreadsheet to track and facilitate subrecipient audit monitoring. The spreadsheet tracks each DOE subrecipient, the subrecipient's auditor, the date of receipt of the Single Audit report, the date the report was reviewed by DOE, any requests for an extension, any exceptions noted within the Single Audit report, and a corrective action plan due date, as applicable.

The Office of the State Auditor (OSA) tested 22 CNC subrecipients required to receive a Single Audit and found:

- 2 subrecipients were granted submission extensions; however, both audit reports were received after the approved extension date and documentation for an additional extension or late receipt could not be provided.

- 1 subrecipient was documented on the tracking spreadsheet; however, the only information included was the subrecipient's name. In addition, email communications indicated multiple expired extensions, but this information was not included or tracked by DOE.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, the Department provided 241 subrecipients with \$70.7 million in CNC program funds, which represents 99 percent of CNC programs' \$71.3 million total expenditures.

Cause:

- Lack of supervisory oversight
- Lack of adequate policies and procedures

Effect:

- Noncompliance with Federal regulations
- Subrecipients may not be undergoing audits as required by Federal regulations.

Recommendation: We recommend that the Department enhance policies and procedures and increase oversight to ensure that all CNC subrecipients are properly tracked and submit Single Audit reports as required.

Corrective Action Plan: See F-16

Management's Response: The Department agrees with this finding. Audit tracking was previously performed through a manual process. As the result of a RFP, an upgrade to the Maine Education Financial System will include an automated tracking system and dashboard to more effectively manage receipt of school administrative unit audits. In the interim, the Policy and Procedure Manual will be updated to include supervisory review of the tracking spreadsheet on a monthly basis.

Contact: Nicole Denis, Director of Finance, DOE, 207-530-2161

(State Number: 25-1203-07)

(2025-024) Confidential finding, see below for more information

Title: _____

Pursuant to paragraph 6.64 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 condition we identified, as well as the related criteria, context, causes, effects, and our specific recommendations for improvement.

Prior Year Findings: None

Type of Finding: Significant deficiency

Corrective Active Plan: See F-16

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 25-1203-06)

(2025-025) Confidential finding, see below for more information

Title: _____

Pursuant to paragraph 6.64 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 condition we identified, as well as the related criteria, context, causes, effects, and our specific recommendations for improvement.

Prior Year Findings:

FY24	FY23	FY22
Redacted	Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Active Plan: See F-16

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 25-1203-08)

(2025-026)

Title: Internal control over Summer EBT eligibility needs improvement

Prior Year Findings: None

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Agriculture

U.S. Department of Health and Human Services

Assistance Listing Title: Summer Electronic Benefits Transfer Program for Children

Assistance Listing Number: 10.646

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: \$1,680

Likely Questioned Costs: Undeterminable; incorrect eligibility determinations for the Summer Electronic Benefits Transfer Program for Children (Summer EBT) are the result of conditions that do not uniformly apply to the entire population. Due to the unique circumstances of each case, a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 7 CFR 292.6, .8, .12, .15 and .16

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Children eligible for the Summer EBT program include those who, at any time during the period of eligibility, are:

- school-aged and categorically eligible through their status as a foster child, migrant child, or through their participation in the Supplemental Nutrition Assistance Program (SNAP) or the Temporary Assistance to Needy Families (TANF) program; or
- enrolled in a National School Lunch Program (NSLP)-participating school and meet the requirements to receive free or reduced price meals; or
- enrolled in a special provision school, and otherwise meet the requirements to receive free or reduced price meals.

Summer EBT agencies must submit a Plan for Operations and Management to the Federal government to ensure that Summer EBT benefits are issued to children based on their enrollment at the end of the instructional year immediately preceding each summer.

In enrolling eligible children, Summer EBT agencies must establish procedures to allow households to provide updated contact information for the purpose of receiving Summer EBT benefits, and enable anyone who has been determined to be eligible for Summer EBT benefits to confirm their eligibility status, or opt out of the program if they do not want to receive benefits.

Summer EBT agencies must develop procedures to detect and prevent dual participation across multiple states.

State Summer EBT agencies must establish issuance and accountability systems which ensure that only certified eligible households receive benefits; that program benefits are distributed timely in the correct amounts; and that benefit issuance and reconciliation activities are properly conducted and accurately reported to the Federal government.

Condition: The Summer EBT program is administered by the Office for Family Independence (OFI) and provides a \$120 annual benefit to eligible children to purchase nutritious foods during the summer; benefits are distributed through EBT cards.

To establish a population of children eligible for the Summer EBT program, OFI utilized information in the Automated Client Eligibility System (ACES) and automatically deemed children who were SNAP or TANF clients as categorically eligible. Children who are Medicaid clients are not categorically eligible and must be filtered to only those clients whose income does not exceed the NSLP income limit of 185 percent of the Federal Poverty Level (FPL) during the eligibility period.

To capture Summer EBT-eligible children who are not in ACES, OFI has data sharing agreements in place with the Department of Education (DOE) and the Office of Child and Family Services.

OFI relied on automated batch processes to extract data from ACES and DOE information systems; the majority of eligible children were identified in both datasets. OFI removed duplicate children to ensure only 1 benefit was issued per child; however, no additional verification procedures were performed by OFI to ensure the resulting population of children deemed eligible met the required program eligibility criteria.

The Office of the State Auditor (OSA) tested 55 benefit payments and found:

- 10 benefit payments to children who were not eligible, as follows:
 - 8 benefit payments to children whose household income was not verified and may exceed the NSLP income limit of 185 percent of the FPL allowed. Therefore, OSA is questioning all 8 payments totaling \$960.
 - 2 benefit payments to children whose household income exceeded the NSLP income limit of 185 percent of the FPL. Therefore, OSA is questioning both payments totaling \$240.
- 10 benefit payments to children that had an out-of-state address in ACES, as follows:
 - 6 children had not lived in Maine at any point during the eligibility period. According to ACES, 1 child had last lived in Maine in 2017. All 6 children are ineligible as OFI had confirmation they had unenrolled and left the state.

- o 3 children were verified as unenrolled from a Maine school in ACES but were eligible at a point in the eligibility period; however, OFI could not provide documentation to support dual participation in both Maine and the state the client moved to.
- o 1 child whose ACES case should have closed in June 2023; however, due to an incorrect suspension, the child was erroneously deemed eligible. OSA identified a material weakness/material noncompliance with questioned costs as issued in finding 2025-012, Internal control over automated SNAP eligibility certification periods needs improvement, for incorrect benefit suspensions.

OSA is questioning costs totaling \$240, as 8 of the 10 cards above were never used and benefits were expunged after 122 days.

- A 20-year-old client was only recorded in the DOE information system to document that they were dropping out of school; therefore, OSA is questioning the \$120 benefit payment.
- A 2-year-old client was included in the DOE information; however, the child was too young for public school and was not enrolled. Therefore, OSA is questioning the \$120 benefit payment.

OSA utilized a risk-based approach to select 25 cases based on age and 10 cases based on address, and selected a non-statistical random sample for the remaining 20 cases.

OSA also identified the following exceptions:

- For all children issued Summer EBT benefits from July 2024 to November 2024, OFI did not retain documentation to support that families were provided the required notices to advise against duplicate participation, opt out of participation, verify household eligibility, and confirm their address.
- In the 2025 Plan for Operations and Management submitted to the Federal government, OFI did not include procedures to ensure that Summer EBT benefits are only issued to children based on their enrollment at the end of the instructional year immediately preceding each summer.

The Department does not have adequate policies and procedures in place to ensure that ACES case file modifications, whether manual or system-interfaced, that result in changes to eligibility determinations are appropriately considered at the time of issuance. OFI does not track changes to eligibility information in ACES that are applied retroactively.

Context: In fiscal year 2025, the State issued benefits to approximately 121,000 Summer EBT clients; Summer EBT expenditures totaled \$14.5 million.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Known questioned costs
- Potential future questioned costs and disallowances
- Eligibility determinations may be incorrect, resulting in households being underpaid or overpaid.

- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement additional policies and procedures and enhance oversight to ensure that benefits are only issued to eligible Summer EBT clients in accordance with Federal regulations.

Corrective Action Plan: See F-16

Management's Response: The Department partially agrees with this finding.

The Department partially agrees with exceptions regarding the children with an out-of-state address. Six of these individuals, including one who used the benefits, were incorrectly identified as eligible based on ACES data. The other four, including one who used the benefits, were identified through National School Lunch Program (NSLP) Participation. SUN Bucks certifications for these four children were established correctly and cannot be retroactively altered. 7 C.F.R. § 292.5 states SUN Bucks eligibility is based on the eligibility standards for NSLP. 7 C.F.R. § 245.6(c)(1) requires that children found eligible for NSLP benefits by their Local Educational Agency (LEA) continue to receive those benefits regardless of subsequent changes. 7 C.F.R. §§292.6 and 292.12 require state agencies to enroll children in SUN Bucks if they meet certification standards at any point during the eligibility period. Household circumstances after the eligibility determination are made, including changes in enrollment, are irrelevant.

The Department partially agrees with the exceptions related to documentation and records retention. However, the templates were provided demonstrating that required language concerning dual enrollment and opt out procedures was included.

The Department disagrees with the exception related to potential income over 185% FPL. These individuals were found eligible based on Medicaid-based eligibility and income verification rules. 7 C.F.R. § 292.14(a)(iii) only requires income verification for a three percent sample of SUN Bucks manual applications. The SUN Bucks team is not authorized to conduct additional eligibility investigations or require additional documentation for individuals meeting eligibility through participation in another means tested program. All SUN Bucks certifications in the sample reviewed for children enrolled in Medicaid with income within 185% of the Federal Poverty Limit were correctly established using income values determined through Medicaid Passive Renewal and Reasonable Compatibility policies that are consistent with applicable federal rules governing Medicaid.

The Department disagrees with exceptions regarding the 2 children with brief enrollment. These children were identified as SUN bucks eligible through NSLP Participation. As detailed above once that determination is made, the Department is not able to over-ride the determination of the LEA.

Contact: Evan Denno, Program Manager – SNAP, OFI, DHHS, 207-446-3201

Auditor's Concluding Remarks: Correspondence on May 2, 2024, between OFI and the U.S. Department of Agriculture specifies “unless the State has specific information that the child has

actively unenrolled and moved to another state, the Summer EBT agency should not remove children from the issuance list.” For the cases cited in the Condition, OFI had specific information of unenrollment and relocation to another state as early as 2017 and as recent as March 2024, 3 months prior to benefit issuance, which indicates that the children should have been removed from the benefit issuance list. This negates OFI’s assertion that “household circumstances after the eligibility determination are made, including changes in enrollment, are irrelevant.”

Regarding the Summer EBT children enrolled in Medicaid with household income that exceeded the NSLP income limit of 185 percent of the FPL, OFI asserts that they do not “require additional documentation for individuals meeting eligibility through participation in another means tested program;” however, Medicaid was not approved as a means tested program until the 2024-2025 school year. As a result, OFI’s assertion does not apply to summer 2024 benefit issuances.

For the “2 children with brief enrollment,” neither child was deemed eligible for free or reduced price lunch in DOE documentation, nor did they meet other Summer EBT eligibility requirements in 2 CFR 292.6.

The finding remains as stated.

(State Number: 25-1121-02)

(2025-027)

Title: Internal control over Summer EBT procurement needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
Health and Human Services

State Bureau: Office of State Procurement Services
Division of Contract Management
Office for Family Independence

Federal Agency: U.S. Department of Agriculture

Assistance Listing Title: Summer Electronic Benefits Transfer Program for Children

Assistance Listing Number: 10.646

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.317; 7 CFR 277.14; 7 CFR 292.11; 5 MRSA 1825-B and D; Office of State Procurement Services (OSPS) policies

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must follow the same policies and procedures it uses for procurements with non-Federal funds.

7 CFR 277.14 requires the Department to submit proposed contracts and related procurement documents to the U.S. Department of Agriculture's Food and Nutrition Service (FNS) for preaward review and approval when the procurement is expected to exceed \$10,000 and is to be awarded without competition, or only one bid or offer is received in response to solicitation.

7 CFR 292.11 states that the standards prescribed in 7 CFR 277.14, as well as the requirement for prior approval, apply to information system services and equipment acquired primarily to support Summer Electronic Benefits Transfer (Summer EBT).

Awards shall be made to the best-value bidder, taking into consideration the best interest of the State. The requirement to competitively bid a contract may be waived if specific criteria is met, including the item or service can only be procured from one source or it is an emergency procurement. Each bid, with the name of the bidder, must be entered on record. Each record, with the successful bid indicated, must be open to public inspection after the letting of the contract. The Department must justify the selection of vendor, either through competitive or noncompetitive

process, and provide a detailed explanation of cost, demonstrating how the best value for the State is ensured.

The Chief Procurement Officer shall make the public aware of contracts and grants for which bids are being requested and communicate the procedure used in reviewing bids.

Contracts must be submitted to OSPS at least 14 days prior to the contract start date.

Condition: The Summer EBT program provides a \$120 annual benefit to eligible children to purchase nutritious foods during the summer and is administered by the Office for Family Independence (OFI).

OSPS is the central oversight agency for all State procurement. The Department of Health and Human Services (DHHS) Division of Contract Management (DCM) oversees the solicitation and contract implementation for all DHHS procurement. DCM coordinates with DHHS program personnel to evaluate and select vendors and subrecipients, determine contract terms, and provide required documentation to OSPS. OSPS is responsible for reviewing and approving Procurement Justification Forms (PJFs) submitted by DCM on behalf of program personnel prior to the award of contracts. The PJF represents program personnel's assertion that the selected procurement method is appropriate under applicable State and Federal requirements, and that required evaluation procedures have been performed.

The Office of the State Auditor (OSA) tested 2 contracts, 1 procured competitively and 1 procured noncompetitively, that accounted for approximately \$408,000 of the \$424,000 in Summer EBT program procurement-related transactions in fiscal year 2025 and found:

- OFI could not provide documentation that FNS approved applicable procurement documents prior to contract award as required by 7 CFR 292.11.
- PJFs were reviewed for reasonableness by DCM and OSPS, but DHHS could not provide documentation to support the assertions made by OFI were accurate.

OSA utilized a risk-based approach to select 1 contract issued by OFI and a non-statistical random sample of all other contracts.

Context: In fiscal year 2025, the Department expended approximately \$424,000 in procurement-related transactions from Summer EBT funds of \$14.5 million.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Potential questioned costs and future disallowances
- Noncompliance with Federal and State procurement requirements could result in the need to void a contract or exposure to legal proceedings.

Recommendation: We recommend that OSPS finalize and implement an updated procurement policy and procedure manual that identifies the parties responsible for key aspects of the procurement process.

We also recommend that DCM and OFI develop policies and procedures and increase oversight to ensure all procurement transactions comply with Federal and State requirements, including:

- Federal pre-procurement approvals are obtained before contracts are awarded, if required;
- DCM obtaining and reviewing documentation to support the assertions made by OFI for accuracy and reasonableness; and
- ensuring PJFs are completed, reviewed, and submitted to OSPS prior to the contract start date.

Corrective Action Plan: See F-17

Management's Response:

DAFS Response: The Department agrees with this finding. OSPS will amend and formalize our draft policy guidance that clearly defines agency and OSPS roles and responsibilities in the contracting process. This will include the expansion of an agency-focused section to further emphasize contract submission and processing expectations, as well as the risks and implications associated with contracting delays. The amended and additional content will be integrated into the draft OSPS Policy Manual for release later this year.

DAFS Contact: David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335

DHHS Response: The Department partially agrees with this finding. There is not a requirement to provide documentation that the Department personnel's assertions are accurate regarding Department personnel's review of PJFs.

The Department agrees that it can improve the timing of procurement documents in relation to the start dates of the contracts. Extenuating circumstances exist periodically that prevent the timeliness of these documents. In some cases, there are delays in the grant approval at the Federal level. Delays in Legislative approval of budgets can also lead to procurement documentation delays.

DHHS Contact: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075

Auditor's Concluding Remarks: 2 CFR 200.303 requires the Department to establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Absent adequate documentation to support the veracity of the assertions made on the PJF by program personnel, the best value for the State cannot be ensured.

The finding remains as stated.

(State Number: 25-1121-03)

(2025-028)

Title: Internal control over National Guard cash management and the related financial reporting needs improvement

Prior Year Findings: None

State Department: Defense, Veterans and Emergency Management

State Bureau: Military

Federal Agency: U.S. Department of Defense

Assistance Listing Title: National Guard Military Operations and Maintenance (O&M) Projects

Assistance Listing Number: 12.401

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Cash management
Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.302; 32 CFR 33.20

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Financial records must adequately identify the source and application of funds and provide accountability for all funds, property, and assets related to the Federally-funded activities.

Fiscal control and accounting procedures of the State must be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes and must permit preparation of required reports.

Condition: The National Guard Military Operations and Maintenance Projects (National Guard O&M Projects) program supports the Army and Air National Guard in minor construction, maintenance, repair, or operation of facilities, and provides mission operational support to be performed by the State. The Department submits a Request for Advance or Reimbursement Form (SF-270) to the Federal government to process the National Guard O&M Projects program's reimbursement request. The program is funded utilizing estimated revenue; estimated revenue represents the estimated amount of funds needed to process expenditures, where the Department utilizes State funds prior to receiving Federal reimbursement, and is limited to the amount requested and approved by the Office of the State Controller. As a result, the program carries a negative cash balance while waiting for the reimbursement requests to be approved by the Federal National Guard Bureau. Delays in receiving Federal approval have led to larger negative cash balances for the program.

The negative cash balances should be comprised of all submitted but unapproved SF-270 requests and total expenditures that have not been submitted for reimbursement. The Department tracks outstanding SF-270 requests utilizing a spreadsheet; however, the spreadsheet is not periodically reconciled to the State's accounting system to ensure all expenditures are included. Additionally, the Department does not have documented policies and procedures to follow up on outstanding reimbursement requests to facilitate more timely reimbursements from the Federal government.

Context: In fiscal year 2025, the National Guard O&M Projects program expenditures totaled \$30.1 million. The June 30th negative cash balances for the previous 4 fiscal years were as follows:

- \$(6.7) million for fiscal year 2022
- \$(12.4) million for fiscal year 2023
- \$(13.3) million for fiscal year 2024
- \$(12.4) million for fiscal year 2025

Cause:

- Lack of adequate policies and procedures, including reconciling reimbursement activity to the State's accounting system
- Lack of supervisory oversight

Effect:

- Due to a lack of monitoring cash balances, the Department cannot readily determine if specific Federal expenditures are reimbursed timely.
- Sustained negative cash balances limit the program's ability to continue operations without additional State funding.

Recommendation: We recommend that the Department develop and implement policies and procedures and enhance oversight to adequately monitor the National Guard O&M Projects program's cash balances, including requesting the status of delayed reimbursement requests with the Federal National Guard Bureau to ensure that Federal funds are received as timely as possible.

Corrective Action Plan: See F-17

Management's Response: The Department partially agrees with this finding and will implement the "Corrective Action Plan." The Auditor states the cause of the findings is a 'lack' of adequate policies and procedures and a 'lack' of supervisory oversight. We agree that the procedures are not adequate but there are established procedures and oversight.

Contact: Diane Dunn, Commissioner, DVEM, 207-430-5158

Auditor's Concluding Remarks: The Office of the State Auditor acknowledges that the Department has established procedures and oversight; however, they were not adequate to prevent, or detect and correct, on a timely basis the exception noted in the Condition.

The finding remains as stated.

(State Number: 25-1503-01)

(2025-029)

Title: Internal control over National Guard payroll costs needs improvement

Prior Year Findings: None

State Department: Defense, Veterans and Emergency Management
Administrative and Financial Services

State Bureau: Military
Security and Employment Service Center

Federal Agency: U.S. Department of Defense

Assistance Listing Title: National Guard Military Operations and Maintenance (O&M) Projects

Assistance Listing Number: 12.401

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.403, .430 and .431; 5 MRSA 7065

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

Compensation for personal services includes all remuneration, paid or accrued, for services of employees rendered during the period of performance under the Federal award, including but not necessarily limited to wages and salaries. Compensation for personal services may also include fringe benefits. Costs of compensation are allowable to the extent that they are reasonable for the services rendered and conform to the established written policy of the recipient.

Salary increases are based on merit. Salary advancements within an established range shall not be automatic, but shall be dependent upon specific recommendation of the appointing officer and approval of the commissioner. The recommendation shall be based upon standards of performance as indicated by merit ratings or other pertinent data. No advancements in salary may be made until the employee has completed the probationary period.

Condition: The National Guard Military Operations and Maintenance Projects (National Guard O&M Projects) program supports the Army and Air National Guard in minor construction, maintenance, repair, or operation of facilities, and provides mission operational support to be performed by the State.

Performance Management Forms (PMFs) document an employee's overall performance rating; identify the pay grade and step for the employee, including whether a merit increase should be applied based on performance; and document management approval, which includes the supervisor and the agency head. The Department of Defense, Veterans and Emergency Management is responsible for completing PMFs and submitting them to the Security and Employment Service Center for processing.

The Office of the State Auditor (OSA) tested payroll costs for 24 employees charged to the National Guard O&M Projects program during fiscal year 2025 and found that 8 PMFs did not have evidence of the agency head approval; 7 of the 8 PMFs resulted in merit increases in fiscal year 2025.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, the National Guard O&M Projects program expenditures totaled \$30.1 million, of which \$11.1 million was expended for payroll.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Potential unauthorized salary adjustments could result in future questioned costs
- Noncompliance with State regulations

Recommendation: We recommend that the Department enhance policies and procedures and increase oversight to ensure that PMFs properly support the National Guard O&M Projects program's payroll costs in accordance with Federal and State regulations.

Corrective Action Plan: See F-18

Management's Response:

DVEM Response: The Department partially agrees with this finding. The Department agrees that eight positions lacked an agency head signature. As a result, we have taken steps to ensure appropriate agency heads are identified for each of those positions and the agency heads are aware of the need to sign off on the relevant forms. However, we disagree that there is lack of adequate policies and procedures that could result in future questioned costs. All of the PMFs were completed and signed by a supervisor and employee indicating that performance was properly assessed to support the employee's pay grade, step and merit increase.

DVEM Contact: Michelle Lenihan, Deputy Commissioner, DVEM, 207-430-5997

DAFS Response: The Bureau of Human Resources partially agrees with this finding. The Bureau of Human Resources agrees that the positions identified lacked agency head signatures. BHR disagrees with OSA as to the effect of those missing signatures. As OSA indicates "Performance Management Forms (PMFs) document an employee's overall performance rating, identify the pay

grade and step for the employee, including whether a merit increase should be applied based on performance.” The performance management forms are developed and updated centrally by BHR and all Departments are required to use the same forms. The Agency Head will often not have any direct knowledge of a specific employee’s actual performance. The purpose of the Agency Head signature is not as a control to whether an employee is meeting performance expectations, rather it is because the Agency Head is responsible for the budget of their respective agency, including personnel services. Due to other controls at the Finance Service Center and Controller’s Office, all positions were appropriately budgeted for, and employees received their appropriate pay.

DAFS Contact: Michael J. Dunn, Esq., Acting State Human Resources Officer, BHR, 207-215-2951

Auditor’s Concluding Remarks: 2 CFR 200.303 requires the Department to establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards. State internal control procedures require review and approval of the PMF by both the supervisor and agency head, as evidenced by their signatures, to ensure an employee’s pay grade and step are appropriate based on performance. Both signatures on the PMF support that payroll costs of the National Guard O&M Projects program have been adequately reviewed for allowability purposes in accordance with Federal and State regulations.

The finding remains as stated.

(State Number: 25-1503-02)

(2025-030)

Title: Internal control over Health Disparities program SEFA reporting needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services

State Bureau: Health and Human Services Service Center

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Activities to Support State, Tribal, Local and Territorial (STLT)
Health Department Response to Public Health or Healthcare Crises

Assistance Listing Number: 93.391

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.510

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements which must include the total Federal awards expended. At a minimum, the SEFA must provide total Federal awards expended for each individual Federal program and the Assistance Listing Number and include the total amount provided to subrecipients from each Federal program.

Condition: The Department of Health and Human Services' Service Center must complete and submit exhibits and related schedules to the Office of the State Controller (OSC) at the close of each fiscal year to report Federal award information for inclusion on the State's SEFA. OSC is responsible for compiling this information on behalf of the State.

The Office of the State Auditor reviewed amounts reported on the SEFA for the Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises (Health Disparities) program and identified a \$1.2 million revenue transfer incorrectly reported as a reduction to expenditures. As a result, the initial amount reported on the SEFA was understated by \$1.2 million.

Context: In fiscal year 2025, Health Disparities program expenditures totaled \$6.7 million.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Inaccurate reporting of expenditure amounts on the SEFA, which is submitted to the Federal government, may result in inaccurate information used for programmatic, policy, or statistical purposes.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement policies and procedures to ensure expenditures are appropriately reported on the SEFA.

Corrective Action Plan: See F-18

Management's Response: The DHHS and the DHHS Financial Service Center agree with this finding. The Service Center will update policies and procedures to ensure expenditures are appropriately reported on the SEFA by August 2026.

Contact: Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626

(State Number: 25-1123-01)

(2025-031)

Title: Internal control over Health Disparities program cash management needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
Health and Human Services
Public Safety

State Bureau: Health and Human Services Service Center
Maine Center for Disease Control & Prevention
Emergency Medical Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Activities to Support State, Tribal, Local and Territorial (STLT)
Health Department Response to Public Health or Healthcare Crises

Assistance Listing Number: 93.391

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Cash management
Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 31 CFR 205.33; State Administrative and Accounting Manual (SAAM)
Chapter 50

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must minimize the time between the drawdown of Federal funds and the disbursement of these funds for Federal program purposes. The timing and amount of funds transfers must be as close as is administratively feasible to the Department's actual cash outlay for program costs. Section 50.40.80 of the SAAM has defined administratively feasible as no more than 7 business days.

Condition: The Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises (Health Disparities) program was implemented to address disparities in access to healthcare in populations that are at high-risk and underserved, including racial and ethnic minority groups and people living in rural communities. The Health Disparities program is administered by the Maine Center for Disease Control & Prevention's (MeCDC) Division of Population Health Equity. MeCDC has a memorandum of understanding in place with the Department of Public Safety's Emergency Medical Services (EMS) Bureau to assist in administering the Health Disparities program. The Department of

Health and Human Services' Service Center is responsible for drawing down Federal funds for disbursement for program purposes.

The Office of the State Auditor (OSA) identified that MeCDC began fiscal year 2025 with a \$1.7 million surplus of program funds and ended the fiscal year with a \$1.2 million surplus of funds. The surplus was the result of a MeCDC drawdown of \$3.0 million during fiscal year 2022 which was provided to EMS for use in support of the Health Disparities program. EMS returned \$1.2 million of unused funds to MeCDC in fiscal year 2025. Therefore, EMS had excess cash on hand from July 1, 2024, through April 15, 2025, and MeCDC had excess cash on hand from April 15, 2025, through June 30, 2025, which is not in compliance with Federal cash management requirements.

MeCDC fully returned the surplus funds to the Federal government in July 2025.

In addition, OSA tested 3 payments made to subrecipients by EMS and found a significant delay between receipt of invoice from the EMS subrecipient and issuance of payment. The delay in payment issuance ranged between 62 to 80 days.

Context: In fiscal year 2025, MeCDC expended \$6.7 million in Health Disparities program funds.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight
- Staff turnover which delayed the processing of invoices

Effect:

- Noncompliance with Federal regulations
- The Federal government may impose more stringent program-specific cash management requirements based on noncompliance.
- The State could incur an interest liability on excess Federal cash balances.
- Delays in issuing payments to subrecipients

Recommendation: We recommend that the Departments develop policies and procedures to:

- govern inter-departmental transfers of funds to ensure cash management requirements are adhered to; and
- ensure the timely processing of invoices.

Corrective Action Plan: See F-18

Management's Response:

DHHS Response: The Department agrees with this finding. At the onset of the Health Disparities grant period, the Maine CDC and the Department of Public Safety (DPS) established an MOU to approve the single transfer of all Health Disparity grant funds allocated to DPS prior to DPS expenditure of funds. In March 2025, the Health Disparities grant was prematurely terminated and unspent funds in the amount of \$1.2 million were returned to U.S. CDC. In May 2025, Maine CDC was among other Health Disparities grant recipients eligible to again utilize Health Disparities

grant funds following the reinstatement of the grant as a result of successful challenging litigation. In June 2025, Maine CDC was granted internal approval to proceed with utilization of grant funds.

During the process of grant termination and reinstatement and prior to undergoing the SFY25 audit, it was recognized that the MOU should include terms for reimbursement of funds based on service provision rather than authorizing the single transfer of funds prior to expenditure. Following the reinstatement of the Health Disparities grant, Maine CDC and DPS worked collaboratively to revise the original MOU to include terms for distribution of funds, including monthly submission or financial reporting to receive funds based on services provided. The revised MOU was signed by DPS and DHHS Commissioners in June and August 2025, respectively.

DHHS Contact: Eden Hale, Associate Director, Division of Population Health Equity, MeCDC, 207-441-1090

DPS Response: The Department agrees with this finding. The Department of Public Safety acknowledges that there was a delay in the processing of the three invoices made to subrecipients by EMS which were all identified during the Audit. This was a result of turnover in multiple positions within the bureau including the Director and the Office Specialist II who both play an important role in the processing of invoices.

Contact: Derek Gorneau, Assistant to the Commissioner, DPS, 207-530-3531

(State Number: 25-1123-02)

(2025-032)

Title: Internal control over Health Disparities program subrecipient monitoring procedures needs improvement

Prior Year Findings: None

State Department: Health and Human Services
Public Safety

State Bureau: Maine Center for Disease Control & Prevention
Emergency Medical Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Activities to Support State, Tribal, Local and Territorial (STLT)
Health Department Response to Public Health or Healthcare Crises

Assistance Listing Number: 93.391

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must:

- ensure that every subaward is clearly identified to the subrecipient as a subaward and includes specific information.
- evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring procedures.
- monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Condition: The Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises (Health Disparities) program was implemented to address disparities in access to healthcare in populations that are at high-risk and underserved, including racial and ethnic minority groups and people living in rural communities. The Health Disparities program is administered by the Maine Center for Disease Control & Prevention's (MeCDC) Division of Population Health Equity. MeCDC has a memorandum of

understanding in place with the Department of Public Safety's (DPS) Emergency Medical Services (EMS) Bureau to assist in administering the Health Disparities program.

The Office of the State Auditor (OSA) tested 11 contracts or contract amendments issued by MeCDC and 3 contracts issued by EMS for compliance with:

- award identification requirements and found:
 - 9 contract amendments issued by MeCDC did not include the name of the Federal agency issuing the award, the Federal award identification number, or the Federal award date; and
 - all 3 contracts issued by EMS did not include the Federal award identification number, the Federal award date, the assistance listing title and number, or the indirect cost rate for the Federal award.
- subrecipient risk evaluation procedures and found through inquiry of program personnel at MeCDC and EMS that policies and procedures were not in place to ensure risk assessments were performed or used to determine subrecipient monitoring activities. As a result, subrecipient monitoring activities were the same for all subrecipients/contracts, regardless of risk.
- subrecipient monitoring requirements and found that documentation could not be provided to support that:
 - follow-up occurred regarding late receipt of an incomplete financial report for 1 contract overseen by MeCDC;
 - an appropriate response was completed to previously identified inaccurate expense reporting for 1 contract overseen by MeCDC;
 - a required report was reviewed for 1 contract overseen by EMS; and
 - required reports were received or that appropriate action was taken in response for 2 contracts overseen by EMS.

OSA determined that payments made to subrecipients for the aforementioned reporting deficiencies were allowable based upon subsequent reports and other monitoring procedures performed.

OSA utilized a risk-based approach to select 2 contracts issued by MeCDC and selected a non-statistical random sample of all other contracts.

Context: In fiscal year 2025, MeCDC provided \$3.2 million from a total of \$6.2 million and EMS provided approximately \$301,000 from a total of approximately \$449,000 to Health Disparities program subrecipients.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Subrecipients that are deemed higher risk may not be monitored on a more frequent basis. Conversely, subrecipients that are deemed lower risk may not be monitored on a less

frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.

- Noncompliance with the Federal statutes, regulations, and the terms and conditions of the subaward by subrecipients may go undetected.
- Potential future questioned costs and disallowances

Recommendation: We recommend that the Department implement policies and procedures:

- to ensure that all required information is included in contracts and contract amendments;
- that require evaluation of each subrecipient's risk of noncompliance specifically for the purpose of determining the appropriate subrecipient monitoring to be performed; and
- implement policies and procedures to ensure all required subrecipient monitoring activities are performed.

Corrective Action Plan: See F-19

Management's Response:

DHHS Response: The Department partially agrees with this finding. We agree with the recommendations that the Department implement policies and procedures to ensure all required information is included in contracts and that all required subrecipient monitoring is completed.

The Department disagrees that we do not have subrecipient risk evaluation procedures. The Department evaluates risk on its subrecipients for the purposes of determining the appropriate subrecipient monitoring in multiple ways. The first assessment of risk is when a subaward is competitively bid. The second assessment of risk is built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which higher risk subrecipients undergo a higher level of testing by Independent Public Accountants. Finally, the Social Service Unit of the Division of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk.

DHHS Contact: Eden Hale, Associate Director, Division of Population Health Equity, MeCDC, 207-441-1090

DPS Response: The Department partially agrees with this finding. The Department of Public Safety acknowledges that EMS was missing policies and procedures around specific subrecipient monitoring activities and required contract language identifying the Federal Grant. However, the Department has these policies and procedures in place for the Contract/Grant Team which oversees the majority of the Federal Funding for the Department. The Department will ensure all Bureaus receive guidance, training, and policies and procedures.

DPS Contact: Derek Gorneau, Assistant to the Commissioner, DPS, 207-530-3531

Auditor's Concluding Remarks:

DHHS: 2 CFR 200.332(b) states that the Department must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

The Department has indicated in Management's Response that the criteria set forth in 2 CFR 200.332(b) have been met; however, the following rebuttals illustrate that the Department is not in compliance with Federal requirements:

- The Department identifies the first assessment of risk: when a subaward is competitively bid.
 - While OSA acknowledges this does occur, not all subawards are competitively bid.
 - The level of subrecipient monitoring that the Department performs is based on the services provided, not on specific subrecipients, as required.
- The Department identifies the second assessment of risk: built into MAAP in which higher risk subrecipients undergo a higher level of testing by independent public accountants.
 - A subrecipient deemed higher risk as the result of a risk evaluation in accordance with 2 CFR 200.332 may not be deemed higher risk in accordance with MAAP standards.
- The Department identifies the third assessment of risk: the Social Service Unit of the Division of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk.
 - The Department did not provide documentation to demonstrate that these procedures are performed as a result of a risk evaluation.

The Department's existing policies and procedures do not require nor provide support for the evaluation of each subrecipient's risk of noncompliance specifically for the purpose of determining the appropriate subrecipient monitoring to be performed.

DPS: The Department asserts that policies and procedures are in place for the Contract/Grant Team, but did not demonstrate that these policies and procedures were adhered to in relation to contracts for the Health Disparities program.

The finding remains as stated.

(State Number: 25-1123-03)

(2025-033)

Title: Internal control over Health Disparities program payments to subrecipients needs improvement

Prior Year Findings: None

State Department: Health and Human Services

State Bureau: Maine Center for Disease Control & Prevention

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises

Assistance Listing Number: 93.391

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.403

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of the award.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

Condition: The Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises (Health Disparities) program was implemented to address disparities in access to healthcare in populations that are at high-risk and underserved, including racial and ethnic minority groups and people living in rural communities. The Health Disparities program is administered by the Maine Center for Disease Control & Prevention's (MeCDC) Division of Population Health Equity. MeCDC has a memorandum of understanding in place with the Department of Public Safety's Emergency Medical Services (EMS) Bureau to assist in administering the Health Disparities program.

The Office of the State Auditor (OSA) tested 27 payments issued by MeCDC to subrecipients and found:

- 2 payments totaling \$69,535 to 1 subrecipient against a contract for which a cash surplus existed at the time of payment.
- 1 payment of \$40,621 based on a quarterly financial report that contained detailed expense information that did not match approved contract expenditures.

- 2 payments totaling \$252,824 to 1 subrecipient to close out a contract were issued prior to receipt by the Department of the required final progress reports.

Therefore, MeCDC does not have policies and procedures in place to prevent payments to subrecipients that do not meet the criteria set forth in 2 CFR 200.303 at the time of payment.

Subsequently, MeCDC was able to provide reports to demonstrate that the funds had been used in accordance with the terms and conditions of the award.

OSA utilized a risk-based approach to select 9 payments issued by MeCDC and selected a non-statistical random sample of subrecipient contracts to test all payments made in fiscal year 2025 that were related to those contracts.

Context: MeCDC provided \$3.2 million from a total of \$6.2 million to Health Disparities program subrecipients during fiscal year 2025.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that MeCDC implement procedures and enhance oversight to ensure payments made to subrecipients are accurate, allowable, and adequately supported at the time of payment.

Corrective Action Plan: See F-20

Management's Response: The Department disagrees with this finding. The conditions noted do not support that costs were unallowable. Furthermore, the Department demonstrated that the funds had been used in accordance with the terms and conditions of the award. The Department's processes provide reasonable assurance that payments are appropriate.

Contact: Eden Hale, Associate Director, Division of Population Health Equity, MeCDC, 207-441-1090

Auditor's Concluding Remarks: OSA acknowledges that subsequent information demonstrated that the funds were used for allowable purposes; however, this does not absolve the Department of responsibility to ensure accuracy and appropriateness at the time of payment. The Department did not demonstrate that controls are in place to ensure that all payments to subrecipients are allowable at the time of payment.

The finding remains as stated.

(State Number: 25-1123-04)

(2025-034)

Title: Internal control over Health Disparities program subrecipient cash management needs improvement

Prior Year Findings: None

State Department: Health and Human Services

State Bureau: Maine Center for Disease Control & Prevention

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Activities to Support State, Tribal, Local and Territorial (STLT)
Health Department Response to Public Health or Healthcare Crises

Assistance Listing Number: 93.391

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Cash management
Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.305

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department is required to monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes is minimized.

Condition: The Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises (Health Disparities) program was implemented to address disparities in access to healthcare in populations that are at high-risk and underserved, including racial and ethnic minority groups and people living in rural communities. The Health Disparities program is administered by the Maine Center for Disease Control & Prevention's (MeCDC) Division of Population Health Equity.

The Department makes equal advance monthly payments to subrecipients and then reconciles those amounts to quarterly financial reports submitted by the subrecipient. This procedure does not take into consideration the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes, and MeCDC's subrecipient monitoring procedures do not include review of subrecipient compliance with cash management requirements. As a result, MeCDC procedures do not support that subrecipient cash management is properly monitored as required by Federal regulations.

Context: MeCDC provided \$3.2 million from a total of \$6.2 million to Health Disparities program subrecipients during fiscal year 2025.

Cause:

- Lack of adequate subrecipient monitoring procedures
- Lack of centralized oversight of subrecipient monitoring

Effect:

- Noncompliance with Federal regulations
- Federal programs may not be effectively and efficiently administered.
- The Federal government may require the implementation of more stringent subrecipient cash management procedures.

Recommendation: We recommend that MeCDC implement monitoring procedures over subrecipient cash management requirements to ensure that the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes is minimized for the Health Disparities program.

Corrective Action Plan: See F-20

Management's Response: The Department disagrees with this finding.

The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of the funds. Payments are made as close as is administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1) ... that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.

Contact: Eden Hale, Associate Director, Division of Population Health Equity, MeCDC, 207-441-1090

Auditor's Concluding Remarks: The Department's interpretation of the applicable Federal regulation emphasizes a single sentence from the broader paragraph, omitting context that informs the regulation's full intent.

According to the 2025 Compliance Supplement, pass-through entities must monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and their disbursement for program purposes is minimized as required by the applicable cash management requirements in the Federal award to the recipient (2 CFR 200.305(b)(1)).

2 CFR 200.305(b)(1) states that the recipient or subrecipient must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient or subrecipient, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a recipient or subrecipient must be limited to the

minimum amounts needed and be timed with actual, immediate cash requirements of the recipient or subrecipient in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the recipient or subrecipient for direct program or project costs and the proportionate share of any allowable indirect costs. The recipient or subrecipient must make timely payments to contractors in accordance with the contract provisions.

The Department references the phrase “as close as is administratively feasible” to justify their current process; however, this phrase is part of a broader requirement that establishes specific conditions for advance payments. The regulation requires that the timing between when the subrecipient receives Federal funds from the State and when the subrecipient disburses those funds is closely monitored to ensure that disbursements align with actual, immediate cash needs. The Department could not provide evidence to demonstrate that they adequately monitored subrecipient cash drawdowns to ensure alignment with actual, immediate cash needs.

The finding remains as stated.

(State Number: 25-1123-05)

(2025-035)

Title: Internal control over Health Disparities program procurement needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
Health and Human Services

State Bureau: Office of State Procurement Services
Division of Contract Management
Maine Center for Disease Control & Prevention

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Activities to Support State, Tribal, Local and Territorial (STLT)
Health Department Response to Public Health or Healthcare Crises

Assistance Listing Number: 93.391

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.317; 5 MRSA 1825-B and D; Office of State Procurement Services (OSPS) policies

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must follow the same policies and procedures it uses for procurements with non-Federal funds.

Awards shall be made to the best-value bidder, taking into consideration the best interest of the State. The requirement to competitively bid a contract may be waived if specific criteria is met, including the item or service can only be procured from one source or it is an emergency procurement. Each bid, with the name of the bidder, must be entered on record. Each record, with the successful bid indicated, must be open to public inspection after the letting of the contract. The Department must justify the selection of vendor, either through competitive or non-competitive process, and provide a detailed explanation of cost, demonstrating how the best value for the State is ensured.

The Chief Procurement Officer shall make the public aware of contracts and grants for which bids are being requested and communicate the procedure used in reviewing bids.

Contracts must be submitted to OSPS at least 14 days prior to the contract start date. A Notice of Intent to Waive the Competitive Bidding Process (NOI) must be posted to the OSPS website for 7 calendar days prior to the start of a noncompetitively bid contract.

Condition: The Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises (Health Disparities) program was implemented to address disparities in access to healthcare in populations that are at high-risk and underserved, including racial and ethnic minority groups and people living in rural communities. The Health Disparities program is administered by the Maine Center for Disease Control & Prevention's (MeCDC) Division of Population Health Equity.

OSPS is the central oversight agency for all State procurement. The Department of Health and Human Services (DHHS) Division of Contract Management (DCM) oversees the solicitation and contract implementation for all DHHS procurement. DCM coordinates with DHHS program personnel to evaluate and select vendors and subrecipients, determine contract terms, and provide required documentation to OSPS. OSPS is responsible for reviewing and approving Procurement Justification Forms (PJFs) submitted by DCM on behalf of program personnel prior to the award of contracts. The PJF represents program personnel's assertion that the selected procurement method is appropriate under applicable State and Federal requirements, and that required evaluation procedures have been performed. OSPS must publicly post a NOI for all procurements over \$10,000 entered into without a competitive process for a minimum of 7 calendar days prior to the start of the contract. The NOI includes the signed PJF provided to OSPS by DCM.

The Office of the State Auditor (OSA) tested 30 contracts, 21 procured competitively and 9 procured noncompetitively, that accounted for approximately \$4.5 million of the \$6.2 million in Health Disparities program procurement-related transactions in fiscal year 2025 and found:

- PJFs were reviewed for reasonableness by DCM and OSPS, but DHHS could not provide documentation to support the assertions made by MeCDC were accurate.
- for 27 contracts, DCM provided the PJF to OSPS for their review after the contract had commenced, between 1 and 131 days after the contract start date. For all 30 contracts, OSPS approved the PJF after the contract commenced, between 5 and 169 days after the contract start date.
- for all 9 noncompetitive contracts, OSPS posted the NOI after contract performance had commenced, between 24 and 171 days after the contract start date. For 7 of these contracts, services had been initiated and financial obligations incurred prior to the NOI.

OSA utilized a risk-based approach to select 21 contracts issued by MeCDC and a non-statistical random sample of all other contracts.

Context: In fiscal year 2025, the Department expended \$6.2 million in procurement-related transactions from Health Disparities program funds of \$6.7 million.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Potential questioned costs and future disallowances
- Noncompliance with Federal and State procurement requirements, including NOI posting requirements, could result in the need to void a contract or exposure to legal proceedings.

Recommendation: We recommend that OSPS:

- increase agency awareness of the procedures related to the timing of procurement contract documentation being submitted to OSPS for review prior to the contract start date; and
- finalize and implement an updated procurement policy and procedure manual that identifies the parties responsible for key aspects of the procurement process.

We also recommend that DCM and MeCDC develop policies and procedures and increase oversight to ensure all procurement transactions comply with Federal and State requirements, including:

- DCM obtaining and reviewing documentation to support the assertions made by MeCDC for accuracy and reasonableness; and
- ensuring PJFs are completed, reviewed, and submitted to OSPS prior to the contract start date.

Corrective Action Plan: See F-20**Management's Response:**

DAFS Response: The Department agrees with this finding. OSPS does not authorize, encourage, or approve agencies allowing vendors to perform work at risk. However, OSPS also does not delay review and approval solely due to contract start-date issues, as doing so would increase the State's risk exposure, potentially disrupt federally required programs, and hinder agencies' compliance with federal period-of-performance requirements.

To address these concerns, OSPS will formalize and issue policy guidance that clearly defines agency and OSPS roles and responsibilities in the contracting process. This guidance will expand the agency-focused section to emphasize timely submission and processing, along with the risks and implications associated with contracting delays.

In advance of fiscal year-end, OSPS will issue a separate policy document and companion guidance as a spotlight topic in the monthly newsletter and posted to the intranet for agency reference.

DAFS Contact: David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335

DHHS Response: The Department partially agrees with this finding.

There is not a requirement to provide documentation that the Department personnel's assertions are accurate regarding Department personnel's review of PJFs.

The Department agrees that it can improve the timing of procurement documents in relation to the start dates of the contracts. Extenuating circumstances exist periodically that prevent the

timeliness of these documents. In some cases, there are delays in the grant approval at the Federal level. Delays in Legislative approval of budgets can also lead to procurement documentation delays.

DHHS Contact: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075

Auditor's Concluding Remarks: 2 CFR 200.303 requires the Department to establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Absent adequate documentation to support the veracity of the assertions made on the PJF by program personnel, the best value for the State cannot be ensured.

The finding remains as stated.

(State Number: 25-1123-06)

(2025-036)

Title: Internal control over PDG subrecipient monitoring procedures needs improvement

Prior Year Findings: None

State Department: Health and Human Services
Education

State Bureau: Office of Child and Family Services
Office of Teaching and Learning

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Every Student Succeeds Act/Preschool Development Grants

Assistance Listing Number: 93.434

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles
Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: \$128,333

Likely Questioned Costs: Undeterminable; the Office of the State Auditor (OSA) selected a sample of subrecipients who received program funds during fiscal year 2025 and identified known questioned costs associated with 1 of those subrecipients based on various compliance attributes. Since circumstances are unique to each subrecipient, a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must:

- ensure that every subaward is clearly identified to the subrecipient as a subaward and includes specific information.
- evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring procedures.
- monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

- ensure that the subrecipient takes corrective action on all Single Audit findings related to the subaward, other audit findings, site visits, and written notifications of adverse conditions which will impact the ability to meet milestones or the objectives of a subaward.

Condition: The Every Student Succeeds Act/Preschool Development Grants (PDG) program assists states in helping low-income and disadvantaged children enter kindergarten prepared and ready to succeed in school and helps improve the transitions from the early care and education setting to elementary school. PDG is administered by the Department of Health and Human Services' (DHHS) Office of Child and Family Services (OCFS). DHHS has a memorandum of understanding in place with the Department of Education (DOE) to assist in administering PDG.

OSA tested 2 contracts issued by OCFS and 2 contracts issued by DOE for compliance with:

- award identification requirements, and found:
 - o 2 contracts issued by OCFS did not include the Federal award identification number or the grant award number; and
 - o 2 contracts issued by DOE did not include the Federal award identification number, the Federal award date, the assistance listing title and number, the name of Federal agency, the assistance listing title and number, identification of whether the Federal award is for research and development, or the indirect cost rate for the Federal award.
- subrecipient risk evaluation procedures, and found through inquiry of program personnel at OCFS and DOE that policies and procedures were not in place to ensure risk assessments were performed or used to determine subrecipient monitoring activities. As a result, subrecipient monitoring activities were the same for all subrecipients/contracts regardless of risk.
- subrecipient monitoring requirements, and found that OCFS did not identify an appropriate level of monitoring for 1 contract. Evidence of significant developments, including inability to meet performance goals, that impacted the subrecipient's ability to meet the objectives of the subaward were present prior to quarterly reporting. OSA determined that payments made to this subrecipient for the aforementioned monitoring deficiencies were not allowable based upon subsequent financial reports and the results of other monitoring procedures performed during the fiscal year. Payments to the subrecipient were withheld after April 2025. OSA has questioned the full amount of program expenditures paid to this subrecipient during the fiscal year, totaling \$128,333.

OSA selected a non-statistical random sample of all PDG subrecipient contracts.

Context: In fiscal year 2025, PDG expenditures totaled \$11.5 million, of which approximately \$910,000 was paid to OCFS subrecipients and approximately \$709,000 was paid to DOE subrecipients.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Subrecipients that are deemed higher risk may not be monitored on a more frequent basis. Conversely, subrecipients that are deemed lower risk may not be monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.
- Noncompliance with the Federal statutes, regulations, and the terms and conditions of the subaward by subrecipients may go undetected.
- Payments may be issued in error to subrecipients not in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.
- Known questioned costs
- Potential future questioned costs and disallowances

Recommendation: We recommend that the Department enhance oversight and implement policies and procedures to ensure that:

- all required information is included in contracts and contract amendments;
- an evaluation of each subrecipient's risk of noncompliance specifically for the purpose of determining the appropriate subrecipient monitoring is performed; and
- all required subrecipient monitoring activities are performed.

Corrective Action Plan: See F-21

Management's Response: The Departments partially agree with this finding.

DHHS agrees that two contracts did not include the Federal award identification number or the grant award number.

DOE agrees that two contracts did not include the Federal award identification number, the Federal award date, the assistance listing title and number, the indirect cost rate for the Federal award, name of Federal agency, assistance listing title and number, identification of whether the Federal award is for research and development, and the indirect cost rate for the federal award.

The Departments disagree that subrecipient risk evaluation policies and procedures were not in place to ensure risk assessments were performed or used to determine subrecipient monitoring activities. DOE utilizes a risk assessment tool when developing monitoring of invoices associated with subrecipients.

Contact: Tara Williams, Associate Director of Early Care & Education, OCFS, DHHS, 207-557-2342

Auditor's Concluding Remarks: 2 CFR 200.332(b) states that the Department must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

DHHS' existing policies and procedures do not require nor provide support for the evaluation of each subrecipient's risk of noncompliance specifically for the purpose of determining the

appropriate subrecipient monitoring to be performed. Furthermore, as noted in the Condition, OSA found that DHHS did not identify an appropriate level of monitoring for 1 contract. If DHHS had adequate controls in place over subrecipient risk evaluation requirements, appropriate subrecipient monitoring procedures would have been developed and performed in response to the subrecipient's inability to meet the objectives of the subaward, including withholding payments to the subrecipient sooner.

Additionally, the risk assessment tool that DOE refers to in Management's Response only determines the frequency of invoicing (monthly or quarterly) and does not determine the level of subrecipient monitoring needed based on the subrecipient's risk.

The finding remains as stated.

(State Number: 25-1122-04)

(2025-037)

Title: Internal control over PDG SEFA reporting needs improvement

Prior Year Findings: None

State Department: Health and Human Services
Education
Administrative and Financial Services

State Bureau: Office of Child and Family Services
Office of Teaching and Learning
Health and Human Services Service Center

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Every Student Succeeds Act/Preschool Development Grants

Assistance Listing Number: 93.434

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR.303; 2 CFR 200.510

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements which must include the total Federal awards expended. At a minimum, the SEFA must provide total Federal awards expended for each individual Federal program and the Assistance Listing Number and include the total amount provided to subrecipients from each Federal program.

Condition: The Every Student Succeeds Act/Preschool Development Grants (PDG) program assists states in helping low-income and disadvantaged children enter kindergarten prepared and ready to succeed in school, and helps improve the transitions from the early care and education setting to elementary school. PDG is administered by the Department of Health and Human Services' (DHHS) Office of Child and Family Services. DHHS has a memorandum of understanding in place with the Department of Education (DOE) to assist in administering PDG.

The DHHS Service Center (SC) and DOE must complete and submit exhibits and related schedules to the Office of the State Controller (OSC) at the close of each fiscal year to report Federal award information for inclusion on the State's SEFA. OSC is responsible for compiling this information on behalf of the State.

The Office of the State Auditor (OSA) reviewed amounts reported on the SEFA for PDG and identified both DHHS SC and DOE incorrectly reported direct expenditures and amounts provided to subrecipients. As a result, the initial amount reported on the SEFA was overstated by \$2.6 million.

In addition, OSA identified \$436,074 incorrectly reported as amounts provided to subrecipients that should have been reported as direct expenditures for the program.

OSC subsequently corrected the SEFA for all errors identified by OSA.

Context: In fiscal year 2025, PDG expenditures totaled \$11.5 million.

Cause:

- Lack of supervisory oversight
- Lack of adequate policies and procedures

Effect:

- Inaccurate reporting of expenditure amounts on the SEFA, which are submitted to the Federal government, may result in incorrect information used for programmatic, policy, or statistical purposes.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Departments increase oversight and implement policies and procedures to ensure expenditures are appropriately classified and reported on the SEFA.

Corrective Action Plan: See F-21

Management's Response: The DHHS, the DOE and the DHHS Financial Service Center agree with this finding. The Departments will update policies and procedures to ensure expenditures are appropriately reported on the SEFA.

Contact: Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626

(State Number: 25-1122-01)

(2025-038)

Title: Internal control over PDG special reporting needs improvement

Prior Year Findings: None

State Department: Education

State Bureau: Office of Teaching and Learning

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Every Student Succeeds Act/Preschool Development Grants

Assistance Listing Number: 93.434

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR.303; 2 CFR 170

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Agencies must report each subaward that equals or exceeds the first-tier subaward threshold of \$30,000 in Federal funds in the public-facing Federal Funding Accountability and Transparency Act (FFATA) System for Award Management (SAM).

Condition: The Every Student Succeeds Act/Preschool Development Grants' (PDG) program assists states in helping low-income and disadvantaged children enter kindergarten prepared and ready to succeed in school and helps improve the transitions from the early care and education setting to elementary school. PDG is administered by the Department of Health and Human Services' (DHHS) Office of Child and Family Services. DHHS has a memorandum of understanding in place with the Department of Education (DOE) to assist in administering PDG.

When an amount exceeding the first-tier subaward threshold is awarded to a DOE subrecipient, DOE must collect and enter data into SAM. DOE inaccurately identified subrecipients as vendors within the State's accounting system; as a result, they were excluded from FFATA reporting. In fiscal year 2025, DOE did not report any of its first-tier subawards for PDG. Federal regulations require the following information for identified noncompliance to be included in FFATA findings. 10 subawards totaling \$1,419,855:

- were not reported;
- were not reported timely;
- had no reported subaward amount; and

- had no key data elements reported.

Context: In fiscal year 2025, DOE was required to report 10 first-tier subawards totaling \$1,419,855 under PDG. DOE provided approximately \$709,000 from a total of \$11.5 million to PDG program subrecipients during fiscal year 2025.

Cause:

- Lack of supervisory oversight
- Lack of adequate policies and procedures

Effect:

- Noncompliance with Federal regulations
- DOE first-tier subaward information for PDG was not reported to the Federal government. This information may be used for programmatic, policy, or statistical purposes.

Recommendation: We recommend that DOE implement policies and continue to ensure that subrecipients are appropriately classified and reported; and increase oversight to ensure that first-tier subawards are reported accurately, timely, and in accordance with Federal regulations.

Corrective Action Plan: See F-22

Management's Response: The Department agrees with this finding. The passthrough subawards, previously omitted from monthly FFATA reporting, have now been reported in SAM.gov. The department's FFATA review procedure has been updated to include supervisory review to confirm that passthrough subawards are included in monthly reporting moving forward.

Contact: Nicole Denis, Director of Finance, DOE, 207-530-2161

(State Number: 25-1122-02)

(2025-039)

Title: Internal control over PDG procurement needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
Health and Human Services

State Bureau: Office of State Procurement Services
Division of Contract Management
Office of Child and Family Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Every Student Succeeds Act/Preschool Development Grants

Assistance Listing Number: 93.434

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.317; 5 MRSA 1825-B and D; Office of State Procurement Services (OSPS) policies

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must follow the same policies and procedures it uses for procurements with non-Federal funds.

Awards shall be made to the best-value bidder, taking into consideration the best interest of the State. The requirement to competitively bid a contract may be waived if specific criteria is met, including the item or service can only be procured from one source or it is an emergency procurement. Each bid, with the name of the bidder, must be entered on record. Each record, with the successful bid indicated, must be open to public inspection after the letting of the contract. The Department must justify the selection of vendor, either through competitive or noncompetitive process, and provide a detailed explanation of cost, demonstrating how the best value for the State is ensured.

The Chief Procurement Officer shall make the public aware of contracts and grants for which bids are being requested and communicate the procedure used in reviewing bids.

Contracts must be submitted to OSPS at least 14 days prior to the contract start date. A Notice of Intent to Waive the Competitive Bidding Process (NOI) must be posted to the OSPS website for 7 calendar days prior to the start of a noncompetitively bid contract.

Condition: The Every Student Succeeds Act/Preschool Development Grants (PDG) program assists states in helping low-income and disadvantaged children enter kindergarten prepared and ready to succeed in school and helps improve the transitions from the early care and education setting to elementary school. PDG is administered by the Office of Child and Family Services (OCFS).

OSPS is the central oversight agency for all State procurement. The Department of Health and Human Services (DHHS) Division of Contract Management (DCM) oversees the solicitation and contract implementation for all DHHS procurement. DCM coordinates with DHHS program personnel to evaluate and select vendors and subrecipients, determine contract terms, and provide required documentation to OSPS. OSPS is responsible for reviewing and approving Procurement Justification Forms (PJFs) submitted by DCM on behalf of program personnel prior to the award of contracts. The PJF represents program personnel's assertion that the selected procurement method is appropriate under applicable State and Federal requirements, and that required evaluation procedures have been performed. OSPS must publicly post a NOI for all procurements over \$10,000 entered into without a competitive process for a minimum of 7 calendar days prior to the start of the contract. The NOI includes the signed PJF provided to OSPS by DCM.

The Office of the State Auditor (OSA) tested 10 OCFS contracts, 4 procured competitively and 6 procured noncompetitively, that accounted for \$5.6 million of the \$6.5 million in OCFS PDG procurement-related transactions in fiscal year 2025 and found:

- PJFs were reviewed for reasonableness by DCM and OSPS, but DHHS could not provide documentation to support the assertions made by OCFS were accurate.
- for 6 contracts, DCM provided the PJF to OSPS for their review after the contract had commenced, between 16 and 192 days after the contract start date. For 8 contracts, OSPS approved the PJF after the contract commenced, between 18 and 214 days after the contract start date. For 1 contract, documentary evidence of PJF approval by OSPS could not be provided.
- for 4 noncompetitive contracts, OSPS posted the NOI after contract performance had commenced, between 38 and 214 days after the contract start date. Additionally, for 1 noncompetitive contract, services had been initiated and financial obligations incurred and a NOI was not posted to the OSPS website.

OSA utilized a risk-based approach to select 5 contracts issued by OCFS and a non-statistical random sample of all other contracts.

Context: In fiscal year 2025, the Department expended \$6.5 million in OCFS procurement-related transactions from PDG funds of \$11.5 million.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Potential questioned costs and future disallowances
- Noncompliance with Federal and State procurement requirements, including NOI posting requirements, could result in the need to void a contract or exposure to legal proceedings.

Recommendation: We recommend that OSPS:

- increase agency awareness of the procedures related to the timing of procurement contract documentation being submitted to OSPS for review prior to the contract start date; and
- finalize and implement an updated procurement policy and procedure manual that identifies the parties responsible for key aspects of the procurement process.

We also recommend that DCM and OCFS develop policies and procedures and increase oversight to ensure all procurement transactions comply with Federal and State requirements, including:

- DCM obtaining and reviewing documentation to support the assertions made by OCFS for accuracy and reasonableness; and
- ensuring PJFs are completed, reviewed, and submitted to OSPS prior to the contract start date.

Corrective Action Plan: See F-22**Management's Response:**

DAFS Response: The Department agrees with this finding. OSPS does not authorize, encourage, or approve agencies allowing vendors to perform work at risk. However, OSPS also does not delay review and approval solely due to contract start-date issues, as doing so would increase the State's risk exposure, potentially disrupt federally required programs, and hinder agencies' compliance with federal period-of-performance requirements.

To address these concerns, OSPS will formalize and issue policy guidance that clearly defines agency and OSPS roles and responsibilities in the contracting process. This guidance will expand the agency-focused section to emphasize timely submission and processing, along with the risks and implications associated with contracting delays.

In advance of fiscal year-end, OSPS will issue a separate policy document and companion guidance as a spotlight topic in the monthly newsletter and posted to the intranet for agency reference.

DAFS Contact: David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335

DHHS Response: The Department partially agrees with this finding.

There is not a requirement to provide documentation that the Department personnel's assertions are accurate regarding Department personnel's review of PJFs.

The Department agrees that it can improve the timing of procurement documents in relation to the start dates of the contracts. Extenuating circumstances exist periodically that prevent the timeliness of these documents. In some cases, there are delays in the grant approval at the Federal

level. Delays in Legislative approval of budgets can also lead to procurement documentation delays.

DHHS Contact: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075

Auditor's Concluding Remarks: 2 CFR 200.303 requires the Department to establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Absent adequate documentation to support the veracity of the assertions made on the PJF by program personnel, the best value for the State cannot be ensured.

The finding remains as stated.

(State Number: 25-1122-05)

(2025-040)

Title: Internal control over PDG subrecipient cash management needs improvement

Prior Year Findings: None

State Department: Health and Human Services

State Bureau: Office of Child and Family Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Every Student Succeeds Act/Preschool Development Grants

Assistance Listing Number: 93.434

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Cash management
Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.305

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department is required to monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes is minimized.

Condition: The Every Student Succeeds Act/Preschool Development Grants (PDG) program assists states in helping low-income and disadvantaged children enter kindergarten prepared and ready to succeed in school and helps improve the transitions from the early care and education setting to elementary school. PDG is administered by the Department of Health and Human Services' Office of Child and Family Services (OCFS).

The Department makes equal advance monthly payments to subrecipients and then reconciles those amounts to quarterly financial reports submitted by the subrecipient. This procedure does not take into consideration the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes, and OCFS' subrecipient monitoring procedures do not include review of subrecipient compliance with cash management requirements. As a result, OCFS procedures do not support that subrecipient cash management is properly monitored as required by Federal regulations.

Context: OCFS provided approximately \$910,000 from a total of \$11.5 million to PDG program subrecipients during fiscal year 2025.

Cause:

- Lack of adequate subrecipient monitoring procedures
- Lack of centralized oversight of subrecipient monitoring

Effect:

- Noncompliance with Federal regulations
- Federal programs may not be effectively and efficiently administered.
- The Federal government may require the implementation of more stringent subrecipient cash management procedures.

Recommendation: We recommend that OCFS implement monitoring procedures over subrecipient cash management requirements to ensure that the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes is minimized for the PDG program.

Corrective Action Plan: See F-22

Management's Response: The Department disagrees with this finding.

The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of the funds. Payments are made as close as is administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1) ...that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.

Contact: Tara Williams, Associate Director of Early Care & Education, OCFS, DHHS, 207-557-2342

Auditor's Concluding Remarks: The Department's interpretation of the applicable Federal regulation emphasizes a single sentence from the broader paragraph, omitting context that informs the regulation's full intent.

According to the 2025 Compliance Supplement, pass-through entities must monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and their disbursement for program purposes is minimized as required by the applicable cash management requirements in the Federal award to the recipient (2 CFR 200.305(b)(1)).

2 CFR 200.305(b)(1) states that the recipient or subrecipient must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient or subrecipient, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a recipient or subrecipient must be limited to the minimum amounts needed and be timed with actual, immediate cash requirements of the recipient or subrecipient in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual

disbursements by the recipient or subrecipient for direct program or project costs and the proportionate share of any allowable indirect costs. The recipient or subrecipient must make timely payments to contractors in accordance with the contract provisions.

The Department references the phrase “as close as is administratively feasible” to justify their current process; however, this phrase is part of a broader requirement that establishes specific conditions for advance payments. The regulation requires that the timing between when the subrecipient receives Federal funds from the State and when the subrecipient disburses those funds is closely monitored to ensure that disbursements align with actual, immediate cash needs. The Department could not provide evidence to demonstrate that they adequately monitored subrecipient cash drawdowns to ensure alignment with actual, immediate cash needs.

Furthermore, in finding 2025-036, Internal control over PDG subrecipient monitoring procedures needs improvement, the Office of the State Auditor identified that 1 PDG subrecipient received equal advance monthly payments that significantly outpaced the subrecipient’s spending of PDG funds throughout fiscal year 2025. Payments to the subrecipient were withheld after April 2025 for the subrecipient’s inability to meet performance goals, not due to the Department’s monitoring of subrecipient cash management, and OCFS allowed the subrecipient to retain the excess PDG funds. This exception corroborates that controls are not in place over subrecipient cash management.

The finding remains as stated.

(State Number: 25-1122-03)

(2025-041)

Title: Internal control over TANF client payments needs improvement

Prior Year Findings:

FY24	FY23	FY22	FY21	FY20	FY19	FY18
2024-052	2023-075	2022-067	2021-040	2020-039	2019-040	2018-031

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Temporary Assistance for Needy Families (TANF)

Assistance Listing Number: 93.558

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Activities allowed or unallowed
Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.403; 45 CFR 263.11

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

The Department must use Federal Temporary Assistance for Needy Families (TANF) funds for expenditures that are reasonably calculated to accomplish the purposes of TANF. Use of funds in violation of this is considered misuse of funds.

Condition: The TANF program provides time-limited assistance to needy families with children so that the children can be cared for in their own homes or in the homes of relatives; to end dependence of needy parents on government benefits by promoting job preparation, work, and marriage; to prevent out-of-wedlock pregnancies, including establishing prevention and reduction goals; and to encourage the formation and maintenance of two-parent families.

The Department issues monthly cash benefits to TANF clients while they work towards self-sufficiency. The Department also issues TANF support service payments directly to TANF clients for various items and services, and to providers on behalf of TANF clients for services rendered such as childcare and transportation.

The Office of the State Auditor (OSA) tested 60 cash benefits and 60 support service payments and found:

- 1 cash benefit issued in March 2025 did not include all members of the household, resulting in an underpayment of \$395. Upon further review, OSA found an additional \$3,843 underpaid to the client during fiscal year 2025.
- 2 support service payments issued for transportation were calculated by the Department using a distance other than the most direct route as required. The payments included:
 - one payment issued in November 2024 that overpaid a TANF client \$3. Upon further review, OSA found an additional \$15 overpaid to the client during fiscal year 2025.
 - one payment issued in September 2024 that underpaid a TANF client \$3. Upon further review, OSA found an additional \$11 underpaid to the client during fiscal year 2025.
- 1 support service payment overpaid a childcare provider by \$2. Upon further review, OSA found an additional \$8 that was overpaid to the provider during fiscal year 2025.

OSA selected non-statistical random samples.

Context: In fiscal year 2025, \$51.7 million from a total of \$104.9 million was paid to TANF clients for services and direct cash benefits.

Cause:

- Lack of adequate procedures
- Lack of supervisory oversight

Effect:

- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department:

- implement additional procedures to ensure that payments made to TANF clients are accurate, allowable, and adequately documented;
- increase monitoring procedures over these payments;
- establish recoupments for the identified overpayments; and
- issue benefits/payments to clients or providers for identified underpayments.

Corrective Action Plan: See F-23

Management's Response: The Department agrees with this finding. Actions have been taken to issue corrective payments for benefits that were underpaid and benefits that were overpaid have been referred for recoupment. The Corrective Action Plan will mitigate the agreed upon errors from reoccurring.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

(State Number: 25-1111-06)

(2025-042)

Title: Internal control over Income Eligibility and Verification System procedures needs improvement

Prior Year Findings:

FY24	FY23	FY22	FY21	FY20	FY19
2024-053	2023-076	2022-068	2021-043	2020-043	2019-037

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Temporary Assistance for Needy Families (TANF)

Assistance Listing Number: 93.558

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 205.55 and .56

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department is required to comply with Federal Income Eligibility and Verification System (IEVS) exchange rules and regulations in accordance with program agreements. The Department is required to request through IEVS:

- wage information from the State Wage Information Collection Agency for all applicants at the first opportunity following receipt of the application and for all recipients on a quarterly basis;
- unemployment compensation information from the agency administering the State's unemployment compensation program;
- all available information maintained by the Social Security Administration;
- unearned income information from the Internal Revenue Service; and
- any income or other information affecting eligibility available from agencies in the State or other states.

The Department is required to resolve all discrepancies identified through IEVS reports within 45 days of receipt.

Condition: IEVS is used to exchange information among State and Federal agencies to verify various information needed to determine eligibility for Federal financial assistance. This information is updated in the Automated Client Eligibility System (ACES) to ensure eligibility determinations are made based on current information.

IEVS generates various discrepancy reports on a weekly, monthly, and quarterly basis. The Department is required to review reports and resolve all discrepancies identified through IEVS within 45 days of report receipt and document the resolution in ACES.

The Department determined that the value of Quarterly Income Discrepancy Reports is limited because discrepancy information is available through other sources on a more frequent basis. As a result, the Department did not allocate resources to completing reviews of these quarterly reports during fiscal year 2025.

Context: A total of 224 IEVS reports are required to be generated annually. Of the 224 reports generated, reviews for 4 quarterly reports were not completed during fiscal year 2025. The number of Temporary Assistance for Needy Families (TANF) discrepancies on each report can vary.

Cause: Lack of resources

Effect:

- IEVS information may not be updated timely in ACES, which could affect program eligibility.
- Failure to maintain documentation to support compliance with required TANF exchange rules may result in the U.S. Department of Health and Human Services penalizing the State up to 2 percent of the grant award.

Recommendation: We recommend that the Department allocate resources to ensure that all reviews are completed and discrepancies identified through IEVS are resolved timely and documented in ACES.

Corrective Action Plan: See F-23

Management's Response: The Department agrees with this finding. The Corrective Action Plan from SFY 2024 included the dedication of staff resources to complete the review of the quarterly income discrepancy report effective for SFY 2026.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

(State Number: 25-1111-03)

(2025-043)

Title: Internal control over TANF subrecipient risk evaluation procedures needs improvement

Prior Year Findings:

FY24	FY23	FY22	FY21	FY20	FY19	FY18
2024-056	2023-078	2022-071	2021-048	2020-044	2019-038	2018-030 2018-032

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Temporary Assistance for Needy Families (TANF)

Assistance Listing Number: 93.558

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 the appropriate subrecipient monitoring described in 2 CFR 200.332.

Condition: The Department is required to evaluate each subrecipient's risk of noncompliance with Federal regulations for the purpose of determining the appropriate level of subrecipient monitoring to be performed. Subrecipient monitoring activities include, but are not limited to, review of financial and performance reports submitted by the subrecipient, periodic site visits, ensuring required audits of the subrecipient are completed, and ensuring that corrective action is taken for any deficiencies identified through the aforementioned procedures. These procedures are necessary to ensure the subrecipient is in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

The Department provided evidence to support that subrecipient monitoring procedures were performed; however, documentation that risk evaluation procedures performed corresponded to the appropriate level of monitoring activities could not be provided.

Context: The Department provided \$35.0 million from a total of \$104.9 million to TANF subrecipients during fiscal year 2025.

Cause:

- Lack of policies and procedures
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Subrecipients that are deemed higher risk may not be monitored on a more frequent basis. Conversely, subrecipients that are deemed lower risk may not be monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.

Recommendation: We recommend that the Department implement policies and procedures that require evaluation of each subrecipient's risk of noncompliance specifically for the purposes of determining the appropriate subrecipient monitoring to be performed. This will ensure subrecipients are monitored appropriately based on risk designation.

Corrective Action Plan: See F-23

Management's Response: The Department disagrees with this finding. The Department evaluates risk on its subrecipients for the purposes of determining the appropriate subrecipient monitoring in multiple ways. The first assessment of risk is when a subaward is competitively bid. The second assessment of risk is built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which higher risk subrecipients undergo a higher level of testing by Independent Public Accountants. Finally, the Social Service Unit of the Division of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

Auditor's Concluding Remarks: 2 CFR 200.332(b) states that the Department must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

The Department has indicated in Management's Response that the criteria set forth in 2 CFR 200.332(b) have been met; however, the following rebuttals illustrate that the Department is not in compliance with Federal requirements:

- The Department identifies the first assessment of risk: when a subaward is competitively bid.
 - o While OSA acknowledges this does occur, not all subawards are competitively bid.
 - o The level of subrecipient monitoring that the Department performs is based on the services provided, not on specific subrecipients, as required.
- The Department identifies the second assessment of risk: built into MAAP in which higher risk subrecipients undergo a higher level of testing by independent public accountants.

- o A subrecipient deemed higher risk as the result of a risk evaluation in accordance with 2 CFR 200.332 may not be deemed higher risk in accordance with MAAP standards.
- The Department identifies the third assessment of risk: the Social Service Unit of the Division of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk.
 - o The Department did not provide documentation to demonstrate that these procedures are performed as a result of a risk evaluation.

The Department's existing policies and procedures do not require nor provide support for the evaluation of each subrecipient's risk of noncompliance specifically for the purpose of determining the appropriate subrecipient monitoring to be performed.

The finding remains as stated.

(State Number: 25-1111-02)

(2025-044)

Title: Internal control over TANF performance reporting procedures needs improvement

Prior Year Findings:

FY24	FY23	FY22	FY21	FY20	FY19	FY18
2024-057	2023-081	2022-075	2021-047	2020-041	2019-039	2018-028

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Temporary Assistance for Needy Families (TANF)

Assistance Listing Number: 93.558

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 261.60 through .62; 45 CFR 265.7 and .8

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must maintain adequate documentation, perform adequate verification, and implement other control procedures for Temporary Assistance for Needy Families (TANF) client work participation. Work participation activities include unsubsidized employment, job search and job readiness, job skills training directly related to employment, vocational education, and other work-related programs.

The Department must report the actual hours that a work-eligible TANF client participates in these work-related activities, on the ACF-199 *TANF Data Report* on a quarterly basis. These reports are required by the Federal government.

Condition: The Department must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of information reported to the Federal government and used to calculate work participation rates.

The Department utilizes a vendor for case management services and development of individualized training and employment plans for Additional Support for People in Retraining and Employment (ASPIRE) clients. These services directly impact and enforce client work participation requirements. Vendor data is exchanged with the Department on a monthly basis and

is utilized in conjunction with client data in the Automated Client Eligibility System to comprise client work participation data that is reported on the ACF-199 report to the Federal government.

The Department reported incorrect work participation information on the ACF-199 report. Of the 30 clients tested by the Office of the State Auditor (OSA), 23 inaccurate work participation data elements were reported for 19 clients, including inaccurate:

- parent with minor child status for 13 cases;
- unsubsidized employment hours for 4 cases;
- countable months towards the Federal time limit of 60 months for 3 cases;
- relationship to head of household status for 1 case;
- community service program hours for 1 case; and
- education related to employment with no high school diploma indicator for 1 case.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, the number of families reported on the ACF-199 report ranged from 11,000 to 12,000 per quarter.

Cause:

- Lack of adequate procedures to ensure accurate reporting
- Lack of supervisory oversight

Effect: Inaccurate work participation data reported to the Federal government may affect the Federal requirement for TANF's State Maintenance of Effort.

Recommendation: We recommend that the Department enhance existing procedures to ensure that the information reported on the ACF-199 report is accurate and complete prior to submission to the Federal government.

Corrective Action Plan: See F-24

Management's Response: The Department agrees with this finding. The Corrective Action Plan will mitigate the agreed upon errors from reoccurring.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

(State Number: 25-1111-04)

(2025-045)

Title: Internal control over TANF work verification plan procedures needs improvement

Prior Year Findings:

FY24	FY23	FY22	FY21	FY20	FY19	FY18
2024-058	2023-081	2022-075	2021-047	2020-041	2019-039	2018-028

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Temporary Assistance for Needy Families (TANF)

Assistance Listing Number: 93.558

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 261.60 through .65; Work Verification Plan for the State of Maine

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must maintain adequate documentation, perform adequate verification, and implement other control procedures for Temporary Assistance for Needy Families (TANF) client work participation. Work participation activities include unsubsidized employment, job search and job readiness, job skills training directly related to employment, vocational education, and other work-related programs.

The Work Verification Plan for the State of Maine requires Additional Support for People in Retraining and Employment (ASPIRE) supervisors to review a minimum of 5 random cases per regional office per month. ASPIRE Case Review Tool (ACRT) reviews are intended to validate all case data to include (but not limited to) work assessment, appropriateness of the individual work plan, work verification data consistency, documentation, and work plan outcomes. Accuracy of all aspects of the individual cases is assessed as part of these reviews, including participation activity/hours documentation.

Condition: The ASPIRE program helps TANF recipients move towards financial independence through case management, job training, education, support, and employment services. The Department contracts with a subrecipient service provider to perform outreach and case management services for the ASPIRE program. ASPIRE supervisors perform ACRT reviews of

client case activity recorded by its subrecipient service provider to ensure that all case data including, but not limited to, work participation rate data is documented, verified, and reported in accordance with work verification plan requirements. The Office of the State Auditor (OSA) tested 40 ACRT reviews performed during fiscal year 2025 and found:

- 2 reviews did not indicate the date the review was performed. As a result, OSA could not determine whether follow up was timely.
- 2 reviews did not document activities and verification of activities to support compliance with work verification activities.
- 3 reviews did not follow up with the subrecipient service provider timely. Follow-up meetings took place between 3 and 8 months after the initial review.
- one review did not ensure the subrecipient service provider addressed all actionable items.

OSA selected a non-statistical random sample.

Additionally, the Department did not adhere to the Work Verification Plan's requirement to review a minimum of 5 random cases per regional office per month; instead, ACRT reviews were performed based on each regional office's caseload. Furthermore, ACRT reviews were not performed for the months of December 2024 and January 2025, and only 33 of the 65 required monthly ACRT reviews were performed for February 2025.

Finally, a component of work verification plan requirements states that work participation data is required to be accurately reported on the ACF-199 *TANF Data Report* to the Federal government. OSA identified a significant deficiency as issued in finding 2025-044 for inaccurate work participation data reported on the ACF-199 report.

Therefore, since work participation rate data was not documented, verified, or reported in accordance with the State's work verification plan, the Department is not in compliance with Federal work verification plan requirements.

Context: The Department must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of information reported to the Federal government and used to calculate work participation rates.

Cause:

- Lack of adequate oversight procedures to ensure that ACRT reviews are accurate and complete and work verification plan requirements are met
- Revisions to the method of selecting cases for review from 5 random cases per regional office per month to an allocation based on each regional office's caseload were not incorporated into the Work Verification Plan.
- The subrecipient service provider contract was renegotiated during fiscal year 2025, which resulted in revisions to the ACRT and a pause on ACRT reviews.

Effect: The Federal government may penalize the State by an amount not less than 1 percent and not more than 5 percent of the grant award for violation of work verification plan requirements.

Recommendation: We recommend that the Department enhance existing procedures and oversight to ensure that work verification plan requirements are met. This should include:

- confirming that ACRT reviews are performed accurately and completely, which will ensure the reliability of client data used to calculate work participation rates reported to the Federal government; and
- updating the Work Verification Plan to accurately reflect the ACRT case review selection criteria as deemed necessary.

Corrective Action Plan: See F-24

Management's Response: The Department agrees with this finding. The Department agrees with the exceptions identified as a result of a non-statistical random sample. The Corrective Action Plan will mitigate the agreed upon errors from reoccurring.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

(State Number: 25-1111-01)

(2025-046)

Title: Internal control over TANF procurement needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
Health and Human Services

State Bureau: Office of State Procurement Services
Division of Contract Management
Office for Family Independence

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Temporary Assistance for Needy Families (TANF)

Assistance Listing Number: 93.558

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.317; 5 MRSA 1825-B and D; Office of State Procurement Services (OSPS) policies

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must follow the same policies and procedures it uses for procurements with non-Federal funds.

Awards shall be made to the best-value bidder, taking into consideration the best interest of the State. The requirement to competitively bid a contract may be waived if specific criteria is met, including the item or service can only be procured from one source or it is an emergency procurement. Each bid, with the name of the bidder, must be entered on record. Each record, with the successful bid indicated, must be open to public inspection after the letting of the contract. The Department must justify the selection of vendor, either through competitive or noncompetitive process, and provide a detailed explanation of cost, demonstrating how the best value for the State is ensured.

The Chief Procurement Officer shall make the public aware of contracts and grants for which bids are being requested and communicate the procedure used in reviewing bids.

Contracts must be submitted to OSPS at least 14 days prior to the contract start date. A Notice of Intent to Waive the Competitive Bidding Process (NOI) must be posted to the OSPS website for 7 calendar days prior to the start of a noncompetitively bid contract.

Condition: The Temporary Assistance for Needy Families (TANF) program was implemented to provide temporary cash assistance, job training, and support services to low-income families with children. The TANF program is administered by the Office for Family Independence (OFI).

OSPS is the central oversight agency for all State procurement. The Department of Health and Human Services (DHHS) Division of Contract Management (DCM) oversees the solicitation and contract implementation for all DHHS procurement. DCM coordinates with DHHS program personnel to evaluate and select vendors and subrecipients, determine contract terms, and provide required documentation to OSPS. OSPS is responsible for reviewing and approving Procurement Justification Forms (PJFs) submitted by DCM on behalf of program personnel prior to the award of contracts. The PJF represents program personnel's assertion that the selected procurement method is appropriate under applicable State and Federal requirements, and that required evaluation procedures have been performed. OSPS must publicly post a NOI for all procurements over \$10,000 entered into without a competitive process for a minimum of 7 calendar days prior to the start of the contract. The NOI includes the signed PJF provided to OSPS by DCM.

The Office of the State Auditor (OSA) tested 14 contracts, 6 procured competitively and 8 procured noncompetitively, that accounted for \$21.6 million of the \$35.0 million in TANF procurement-related transactions in fiscal year 2025 and found:

- PJFs were reviewed for reasonableness by DCM and OSPS, but DHHS could not provide documentation to support the assertions made by OFI were accurate.
- for 7 contracts, DCM provided the PJF to OSPS for their review after the contract had commenced, between 5 and 109 days after the contract start date. For 12 contracts, OSPS approved the PJF after the contract commenced, between 11 and 159 days after the contract start date. For 1 contract, the PJF was not provided.
- for 2 noncompetitive contracts, OSPS posted the NOI after contract performance had already commenced, between 44 and 59 days after the contract start date. For both of these contracts, services had been initiated and financial obligations incurred prior to the NOI.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, the Department expended \$35.0 million in procurement-related transactions from TANF funds of \$100.2 million.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Potential questioned costs and future disallowances
- Noncompliance with Federal and State procurement requirements, including NOI posting requirements, could result in the need to void a contract or exposure to legal proceedings.

Recommendation: We recommend that OSPS:

- increase agency awareness of the procedures related to the timing of procurement contract documentation being submitted to OSPS for review prior to the contract start date; and

- finalize and implement an updated procurement policy and procedure manual that identifies the parties responsible for key aspects of the procurement process.

We also recommend that DCM and OFI develop policies and procedures and increase oversight to ensure all procurement transactions comply with Federal and State requirements, including:

- DCM obtaining and reviewing documentation to support the assertions made by OFI for accuracy and reasonableness; and
- ensuring PJFs are completed, reviewed, and submitted to OSPS prior to the contract start date.

Corrective Action Plan: See F-24

Management's Response:

DAFS Response: The Department agrees with this finding. OSPS does not authorize, encourage, or approve agencies allowing vendors to perform work at risk. However, OSPS also does not delay review and approval solely due to contract start-date issues, as doing so would increase the State's risk exposure, potentially disrupt federally required programs, and hinder agencies' compliance with federal period-of-performance requirements.

To address these concerns, OSPS will formalize and issue policy guidance that clearly defines agency and OSPS roles and responsibilities in the contracting process. This guidance will expand the agency-focused section to emphasize timely submission and processing, along with the risks and implications associated with contracting delays.

In advance of fiscal year-end, OSPS will issue a separate policy document and companion guidance as a spotlight topic in the monthly newsletter and posted to the intranet for agency reference.

DAFS Contact: David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335

DHHS Response: The Department partially agrees with this finding.

There is not a requirement to provide documentation that the Department personnel's assertions are accurate regarding Department personnel's review of PJFs.

The Department agrees that it can improve the timing of procurement documents in relation to the start dates of the contracts. Extenuating circumstances exist periodically that prevent the timeliness of these documents. In some cases, there are delays in the grant approval at the Federal level. Delays in Legislative approval of budgets can also lead to procurement documentation delays.

DHHS Contact: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075

Auditor's Concluding Remarks: 2 CFR 200.303 requires the Department to establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that

the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Absent adequate documentation to support the veracity of the assertions made on the PJF by program personnel, the best value for the State cannot be ensured.

The finding remains as stated.

(State Number: 25-1111-10)

(2025-047)

Title: Internal control over TANF subrecipient monitoring procedures needs improvement

Prior Year Findings: None

State Department: Health and Human Services

State Bureau: Office for Family Independence

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Temporary Assistance for Needy Families (TANF)

Assistance Listing Number: 93.558

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.

Condition: The Department is required to monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes. Subrecipient monitoring activities include, but are not limited to, review of financial and performance reports submitted by the subrecipient, periodic site visits, ensuring required audits of the subrecipient are completed, and ensuring that corrective action is taken for any deficiencies identified through the aforementioned procedures. These procedures are necessary to ensure the subrecipient is in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

The Office of the State Auditor (OSA) tested 9 contracts issued to Temporary Assistance for Needy Families (TANF) subrecipients and found that documentation could not be provided to support that:

- required performance reports were received and that appropriate action was taken in response for 4 contracts; and
- required reports were reviewed for 6 contracts.

OSA determined that payments made to subrecipients for the aforementioned reporting deficiencies were allowable based upon subsequent reports and other monitoring procedures performed.

OSA selected a non-statistical random sample.

Context: The Department provided \$35.0 million from a total of \$104.9 million to TANF subrecipients during fiscal year 2025.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Noncompliance with the Federal statutes, regulations, and the terms and conditions of the subaward by subrecipients may go undetected.
- Potential future questioned costs and disallowances

Recommendation: We recommend that the Department implement policies and procedures to ensure that all required reports are received from subrecipients and reviewed by program personnel, and that appropriate action is taken to address any deficiencies identified through subrecipient monitoring.

Corrective Action Plan: See F-25

Management's Response: The Department agrees with this finding. The Department will create a process to ensure the documentation of the review of sub-recipient performance reports.

Contact: Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

(State Number: 25-1111-08)

(2025-048)

Title: Internal control over Child Support Services expenditures needs improvement

Prior Year Findings: None

State Department: Health and Human Services
Administrative and Financial Services
Judicial Branch

State Bureau: Office for Family Independence
Health and Human Services Service Center
Administrative Office of the Courts

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Child Support Services

Assistance Listing Number: 93.563

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.302 and .403; Cooperative Agreement between the State of Maine Department of Health and Human Services (DHHS) and Maine State Judicial Branch for State Fiscal Years 2024 and 2025, Article V, Section B.3

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Costs must be adequately documented. The State's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to determine that such funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Administrative Office of the Courts (AOC) must provide a report to the DHHS Division of Support Enforcement and Recovery (DSER) for all Judicial Branch estimated expenditures. This report must detail costs that are eligible for Federal financial participation and must be provided within 60 calendar days after the close of the quarters ending in March, June, September, and December. These estimated expenditures are calculated using the per minute rate that was in effect for the prior fiscal year. By November 30th, the Judicial Branch will update the per minute rate and provide DSER a report with actual expenditures for the State fiscal year.

Condition: The Child Support Services (CSS) program is administered by DSER. DHHS has a cooperative agreement with AOC that defines roles, relationships, and responsibilities of the parties, and sets forth a basis for financial reimbursement for court services provided to DHHS by

AOC. These services include conducting paternity hearings; hearings to establish, modify, or enforce support orders; civil and criminal complaint hearings related to CSS; providing mediation services; and conducting proceedings related to income withholding responsibilities.

AOC sends monthly invoices to the DHHS Service Center (DHHS SC) with estimated costs for work performed for the CSS program. DHHS SC is responsible for transferring funds from the CSS program to AOC on the following schedule:

- On a quarterly basis, AOC provides DHHS SC with a reconciliation of estimated costs based on assigned caseload. This quarterly reconciliation utilizes the per minute rate that was in effect for the prior fiscal year and is due 60 days after the close of the quarter.
- Annually, the per minute rate is updated and AOC provides DHHS SC with a final report of actual costs with the updated per minute rate. This final report is due by November 30th each year. Upon receipt of the final report, a final payment/reimbursement will be issued to reconcile to actual costs.

The Office of the State Auditor (OSA) tested 7 transfers from DHHS SC to AOC and found that costs incurred for court services were not adequately supported, as follows:

- DHHS SC did not receive 1 quarterly report from AOC; therefore, court expenditures were based on estimated costs rather than actual costs.
- The annual report and reconciliation of estimated costs to actual costs was not complete; AOC updated minutes charged but the actual cost per minute rate was not updated. Therefore, expenditure amounts reported by the CSS program are not based on actual costs and the submitted final report used the estimated cost per minute rate.

OSA selected a non-statistical random sample.

Context: The CSS program expended \$17.7 million in Federal funds during fiscal year 2025, of which \$2.7 million was used for court services.

Cause:

- Lack of supervisory oversight
- Lack of adequate policies and procedures

Effect: Since DSER is utilizing the estimated cost per minute instead of the actual cost per minute:

- CSS program expenditures could be misstated; and
- the State may not be in compliance with State matching requirements of 34 percent of actual costs.

Recommendation: We recommend that the Departments strengthen policies and procedures and increase oversight to ensure that the CSS program is in compliance with Federal regulations.

Corrective Action Plan: See F-25

Management's Response: The Departments agree with this finding. The Office of the Courts will strengthen policies, procedures, and oversight to ensure that the Child Support Services program remains in full compliance with Federal regulations by March 31, 2026.

Contact: Jerry Joy, Director, Division of Support Enforcement and Recovery, DHHS, 207-624-6985

(State Number: 25-1128-01)

(2025-049)

Title: Internal control over CCDF financial reporting needs improvement

Prior Year Findings:

FY24
2024-059

State Department: Health and Human Services
Administrative and Financial Services

State Bureau: Office of Child and Family Services
Health and Human Services Service Center

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: CCDF Cluster

Assistance Listing Number: 93.489, 93.575, 93.596

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 98.50 and .65

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department shall submit financial reports to the Administration for Children & Families (ACF) quarterly for each fiscal year until funds are expended. At a minimum, a state's quarterly report shall include the following information on expenditures under Child Care and Development Fund (CCDF) grant funds:

- Childcare administration
- Quality activities, including any sub-categories of quality activities as required by ACF
- Direct services for both grant or contracted slots and certificates
- Non-direct services, including establishment and maintenance of computerized childcare information systems, certificate program cost/eligibility determination, and all other non-direct services
- Such other information as specified

Pursuant to CCDF regulations at 45 CFR 98.65(g), and as part of the terms and conditions of the grant award, states and territories are required to complete and submit a quarterly financial status report (ACF-696). The direct services category consists solely of expenditures for childcare subsidies to eligible children. The costs of eligibility determination and re-determination are

considered a non-direct service activity and should be reported separately. Non-direct services are the costs of providing childcare subsidies or other activities not considered administrative costs.

Condition: The CCDF program is administered by the Office of Child and Family Services (OCFS) and provides funding to increase the availability, affordability, and quality of childcare services in the State. The program had 3 ongoing Federal grant award years during fiscal year 2025, for grant years 2023, 2024, and 2025. For each grant award, quarterly CCDF ACF-696 financial status reports are required.

The Department of Health and Human Services' Service Center (DHHS SC) prepares and submits quarterly ACF-696 reports on behalf of OCFS. DHHS SC utilizes a spreadsheet designed by OCFS to track and summarize expenditure information and related earmarking requirements, and to prepare the ACF-696 reports.

The Office of the State Auditor (OSA) reviewed all quarterly ACF-696 reports required to be filed during fiscal year 2025 and found that in all the required reports filed, the amount reported as direct expenditures included amounts that were not for childcare subsidies. Reported direct expenditures erroneously included non-direct costs related to the establishment of a new computerized childcare information system, costs of eligibility determinations, and costs associated with error rate reporting requirements.

In addition, OSA reviewed 1 revised report filed during fiscal year 2025, in response to prior year finding 2024-059, that properly reported direct and indirect amounts on the correct reporting lines.

Context: CCDF expenditures totaled \$45.1 million for fiscal year 2025.

Cause:

- Lack of adequate procedures
- Lack of supervisory oversight

Effect: Noncompliance with Federal reporting requirements

Recommendation: We recommend that the Departments enhance existing procedures and increase oversight to ensure that all information reported on quarterly ACF-696 reports is accurate and complete prior to submission to the Federal government.

Corrective Action Plan: See F-25

Management's Response: The Departments agree with this finding. The DHHS Financial Service Center updated existing procedures and increased oversight to ensure that all information reported on quarterly ACF-696 reports is accurate and complete prior to submission to the Federal government.

Contact: Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626

(State Number: 25-1114-03)

(2025-050)

Title: Internal control over CCDF provider health and safety requirements needs improvement

Prior Year Findings:

FY24	FY23
2024-060	2023-085

State Department: Health and Human Services

State Bureau: Office of Child and Family Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: CCDF Cluster

Assistance Listing Number: 93.489, 93.575, 93.596

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 98.33, .41, .42, and .68

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department is required to disseminate to the general public, through a consumer-friendly and easily accessible website, results of monitoring and inspection reports for all eligible and licensed childcare providers. Full monitoring and inspection reports must be posted timely.

The Department is required to design, implement, and enforce health and safety requirements for the protection of children.

Unannounced inspections of childcare providers and facilities, performed by licensing inspectors, are required not less than annually to ensure compliance with all childcare licensing and health and safety standards.

In the Child Care and Development Fund (CCDF) State Plan, the Department is required to describe effective internal controls that are in place to ensure program integrity and accountability while maintaining continuity of services.

Condition: The CCDF program is administered by the Office of Child and Family Services (OCFS) and provides funding to increase the availability, affordability, and quality of childcare services in the State. OCFS completes annual childcare provider site visits or licensing inspections for providers receiving subsidies from the CCDF program. During site visits and licensing

inspections, OCFS personnel review Federal program health and safety requirements using a provider compliance checklist. Any deficiencies are noted, corrective action by the provider is required, and the frequency of site visits or licensing inspections is increased until remediation of noted deficiencies is complete.

The Office of the State Auditor (OSA) tested 60 providers subject to health and safety site visits or licensing inspections and identified:

- 1 provider facility inspection was noted in the provider file as complete; however, the completed inspection report was not posted publicly as required.
- 2 provider facilities' annual unannounced site visits did not occur within the required timeframe.

OSA selected a non-statistical random sample.

Context: The Department provided approximately \$26 million to CCDF program childcare providers in fiscal year 2025.

Cause:

- Lack of resources
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Providers not meeting CCDF program regulations for health and safety may go undetected.

Recommendation: We recommend that OCFS enhance oversight to ensure that annual childcare provider site visits and licensing inspections are performed timely, and that all inspection reports, including corrective action, are posted publicly.

Corrective Action Plan: See F-26

Management's Response: The Department agrees with this finding. The Department acknowledges that two facilities annual unannounced inspections did not occur within 12 months, being 3 days and 10 days past due. The Department also agrees with the finding that one facility inspection was not posted publicly.

Contact: Janet Whitten, CLIS Program Manager, OCFS, DHHS, 207-441-2259

(State Number: 25-1114-02)

(2025-051)

Title: Internal control over CCDF procurement needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
Health and Human Services

State Bureau: Office of State Procurement Services
Division of Contract Management
Office of Child and Family Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: CCDF Cluster

Assistance Listing Number: 93.489, 93.575, 93.596

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.317; 5 MRSA 1825-B and D; Office of State Procurement Services (OSPS) policies

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must follow the same policies and procedures it uses for procurements with non-Federal funds.

Awards shall be made to the best-value bidder, taking into consideration the best interest of the State. The requirement to competitively bid a contract may be waived if specific criteria is met, including the item or service can only be procured from one source or it is an emergency procurement. Each bid, with the name of the bidder, must be entered on record. Each record, with the successful bid indicated, must be open to public inspection after the letting of the contract. The Department must justify the selection of vendor, either through competitive or noncompetitive process, and provide a detailed explanation of cost, demonstrating how the best value for the State is ensured.

The Chief Procurement Officer shall make the public aware of contracts and grants for which bids are being requested and communicate the procedure used in reviewing bids.

Contracts must be submitted to OSPS at least 14 days prior to the contract start date. A Notice of Intent to Waive the Competitive Bidding Process (NOI) must be posted to the OSPS website for 7 calendar days prior to the start of a noncompetitively bid contract.

Condition: The Child Care and Development Fund (CCDF) Cluster is administered by the Office of Child and Family Services (OCFS) and provides funding to increase the availability, affordability, and quality of childcare services in the State.

OSPS is the central oversight agency for all State procurement. The Department of Health and Human Services (DHHS) Division of Contract Management (DCM) oversees the solicitation and contract implementation for all DHHS procurement. DCM coordinates with DHHS program personnel to evaluate and select vendors and subrecipients, determine contract terms, and provide required documentation to OSPS. OSPS is responsible for reviewing and approving Procurement Justification Forms (PJFs) submitted by DCM on behalf of program personnel prior to the award of contracts. The PJF represents program personnel's assertion that the selected procurement method is appropriate under applicable State and Federal requirements, and that required evaluation procedures have been performed. OSPS must publicly post a NOI for all procurements over \$10,000 entered into without a competitive process for a minimum of 7 calendar days prior to the start of the contract. The NOI includes the signed PJF provided to OSPS by DCM.

The Office of the State Auditor (OSA) tested 13 contracts, 3 procured competitively and 10 procured noncompetitively, that accounted for \$10.1 million of the \$14.4 million in CCDF program procurement-related transactions in fiscal year 2025 and found:

- PJFs were reviewed for reasonableness by DCM and OSPS, but DHHS could not provide documentation to support the assertions made by OCFS were accurate.
- for 11 contracts, DCM provided the PJF to OSPS for their review after the contract had commenced, between 7 and 198 days after the contract start date. For 12 contracts, OSPS approved the PJF after the contract commenced, between 12 and 200 days after the contract start date.
- for 3 of the noncompetitive contracts, OSPS posted the NOI after contract performance had commenced, between 12 and 208 days after the contract start date. For all 3 contracts, services had been initiated and financial obligations incurred prior to the NOI.

OSA utilized a risk-based approach to select 2 contracts issued by OCFS and a non-statistical random sample of all other contracts.

Context: In fiscal year 2025, the Department expended \$14.4 million in procurement-related transactions from CCDF funds of \$45.1 million.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Potential questioned costs and future disallowances
- Noncompliance with Federal and State procurement requirements, including NOI posting requirements, could result in the need to void a contract or exposure to legal proceedings.

Recommendation: We recommend that OSPS:

- increase agency awareness of the procedures related to the timing of procurement contract documentation being submitted to OSPS for review prior to the contract start date; and
- finalize and implement an updated procurement policy and procedure manual that identifies the parties responsible for key aspects of the procurement process.

We also recommend that DCM and OCFS develop policies and procedures and increase oversight to ensure all procurement transactions comply with Federal and State requirements, including:

- DCM obtaining and reviewing documentation to support the assertions made by OCFS for accuracy and reasonableness; and
- ensuring PJFs are completed, reviewed, and submitted to OSPS prior to the contract start date.

Corrective Action Plan: See F-26

Management's Response:

DAFS Response: The Department agrees with this finding. OSPS does not authorize, encourage, or approve agencies allowing vendors to perform work at risk. However, OSPS also does not delay review and approval solely due to contract start-date issues, as doing so would increase the State's risk exposure, potentially disrupt federally required programs, and hinder agencies' compliance with federal period-of-performance requirements.

To address these concerns, OSPS will formalize and issue policy guidance that clearly defines agency and OSPS roles and responsibilities in the contracting process. This guidance will expand the agency-focused section to emphasize timely submission and processing, along with the risks and implications associated with contracting delays.

In advance of fiscal year-end, OSPS will issue a separate policy document and companion guidance as a spotlight topic in the monthly newsletter and posted to the intranet for agency reference.

DAFS Contact: David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335

DHHS Response: The Department partially agrees with this finding.

There is not a requirement to provide documentation that the Department personnel's assertions are accurate regarding Department personnel's review of PJFs.

The Department agrees that it can improve the timing of procurement documents in relation to the start dates of the contracts. Extenuating circumstances exist periodically that prevent the timeliness of these documents. In some cases, there are delays in the grant approval at the Federal level. Delays in Legislative approval of budgets can also lead to procurement documentation delays.

DHHS Contact: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075

Auditor's Concluding Remarks: 2 CFR 200.303 requires the Department to establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Absent adequate documentation to support the veracity of the assertions made on the PJF by program personnel, the best value for the State cannot be ensured.

The finding remains as stated.

(State Number: 25-1114-06)

(2025-052)

Title: Internal control over CCDF eligibility determinations needs improvement

Prior Year Findings: None

State Department: Health and Human Services

State Bureau: Office of Child and Family Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: CCDF Cluster

Assistance Listing Number: 93.489, 93.575, 93.596

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 45 CFR 98.21, .100, and .101

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must have procedures in place for verifying eligibility for children receiving Child Care and Development Fund (CCDF) subsidies in accordance with Federal eligibility requirements, as well as the specific eligibility requirements selected by each lead agency in its approved State plan.

The Department is required to calculate, prepare, and submit to the Federal government a triennial report of errors occurring in the administration of CCDF grant funds. States must use this report to calculate error rates, which is defined as the percentage of cases with an error, the percentage of cases with an improper payment, the percentage of improper payments, the average amount of improper payment, and the estimated amount of improper payments. Improper payments include any payment of CCDF grant funds to an ineligible recipient or for an ineligible service, any duplicate payment of CCDF grant funds, and payments of CCDF grant funds for services not received.

In preparing the error reports, the Department shall conduct comprehensive reviews of case records by selecting a random sample of case records which is estimated to achieve the calculation of an estimated annual amount of improper payments with a 90 percent confidence interval of 5 percent.

Condition: The CCDF program is administered by the Office of Child and Family Services (OCFS) and provides funding to increase the availability, affordability, and quality of childcare services in the State. CCDF provides childcare benefits to parents based on financial and program

eligibility factors. Eligibility for benefits is determined based on application information from families through the childcare management system.

On a monthly basis, the Department's Quality Assurance Team performs Quality Control Reviews (QCRs) of a random sample of cases to review eligibility determinations and benefit amounts. The Department tracks error rates of improper payments which are reported to the Federal government on a triennial basis on the ACF-404 *State Improper Payments Report*. The Department did not perform QCRs in April and May 2025.

Context: The Department did not perform 46 of the 276 required QCRs in fiscal year 2025. The Department provided \$25.9 million in CCDF provider payments from total CCDF program expenditures of \$45.1 million in fiscal year 2025.

Cause:

- Lack of adequate oversight procedures to ensure monthly QCRs are performed
- Lack of resources

Effect:

- CCDF provider payments may be incorrectly calculated, resulting in households being underpaid and/or overpaid.
- Potential future questioned costs and disallowances
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department enhance existing oversight procedures to ensure that eligibility for children receiving CCDF subsidies is in accordance with Federal requirements. This should include confirming that QCRs are performed monthly as required.

Corrective Action Plan: See F-27

Management's Response: The Department agrees with this finding. During the rollout of the Baxter child care management system, a system error prevented the random selection of cases needed for monthly Quality Assurance (QA) audits. As a result, the 46 QA reviews scheduled for May and June 2025 were not completed. The issue was promptly identified, corrected, and normal QA activity resumed in July 2025. The Department would like to note that Maine's QA process significantly exceeds federal requirements. While federal rules require 276 case reviews over a three-year cycle, Maine reviews 276 cases annually—totaling approximately 828 over three years. Even with the missed 46 cases, the Department will complete 782 reviews this cycle, remaining well above federal minimums.

Contact: Gina Forbes, Child Care Services Program Manager, OCFS, DHHS, 207-592-0865

Auditor's Concluding Remarks: The Department agrees with the finding but states that "Maine's QA process significantly exceeds federal requirements. While federal rules require 276 case reviews over a three-year cycle, Maine reviews 276 cases annually—totaling approximately 828 over three years." The Department is erroneously referencing ACF-404 reporting requirements rather than the controls they are relying on to ensure compliance over eligibility requirements,

which have been documented in the Federally-approved State plan. Since the random sample of QCRs performed by the Department are based on initial eligibility determinations, adequate controls were not in place over initial eligibility determinations made in April and May 2025.

The finding remains as stated.

(State Number: 25-1114-01)

(2025-053)

Title: Internal control over CCDF subrecipient cash management needs improvement

Prior Year Findings: None

State Department: Health and Human Services

State Bureau: Office of Child and Family Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: CCDF Cluster

Assistance Listing Number: 93.489, 93.575, 93.596

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Cash management
Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.305

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department is required to monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes is minimized.

Condition: The Child Care and Development Fund (CCDF) program is administered by the Office of Child and Family Services (OCFS) and provides funding to increase the availability, affordability, and quality of childcare services in the State.

The Department makes equal advance monthly payments to subrecipients and then reconciles those amounts to quarterly financial reports submitted by the subrecipient. This procedure does not consider the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes, and OCFS' subrecipient monitoring procedures do not include a review of subrecipient compliance with cash management requirements. As a result, OCFS procedures do not support that subrecipient cash management is properly monitored as required by Federal regulations.

Context: OCFS provided \$2.8 million from a total of \$45.1 million to CCDF program subrecipients during fiscal year 2025.

Cause:

- Lack of adequate subrecipient monitoring procedures
- Lack of centralized oversight of subrecipient monitoring

Effect:

- Noncompliance with Federal regulations
- Federal programs may not be effectively and efficiently administered.
- The Federal government may require the implementation of more stringent subrecipient cash management procedures.

Recommendation: We recommend that OCFS implement monitoring procedures over subrecipient cash management requirements to ensure that the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's actual disbursement for program purposes is minimized for the CCDF program.

Corrective Action Plan: See F-27

Management's Response: The Department disagrees with this finding.

The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of the funds. Payments are made as close as is administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1) ...that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.

Contact: Tara Williams, Associate Director of Early Care & Education, OCFS, DHHS, 207-557-2342

Auditor's Concluding Remarks: The Department's interpretation of the applicable Federal regulation emphasizes a single sentence from the broader paragraph, omitting context that informs the regulation's full intent.

According to the 2025 Compliance Supplement, pass-through entities must monitor cash drawdowns by their subrecipients to ensure that the time elapsing between the transfer of Federal funds to the subrecipient and their disbursement for program purposes is minimized as required by the applicable cash management requirements in the Federal award to the recipient (2 CFR 200.305(b)(1)).

2 CFR 200.305(b)(1) states that the recipient or subrecipient must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient or subrecipient, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a recipient or subrecipient must be limited to the minimum amounts needed and be timed with actual, immediate cash requirements of the recipient or subrecipient in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual

disbursements by the recipient or subrecipient for direct program or project costs and the proportionate share of any allowable indirect costs. The recipient or subrecipient must make timely payments to contractors in accordance with the contract provisions.

The Department references the phrase “as close as is administratively feasible” to justify their current process; however, this phrase is part of a broader requirement that establishes specific conditions for advance payments. The regulation requires that the timing between when the subrecipient receives Federal funds from the State and when the subrecipient disburses those funds is closely monitored to ensure that disbursements align with actual, immediate cash needs. The Department could not provide evidence to demonstrate that they adequately monitored subrecipient cash drawdowns to ensure alignment with actual, immediate cash needs.

The finding remains as stated.

(State Number: 25-1114-04)

(2025-054)

Title: Internal control over CCDF subrecipient risk evaluation procedures needs improvement

Prior Year Findings: None

State Department: Health and Human Services

State Bureau: Office of Child and Family Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: CCDF Cluster

Assistance Listing Number: 93.489, 93.575, 93.596

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

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 the appropriate subrecipient monitoring described in 2 CFR 200.332.

Condition: The Child Care and Development Fund (CCDF) program is administered by the Office of Child and Family Services (OCFS) and provides funding to increase the availability, affordability, and quality of childcare services in the State. The CCDF program contracts with subrecipients to administer the First 4 ME Pilot Project, a community-based, coordinated birth through kindergarten entry program which provides comprehensive, high-quality early child care and education to support a child's school readiness.

The Department is required to evaluate each subrecipient's risk of noncompliance with Federal regulations for the purpose of determining the appropriate level of subrecipient monitoring to be performed. Subrecipient monitoring activities include, but are not limited to, review of financial and performance reports submitted by the subrecipient, periodic site visits, ensuring required audits of the subrecipient are completed, and ensuring that corrective action is taken for any deficiencies identified through the aforementioned procedures. These procedures are necessary to ensure the subrecipient is in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

The Department provided evidence to support that subrecipient monitoring procedures were performed; however, documentation that risk evaluation procedures performed corresponded to the appropriate level of monitoring activities could not be provided.

Context: The Department provided \$2.8 million from a total of \$45.1 million to CCDF subrecipients during fiscal year 2025.

Cause:

- Lack of policies and procedures
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal regulations
- Subrecipients that are deemed higher risk may not be monitored on a more frequent basis. Conversely, subrecipients that are deemed lower risk may not be monitored on a less frequent basis, which would free resources and time to dedicate towards other higher risk subrecipients.

Recommendation: We recommend that the Department implement policies and procedures that require evaluation of each subrecipient's risk of noncompliance specifically for the purposes of determining the appropriate subrecipient monitoring to be performed. This will ensure that subrecipients are monitored appropriately based on risk designation.

Corrective Action Plan: See F-27

Management's Response: The Department disagrees with this finding. The Department evaluates risk on its subrecipients for the purposes of determining the appropriate subrecipient monitoring in multiple ways. The first assessment of risk is when a subaward is competitively bid. The second assessment of risk is built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which higher risk subrecipients undergo a higher level of testing by Independent Public Accountants. Finally, the Social Service Unit of the Division of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk.

Contact: John Feeney, Chief Operating Officer, OCFS, DHHS, 207-626-8614

Auditor's Concluding Remarks: 2 CFR 200.332(b) states that the Department must evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

The Department has indicated in Management's Response that the criteria set forth in 2 CFR 200.332(b) have been met; however, the following rebuttals illustrate that the Department is not in compliance with Federal requirements:

- The Department identifies the first assessment of risk: when a subaward is competitively bid.

- o While the Office of the State Auditor acknowledges this does occur, not all subawards are competitively bid.
 - o The level of subrecipient monitoring that the Department performs is based on the services provided, not on specific subrecipients, as required.
- The Department identifies the second assessment of risk: built into MAAP in which higher risk subrecipients undergo a higher level of testing by independent public accountants.
 - o A subrecipient deemed higher risk as the result of a risk evaluation in accordance with 2 CFR 200.332 may not be deemed higher risk in accordance with MAAP standards.
- The Department identifies the third assessment of risk: the Social Service Unit of the Division of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk.
 - o The Department did not provide documentation to demonstrate that these procedures are performed as a result of a risk evaluation.

The Department's existing policies and procedures do not require nor provide support for the evaluation of each subrecipient's risk of noncompliance specifically for the purpose of determining the appropriate subrecipient monitoring to be performed.

The finding remains as stated.

(State Number: 25-1114-05)

(2025-055)

Title: Internal control over the Foster Care and Adoption Assistance eligibility and benefit determination process needs improvement

Prior Year Findings:

FY24	FY23
2024-063	2023-086

State Department: Health and Human Services

State Bureau: Office of Child and Family Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Foster Care – Title IV-E

Adoption Assistance – Title IV-E

Assistance Listing Number: 93.658; 93.659

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: ALN 93.658 \$51,247
ALN 93.659 \$42,689

Likely Questioned Costs: Undeterminable; the Office of the State Auditor (OSA) selected a sample of clients who received Title IV-E benefits during fiscal year 2025 and identified known questioned costs associated with 11 clients based on various eligibility attributes. Since each exception is unique to the client, a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 45 CFR 1356.21 and .40; 42 USC 671; Department of Health and Human Services (DHHS) 10-148 Chapter 16 Rules Providing for the Licensing of Family Foster Homes for Children; Office for Child and Family Services’ (OCFS) Financial Resource Specialist (FRS) Policy and Procedure Manual

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

45 CFR 1356.21 outlines eligibility criteria which, if met, allows the State to pay foster care maintenance payments on behalf of eligible children, in accordance with the Title IV-E agency's foster care maintenance payment rate schedule, to individuals serving as foster family homes, to childcare institutions, or to public or private child-placement or childcare agencies.

45 CFR 1356.40 outlines eligibility criteria which, if met, allows the State to pay a portion of the Federal Adoption Assistance maintenance payments and claim Federal financial participation for the payment.

42 USC 671 requires that prospective foster parents and any other adult living in the home who has resided in the provider home in the preceding 5 years satisfactorily meet a child abuse and neglect registry check. The requirement applies to foster care maintenance payments made on behalf of the foster child.

DHHS 10-148 Chapter 16 Rules Providing for the Licensing of Family Foster Homes for Children states that an application may be denied if the applicant(s) have an open Child Protective Services case or a closed substantiated and/or indicated Child Protective Services case. In addition, applications for renewal of a license shall be made 60 days prior to the date of expiration to ensure that necessary licensing procedures may be completed for the continuity of the license.

The OCFS FRS Policy and Procedure Manual defines Supplemental Security Income (SSI) as unearned income; documentation to support unearned income includes benefit award letters, copies of checks, child support printouts, Automated Client Eligibility System (ACES) printouts or other documentation. In addition, a child may be eligible for both SSI and Title IV-E. The Department, through an FRS, must make a decision as to which would yield greater financial benefits for the State.

Condition: OCFS administers the Foster Care – Title IV-E (Foster Care) and Adoption Assistance – Title IV-E (Adoption Assistance) programs for the State as outlined below:

- The Foster Care program is designed to help states provide safe and stable out-of-home care for children under its jurisdiction until the children are returned home safely, placed with adoptive families, or placed in other planned arrangements for permanency.
- The Adoption Assistance program provides Federal funds to states to facilitate the timely placement of children, whose special needs or circumstances would otherwise make them difficult to place, with adoptive families. Funds are available for a one-time payment to assist with the costs of adopting a child, as well as for subsidies to adoptive families for the care of the eligible child on an ongoing basis.

An FRS determines program eligibility and initiates benefits through completion of a determination checklist. The FRS reviews program eligibility factors, gathers required supporting documentation, and documents the certification decision on the checklist. The FRS enters the information into the child welfare information system for processing.

Once the client is determined eligible in the child welfare information system, a level of benefits is assigned. OCFS relies on this information and the related system coding to ensure that benefits are accurately provided to eligible clients.

OSA tested 60 initial client eligibility determinations and found 1 client's prospective foster parent did not satisfactorily meet a child abuse and neglect registry check in accordance with 42 USC 671 and DHHS Rules Providing for the Licensing of Family Foster Homes for Children. The Resource Family Home (RFH) received \$12,566 in Federal Foster Care benefits on behalf of 2 clients, resulting in questioned costs of the entire amount.

OSA tested 60 Adoption Assistance benefit payments and 60 Foster Care benefit payments, along with the related eligibility determination for those clients, and found:

- 5 clients who were placed in a RFH that the foster/adoptive parent did not satisfactorily meet a child abuse and neglect registry check in accordance with 42 USC 671 and DHHS Rules Providing for the Licensing of Family Foster Homes for Children. The RFHs received benefits from both Federal programs on behalf of multiple clients, resulting in questioned costs for the Foster Care and Adoption Assistance programs of \$7,629 and \$42,689, respectively.
- 2 clients determined to be ineligible by OCFS due to a conversion issue within the newly implemented child welfare information system continued to receive Foster Care benefit payments during the fiscal year, resulting in questioned costs of \$11,768.
- 1 client who received Federal benefits for both Title IV-E and SSI during the fiscal year. OCFS could not provide documentation of their consideration of the SSI documented in ACES, or their decision regarding claiming Title IV-E benefits instead of SSI benefits, resulting in questioned costs for the Foster Care program of \$12,687.
- 1 client determined ineligible due to an inactive license for 6 months past the initial renewal period, continued to receive Foster Care benefit payments during the fiscal year, resulting in questioned costs for the Foster Care program of \$6,447.
- 1 client received a one-time payment to adjust Adoption Assistance childcare benefits; however, it was paid out of Foster Care benefits, resulting in questioned costs of \$150.

OSA selected non-statistical random samples.

Context: In fiscal year 2025, the State provided approximately:

- 1,000 Foster Care clients with \$5.3 million in Federal benefits; and
- 4,500 Adoption Assistance clients with \$25.5 million in Federal benefits.

Identified Cause:

- Lack of adequate policies and procedures
- Lack of appropriate oversight over eligibility and benefit determinations

Potential Effect:

- Known questioned costs
- Potential future questioned costs and disallowances
- Benefits were provided to ineligible clients.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department:

- implement additional procedures to ensure that payments made on behalf of clients are accurate and allowable in accordance with program regulations;
- establish recoupments for the overpayments identified; and
- strengthen licensing practices for background screening of potential and current RFHs.

Corrective Action Plan: See F-28

Management's Response: The Department partially agrees with this finding.

OCFS disagrees with the condition that child abuse and neglect registry checks for RFH require a denial. According to State of Maine Department of Health and Human Services Chapter 16 Rules Providing for the Licensing of Family Foster Homes for Children: Section 9: Licensing Requirements for Family Foster Homes for Children, Sect A. (9): An application may be denied if the applicant(s) have an open Child Protective Services Case or a closed substantiated and/or indicated Child Protective Services case. An open Child Protective Services Case includes a pending disposition of an open report, a case open for assessment or a case open for services.

OCFS also disagrees with the condition that Title IV-E was claimed in error during their foster care placement, since the Social Security Administration (SSA) did not stop SSI payments to the biological parent, and is requiring OCFS to pay back the Title IV-E funding that was received to help pay for the child's care. This is an error of the SSA office that DHHS has no responsibility over. DHHS reports all children removed from their parents' custody to SSA through a monthly federally required reporting process. SSA would be responsible for taking any action based on that reporting. DHHS does not agree that Maine taxpayers should be penalized for the federal agency's failure to take action and stop benefits to the parent.

OCFS agrees to the remaining conditions noting that:

Changes were made to the Katahdin system (User story 3002158) that were released on 8/3/2025 to avoid overlapping payments for childcare in both Foster Care and Adoption. Changes were made to the OCFS Licensing policy in July 2025, removing the 60-day time limit on the license renewal process.

Contact: Robert Blanchard, Associate Director, OCFS, DHHS, 207-624-7955

Auditor's Concluding Remarks: Regarding the exceptions related to child abuse and neglect registry checks for RFHs, OCFS is only citing State policy and omitting the Federal requirement (42 USC 671) which states that prospective foster parents and any other adult living in the home who has resided in the provider home in the preceding 5 years satisfactorily meet a child abuse and neglect registry check. For all 5 clients in the Condition, the foster/adoptive parent did not satisfactorily meet a child abuse and neglect registry check; 2 of the 5 clients were subsequently removed from the RFH as a result of the child abuse and neglect registry checks.

Regarding the client who received both SSI and Federal Title IV-E benefits, though OCFS states that this exception is SSA's responsibility, the FRS did not properly identify that the client was receiving SSI benefits when determining Foster Care eligibility. As a result, the FRS did not

decide which benefit would yield greater financial benefits for the State, and the client received Federal benefits from both Title IV-E and SSI during fiscal year 2025.

The finding remains as stated.

(State Number: 25-1109-03)

(2025-056)

Title: Internal control over Foster Care level of care assessments needs improvement

Prior Year Findings: None

State Department: Health and Human Services

State Bureau: Office of Child and Family Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Foster Care – Title IV-E

Assistance Listing Number: 93.658

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Known Questioned Costs: \$3,003

Likely Questioned Costs: Undeterminable; the Office of the State Auditor (OSA) selected a sample of clients who received Title IV-E benefits during fiscal year 2025 and identified known questioned costs for 1 client based on various level of care (LOC) requirements. Since each exception is unique to the client, a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 45 CFR 1356.21; Department of Health and Human Services 10-148, Chapter 14 Rules for LOC for Foster Homes; Office of Child and Family Services' (OCFS) Child and Family Services Manual

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Title IV-E agency must review, at reasonable, specific, time-limited periods established by the agency, the amount of payments made for foster care maintenance to assure their continued appropriateness, and the amount made to a licensed or approved relative or kinship foster family home is the same as the amount that would have been made if the child was placed in a licensed or approved non-relative foster family home.

Within 90 days of placement in a family foster home or a specialized foster home, an initial child assessment will be done by LOC reviewers to determine the child's level of need.

Initial assessments are conducted on children that are new in care and placed in a resource home and on children that have been previously assessed, have transitioned out of residential care, or have been placed in a resource home. This assessment should be conducted within the first 90 days of placement.

Condition: OCFS administers the Foster Care – Title IV-E (Foster Care) program for the State and operates under a Federally-approved plan that requires the agency to perform a periodic review of payment rates for Foster Care maintenance payments to ensure the rates remain appropriate.

Maintenance payments are issued based on the number of days in a bi-weekly period a child remains in placement. The payment amounts are established by State regulations but vary by the LOC needed for a child. The 2 types of foster homes where a child can be placed are:

- a resource home for basic needs. The 2 LOCs are Levels A and B. LOC Level A receives the entry reimbursement rate and Level B receives an increased rate based on the child's level of need.
- a treatment foster care home. The 3 applicable LOCs are Levels C, D, and E. LOC Level C receives the entry reimbursement rate and Levels D and E receive increased rates based on the child's level of need.

OCFS' schedule for periodic review is as follows:

- All LOC levels require an initial 90-day assessment;
- LOC Level A children remain at that level until an event triggers a review, or a request for reassessment is made;
- LOC Level B children require a reassessment every 12 months; and
- LOC Levels C, D, or E children require a reassessment every 6 months.

OSA tested 60 cases with Foster Care maintenance payments and found:

- 36 clients did not have an initial LOC assessment within 90 days of placement. Initial LOC assessments ranged from 11 to 302 days past the 90-day requirement.
- 3 clients did not have an annual reassessment conducted as required for Level B.
- 2 clients did not have a 6-month reassessment conducted as required for Levels C, D, and E.
- 1 client's LOC assessment was automatically adjusted by the child welfare information system from a Level A to a Level B, based on draft policies and procedures that have not been formally approved and implemented, resulting in questioned costs of \$3,003 for fiscal year 2025.
- 1 client's LOC assessment was not approved by the LOC manager.

OSA selected a non-statistical random sample.

Context: The Department provided approximately 1,000 Foster Care clients with \$5.3 million in Federal maintenance payments in fiscal year 2025.

Cause:

- Lack of adequate policies and procedures
- Lack of resources
- Lack of supervisory oversight

Effect:

- Known questioned costs
- Potential future questioned costs and disallowances

- Inaccurate client benefit payments
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department allocate resources and enhance policies, procedures, and oversight to ensure LOC assessments are performed in accordance with the Federally-approved schedule for LOC assessments.

Corrective Action Plan: See F-28

Management's Response: The Department agrees with this finding. The Office of Child and Family Services has developed and will implement a corrective action plan to address the issues identified.

Contact: Robert Blanchard, Associate Director, OCFS, DHHS, 207-624-7955

(State Number: 25-1109-02)

(2025-057)

Title: Internal control over Foster Care procurement needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
Health and Human Services

State Bureau: Office of State Procurement Services
Division of Contract Management
Office of Child and Family Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Foster Care – Title IV-E

Assistance Listing Number: 93.658

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.317; 5 MRSA 1825-B and D; Office of State Procurement Services (OSPS) policies

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must follow the same policies and procedures it uses for procurements with non-Federal funds.

Awards shall be made to the best-value bidder, taking into consideration the best interest of the State. The requirement to competitively bid a contract may be waived if specific criteria is met, including the item or service can only be procured from one source or it is an emergency procurement. Each bid, with the name of the bidder, must be entered on record. Each record, with the successful bid indicated, must be open to public inspection after the letting of the contract. The Department must justify the selection of vendor, either through competitive or noncompetitive process, and provide a detailed explanation of cost, demonstrating how the best value for the State is ensured.

The Chief Procurement Officer shall make the public aware of contracts and grants for which bids are being requested and communicate the procedure used in reviewing bids.

Contracts must be submitted to OSPS at least 14 days prior to the contract start date. A Notice of Intent to Waive the Competitive Bidding Process (NOI) must be posted to the OSPS website for 7 calendar days prior to the start of a noncompetitively bid contract.

Condition: The Foster Care – Title IV-E (Foster Care) program is designed to help states provide safe and stable out-of-home care for children under its jurisdiction until the children are returned home safely, placed with adoptive families, or placed in other planned arrangements for permanency. The Foster Care program is administered by the Office of Child and Family Services (OCFS).

OSPS is the central oversight agency for all State procurement. The Department of Health and Human Services (DHHS) Division of Contract Management (DCM) oversees the solicitation and contract implementation for all DHHS procurement. DCM coordinates with DHHS program personnel to evaluate and select vendors and subrecipients, determine contract terms, and provide required documentation to OSPS. OSPS is responsible for reviewing and approving Procurement Justification Forms (PJFs) submitted by DCM on behalf of program personnel prior to the award of contracts. The PJF represents program personnel's assertion that the selected procurement method is appropriate under applicable State and Federal requirements, and that required evaluation procedures have been performed. OSPS must publicly post a NOI for all procurements over \$10,000 entered into without a competitive process for a minimum of 7 calendar days prior to the start of the contract. The NOI includes the signed PJF provided to OSPS by DCM.

The Office of the State Auditor (OSA) tested 4 contracts, 1 procured competitively and 3 procured noncompetitively, that accounted for approximately \$4 million of the \$4.6 million in Foster Care program procurement-related transactions in fiscal year 2025 and found:

- PJFs were reviewed for reasonableness by DCM and OSPS, but DHHS could not provide documentation to support the assertions made by OCFS were accurate.
- for 1 contract, DCM provided the PJF to OSPS for their review after the contract had commenced, 38 days after the contract start date. For all 4 contracts, OSPS approved the PJF after the contract commenced, between 25 and 60 days after the contract start date.
- for 1 of the noncompetitive contracts, OSPS posted the NOI after contract performance had commenced, 40 days after the contract start date. For this contract, services had been initiated and financial obligations incurred prior to the NOI.

OSA utilized a risk-based approach to select 2 contracts issued by OCFS and a non-statistical random sample of all other contracts.

Context: In fiscal year 2025, the Department expended \$4.6 million in procurement-related transactions from Foster Care funds of approximately \$12 million.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Potential questioned costs and future disallowances
- Noncompliance with Federal and State procurement requirements, including NOI posting requirements, could result in the need to void a contract or exposure to legal proceedings.

Recommendation: We recommend that OSPS:

- increase agency awareness of the procedures related to the timing of procurement contract documentation being submitted to OSPS for review prior to the contract start date; and
- finalize and implement an updated procurement policy and procedure manual that identifies the parties responsible for key aspects of the procurement process.

We also recommend that DCM and OCFS develop policies and procedures and increase oversight to ensure all procurement transactions comply with Federal and State requirements, including:

- DCM obtaining and reviewing documentation to support the assertions made by OCFS for accuracy and reasonableness; and
- ensuring PJFs are completed, reviewed, and submitted to OSPS prior to the contract start date.

Corrective Action Plan: See F-28

Management's Response:

DAFS Response: The Department agrees with this finding. OSPS does not authorize, encourage, or approve agencies allowing vendors to perform work at risk. However, OSPS also does not delay review and approval solely due to contract start-date issues, as doing so would increase the State's risk exposure, potentially disrupt federally required programs, and hinder agencies' compliance with federal period-of-performance requirements.

To address these concerns, OSPS will formalize and issue policy guidance that clearly defines agency and OSPS roles and responsibilities in the contracting process. This guidance will expand the agency-focused section to emphasize timely submission and processing, along with the risks and implications associated with contracting delays.

In advance of fiscal year-end, OSPS will issue a separate policy document and companion guidance as a spotlight topic in the monthly newsletter and posted to the intranet for agency reference.

DAFS Contact: David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335

DHHS Response: The Department partially agrees with this finding.

There is not a requirement to provide documentation that the Department personnel's assertions are accurate regarding Department personnel's review of PJFs.

The Department agrees that it can improve the timing of procurement documents in relation to the start dates of the contracts. Extenuating circumstances exist periodically that prevent the timeliness of these documents. In some cases, there are delays in the grant approval at the Federal level. Delays in Legislative approval of budgets can also lead to procurement documentation delays.

DHHS Contact: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075

Auditor's Concluding Remarks: 2 CFR 200.303 requires the Department to establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Absent adequate documentation to support the veracity of the assertions made on the PJF by program personnel, the best value for the State cannot be ensured.

The finding remains as stated.

(State Number: 25-1109-04)

(2025-058)

Title: Internal control over Foster Care and Adoption Assistance cash management needs improvement

Prior Year Findings: None

State Department: Health and Human Services
Administrative and Financial Services

State Bureau: Office of Child and Family Services
Health and Human Services Service Center

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Foster Care – Title IV-E
Adoption Assistance – Title IV-E

Assistance Listing Number: 93.658; 93.659

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.302; 31 CFR 205.33; State Administrative and Accounting Manual (SAAM) Section 50.40.80

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Financial records must adequately identify the source and application of funds and provide accountability for all funds, property, and other assets related to the Federally-funded activities.

The Department must minimize the time between the drawdown of Federal funds and the disbursement of these funds for Federal program purposes. The timing and amount of fund transfers must be as close as administratively feasible to the Department's actual cash outlay for program costs. Section 50.40.80 of the SAAM has defined administratively feasible as no more than 7 business days.

Condition: The Office of Child and Family Services administers the Foster Care – Title IV-E (Foster Care) and Adoption Assistance – Title IV-E (Adoption Assistance) programs for the State. The programs are designed to help states provide safe and stable out-of-home care for children under its jurisdiction until the children are returned home safely, placed with adoptive families, or placed in other planned arrangements for permanency. The Department of Health and Human Services' Service Center (DHHS SC) is responsible for the drawdown of Federal funds and grant accounting and reporting for the Foster Care and Adoption Assistance programs.

Though DHHS SC monitors compliance with Federal cash management requirements by utilizing a cash on hand analysis, the analysis combines the following Title IV-E programs:

- Foster Care
- Adoption Assistance
- Title IV-E Prevention Program
- Guardianship Assistance

As a result, Department procedures do not ensure that each individual program is in compliance with Federal cash management requirements.

The Office of the State Auditor performed individual analyses for the Foster Care and Adoption Assistance programs and determined that both programs complied with cash management requirements for fiscal year 2025.

Context: In fiscal year 2025, there were:

- 52 Federal grant drawdowns totaling \$21.5 million for the Foster Care program.
- 50 Federal grant drawdowns totaling approximately \$35 million for the Adoption Assistance program.

Cause:

- Lack of adequate procedures to ensure that the cash balance for each Title IV-E program is considered separately before requesting Federal funds
- Lack of supervisory oversight

Effect: Department policies and procedures would not identify noncompliance with cash management requirements, which could result in:

- the Federal government imposing more stringent program-specific cash management requirements based on noncompliance.
- the State incurring an interest liability on excess Federal cash balances.
- noncompliance with Federal regulations.

Recommendation: We recommend that the Department enhance existing procedures and increase oversight to ensure that Federal program cash balances are tracked by program in accordance with Federal requirements.

Corrective Action Plan: See F-29

Management's Response: The Departments agree with this finding. The DHHS Financial Service Center will update existing procedures and increase oversight to ensure that Federal program cash balances are tracked by program in accordance with Federal requirements by 3/31/2026.

Contact: Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626

(State Number: 25-1109-01)

(2025-059) Confidential finding, see below for more information

Title: _____

Pursuant to paragraph 6.64 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 condition we identified, as well as the related criteria, context, causes, effects, and our specific recommendations for improvement.

Prior Year Findings:

FY24	FY23
Redacted	Redacted

Type of Finding: Significant deficiency

Corrective Active Plan: See F-29

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 25-1109-05)

(2025-060)

Title: Internal control over the Adoption Assistance eligibility and benefit determination process needs improvement

Prior Year Findings:

FY24	FY23
2024-064	2023-088

State Department: Health and Human Services

State Bureau: Office of Child and Family Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Adoption Assistance – Title IV-E

Assistance Listing Number: 93.659

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Significant deficiency
Questioned costs

Known Questioned Costs: \$1,645

Likely Questioned Costs: Undeterminable; the Office of the State Auditor (OSA) selected a sample of clients who received Title IV-E benefits during fiscal year 2025 and identified known questioned costs for 1 client based on various eligibility attributes. Since each exception is unique to the client, a projection of questioned costs cannot be reasonably estimated.

Criteria: 2 CFR 200.303; 2 CFR 200.403; 45 CFR 1356.40

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

To be allowable under Federal awards, costs must be necessary and reasonable for the performance of the Federal award and be adequately documented.

The State is allowed to pay a portion of the Federal Adoption Assistance maintenance payments and claim Federal financial participation for Title IV-E eligible clients.

Condition: The Adoption Assistance – Title IV-E (Adoption Assistance) program provides Federal funds to states to facilitate the timely placement of children, whose special needs or circumstances would otherwise make them difficult to place, with adoptive families. Funds are available for a one-time payment to assist with the costs of adopting a child as well as for subsidies to adoptive families to assist with the care of the eligible child on an ongoing basis. The Office of Child and Family Services (OCFS) administers the Adoption Assistance program for the State.

OCFS financial resource specialists (FRS) are responsible for determining program eligibility and initiating benefits. The FRS uses the Adoption Assistance Checklist to ensure that program eligibility factors, required supporting information, and final determination for Federal Adoption Assistance benefits are obtained and documented.

Once the client is determined eligible in the child welfare information system, a daily rate is negotiated by OCFS and the adoptive parents at a rate that does not exceed what the client would qualify for under the Foster Care – Title IV-E program (Foster Care).

OSA tested 60 client benefit payments and identified that:

- 1 adoptive parent continued to receive Adoption Assistance maintenance payments after OCFS was informed that the client moved out of the home. In addition, the client's clothing allowance payment was erroneously sent to the individual they were living with at the time of issuance instead of the adoption placement. The client received a daily Adoption Assistance rate of \$26.25, resulting in questioned costs of \$1,645 during fiscal year 2025.
- 1 client, who was eligible for Adoption Assistance, erroneously received a State-funded Foster Care childcare payment while also receiving Federally-funded Adoption Assistance childcare payments during fiscal year 2025.
- 1 client, who was eligible for Adoption Assistance, erroneously received 2 weeks of State-funded Foster Care maintenance payments while also receiving Federally-funded Adoption Assistance maintenance payments during fiscal year 2025.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, the State provided approximately 4,500 Adoption Assistance clients with \$25.5 million in Federal benefits.

Cause:

- Lack of adequate policies and procedures over verification and accuracy of benefit determinations and associated Adoption Assistance payments
- Lack of supervisory oversight

Effect:

- Known questioned costs
- Potential future questioned costs and disallowances
- Noncompliance with Federal and State regulations

Recommendation: We recommend that the Department enhance policies and procedures and increase oversight to ensure the accuracy of eligibility and benefit determinations, and verify that benefit payments are made in accordance with Federal regulations.

Corrective Action Plan: See F-29

Management's Response: The Department agrees with this finding. The Department will develop training information for distribution to child welfare staff defining steps for them to take when they discover that a child in an adoption assistance agreement is no longer receiving support

from the adoptive parents. These steps will raise the information to the OCFS Adoption Unit Manager's attention so they can take appropriate actions.

Contact: Denise Merrill, Manager of Child Welfare Statewide Programs, OCFS, DHHS, 207-822-2255

(State Number: 25-1110-01)

(2025-061)

Title: Internal control over Medicaid Nursing Facility audits needs improvement

Prior Year Findings:

FY24	FY23	FY22	FY21	FY20	FY19	FY18
2024-067	2023-091	2022-080	2021-050	2020-048	2019-047	2018-049

State Department: Health and Human Services

State Bureau: Division of Audit

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Medicaid Cluster

Assistance Listing Number: 93.775, 93.777, 93.778

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Special tests and provisions

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 42 CFR 447.253(g); MaineCare Benefits Manual, Chapter III, Section 67

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department is required to provide for the periodic audits of the financial and statistical records of participating providers.

The MaineCare Benefits Manual (MCBM) Chapter III, Section 67 outlines the documentation and support required to be included in a provider's annual cost report filing submission to the Division of Audit. The Division of Audit's requirements for reviewing the cost reports and performing uniform desk reviews is also outlined. Section 67 states that the Division of Audit must perform a uniform desk review on each Nursing Facility (NF) cost report submission within 365 days of receipt of an acceptable cost report filing.

Condition: For each participating Long Term Care Facility, the Department must provide for the filing of uniform cost reports in order to establish payment rates and must provide for the periodic audits of financial and statistical records. The specific audit requirements will be established by the State plan. The MCBM states uniform desk reviews shall be completed within 365 days after receipt of an acceptable cost report filing, including financial statements and other information requested from the provider, except in unusual situations including, but not limited to, delays in obtaining necessary information from a provider. Unless the Division of Audit intends to schedule

an on-site audit or an unusual situation referenced above exists, a written summary report of findings and adjustments shall be issued upon completion of the uniform desk review.

The Division of Audit did not complete NF audits in accordance with Federal regulations. The population of NF uniform desk reviews due for completion in fiscal year 2025 was 88. Of those 88 uniform desk reviews, none were completed at the time of audit testing in October 2025.

Context: During fiscal year 2025, the Department:

- provided \$270.4 million in Federal Medicaid funding and \$112.0 million in State Medicaid funding to NFs.
- completed 61 NF uniform desk reviews related to prior fiscal years.

Cause: Lack of resources

Effect:

- Noncompliance with Federal and State regulations
- The determination of amounts owed to or from NFs is delayed.

Recommendation: We recommend that the Department reallocate resources to address the backlog of NF uniform desk reviews. Timely audit issuance will minimize the impact on providers of potential payables and receivables.

Corrective Action Plan: See F-30

Management's Response: The Department agrees with this finding. Progress toward compliance is taking longer than expected due to continued difficulty in hiring staff and the completion of COVID related audit work. The COVID audit work is still hindering the audit process. However, recent changes to the Nursing Facility reimbursement methodology, effective January 1, 2025, reduce the amount of testing required in these audits.

Contact: Herb Downs, Director, Division of Audit, DHHS, 207-287-2403

(State Number: 25-1106-01)

(2025-062)

Title: Internal control over Medicaid drug rebates needs improvement

Prior Year Findings:

FY24	FY23
2024-070	2023-094

State Department: Health and Human Services

State Bureau: Office of MaineCare Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Medicaid Cluster

Assistance Listing Number: 93.775, 93.777, 93.778

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; Section 1927 of the Social Security Act (42 USC 1396r-8)

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Section 1927 of the Social Security Act requires manufacturers that wish to have their outpatient drugs covered by Medicaid to enter into an agreement with the Centers for Medicare & Medicaid Services (CMS), under which the manufacturers agree to pay rebates for drugs dispensed and paid for by the State Medicaid agencies under the State plan. Drug rebates are shared between the State and Federal government.

Condition: Drug manufacturers are required to submit a list of all covered outpatient drugs, along with each drug's average manufacturer price and "best price" to CMS. Utilizing this information, CMS calculates a unit rebate amount (URA) for each covered outpatient drug and provides the amounts to the State on a quarterly basis. The Department is required to maintain drug utilization data that identifies, by National Drug Code (NDC), the number of units of each covered outpatient drug for which the Department has paid pharmacy providers. The utilization data is provided to CMS and the manufacturers. The number of dispensed units is applied to the URA to determine the rebate amount due from each manufacturer. The State contracts with a vendor to calculate the drug rebate amounts and invoice manufacturers for drug rebates.

The Office of the State Auditor (OSA) identified that the Department does not have adequate procedures in place to ensure the accuracy and completeness of the drug rebate amounts invoiced by the vendor. Audit procedures identified that:

- prior to issuing invoices, the Department reviews a sample of 10 invoices to ensure the drugs are rebatable and accurately calculated; however, the invoices are judgmentally selected and not based on risk.
- though the Department reviews invoiced drug rebates for reasonableness, this review is performed at a summary level and after the invoicing cycle.

Context: In fiscal year 2025, the State invoiced approximately \$300 million for rebatable drugs.

Cause:

- Lack of adequate procedures
- Lack of supervisory oversight

Effect:

- Inaccurate or incomplete invoicing of drug rebates would result in overpayments or underpayments to the State and Federal government.
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department implement procedures to confirm the drug rebate amounts calculated and invoiced by the vendor are accurate and complete. These procedures should occur prior to issuing invoices and provide adequate coverage of the drug rebates invoiced, including:

- validating that only rebatable drugs are invoiced;
- verifying that all rebatable drugs are included for invoicing;
- comparing drug utilization data to the number of dispensed units invoiced; and
- corroborating the correct URA is applied to each NDC.

This will ensure that correct drug rebate amounts are returned to the State and Federal government.

Corrective Action Plan: See F-30

Management's Response: The Department disagrees with this finding. Drug Rebate pre-invoicing and post-invoicing is completed quarterly. As demonstrated during walkthroughs and during our meetings Maine completes specific tasks to ensure accuracy of the invoicing process. The pre-invoicing and post-invoicing procedures are documented in the Pharmacy Rebate Information Management System (PRIMS) Desk Level Procedure (DLP).

The pre-invoicing work is performed by the State that compares drug utilization data to the number of dispensed units invoiced. Upon the completion of the pre-invoicing review approval is provided to the vendor allowing them to continue with the invoicing process.

There is no requirement on how we select our sample of invoices to review. Based on OSA noting no exceptions to the drug rebate amounts, our system in place to review invoiced drug rebates is functioning as intended.

Contact: Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

Auditor's Concluding Remarks: The procedures mentioned in Management's Response only address whether the drug rebate information presented by the vendor for invoicing by the Department is reasonable. The Department's procedures do not independently substantiate that all rebatable drugs are included for invoicing. Furthermore, the existing invoice review procedures address only a limited number of invoices and dispensed units, are performed at a summary level, and do not consider risk factors. As a result, the Department does not have adequate assurance that all rebatable drugs are invoiced accurately and completely.

The finding remains as stated.

(State Number: 25-1106-05)

(2025-063)

Title: Internal control over Medicaid SEFA reporting needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services

State Bureau: Health and Human Services Service Center

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Medicaid Cluster

Assistance Listing Number: 93.775, 93.777, 93.778

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.510

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the State's financial statements which must include the total Federal awards expended. At a minimum, the SEFA must include the total amount provided to subrecipients from each Federal program.

Condition: The Department of Health and Human Services' Service Center must complete and submit exhibits and related schedules to the Office of the State Controller (OSC) at the close of each fiscal year to report Federal award information for inclusion on the State's SEFA. OSC is responsible for compiling this information on behalf of the State.

The Office of the State Auditor reviewed amounts reported on the SEFA and identified \$11.8 million of Federal expenditures incorrectly reported as amounts provided to subrecipients that should have been reported as direct expenditures. OSC subsequently corrected the SEFA.

Context: In fiscal year 2025, Federal Medicaid expenditures totaled \$3.4 billion.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect: Inaccurate reporting of expenditure amounts on the SEFA, which is submitted to the Federal government, may result in incorrect information used for programmatic, policy, or statistical purposes.

Recommendation: We recommend that the Department implement policies and procedures to ensure expenditures are appropriately classified and reported on the SEFA.

Corrective Action Plan: See F-31

Management's Response: The DHHS and the DHHS Financial Service Center agree with this finding. The DHHS Financial Service Center will update policies and procedures to ensure expenditures are appropriately classified and reported on the SEFA by February 2026.

Contact: Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626

(State Number: 25-1106-03)

(2025-064)

Title: Internal control over Medicaid utilization control needs improvement

Prior Year Findings: None

State Department: Health and Human Services

State Bureau: Office of MaineCare Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Medicaid Cluster

Assistance Listing Number: 93.775, 93.777, 93.778

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 42 CFR 456.3 and .23

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Utilization control requirements are applicable to all services provided under a State plan. The State Medicaid Agency (SMA) must implement a statewide surveillance and utilization control program that provides for the oversight and monitoring of all services provided under the State plan, including procedures for ongoing post-payment review of all Medicaid services. The post-payment review must identify exceptions so that the SMA can correct misutilization practices of beneficiaries and providers on a timely basis.

Condition: The Department's Office of MaineCare Services' Program Integrity Unit (PIU) is responsible for implementing and monitoring the State's Medicaid utilization control (UC) program. A Medicaid UC program is a State-mandated, Federally-required system that monitors and manages the appropriateness, quality, and necessity of all medical services, and includes a sampling plan and post-payment review process designed to provide an ongoing evaluation of Medicaid beneficiaries and providers.

PIU's UC program includes a monthly sampling plan that relies on various data analytics. The results of the data analytics are reviewed to determine the extent of beneficiary or provider post-payment reviews. The Office of the State Auditor (OSA) reviewed PIU's policies and procedures, the monthly sampling plan, and a selection of post-payment review files, and performed data analytics to determine the appropriateness of the design and implementation of the UC program. PIU could not provide documentation of the methodology used to identify projects and post-payment reviews performed in relation to surveillance of all Medicaid services provided under the State plan.

Additionally, a sampling plan relying on data analytics as a source of post-payment review limits the scope of the UC program to only what can be identified through data anomalies. PIU's sampling plan does not document consideration of misutilization practices of beneficiaries or providers.

As a result, OSA could not determine the completeness of the UC program.

Context: In fiscal year 2025, the State paid \$3.2 billion to approximately 10,600 providers, including \$2.5 billion in Federal funds.

Cause: Lack of adequate policies and procedures

Effect: PIU's UC program may not provide adequate monitoring of all Medicaid services, resulting in potential noncompliance with Federal regulations.

Recommendation: We recommend that the Department document policies and procedures to ensure that PIU's UC program is designed to provide ongoing monitoring and evaluation of all Medicaid services provided under the State plan, and that documentation to support the extent of such monitoring is properly maintained.

Corrective Action Plan: See F-31

Management's Response: The Department disagrees with this finding. This finding represents a misunderstanding of the applicable federal regulations and the state entity responsible for compliance. A Utilization Control (UC) program is the responsibility of the State Medicaid Agency as a whole, not the Program Integrity Unit (PIU). Additionally, there are many more federal regulations governing UC programs than cited by the Office of State Auditor (OSA) in the finding and touch on a host of controls that were not reviewed or considered in this audit. Moreover, the OSA appears to be basing findings on interpretations that are unsupported by the regulatory text cited.

Second, the OSA confuses PIU's annual review plan (a yearly plan of focused program integrity areas of focus and review) with an agency-wide UC program: these are not the same, nor are they required to be. The Department's current processes for PIU's annual review plan were implemented in response to OSA findings in 2015 relating to an OSA finding that the Department was not fully utilizing available data analytics. In the intervening years, the OSA has not found Program Integrity's annual review plan, or the process of developing the plan, to be deficient. There has been no change in the Department's process or the regulation to justify the OSA's newly found position here. The OSA's criticism of PIU's use of data analytics contradicts a prior OSA findings on data analytics use, is contrary to accepted Department adjustments made in response, and represents a significant departure from federal guidance and industry standards around best practices for leveraging data analytics to prevent and detect improper payments and/or utilization. The PIU's annual review plan supplements post-payment reviews that PIU conducts based upon complaints and referrals.

Finally, this finding's singular focus on PIU's annual review plan fails to account for a myriad of other systems and processes the Department has in place to monitor utilization, including, but not limited to:

1. A contracted vendor (HMS) performing post-payment reviews of hospitals, nursing facilities, and other long-term care facilities;
2. MaineCare's Case Mix unit - performing look back reviews of documentation and services in nursing facilities and other long-term care units;
3. A contracted vendor (Acentra) reviewing authorization requests for behavioral health services and continuing stay reviews of services at designated intervals;
4. A contracted vendor (Maximus) that performs assessments and authorizations for nursing and personal care services;
5. A contracted vendor (Optum) that performs prior authorization reviews for pharmacy services and produces a variety of reports on drug utilization;
6. Fiscal intermediaries performing oversight and administrative support for self-directed services;
7. State staff who review and approve plans of care for Home and Community Based Waiver Services and conduct quality reviews of providers;
8. State staff performing quality assurance reviews of providers of mental and behavioral health services;
9. State staff monitoring and addressing inappropriate emergency department usage by beneficiaries; and
10. State staff with oversight and performing qualitative and quantitative reviews of a variety of programs operated under delivery service reform, including: Accountable Communities, Behavioral Health Homes, Certified Community Behavioral Health Clinics, Community Care Teams, MaineMOM, Opioid Health Homes, and Primary Care Plus.
11. State and contracted vendor (Gainwell) staff reviewing medical necessity and other allowability for medical services requiring prior authorization for initial requests and renewals.
12. A CMS-compliant Electronic Visit Verification (EVV) system, in accordance with Section 12006 of the 21st Century Cures Act, that ensures payment for applicable services is tied to an EVV record demonstrating that the service occurred; data from the system also contributes to post-payment reviews for applicable services.

Contact: Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093

Auditor's Concluding Remarks: PIU's Policy and Procedure Handbook identifies PIU as the office responsible for ensuring the Medicaid program is in compliance with 42 CFR 456.3 and .23; these Federal requirements reference procedures that directly correlate to the data analysis and post-payment review processes performed by PIU.

In response to the Department's criticism of OSA's approach, OSA develops an audit plan annually, independent of prior year audit procedures or results, in response to risks affecting each audit. In fiscal year 2025, OSA's procedures performed over UC requirements were tailored in response to identified risks and were not intended to support audit results from prior years. Fiscal year 2025 procedures identified a population of Medicaid providers for which PIU could not provide documentation to support the performance of adequate monitoring. For these providers

and services, the Department did not provide evidence of utilization control review procedures included in the “other systems and processes” listed in Management’s Response.

The finding remains as stated.

(State Number: 25-1106-04)

(2025-065)

Title: Internal control over Medicaid procurement needs improvement

Prior Year Findings: None

State Department: Administrative and Financial Services
Health and Human Services

State Bureau: Office of State Procurement Services
Division of Contract Management
Office of MaineCare Services

Federal Agency: U.S. Department of Health and Human Services

Assistance Listing Title: Medicaid Cluster

Assistance Listing Number: 93.775, 93.777, 93.778

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.317; 5 MRSA 1825-B and D; Office of State Procurement Services (OSPS) policies

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must follow the same policies and procedures it uses for procurements with non-Federal funds.

Awards shall be made to the best-value bidder, taking into consideration the best interest of the State. The requirement to competitively bid a contract may be waived if specific criteria is met, including the item or service can only be procured from one source or it is an emergency procurement. Each bid, with the name of the bidder, must be entered on record. Each record, with the successful bid indicated, must be open to public inspection after the letting of the contract. The Department must justify the selection of vendor, either through competitive or noncompetitive process, and provide a detailed explanation of cost, demonstrating how the best value for the State is ensured.

The Chief Procurement Officer shall make the public aware of contracts and grants for which bids are being requested and communicate the procedure used in reviewing bids.

Contracts must be submitted to OSPS at least 14 days prior to the contract start date. A Notice of Intent to Waive the Competitive Bidding Process (NOI) must be posted to the OSPS website for 7 calendar days prior to the start of a noncompetitively bid contract.

Condition: The Medicaid program is administered by the Office of MaineCare Services (OMS). OSPS is the central oversight agency for all State procurement. The Department of Health and Human Services (DHHS) Division of Contract Management (DCM) oversees the solicitation and contract implementation for all DHHS procurement. DCM coordinates with DHHS program personnel to evaluate and select vendors and subrecipients, determine contract terms, and provide required documentation to OSPS. OSPS is responsible for reviewing and approving Procurement Justification Forms (PJFs) submitted by DCM on behalf of program personnel prior to the award of contracts. The PJF represents program personnel's assertion that the selected procurement method is appropriate under applicable State and Federal requirements, and that required evaluation procedures have been performed. OSPS must publicly post a NOI for all procurements over \$10,000 entered into without a competitive process for a minimum of 7 calendar days prior to the start of the contract. The NOI includes the signed PJF provided to OSPS by DCM.

The Office of the State Auditor (OSA) tested 26 contracts, 6 procured competitively and 20 procured noncompetitively, that accounted for \$42.8 million of the \$91.3 million in Medicaid procurement-related transactions in fiscal year 2025 and found:

- PJFs were reviewed for reasonableness by DCM and OSPS, but DHHS could not provide documentation to support the assertions made by OMS were accurate.
- for 18 contracts, DCM provided the PJF to OSPS for their review after the contract had commenced, between 5 and 152 days after the contract start date. For 18 contracts, OSPS approved the PJF after the contract commenced, between 7 and 182 days after the contract start date. For 2 contracts, documentary evidence of PJF approval by OSPS could not be provided.
- for 9 noncompetitive contracts, OSPS posted the NOI after contract performance had commenced, between 7 and 169 days after the contract start date. For 7 of these contracts, services had been initiated and financial obligations incurred prior to the NOI.

OSA utilized a risk-based approach to select 6 contracts issued by OMS and a non-statistical random sample of all other contracts.

Context: In fiscal year 2025, the Department expended \$91.3 million in procurement-related transactions from Medicaid funds of \$3.4 billion.

Cause:

- Lack of adequate policies and procedures
- Lack of supervisory oversight

Effect:

- Potential questioned costs and future disallowances
- Noncompliance with Federal and State procurement requirements, including NOI posting requirements, could result in the need to void a contract or exposure to legal proceedings.

Recommendation: We recommend that OSPS:

- increase agency awareness of the procedures related to the timing of procurement contract documentation being submitted to OSPS for review prior to the contract start date; and

- finalize and implement an updated procurement policy and procedure manual that identifies the parties responsible for key aspects of the procurement process.

We also recommend that DCM and OMS develop policies and procedures and increase oversight to ensure all procurement transactions comply with Federal and State requirements, including:

- DCM obtaining and reviewing documentation to support the assertions made by OMS for accuracy and reasonableness; and
- ensuring PJFs are completed, reviewed, and submitted to OSPS prior to the contract start date.

Corrective Action Plan: See F-32

Management's Response:

DAFS Response: The Department agrees with this finding. OSPS does not authorize, encourage, or approve agencies allowing vendors to perform work at risk. However, OSPS also does not delay review and approval solely due to contract start-date issues, as doing so would increase the State's risk exposure, potentially disrupt federally required programs, and hinder agencies' compliance with federal period-of-performance requirements.

To address these concerns, OSPS will formalize and issue policy guidance that clearly defines agency and OSPS roles and responsibilities in the contracting process. This guidance will expand the agency-focused section to emphasize timely submission and processing, along with the risks and implications associated with contracting delays.

In advance of fiscal year-end, OSPS will issue a separate policy document and companion guidance as a spotlight topic in the monthly newsletter and posted to the intranet for agency reference.

DAFS Contact: David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335

DHHS Response: The Department partially agrees with this finding.

There is not a requirement to provide documentation that the Department personnel's assertions are accurate regarding Department personnel's review of PJFs.

The Department agrees that it can improve the timing of procurement documents in relation to the start dates of the contracts. Extenuating circumstances exist periodically that prevent the timeliness of these documents. In some cases, there are delays in the grant approval at the Federal level. Delays in Legislative approval of budgets can also lead to procurement documentation delays.

DHHS Contact: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075

Auditor's Concluding Remarks: 2 CFR 200.303 requires the Department to establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that

the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Absent adequate documentation to support the veracity of the assertions made on the PJF by program personnel, the best value for the State cannot be ensured.

The finding remains as stated.

(State Number: 25-1106-06)

(2025-066) Confidential finding, see below for more information

Title: _____

Pursuant to paragraph 6.64 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 condition we identified, as well as the related criteria, context, causes, effects, and our specific recommendations for improvement.

Prior Year Findings:

FY24
Redacted

Type of Finding: Significant deficiency

Corrective Active Plan: See F-33

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 25-0900-02)

(2025-067) Confidential finding, see below for more information

Title: _____

Pursuant to paragraph 6.64 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 condition we identified, as well as the related criteria, context, causes, effects, and our specific recommendations for improvement.

Prior Year Findings: None

Type of Finding: Significant deficiency

Corrective Active Plan: See F-33

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 25-0900-03)

(2025-068) Confidential finding, see below for more information

Title: _____

Pursuant to paragraph 6.64 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 condition we identified, as well as the related criteria, context, causes, effects, and our specific recommendations for improvement.

Prior Year Findings: None

Type of Finding: Significant deficiency

Corrective Active Plan: See F-34

Contact: Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423

(State Number: 25-0900-04)

(2025-069)

Title: Internal control over DG – PA program special reporting needs improvement

Prior Year Findings:

FY24	FY23	FY22	FY21
2024-073	2023-096	2022-091	2021-062

State Department: Defense, Veterans and Emergency Management

State Bureau: Maine Emergency Management Agency

Federal Agency: U.S. Department of Homeland Security

Assistance Listing Title: Disaster Grants – Public Assistance
(Presidentially Declared Disasters) (COVID-19)

Assistance Listing Number: 97.036

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Reporting

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 170

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

Agencies must report each subaward that equals or exceeds the first-tier subaward threshold of \$30,000 in Federal funds in the public-facing Federal Funding Accountability and Transparency Act (FFATA) System for Award Management (SAM).

Condition: When an amount exceeding the first-tier subaward threshold is awarded to a subrecipient of the Disaster Grants – Public Assistance (DG – PA) program, Maine Emergency Management Agency (MEMA) must collect and enter data into SAM.

The Office of the State Auditor (OSA) tested 60 DG – PA program subawards totaling \$16,759,534 that exceeded the first-tier subaward threshold. Federal regulations require the following information for identified noncompliance to be included in FFATA findings:

- 11 subawards totaling \$4,106,246 were not reported;
- 60 subawards totaling \$16,759,534 were not reported timely;
- 10 subaward amounts were reported incorrectly; and
- 49 subawards reported incorrect key data elements.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, MEMA was required to report 574 first-tier subawards totaling \$135.6 million under the DG – PA program. First-tier subawards account for 84 percent of the program’s fiscal year 2025 expenditures.

Cause: Lack of resources

Effect:

- Noncompliance with Federal regulations
- Accurate first-tier subaward information for the DG – PA program was not reported to the Federal government timely and included inaccurate or incomplete information. This information may be used for programmatic, policy, or statistical purposes.

Recommendation: We recommend that the Department allocate resources to ensure that first-tier subawards are reported accurately, timely, and in accordance with Federal regulations.

Corrective Action Plan: See F-34

Management’s Response: The Department agrees with this finding. Corrective action was implemented beginning in November of 2025.

Untimely or missing reports were primarily due to staff turnover in the agency, which has been remedied by successful recruitment efforts. Incorrect data elements were attributed to an ineffective element of the prior reporting process, which increased the reporting burden by tasking staff with creating ad-hoc unique identifiers rather than using existing unique identifiers. In the monthly reporting process since November 2025, federally assigned project numbers are used to distinctly identify each subaward, and reporting personnel retrieve obligation reports directly from the relevant federal system, minimizing the overall staff burden in reporting.

Contact: Sunny Cyr, MEMA Business Office Director, DVEM, 207-707-2507

(State Number: 25-1502-03)

(2025-070)

Title: Internal control over DG – PA program financial reporting needs improvement

Prior Year Findings:

FY24
2024-075

State Department: Defense, Veterans and Emergency Management

State Bureau: Maine Emergency Management Agency

Federal Agency: U.S. Department of Homeland Security

Assistance Listing Title: Disaster Grants – Public Assistance
(Presidentially Declared Disasters) (COVID-19)

Assistance Listing Number: 97.036

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.302

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must maintain accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with reporting requirements.

Condition: The Maine Emergency Management Agency (MEMA) administers the Disaster Grants – Public Assistance (DG – PA) program for the State. MEMA is required to submit quarterly DG – PA program Federal Financial Reports (FFRs) to the Federal Emergency Management Agency (FEMA) Regional Office. FFRs provide FEMA with the status of funds for the award, Federal expenditures, and cost-sharing requirements.

The Office of the State Auditor (OSA) tested 7 FFRs due in fiscal year 2025 and found deficiencies in 6, as follows:

- 1 FFR inaccurately reported total Federal funds authorized as \$442,026,321 when the correct total was \$442,015,638, and the recipient share of expenditures as \$19,499,834 when the correct share was \$7,338,371;
- 1 FFR inaccurately reported total Federal funds authorized as \$16,582,190 when the correct total was \$16,560,302, and the recipient share of expenditures as \$13,249,493 when the correct share was \$5,367,072;

- 1 FFR inaccurately reported total Federal funds authorized as \$17,805,320 when the correct total was \$17,142,335;
- 1 FFR inaccurately reported the recipient share of expenditures as \$13,077,332 when the correct share was \$13,081,295;
- 1 FFR inaccurately reported the recipient share of expenditures as \$4,698,599 when the correct share was \$3,893,046; and
- 1 FFR inaccurately reported the recipient share of expenditures as \$778,776 when the correct share was \$199,157.

OSA selected a non-statistical random sample.

Context: During fiscal year 2025, 45 FFRs were required to be filed by MEMA for the DG – PA program.

Cause:

- Lack of adequate policies and procedures to ensure data used for financial reporting is complete and accurate
- Lack of supervisory oversight

Effect:

- Noncompliance with Federal reporting requirements
- Inaccurate tracking of subawards may result in noncompliance with Federal matching requirements.

Recommendation: We recommend that MEMA enhance policies and procedures to ensure that FFRs are accurate and include all required information for compliance with Federal reporting requirements.

Corrective Action Plan: See F-34

Management's Response: The Department agrees with this finding. The Department will publish and implement a revised Federal Financial Reporting procedure to fully preserve reporting/validation source material and clearly document the justification for any variances from the source material.

Contact: Sunny Cyr, MEMA Business Office Director, DVEM, 207-707-2507

(State Number: 25-1502-04)

(2025-071)

Title: Internal control over DG – PA program subrecipient audit procedures needs improvement

Prior Year Findings: None

State Department: Defense, Veterans and Emergency Management

State Bureau: Maine Emergency Management Agency

Federal Agency: U.S. Department of Homeland Security

Assistance Listing Title: Disaster Grants – Public Assistance
(Presidentially Declared Disasters) (COVID-19)

Assistance Listing Number: 97.036

Federal Award Identification Number: See E-65 to E-66

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Criteria: 2 CFR 200.303; 2 CFR 200.332; 2 CFR 200.521

The Department must establish, document, and maintain effective internal control over Federal awards that provides reasonable assurance that the Department is managing awards in compliance with Federal statutes, regulations, and the terms and conditions of awards.

The Department must follow up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.

The Department must issue a management decision for audit findings that relate to Federal awards provided to the subrecipient within 6 months of acceptance of the audit report by the Federal Audit Clearinghouse (FAC).

Condition: The Maine Emergency Management Agency (MEMA) administers the Disaster Grants – Public Assistance (DG – PA) program for the State. MEMA is required to verify and document that Single Audits have been completed in the FAC and issue a management decision for audit findings related to awards to subrecipients. The Office of the State Auditor (OSA) tested 4 DG – PA program subrecipients subject to Single Audit requirements and found that documentation of review for 2 subrecipients could not be provided.

OSA selected a non-statistical random sample.

Context: In fiscal year 2025, the Department expended \$160.5 million in DG – PA program funds, of which \$154.6 million was provided to 27 subrecipients.

Cause:

- Lack of supervisory oversight
- Lack of adequate policies and procedures

Effect:

- Noncompliance with Federal regulations
- Subrecipients not complying with Federal statutes, regulations, or the terms and conditions of subawards may not be implementing appropriate corrective action in response to audit findings.

Recommendation: We recommend that the Department enhance policies and procedures to ensure that adequate documentation is maintained and that subrecipient audits are received, reviewed, and appropriate action is taken in response to audit findings.

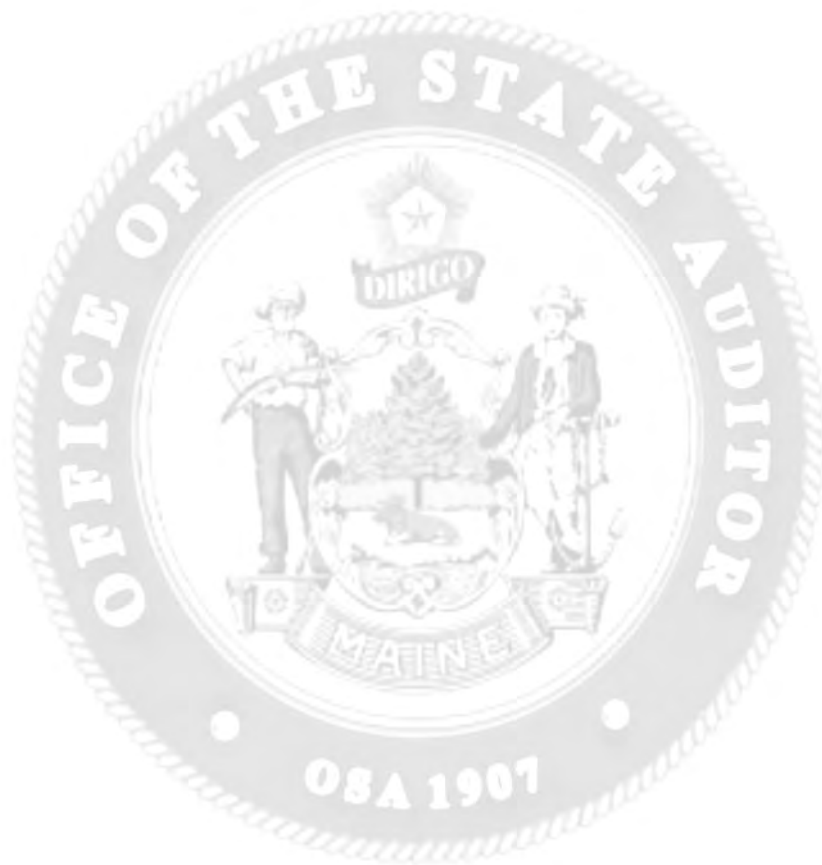
Corrective Action Plan: See F-34

Management's Response: The Department agrees with this finding. The Department will publish and implement an updated subrecipient monitoring procedure to require more extensive and narrative documentation of the single audit review process, including:

- a list of subrecipients required to file a single audit report for a given audit year
- whether or not an audit had been filed as of the review date
- analysis of audit findings as relevant
- summary of required actions per the subrecipient monitoring procedure, and/or updates on actions/communications since the prior review period as relevant

Contact: Sunny Cyr, MEMA Business Office Director, DVEM, 207-707-2507

(State Number: 25-1502-05)



**STATE OF MAINE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2025**





STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
OFFICE OF THE STATE CONTROLLER
14 STATE HOUSE STATION AUGUSTA, MAINE 04333-0014

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

ELAINE CLARK
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA
STATE CONTROLLER

CORRECTIVE ACTION PLAN
Fiscal Year Ended June 30, 2025

Corrective Action Plan

The *Corrective Action Plan* (CAP) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of this report is to document the corrective action steps that will be completed in response to each Single Audit Report finding, identify the individual(s) responsible for ensuring that corrective action is completed, and to provide an anticipated date for complete implementation of corrective action. The CAP complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up, (c) Corrective Action Plan.

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Finding Number	Corrective Action Plan	
2025-001	Department:	Labor Administrative and Financial Services
	Title:	Internal control over Paid Family and Medical Leave Fund financial reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Security and Employment Service Center (SESC):</i> The Department and the SESC will work together to determine an appropriate manner of determining the accounts receivable balance. <i>Office of the State Controller (OSC):</i> Procedures will be updated to include Paid Family Medical Leave fund in the Treasures Cash Pool analysis.
	Completion Date:	June 30, 2026
	Agency Contact:	<i>SESC:</i> Marilyn Leimbach, Director, Security and Employment Service Center, DFPS, DAFS, 207-248-2556 <i>OSC:</i> Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431
2025-002	Department:	Administrative and Financial Services
	Title:	Internal control over financial reporting related to individual income taxes needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Office of the State Controller (OSC):</i> The following steps can be added to our year-end process to help identify any significant changes. • The Department can perform additional analytical reviews of the accruals/balances to identify any large swings, which would provide some assurance that any material change is noted and reviewed. • The Department can instruct MRS to notify us of any changes in their accrual or estimation methodologies. <i>Maine Revenue Services (MRS):</i> The Department's Accounting Unit will work with the Revenue Forecasting Committee (RFC) and MRS' Econometrics Unit to obtain separate budgetary amounts for Individual Income Tax Final Payments, and Individual Income Tax Estimate Payments. The Department's Accounting Unit will work with the MRS Econometrics Unit to obtain a historical trend for each Individual Income Tax Final Payments, and Individual Income Tax Estimate Payments owed to the State but received after fiscal year end. The Department's Accounting Unit will work with the MRS Econometrics Unit and production support staff for the STARS system to obtain separate revenue amounts for Individual Income Tax Final Payments, and Individual Income Tax Estimate Payments received in the prior fiscal year, and July and August of the current fiscal year. The Department's Accounting Unit will analyze the historical trends for each Individual Income Tax Final Payments, and Individual Income Tax Estimate Payments and along with the Office of the State Controller (OSC), determine an appropriate methodology to be used in the calculation of deferred inflows of resources for the State's financial statements.

Finding Number	Corrective Action Plan	
		The Department's will forward the results of the deferred inflow calculations along with supporting documentation to OSC. On an annual basis, the Department's Accounting Unit will analyze the historical trends for each Individual Income Tax Final Payments, and Individual Income Tax Estimate Payments and determine if the methodology used in the calculation of deferred inflows of resources for the State's financial statements needs to be amended.
	Completion Date:	OSC: November 30, 2026 MRS: May 31, 2026 (first item), June 30, 2026 (second item), September 30, 2026 (third, fourth, and fifth items), and June 30, 2027 (sixth item)
	Agency Contact:	OSC Contact: April Newman, Public Service Coordinator II, OSC, 207-626-8436 MRS Contact: Derek Higgins, Director of Accounting/Financial Risk Manager, MRS, 207-441-5010
2025-003	Department:	Administrative and Financial Services
	Title:	Internal control over financial reporting of subscription-based information technology arrangements needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will review procedures and meet with the Office of State Procurement Services and MaineIT to collaborate on a solution.
	Completion Date:	June 30, 2026
	Agency Contact:	Jordan Kennedy, Financial Management Coordinator, OSC, DAFS, 207-626-8492
2025-004	Department:	Judicial Branch Administrative and Financial Services
	Title:	Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Judicial Branch provides the aging report and the Office of the State Controller (OSC) calculates the reserve. OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective as well as objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is conservative, not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC accumulates relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. OSC will continue to reserve 100% of all fines over 360 days old, which has been the acceptable method for many years until we receive an aging report from Judicial that provides an estimate or methodology for the calculation of the allowance.
	Completion Date:	N/A
	Agency Contact:	April Newman, Public Service Coordinator II, OSC, 207-626-8436

Finding Number	Corrective Action Plan	
2025-005	Department:	Labor Administrative and Financial Services
	Title:	Internal control over the valuations of the allowances for uncollectible Unemployment Insurance receivables needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Departments agree that detailed receivables reports should be generated and retained during the fiscal year. The OSC will provide guidance to the Department of Labor (DOL) to develop a reporting mechanism that will provide a more detailed analysis of the activity of the receivable balances. The OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgment is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns, and is not overly subjective or susceptible to bias. Applying this methodology, the OSC and the DOL accumulate relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. The OSC recently performed a five-year trend analysis of historical collections with information provided by the DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. The DOL implemented a new system and the OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.
	Completion Date:	N/A
	Agency Contact:	Stacey Thomas, Financial Management Coordinator, OSC, 207-626-8431
2025-006	Department:	Administrative and Financial Services
	Title:	Internal control over Lottery Fund financial reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will reconcile the Lucky for Life expired prize reserve. The Department will reconcile the Lucky for Life prize reserve.
	Completion Date:	January 31, 2026, and April 30, 2026, respectively
	Agency Contact:	Albert Gorneau, Director, General Government Service Center, DFPS, DAFS, 207-649-1436
2025-007	Department:	Administrative and Financial Services
	Title:	Internal control over Leased Services Fund financial reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will retrain employees responsible for the entry into Prolease to only enter base rent manually for the renewal periods and assure the reviewers are also confirming this was entered correctly.

Finding Number	Corrective Action Plan	
		The Department will reverse and reprocess all the entries on the 6 leases that were capitalized in SFY2025 and any that were processed in early SFY2026 in regard to GASB 87 to assure proper accounting. This may result in some of the leases no longer meeting the GASB 87 threshold set by the state.
	Completion Date:	December 1, 2025, and January 31, 2026, respectively
	Agency Contact:	Albert Gorneau, Director, General Government Service Center, DFPS, DAFS, 207- 649-1436
2025-008	Department:	Administrative and Financial Services Agriculture, Conservation and Forestry Defense, Veterans and Emergency Management
	Title:	Internal control over financial reporting of capital assets needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Corrections Service Center (CSC):</i> The Maine Department of Corrections and the CSC will work together to ensure improvement payments made during the fiscal year are correctly posted to the fixed asset record no later than the end of the fiscal year. <i>Natural Resources Service Center (NRSC):</i> The Department of Inland Fisheries and Wildlife and the NRSC will work to ensure all construction in progress payments are accurately recorded in fixed assets by the end of each fiscal year. <i>Department of Agriculture, Conservation and Forestry (DACF):</i> DACF will work with the NRSC to review all land and property currently in DACF's possession. <i>Department of Defense, Veterans and Emergency Management (DVEM):</i> The DVEM will coordinate with the proper people in Finance to provide training to accounting staff in all aspects and requirements pertaining to the fixed asset process at the department level.
	Completion Date:	CSC: June 30, 2026 NRSC: June 30, 2026 DACF: October 1, 2026 DVEM: September 30, 2025
	Agency Contact:	CSC: Mitchell Boynton, Director, Corrections Service Center, DAFS, 207-557-0791 NRSC: Gilbert M. Bilodeau, Director, Natural Resources Service Center, DAFS, 207-624-6363 DACF: Aimee Carlton, Business Operations Manager, DACF, 207-592-6129 DVEM: Joseph Wilson, Public Service Manager I, DVEM, 207-430-5696
2025-009	Department:	Administrative and Financial Services Health and Human Services Labor Professional and Financial Regulation
	Title:	Internal control over procurement and contract payment procedures needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required

Finding Number	Corrective Action Plan	
	Corrective Action:	<i>Department of Administrative and Financial Services (DAFS):</i> During the audit communication phase, OSPS completed an initial, contract-by-contract review and provided detailed explanations; however, those explanations were not incorporated into the revised drafts. Our review identified several systemic concerns within the three versions of finding communications, including reliance on non-authoritative and superseded guidance (such as the 2015 PPOM and outdated job descriptions used as policy criteria), inaccurate characterizations of OSPS review processes, use of non-representative or period-incorrect transactions, misunderstanding of operational recommendations as formal policy, and the misassignment of Accounts Payable responsibilities to OSPS despite the State's segregated control structure. Collectively, these inaccuracies lead to erroneous conclusions that do not reflect current procurement practices under the State's hybrid model. Although the audit approach and presentation of contracting activities represent a significant departure from historical practice and has created notable challenges in the review-response process, we do recognize opportunities to further strengthen clarity, enhance documentation detail, and reduce potential misinterpretation moving forward. The evaluation also underscores the importance of clearly communicating how Maine's hybrid procurement model operates effectively without the organizational structure or staffing levels of a fully centralized system. <i>Department of Health and Human Services (DHHS):</i> Due to the timing of when DHHS was notified of these audit exceptions, the number of bureaus involved, and the response deadline, DHHS currently cannot agree or disagree with this finding. These potential exceptions have been noted and will be addressed. <i>Department of Labor (DOL):</i> The Department disagrees with this finding. The Department of Labor has one procurement-related payment included in this finding and disagrees with the statement that no documentation was provided. The Department provided detailed information for the selected payment, including specific cost categories, monthly progress reports for the six service areas, and the applicable quarterly status report. <i>Professional and Financial Regulation (PFR):</i> The Department disagrees with this finding. For the two payments identified, the rates used were reviewed and confirmed to be accurate as evidenced by the signature on the invoices. While the Service Level Agreement with the underlying master agreement's negotiated rate was not immediately available at the time of review, this documentation is not the primary control used to ensure the accuracy of contract payment rates. The Department has established controls that provide reasonable assurance that the correct rates are consistently applied. Rate validation is performed by trained and knowledgeable supervisory level staff who are familiar with the long-standing rate structure, which has remained unchanged for many years. Additionally, rates are available on the daily Batch Reports within the Regulatory Licensing & Permitting site.
	Completion Date:	N/A
	Agency Contact:	<i>DAFS:</i> David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335 <i>DHHS:</i> Anthony Madden, Deputy Director of Audit, DHHS, 207-287-2834 <i>DOL:</i> Kimberly Smith, Deputy Commissioner, DOL, 207-621-5095 <i>PFR:</i> Rachel Hendsbee, Director Administrative Services, PFR, 207-624-8500

Finding Number	Corrective Action Plan	
2025-010	Department:	Redacted
	Title:	Redacted
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2026 (first, second and third items), September 1, 2026 (fourth item), July 31, 2026 (fifth item), November 30, 2026 (sixth item), and March 31, 2028 (seventh item)
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2025-011	Department:	Health and Human Services
	Title:	Internal control over SNAP eligibility determinations and benefit calculations needs improvement
	Questioned Costs:	Known: ALN 10.551 \$47,493 Likely: Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Department determined benefits issued beyond the end of the certification period were the result of several technological errors. The last of these errors was resolved in February 2026. We also receive a monthly report of cases that failed to close at the end of the certification period and manually correct those few cases each month. The Department is taking steps to do more of this verification in an attempt to reduce our Payment Error Rate. Initial guidance has been distributed. Verification of expenses (above) will also enhance the verification of identity, residence, and household composition The two questionable self employment cases were identified to be worker specific (not wide-spread) errors. We will follow up with workers as errors are identified
	Completion Date:	March 1, 2026 (first item), August 1, 2026 (second and third items), and April 1, 2026 (fourth item)
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481
2025-012	Department:	Health and Human Services
	Title:	Internal control over automated SNAP eligibility certification periods needs improvement
	Questioned Costs:	Known: ALN 10.551 \$7,658 Likely: ALN 10.551 Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Department has developed a process that identifies cases that have the wrong renewal date. Cases that are flagged as needing a six-month report but not having one scheduled by the system are manually worked to have the appointment added and the report sent out.

Finding Number	Corrective Action Plan	
		The Department has resolved the last of the identified technological problems in February 2026.
	Completion Date:	April 2, 2026, and March 1, 2026, respectively
	Agency Contact:	Michael E. Downs, Public Service Coordinator II – SNAP, DHHS, 207-592-4850
2025-013	Department:	Health and Human Services
	Title:	Internal control over EBT card security needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will ascertain from the EBT vendor when the SOC reports are published and when they will be furnished to the Department. The Department will schedule an appointment in Outlook for both the EBT Manager and EBT vendor to ensure the SOC reports are delivered by the due date. The Department has converted to a new EBT vendor so that Department staff are no longer receiving, storing, shredding, and remailing undelivered EBT cards. The Department will implement new procedures and complete a new SOP for the processing of EBT cards which have been reported by the vendor as undelivered.
	Completion Date:	March 31, 2026 (first and fourth items), April 30, 2026 (second item), and July 2025 (third item)
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481
2025-014	Department:	Health and Human Services
	Title:	Internal control over EBT reconciliation needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will request Technical Assistance From USDA-FNS on required reconciliation activities. (Completed) The Department will receive feedback and instruction from USDA-FNS. The Department will engage EBT vendor with potential reporting changes (if necessary). The Department will update EBT Reconciliation Procedures and implement changes.
	Completion Date:	February 26, 2026, April 30, 2026, May 31, 2026, and June 30, 2026, respectively
2025-015	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481
	Department:	Health and Human Services
	Title:	Internal control over SNAP deceased client cases needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress

Finding Number	Corrective Action Plan	
	Corrective Action:	The Office of Family Independence is automating the Center for Disease Control and Prevention (CDC) data feed and others as part of Pub. L. 119-21 Medicaid requirements. CDC data is scheduled to be fully automated by 8/1/26. The automation logic will enhance the matching to work despite spaces and special characters and add social security number matching logic.
	Completion Date:	August 1, 2026
	Agency Contact:	Michael E. Downs, Public Service Coordinator II – SNAP, DHHS, 207-592-4850
2025-016	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over SNAP procurement needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Department of Administrative and Financial Services (DAFS):</i> The Department will develop a specific policy document that balances agency authority/responsibility with procurement best practices regarding contract dates, clearly communicating risks and responsibilities. The Department will create a companion communication document to this policy document for distribution purposes. The Department will spotlight the policy and communication documents in the OSPS monthly electronic newsletter to all agencies. The Department will post the policy statement and communications documents on the OSPS intranet site. The Department will integrate the new content into the draft OSPS Policy Manual. The Department will release the related module in the new, updated, digital OSPS Policy Manual. <i>Department of Health and Human Services (DHHS):</i> The Department will collaborate with OSPS and program offices to implement procedures to ensure the timeliness of procurement documents.
	Completion Date:	<i>DAFS:</i> April 30, 2026 (first item), May 15, 2026 (second item), May 31, 2026 (third and fourth items), June 30, 2026 (fifth item), and September 30, 2026 (sixth item) <i>DHHS:</i> May 31, 2026
	Agency Contact:	<i>DAFS:</i> David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335 <i>DHHS:</i> Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2025-017	Department:	Health and Human Services
	Title:	Internal control over SNAP subrecipient monitoring procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress

Finding Number	Corrective Action Plan	
	Corrective Action:	The SNAP team currently prepares the Rider A (Scope of Work) and Payment Rider for contracts and submits them to the Division of Contract Management, which assembles all other riders, including those documenting federal Award Identification numbers and Assistance Listing titles and numbers, in a final agreement. The SNAP team will meet with DCM and request that a final draft of all contracts be sent to the SNAP team for review so that we can assure that all required information has been included in the contract.
	Completion Date:	June 1, 2026
	Agency Contact:	Patricia Dushuttle, Special Projects Manager - SNAP, DHHS, 207-215-0995
2025-018	Department:	Education
	Title:	Internal control over CNC eligibility needs improvement
	Questioned Costs:	Known: ALN 10.555 \$73,683 ALN 10.559 \$226,773 Likely: ALN 10.555 undeterminable ALN 10.559 undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Department will create a business requirements document for the SFSP site sheet and claims camp/closed enrolled eligibility edit checks. The Department will create a user guide to approve the site info sheet and apps to address oversite errors with the approval process. A financial eligibility edit check in the software will be implemented for program year 2026. A policy statement for non-congregate was a required document with an edit check in program year 2025.
	Completion Date:	March 2, 2026, April 30, 2026, April 15, 2026, and May 1, 2025, respectively
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2025-019	Department:	Education
	Title:	Internal control over CNC claim reimbursements needs improvement
	Questioned Costs:	Known: ALN 10.559 \$61,336 ALN 10.582 \$12,215 Likely: ALN 10.559 undeterminable ALN 10.582 undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Department will create a business requirements document for the SFSP site sheet and claims camp/closed enrolled eligibility edit checks. The non-congregate application now requires sponsors' to have a written procedure to address site proximity, this is captured in an offline form in the checklist document. The Department submitted a ticket to update the FNS report so it will collect the data needed. For the FFVP, a tracking procedure is in place for SFY 2026 to stay within the \$50-75/student rate. A spreadsheet is being used to track this information and has been implemented.

Finding Number	Corrective Action Plan	
	Completion Date:	March 4, 2026 (first item), June 30, 2025 (second and fourth items), and March 19, 2025 (third item)
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2025-020	Department:	Education
	Title:	Internal control over CNC subrecipient monitoring procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will review and monitor the tracking spreadsheet monthly. The Department will hold monthly meetings to ensure CNP web questions and tools are completed, and documents are saved in the appropriate location. The Department will conduct training with NSLP reviewers on expectations for saving documentation Conduct training with NSLP reviewers on how to answer SFSP procurement questions for schools. The Department will update the Special Provision 2 base year review and validation procedure to include where to save documents and show the completion in CNP web. The Special Provision 2 base year reviews will be included in Step 2, starting SFY 2027.
	Completion Date:	May 1, 2026 (first to third items), June 15, 2026 (fourth item), June 30, 2026 (fifth item), and October 30, 2026 (sixth item)
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2025-021	Department:	Education
	Title:	Internal control over CNC special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department has reported the previously unreported items through a batch upload process. The Department will review batch uploads for accuracy by the Director of Finance prior to submission, as was done under the previous reporting system.
	Completion Date:	August 31, 2025, and March 4, 2026, respectively
	Agency Contact:	Nicole Denis, Director of Finance, DOE, 207-530-2161
2025-022	Department:	Education
	Title:	Internal control over CNC donated food inventory needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will continue with monthly inventory check-ins with the vendor that were instituted beginning in SY25. This check-in reviews all items in the warehouse. If the monthly check-in variance is above 2% then the items will be manually counted at the warehouse.

Finding Number	Corrective Action Plan	
		The Department submitted a ticket for inventory errors, and it is monitored regularly.
	Completion Date:	June 30, 2025, October 1, 2026, and December 3, 2026, respectively
	Agency Contact:	Jane McLucas, Director of Child Nutrition, DOE, 207-624-6880
2025-023	Department:	Education
	Title:	Internal control over CNC subrecipient audit monitoring needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	Fiscal Review and Compliance Consultant: The Policy and Procedure manual will be updated to include regular monthly notifications in a system (such as Microsoft Outlook) to update the audit tracking spreadsheet for accuracy. Regionalization and Compliance Coordinator: The Policy and Procedure manual will be updated to add a step to set up regular monthly notifications in a system (such as Microsoft Outlook) for the supervisor to review the audit tracking spreadsheet for accuracy and completion.
	Completion Date:	April 30, 2026
	Agency Contact:	Nicole Denis, Director of Finance, DOE, 207-530-2161
2025-024	Department:	Redacted
	Title:	Redacted
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	August 30, 2026, and October 1, 2026, respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2025-025	Department:	Redacted
	Title:	Redacted
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with the finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	March 16, 2026 (first through fourth items), April 1, 2026 (fifth and sixth items), and June 1, 2026
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2025-026	Department:	Health and Human Services
	Title:	Internal control over Summer EBT eligibility needs improvement
	Questioned Costs:	Known; \$1,680

Finding Number	Corrective Action Plan	
		Likely: Undeterminable
	Status:	Corrective action complete
	Corrective Action:	Documentation and Records Retention: The Department replaced manual notification with automation through the statewide database. Database generated letters are both retained appropriately and easily retrievable for individual clients. Inaccurate certifications through database errors: Database cleanup and streamline certification logic updates were necessary to resolve inaccurate certifications. This process was completed prior to issuance for summer of 2025.
	Completion Date:	May 1, 2025
	Agency Contact:	Evan Denno, Program Manager – SNAP, DHHS, 207-446-3201
2025-027	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over Summer EBT procurement needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Department of Administrative and Financial Services (DAFS):</i> The Department will update related policies to balance agency authority/responsibility with procurement best practices, clearly communicating risks and responsibilities. The Department will integrate the new content into the draft OSPS Policy Manual. The Department will release related module in the new, updated, digital OSPS Policy Manual. <i>Department of Health and Human Services (DHHS):</i> The Department will collaborate with OSPS and program offices to implement procedures to ensure the timeliness of procurement documents.
	Completion Date:	<i>DAFS: May 31, 2026, June 30, 2026, and September 30, 2026, respectively</i> <i>DHHS: May 31, 2026</i>
	Agency Contact:	<i>DAFS:</i> David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335 <i>DHHS:</i> Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2025-028	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over National Guard cash management and the related financial reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will improve policies and procedures to follow up on outstanding reimbursement requests to facilitate a more timely reimbursements from the Federal government. The Department will improve policies and procedures, including reconciling reimbursement activity to the State's accounting system. The Department will improve and maintain effective internal control over Federal awards to provide reasonable assurance that the Department is

Finding Number	Corrective Action Plan	
		managing awards in compliance with federal statutes, regulations and the terms and conditions of awards.
		The Department will review, update and document supervisory oversight.
	Completion Date:	June 30, 2026 (first, second and third items), and May 30, 2026 (fourth item)
	Agency Contact:	Diane Dunn, Commissioner, DVEM, 207- 430-5158
2025-029	Department:	Defense, Veterans and Emergency Management Administrative and Financial Services
	Title:	Internal control over National Guard payroll costs needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Defense, Veterans and Emergency Management (DVEM):</i> The Department identified "agency heads" for the positions identified in the audit. The Department communicated to "agency heads" regarding the requirement to sign forms. <i>Department of Administrative and Financial Services (DAFS):</i> The Department will update the PMF guidance as part of ongoing modernization efforts. The Department will educate HR Staff in reviewing completed PMFs to ensure they are fully completed before processing.
	Completion Date:	<i>DVEM:</i> March 2026 <i>DAFS:</i> August 1, 2026, and October 1, 2026, respectively
	Agency Contact:	<i>DVEM:</i> Michelle Lenihan, Deputy Commissioner, DVEM, 207- 430-5997 <i>DAFS:</i> Michael J. Dunn, Esq., Acting State Human Resources Officer, BHR, 207- 215-2951
2025-030	Department:	Administrative and Financial Services
	Title:	Internal control over Health Disparities program SEFA reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Service Center will consult with OSC to help ensure our current processes are correct and are designed to provide accurate information for the SEFA. The Service Center will update procedures and provide guidance and trainings as necessary to staff to ensure reporting of expenditure amounts for the SEFA is accurate.
	Completion Date:	August 31, 2026
2025-031	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
	Department:	Administrative and Financial Services Health and Human Services Public Safety
	Title:	Internal control over Health Disparities program cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress

Finding Number	Corrective Action Plan	
	Corrective Action:	<i>Department of Health and Human Services (DHHS):</i> A revised MOU between the Maine CDC and the Department of Public Safety was completed to include the terms for reimbursement of grant funds to govern inter-departmental transfers of funds and ensure the timely processing of invoices. <i>Department of Public Safety (DPS):</i> The Department of Public Safety will draft a policy with clear timelines associated with the processing of invoices. The policy will be distributed to all Bureau Directors who will then share the policy internally within their respective bureaus. The MaineEMS Bureau will draft procedures for invoice processing which will be part of the onboarding process for all new employees within the bureau.
	Completion Date:	<i>DHHS:</i> August 1, 2025 <i>DPS:</i> April 1, 2026 (first and second items), and April 15, 2026 (third item)
	Agency Contact:	<i>DHHS:</i> Eden Hale, Associate Director, Division of Population Health Equity, Maine CDC, 207-441-1090 <i>DPS:</i> Derek Gorneau, Assistant to the Commissioner, DPS, 207-530-3531
2025-032	Department:	Health and Human Services Public Safety
	Title:	Internal control over Health Disparities program subrecipient monitoring procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Department of Health and Human Services (DHHS):</i> The Department will revise the internal control document designed to ensure the inclusion of required Federal Award Identification information in subrecipient contracts. The Department will revise the internal control document designed to ensure all required subrecipient monitoring activities are performed. <i>Department of Public Safety (DPS):</i> All Bureau Directors were notified of the finding in the most recent Leadership meeting and guidance was provided on how to ensure it doesn't occur again in the future. All Bureau Directors will receive the policies and procedures used by the Contract/Grant Team. All Bureau Directors will receive training from the Contract/Grant Team on subrecipient monitoring. All contracts using federal funds will be reviewed and amended to include the appropriate language.
	Completion Date:	<i>DHHS:</i> April 10, 2026 <i>DPS:</i> March 17, 2026, April 1, 2026, May 1, 2026, and July 1, 2026, respectively
	Agency Contact:	<i>DHHS:</i> Eden Hale, Associate Director, Division of Population Health Equity, Maine CDC, 207-441-1090 <i>DPS:</i> Derek Gorneau, Assistant to the Commissioner, DPS, 207-530-3531

Finding Number	Corrective Action Plan	
2025-033	Department:	Health and Human Services
	Title:	Internal control over Health Disparities program payments to subrecipients needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The conditions noted do not support that costs were unallowable. Furthermore, the Department demonstrated that the funds had been used in accordance with the terms and conditions of the award. The Department's processes provide reasonable assurance that payments are appropriate.
	Completion Date:	N/A
	Agency Contact:	Eden Hale, Associate Director, Division of Population Health Equity, Maine CDC, 207-441-1090
2025-034	Department:	Health and Human Services
	Title:	Internal control over Health Disparities program subrecipient cash management needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of the funds. Payments are made as close as is administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1) ... that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.
	Completion Date:	N/A
	Agency Contact:	Eden Hale, Associate Director, Division of Population Health Equity, Maine CDC, 207-441-1090
2025-035	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over Health Disparities program procurement needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Department of Administrative and Financial Services (DAFS):</i> The Department will develop a specific policy document that balances agency authority/responsibility with procurement best practices regarding contract dates, clearly communicating risks and responsibilities. The Department will create a companion communication document to this policy document for distribution purposes. The Department will spotlight the policy and communication documents in the OSPS monthly electronic newsletter to all agencies. The Department will post the policy statement and communications documents on the OSPS intranet site.

Finding Number	Corrective Action Plan	
		The Department will integrate the new content into the draft OSPS Policy Manual. The Department will release the related module in the new, updated, digital OSPS Policy Manual. <i>Department of Health and Human Services (DHHS):</i> The Department will collaborate with OSPS and program offices to implement procedures to ensure the timeliness of procurement documents.
	Completion Date:	DAFS: April 30, 2026 (first item), May 15, 2026 (second item), May 31, 2026 (third and fourth items), June 30, 2026 (fifth item), and September 30, 2026 (sixth item) DHHS: May 31, 2026
	Agency Contact:	DAFS: David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335 DHHS: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2025-036	Department:	Health and Human Services Education
	Title:	Internal control over PDG subrecipient monitoring procedures needs improvement
	Questioned Costs:	Known: \$128,333 Likely: Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The OCFS procurement staff and DHHS DCM will ensure that all contracts issued by OCFS include the Federal award identification number or the grant award number, as applicable. The DOE procurement staff will ensure that all contracts issued by DO include the Federal award identification number, the Federal award date, the assistance listing title and number, the indirect cost rate for the Federal award, name of Federal agency, assistance listing title and number, identification of whether the Federal award is for research and development, and the indirect cost rate for the federal award.
	Completion Date:	March 31, 2026
	Agency Contact:	Tara Williams, Associate Director of Early Care & Education, DHHS, 207-557-2342
2025-037	Department:	Health and Human Services Education Administrative and Financial Services
	Title:	Internal control over PDG SEFA reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The DHHS Service Center will consult with OSC to help ensure our current processes are correct and are designed to provide accurate information for the SEFA. The DHHS Service Center will update procedures and provide guidance/trainings as necessary to staff to ensure reporting of expenditure amounts for the SEFA is accurate.

Finding Number	Corrective Action Plan	
2025-038	Completion Date:	August 31, 2026
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
	Department:	Education
	Title:	Internal control over PDG special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will update the FFATA Review Procedure to include review of passthrough funds.
	Completion Date:	March 18, 2026
	Agency Contact:	Nicole Denis, Director of Finance, DOE, 207-530-2161
2025-039	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over PDG procurement needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Department of Administrative and Financial Services (DAFS):</i> The Department will develop a specific policy document that balances agency authority/responsibility with procurement best practices regarding contract dates, clearly communicating risks and responsibilities. The Department will create a companion communication document to this policy document for distribution purposes. The Department will spotlight the policy and communication documents in the OSPS monthly electronic newsletter to all agencies. The Department will post the policy statement and communications documents on the OSPS intranet site. The Department will integrate the new content into the draft OSPS Policy Manual. The Department will release the related module in the new, updated, digital OSPS Policy Manual. <i>Department of Health and Human Services (DHHS):</i> The Department will collaborate with OSPS and program offices to implement procedures to ensure the timeliness of procurement documents.
	Completion Date:	DAFS: April 30, 2026 (first item), May 15, 2026 (second item), May 31, 2026 (third and fourth items), June 30, 2026 (fifth item), and September 30, 2026 (sixth item) DHHS: May 31, 2026
	Agency Contact:	DAFS: David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335 DHHS: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
	Department:	Health and Human Services
	Title:	Internal control over PDG subrecipient cash management needs improvement
2025-040	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required

Finding Number	Corrective Action Plan	
	Corrective Action:	The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of the funds. Payments are made as close as is administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1) ... that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.
	Completion Date:	N/A
	Agency Contact:	Tara Williams, Associate Director of Early Care & Education, DHHS, 207-557-2342
2025-041	Department:	Health and Human Services
	Title:	Internal control over TANF client payments needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will review and update standard operating procedures to ensure that support payments made to and on behalf of TANF clients are accurate, allowable and adequately documented.
	Completion Date:	June 30, 2026
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481
2025-042	Department:	Health and Human Services
	Title:	Internal control over Income Eligibility and Verification System procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action complete
	Corrective Action:	The Department has allocated TANF trained Eligibility Specialists to review the quarterly income discrepancy report effective SFY 2026.
	Completion Date:	July 1, 2025
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481
2025-043	Department:	Health and Human Services
	Title:	Internal control over TANF subrecipient risk evaluation procedures needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Department evaluates risk on its subrecipients for the purpose of determining the appropriate subrecipient monitoring in multiple ways. The first assessment of risk is when a subaward is competitively bid. The second assessment of risk is built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which higher risk subrecipients undergo a higher level of testing by Independent Public Accountants. Finally, the Social Service Unit of the Division of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk.
	Completion Date:	N/A
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481

Finding Number	Corrective Action Plan	
2025-044	Department:	Health and Human Services
	Title:	Internal control over TANF performance reporting procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will review and update ACF199 system processes within OFI and the ASPIRE Contractor to enhance existing procedures to ensure that information reported on the ACF-199 is accurate and complete prior to submission to the Federal government. This will include modifying existing SOPs as necessary. The Department will review the Work Verification Plan to identify opportunities to improve the processes created to accurately record and report on work participation data.
	Completion Date:	June 30, 2026
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481
2025-045	Department:	Health and Human Services
	Title:	Internal control over TANF work verification plan procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will review and update ACF199/209 system processes within OFI and the ASPIRE Contractor to enhance existing procedures to ensure that information reported on the ACF-199/209 is accurate and complete prior to submission to the Federal government. This will include modifying existing SOP as necessary. The Department will enhance existing procedures and follow-up processes of the ACRT reviews to ensure that the reviews include information regarding the date the review was conducted and the dates on which any outstanding issues are resolved. The Department will review the Work Verification Plan to identify opportunities to improve the processes created to accurately record and report on work participation data.
	Completion Date:	June 30, 2026
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481
2025-046	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over TANF procurement needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Department of Administrative and Financial Services (DAFS):</i> The Department will develop a specific policy document that balances agency authority/responsibility with procurement best practices regarding contract dates, clearly communicating risks and responsibilities. The Department will create a companion communication document to this policy document for distribution purposes.

Finding Number	Corrective Action Plan	
		The Department will spotlight the policy and communication documents in the OSPS monthly electronic newsletter to all agencies. The Department will post the policy statement and communications documents on the OSPS intranet site. The Department will integrate the new content into the draft OSPS Policy Manual. The Department will release the related module in the new, updated, digital OSPS Policy Manual. <i>Department of Health and Human Services (DHHS):</i> The Department will collaborate with OSPS and program offices to implement procedures to ensure the timeliness of procurement documents.
	Completion Date:	DAFS: April 30, 2026 (first item), May 15, 2026 (second item), May 31, 2026 (third and fourth items), June 30, 2026 (fifth item), and September 30, 2026 (sixth item) DHHS: May 31, 2026
	Agency Contact:	DAFS: David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335 DHHS: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2025-047	Department:	Health and Human Services
	Title:	Internal control over TANF subrecipient monitoring procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will create a process to ensure the documentation of the review of sub-recipient performance reports.
	Completion Date:	June 30, 2026
	Agency Contact:	Ian Yaffe, Director, Office for Family Independence, DHHS, 207-592-1481
2025-048	Department:	Health and Human Services Administrative and Financial Services Judicial Branch
	Title:	Internal control over Child Support Services expenditures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The DHHS and the Maine Judicial Branch will update the Cooperative Agreement to strengthen policies, procedures, and oversight in order to ensure that expenditures are based on actual costs.
	Completion Date:	March 31, 2026
	Agency Contact:	Jerry Joy, Director, Division of Support Enforcement and Recovery, DHHS, 207-624-6985
2025-049	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over CCDF financial reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action completed

Finding Number	Corrective Action Plan	
	Corrective Action:	The DHHS Financial Service Center enhanced policies and procedures for the CCDF grant by modifying the FSR Reviewer Checklist and adding an additional layer of FSR review. The DHHS Financial Service Center collaborated with OCFS to make reporting line determinations, complete corrective journal entries and submit Federal Financial Reports.
	Completion Date:	April 30, 2025, and September 1, 2025, respectively
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2025-050	Department:	Health and Human Services
	Title:	Internal control over CCDF provider health and safety requirements needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Office of Child and Family Services (OCFS) will include an agenda item at the next Child Care Licensing Staff meeting, scheduled for 3/17/2026, to discuss all expectations related to timeframes/completion of annual unannounced inspections. The OCFS Child Care Licensing Supervisors will utilize the Baxter dashboard report for "latest correspondence yet to be posted" once weekly to ensure all documents ready for posting to the consumer education website have been posted.
	Completion Date:	March 17, 2026, and April 1, 2026, respectively
	Agency Contact:	Janet Whitten, OCFS, CLIS Program Manager, DHHS, 207-441-2259
2025-051	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over CCDF procurement needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Department of Administrative and Financial Services (DAFS):</i> The Department will develop a specific policy document that balances agency authority/responsibility with procurement best practices regarding contract dates, clearly communicating risks and responsibilities. The Department will create a companion communication document to this policy document for distribution purposes. The Department will spotlight the policy and communication documents in the OSPS monthly electronic newsletter to all agencies. The Department will post the policy statement and communications documents on the OSPS intranet site. The Department will integrate the new content into the draft OSPS Policy Manual. The Department will release the related module in the new, updated, digital OSPS Policy Manual.

Finding Number	Corrective Action Plan	
		<i>Department of Health and Human Services (DHHS):</i> The Department will collaborate with OSPS and program offices to implement procedures to ensure the timeliness of procurement documents.
	Completion Date:	<i>DAFS:</i> April 30, 2026 (first item), May 15, 2026 (second item), May 31, 2026 (third and fourth items), June 30, 2026 (fifth item), and September 30, 2026 (sixth item) <i>DHHS:</i> May 31, 2026
	Agency Contact:	<i>DAFS:</i> David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335 <i>DHHS:</i> Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2025-052	Department:	Health and Human Services
	Title:	Internal control over CCDF eligibility determinations needs improvement
	Questioned Costs:	None
	Status:	Corrective action complete
	Corrective Action:	The Department successfully addressed this issue and all QA functionality and processes are working as expected as of July 2025 and ongoing.
	Completion Date:	July 1, 2025
	Agency Contact:	Gina Forbes, Child Care Services Program Manager, DHHS, 207-592-0865
2025-053	Department:	Health and Human Services
	Title:	Internal control over CCDF subrecipient cash management needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of the funds. Payments are made as close as is administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1) ... that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.
	Completion Date:	N/A
2025-054	Agency Contact:	Tara Williams, Associate Director of Early Care & Education, DHHS, 207-557-2342
	Department:	Health and Human Services
	Title:	Internal control over CCDF subrecipient risk evaluation procedures needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Department evaluates risk on its subrecipients for the purpose of determining the appropriate subrecipient monitoring in multiple ways. The first assessment of risk is when a subaward is competitively bid. The second assessment of risk is built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which higher risk subrecipients undergo a higher level of testing by Independent Public Accountants. Finally, the Social Service Unit of the Division

Finding Number	Corrective Action Plan	
		of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk.
	Completion Date:	N/A
	Agency Contact:	John Feeney, Chief Operating Officer, DHHS, 207-626-8614
2025-055	Department:	Health and Human Services
	Title:	Internal control over the Foster Care and Adoption Assistance eligibility and benefit determination process needs improvement
	Questioned Costs:	Known: Known: ALN 93.658 \$51,247 ALN 93.659 \$42,689 Likely: undeterminable
	Status:	Corrective action complete
	Corrective Action:	The Department made changes to the OCFS licensing policy. The Department updated the Katahdin system (User story 3002158) to avoid overlapping payments for childcare in both Foster Care and Adoption.
	Completion Date:	July 31, 2056, and August 3, 2025
	Agency Contact:	Robert Blanchard, Associate Director, OCFS, DHHS, 207-624-7955
2025-056	Department:	Health and Human Services
	Title:	Internal control over Foster Care level of care assessments needs improvement
	Questioned Costs:	Known: \$3,003 Likely: Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Department will submit Katahdin system enhancements and Levels of Care (LOC) report updates, to shorten timeframes, and schedule LOC assessments earlier, in order to meet 90-day and 12-month deadlines. The Department will work with vendors to shorten timeframes, to ensure assessments are completed timely. The Department will date and finalize Policy draft for Levels of Care for Resource Homes Chapter 14 with the Policy and Training unit.
	Completion Date:	Jun 30, 2026 (first and second items) and December 31, 2026 (third item)
	Agency Contact:	Robert Blanchard, Associate Director, OCFS, DHHS, 207-624-7955
2025-057	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over Foster Care procurement needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Department of Administrative and Financial Services (DAFS):</i> The Department will develop a specific policy document that balances agency authority/responsibility with procurement best practices regarding contract dates, clearly communicating risks and responsibilities. The Department will create a companion communication document to this policy document for distribution purposes. The Department will spotlight the policy and communication documents in the OSPS monthly electronic newsletter to all agencies.

Finding Number	Corrective Action Plan	
		The Department will post the policy statement and communications documents on the OSPS intranet site. The Department will integrate the new content into the draft OSPS Policy Manual. The Department will release the related module in the new, updated, digital OSPS Policy Manual. <i>Department of Health and Human Services (DHHS):</i> The Department will collaborate with OSPS and program offices to implement procedures to ensure the timeliness of procurement documents.
	Completion Date:	DAFS: April 30, 2026 (first item), May 15, 2026 (second item), May 31, 2026 (third and fourth items), June 30, 2026 (fifth item), and September 30, 2026 (sixth item) DHHS: May 31, 2026
	Agency Contact:	DAFS: David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335 DHHS: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2025-058	Department:	Health and Human Services Administrative and Financial Services
	Title:	Internal control over Foster Care and Adoption Assistance cash management needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The DHHS Financial Service Center will update the IV-E cash on hand analysis to ensure the cash balances are tracked separately by each of the following Title IV-E programs: Foster Care, Adoption Assistance, Prevention Program and Guardianship Assistance.
	Completion Date:	March 31, 2026
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
2025-059	Department:	Redacted
	Title:	Redacted
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	May 1, 2026
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2025-060	Department:	Health and Human Services
	Title:	Internal control over the Adoption Assistance eligibility and benefit determination process needs improvement
	Questioned Costs:	Known: \$1,645 Likely: Undeterminable

Finding Number	Corrective Action Plan	
	Status:	Corrective action in progress
	Corrective Action:	The Office of Child and Family Services made changes to the Katahdin System in August 2025 to stop duplicate payments. The Office of Child and Family Services will develop training information regarding children in adoption assistance agreements who are no longer receiving support from the adoptive parents. The Office of Child and Family Services will develop a training and train the appropriate staff.
	Completion Date:	August 1, 2025, May 1, 2026, and December 31, 2026, respectively
	Agency Contact:	Denise Merrill, Manager of Child Welfare Statewide Programs, DHHS, 207-822-2255
2025-061	Department:	Health and Human Services
	Title:	Internal control over Medicaid Nursing Facility audits needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Director and Deputy director will meet biweekly to review the audit assignments and discuss the status of the nursing facility audits. The Division of Audit management team will actively recruit for the ten vacant audit positions. The Deputy Director will adjust the audit procedures for the Nursing Facilities to limit the testing to just capital costs starting with the December 31, 2025, cost reports. The Department has assigned four of the seven current staff auditors to nursing facility audits.
	Completion Date:	Ongoing (first and fourth items), June 30, 2026 (second item), and May 31, 2026 (third item)
	Agency Contact:	Herb Downs, Director, Division of Audit, DHHS, 207-287-2403
2025-062	Department:	Health and Human Services
	Title:	Internal control over Medicaid drug rebates needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. Drug Rebate pre-invoicing and post-invoicing is completed quarterly. As demonstrated during walkthroughs and during our meetings Maine completes specific tasks to ensure accuracy of the invoicing process. The pre-invoicing and post-invoicing procedures are documented in the Pharmacy Rebate Information Management System (PRIMS) Desk Level Procedure (DLP). The pre-invoicing work is performed by the State that compares drug utilization data to the number of dispensed units invoiced. Upon the completion of the pre-invoicing review approval is provided to the vendor allowing them to continue with the invoicing process.

Finding Number	Corrective Action Plan	
		There is no requirement regarding how we select our sample of invoices to review. Based on OSA noting no exceptions to the drug rebate amounts, our system in place to review invoiced drug rebates is functioning as intended.
	Completion Date:	N/A
	Agency Contact:	Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2025-063	Department:	Administrative and Financial Services
	Title:	Internal control over Medicaid SEFA reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The DHHS Service Center will update the internal SEFA procedure to include the step of removing appropriations 0129, 0147 and 0148 from the subrecipient queries. The DHHS Service Center will update the reviewer's checklist for the SEFA to include a check that appropriations 0129, 0147 and 0148 are being excluded from subrecipient queries. The DHHS Service Center will add a note within the "Subrecipient" tab of the internal SEFA Cubes Workbook to exclude appropriations 0129, 0147 and 0148.
	Completion Date:	February 20, 2026 (first item), and October 31, 2026 (second and third items)
2025-064	Agency Contact:	Sarah Gove, Director, DHHS Service Center, DAFS, 207-458-6626
	Department:	Health and Human Services
	Title:	Internal control over Medicaid utilization control needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. This finding represents a misunderstanding of the applicable federal regulations and the state entity responsible for compliance. A Utilization Control (UC) program is the responsibility of the State Medicaid Agency as a whole, not the Program Integrity Unit (PIU). Additionally, there are many more federal regulations governing UC programs than cited by the Office of State Auditor (OSA) in the finding and touch on a host of controls that were not reviewed or considered in this audit. Moreover, the OSA appears to be basing findings on interpretations that are unsupported by the regulatory text cited. Second, the OSA confuses PIU's annual review plan (a yearly plan of focused program integrity areas of focus and review) with an agency-wide UC program: these are not the same, nor are they required to be. The Department's current processes for PIU's annual review plan were implemented in response to OSA findings in 2015 relating to an OSA finding that the Department was not fully utilizing available data analytics. In the intervening years, the OSA has not found Program Integrity's annual review plan, or the process of developing the plan, to be deficient. There has been no change in the Department's process or the regulation to justify the OSA's newly found position here. The OSA's criticism of PIU's use of data analytics contradicts a prior OSA findings on data analytics use, is contrary to accepted Department adjustments made in response, and represents a significant departure from federal guidance and industry standards around best practices for leveraging data analytics to prevent and

Finding Number	Corrective Action Plan	
		detect improper payments and/or utilization. The PIU's annual review plan supplements post-payment reviews that PIU conducts based upon complaints and referrals. Finally, this finding's singular focus on PIU's annual review plan fails to account for a myriad of other systems and processes the Department has in place to monitor utilization, including, but not limited to: 1. A contracted vendor (HMS) performing post-payment reviews of hospitals, nursing facilities, and other long-term care facilities; 2. MaineCare's Case Mix unit - performing look back reviews of documentation and services in nursing facilities and other long-term care units; 3. A contracted vendor (Acentra) reviewing authorization requests for behavioral health services and continuing stay reviews of services at designated intervals; 4. A contracted vendor (Maximus) that performs assessments and authorizations for nursing and personal care services; 5. A contracted vendor (Optum) that performs prior authorization reviews for pharmacy services and produces a variety of reports on drug utilization; 6. Fiscal intermediaries performing oversight and administrative support for self-directed services; 7. State staff who review and approve plans of care for Home and Community Based Waiver Services and conduct quality reviews of providers; 8. State staff performing quality assurance reviews of providers of mental and behavioral health services; 9. State staff monitoring and addressing inappropriate emergency department usage by beneficiaries; and 10. State staff with oversight and performing qualitative and quantitative reviews of a variety of programs operated under delivery service reform, including: Accountable Communities, Behavioral Health Homes, Certified Community Behavioral Health Clinics, Community Care Teams, MaineMOM, Opioid Health Homes, and Primary Care Plus. 11. State and contracted vendor (Gainwell) staff reviewing medical necessity and other allowability for medical services requiring prior authorization for initial requests and renewals. 12. A CMS-compliant Electronic Visit Verification (EVV) system, in accordance with Section 12006 of the 21st Century Cures Act, that ensures payment for applicable services is tied to an EVV record demonstrating that the service occurred; data from the system also contributes to post-payment reviews for applicable services.
	Completion Date:	N/A
	Agency Contact:	Michelle Probert, Director, Office of MaineCare Services, DHHS, 207-287-2093
2025-065	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal control over Medicaid procurement needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	<i>Department of Administrative and Financial Services (DAFS):</i> The Department will develop a specific policy document that balances agency authority/responsibility with procurement best practices regarding contract dates, clearly communicating risks and responsibilities.

Finding Number	Corrective Action Plan	
		The Department will create a companion communication document to this policy document for distribution purposes. The Department will spotlight the policy and communication documents in the OSPS monthly electronic newsletter to all agencies. The Department will post the policy statement and communications documents on the OSPS intranet site. The Department will integrate the new content into the draft OSPS Policy Manual. The Department will release the related module in the new, updated, digital OSPS Policy Manual. <i>Department of Health and Human Services (DHHS):</i> The Department will collaborate with OSPS and program offices to implement procedures to ensure the timeliness of procurement documents.
	Completion Date:	DAFS: April 30, 2026 (first item), May 15, 2026 (second item), May 31, 2026 (third and fourth items), June 30, 2026 (fifth item), and September 30, 2026 (sixth item) DHHS: May 31, 2026
	Agency Contact:	DAFS: David Morris, Acting Chief Procurement Officer, OSPS, 207-624-7335 DHHS: Jim Lopatosky, Director, Division of Contract Management, DHHS, 207-287-5075
2025-066	Department:	Redacted
	Title:	Redacted
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	May 1, 2026, May 29, 2026, June 12, 2026, September 18, 2026, and September 21, 2026, respectively
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2025-067	Department:	Redacted
	Title:	Redacted
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department partially agrees with the finding. The Department's corrective action plan as well as the explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete corrective action plan as well as the explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.

Finding Number	Corrective Action Plan	
	Completion Date:	February 5, 2026, April 10, 2026, May 15, 2026, June 26, 2026, and June 30, 2027
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2025-068	Department:	Redacted
	Title:	Redacted
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with the finding. The Department's explanation and specific reasons for disagreement have been excluded to protect confidential information. The complete explanation and specific reasons for disagreement have been provided to the Office of the State Auditor under separate cover.
	Completion Date:	N/A
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2025-069	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over DG – PA program special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will develop same-month internal validation workbook/tool to ensure that subawards have been reported timely, completely and accurately. The Department will update agency FFATA reporting procedure to reflect changes in reporting process and selection of unique identifier and distribute to all grant managers and reporting personnel.
	Completion Date:	March 31, 2026, and April 30, 2026, respectively
	Agency Contact:	Sunny Cyr, MEMA Business Office Director, DVEM, 207-707-2507
2025-070	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over DG – PA program financial reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will publish revised Federal financial reporting procedures. The Department will train relevant staff. The Department will implement new Federal Financial Reporting procedures with increased staff resource allocations.
	Completion Date:	April 30, 2026, June 30, 2026, and July 1, 2026, respectively
	Agency Contact:	Sunny Cyr, MEMA Business Office Director, DVEM, 207-707-2507
2025-071	Department:	Defense, Veterans and Emergency Management
	Title:	Internal control over DG – PA program subrecipient audit procedures needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will publish revised subrecipient monitoring procedures.

Finding Number	Corrective Action Plan	
		The Department will cross-train relevant agency staff on the procedures.
		The Department will implement a quarterly FAC review cycle with revised procedures.
	Completion Date:	April 30, 2026, June 30, 2026, and July 1, 2026, respectively
	Agency Contact:	Sunny Cyr, MEMA Business Office Director, DVEM, 207-707-2507



**STATE OF MAINE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**





STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
OFFICE OF THE STATE CONTROLLER
14 STATE HOUSE STATION AUGUSTA, MAINE 04333-0014

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

ELAINE CLARK
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA
STATE CONTROLLER

Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2025

Summary Schedule of Prior Audit Findings

The *Summary Schedule of Prior Audit Findings* (SSPAF) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of the SSPAF is to report on the status of audit findings reported in the prior: (1) audit's schedule of findings and questioned costs, and (2) audit's summary schedule of prior audit findings.

For each prior year audit finding, the SSPAF reports the current status of corrective action; for findings in which corrective action has either not been taken, or not completed, explanations are generally provided that describe the reason(s) for the finding's recurrence, the planned corrective action, and any partial corrective action taken. In the event that corrective action differs significantly from previously reported corrective action, an additional explanation has been provided. The SSPAF complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up.

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
2024-006* 2023-008* 2022-021**	Finding Title:	Internal control over valuing estimates for the allowances for uncollectible Unemployment insurance receivables needs improvement
	State Department:	Labor Administrative and Financial Services
	ALN:	Financial Statement Finding; 17.225
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY25 Status:	*Management disagrees with this finding and does not believe that corrective action is required ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department disagrees with this finding. The Departments agree that detailed receivables reports should be generated and retained during the fiscal year. The OSC will provide guidance to the Department of Labor (DOL) to develop a reporting mechanism that will provide a more detailed analysis of the activity of the receivable balances. The OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective, as well as, objective factors; therefore, professional judgment is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns, and is not overly subjective or susceptible to bias. Applying this methodology, the OSC and the DOL accumulate relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. The OSC recently performed a five-year trend analysis of historical collections with information provided by the DOL. The OSC compared the percentages and the assumptions used in the past and updated the reserve percentages accordingly. The OSC will continue to use the rolling year trend analysis with the actual collection data, as provided by the DOL, to update the reserve percentage. The DOL implemented a new system and the OSC will continue to review the reserve process to ensure the allowance continues to be valued properly.
	FY 2025 Finding:	2025-005
2024-014 2023-024 2022-012	Finding Title:	_____ over _____ and _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	Redacted
	FY25 Status:	Corrective action was taken during FY 2025
2024-014 2023-053 2022-012	Finding Title:	_____ over _____ and _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2019
	Questioned Costs:	Redacted
	FY25 Status:	Corrective action was taken during FY 2025
2023-018* 2022-010**	Finding Title:	_____ over _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2018
	Questioned Costs:	Redacted
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	Redacted
	FY 2025 Finding:	No finding was issued for FY 2025
2024-022* 2023-031*	Finding Title:	Internal control over SNAP eligibility determinations and benefit calculations needs improvement

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
2022-025**	State Department:	Health and Human Services
	ALN:	10.551, 10.561
	Initial Finding FY:	2022
	Questioned Costs 2024-022:	Known questioned costs ALN 10.551 \$12,335. Likely questioned costs undeterminable; incorrectly calculated Supplemental Nutrition Assistance Program (SNAP) benefits may result in overpayments or underpayments to clients. Since there are known overpayments and underpayments in our sample, a projection of questioned costs cannot be reasonably estimated.
	Questioned Costs 2023-031:	Known questioned costs totaling \$7,491. Likely questioned costs undeterminable; incorrectly calculated Supplemental Nutrition Assistance Program (SNAP) benefits may result in overpayments or underpayments to clients. Since there are known overpayments and underpayments in our sample, a projection of questioned costs cannot be reasonably estimated.
	Questioned Costs 2022-025:	Known questioned costs totaling \$2,952. Likely questioned costs \$7,686,166. Likely questioned costs were projected by dividing the known questioned costs in the sample by total authorized benefits tested to establish an error rate, then applying that error rate to total authorized benefits in fiscal year 2022.
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department partially agrees with the finding. There are many instances of exceptions cited by the Office of State Auditor (OSA) in which there isn't a specific requirement that exists or the requirement has been waived in unusual cases such as the 2 clients who could not provide proof of residency. The residency requirements state that they shall be verified "except in unusual cases like households newly arrived in a project area". There is merit in each of the larger categories identified by OSA however, the extent of the issues is far less than those cited and many of the verification standards applied by OSA far exceed the requirements of Food and Nutrition Services (FNS). The Department agrees with the exception based on an expired certification period.
	FY 2025 Finding:	2025-011
2024-023* 2023-032* 2022-026**	Finding Title:	Internal control over SNAP deceased client cases needs improvement
	State Department:	Health and Human Services
	ALN:	10.551, 10.561
	Initial Finding FY:	2019
	Questioned Costs 2024-023:	Known questioned costs ALN 10.551 \$11,080. Likely questioned costs undeterminable; the Office of the State Auditor (OSA) tested a sample of cases where Supplemental Nutrition Assistance Program (SNAP) benefits were issued after the client's date of death (DOD). Issuance of benefits to a deceased client does not necessarily result

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		in unallowable program costs, as the issued benefits may not be expended; therefore, an error rate cannot be applied to the population, and a projection of questioned costs cannot be reasonably estimated.
	Questioned Costs 2023-032:	Known questioned costs \$8,329 (ALN 10.551). Likely questioned costs undeterminable. The Office of the State Auditor (OSA) tested a sample of cases where Supplemental Nutrition Assistance Program (SNAP) benefits were issued after the client's date of death (DOD). Issuance of benefits to a deceased client does not necessarily result in unallowable program costs, as the issued benefits may not be expended; therefore, an error rate cannot be applied to the population and a projection of questioned costs cannot be reasonably estimated.
	Questioned Costs 2022-026:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. The data matching failed because there were inconsistencies in the data between the two systems, specifically in the spelling of names. The Department acted timely on all deaths that were reported correctly.
	FY 2025 Finding:	2025-015
2024-028* 2023-036* 2022-029**	Finding Title:	_____ over the _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2019
	Questioned Costs:	Redacted
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The department is taking steps to address and remediate this condition
	FY 2025 Finding:	2025-013
2023-044* 2022-039**	Finding Title:	Internal control over WIC subrecipient monitoring needs improvement
	State Department:	Health and Human Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. WIC completed three (3) MERs for FY23. One (1) MER was not completed within the fiscal year, however, has since been completed. WIC is now current with

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		the MERs in this fiscal year. WIC continues to work with DHHS Internal Audit to assist in completing the MERs financial component. All Local Agencies were monitored for FY23.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2024-038* 2023-045* 2022-040**	Finding Title:	Internal control over WIC cash balances needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	10.557
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department and the DHHS Financial Service Center agree with this finding. The Department will work with the Federal Agency on steps needed to resolve the cash discrepancy.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2024-039 2023-048 2022-045	Finding Title:	Internal control over UI claim payments needs improvement
	State Department:	Labor
	ALN:	17.225
	Initial Finding FY:	2011
	Questioned Costs 2024-039:	None
	Questioned Costs 2023-048:	None
	Questioned Costs 2022-045:	Known questioned costs \$19,278. Likely questioned costs totaling \$2.7 million were projected within each entitlement program by dividing the identified ineligible benefit payments in our sample by the total benefit payments tested to establish an error rate, then applying that error rate to each entitlement program's benefit payment totals for fiscal year 2022.
	FY25 Status:	Corrective action was taken during FY 2025
2024-051* 2023-072* 2022-062**	Finding Title:	_____ over the _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2019
	Questioned Costs:	Redacted
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	Redacted

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2024-037* 2024-050* 2024-055* 2023-077* 2022-069**	Finding Title:	2024-037: Internal control over WIC subrecipient cash management needs improvement 2024-050: Internal control over ICA program subrecipient cash management needs improvement 2024-055: Internal control over TANF program subrecipient cash management needs improvement
	State Department:	Health and Human Services
	ALN:	10.557; 93.268; 93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY25 Status:	*Management disagrees with this finding and does not believe that corrective action is required ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of the funds. Payments are made as close as administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1)...that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.
	FY 2025 Finding:	No finding was issued for FY 2025; however, only TANF was audited as a major program
2024-053* 2023-076* 2022-068**	Finding Title:	Internal control over Income Eligibility and Verification System procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY25 Status:	* Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. The Corrective Action Plan from SFY 2024 included the dedication of staff resources to complete the review of the quarterly income discrepancy report effective for SFY 2026.
2024-056* 2023-078* 2022-071**	FY 2025 Finding:	2025-042
	Finding Title:	Internal control over TANF subrecipient risk evaluation procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2017

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	Questioned Costs:	None
	FY25 Status:	*Management disagrees with this finding and does not believe that corrective action is required ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department disagrees with this finding. The Department evaluates risk on its subrecipients for the purposes of determining the appropriate subrecipient monitoring in multiple ways. The first assessment of risk is when a subaward is competitively bid. The second assessment of risk is built into the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) in which higher risk subrecipients undergo a higher level of testing by Independent Public Accountants. Finally, the Social Service Unit of the Division of Audit performs a risk assessment and tests transactions for those subrecipients that have been determined to be higher risk.
	FY 2025 Finding:	2025-043
2024-057* 2023-081* 2022-075**	Finding Title:	Internal control over TANF performance reporting procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. The Corrective Action Plan will mitigate the agreed upon errors from reoccurring.
	FY 2025 Finding:	2025-044
2024-058* 2023-081* 2022-075**	Finding Title:	Internal control over TANF work verification plan procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2017
	Questioned Costs:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. The Department agrees with the exceptions identified as a result of a non-statistical random sample. The Corrective Action Plan will mitigate the agreed upon errors from reoccurring.
	FY 2025 Finding:	2025-045
2024-052* 2023-075* 2022-067**	Finding Title:	Internal control over payments made to TANF clients needs improvement
	State Department:	Health and Human Services

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	ALN:	93.558
	Initial Finding FY:	2018
	Questioned Costs 2024-052:	Known questioned costs ALN 93.558 \$1,014. Likely questioned costs undeterminable; incorrectly calculating Temporary Assistance for Needy Families (TANF) benefits may result in overpayments or underpayments to clients. Since there are known overpayments and underpayments in our sample, a projection of questioned costs cannot be reasonably estimated.
	Questioned Costs 2023-075:	Known questioned costs \$4,721. Likely questioned costs totaling \$279,992; likely questioned costs were projected by dividing the identified known overpayment in our sample by total payments tested to establish an error rate, then applying that error rate to total payments to Temporary Assistance for Needy Families (TANF) clients for services and payments to providers on behalf of TANF clients in fiscal year 2023.
	Questioned Costs 2022-067:	Known questioned costs totaling \$1,447. Likely questioned costs totaling \$35,002 were projected by dividing the identified known overpayment in our sample by total payments tested to establish an error rate, then applying that error rate to total payments to TANF clients for these services and payments to providers on behalf of TANF clients in fiscal year 2022.
	FY25 Status:	* Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. Actions have been taken to issue corrective payments for benefits that were underpaid and benefits that were overpaid have been referred for recoupment. The Corrective Action Plan will mitigate the agreed upon errors from reoccurring.
	FY 2025 Finding:	2025-041
2024-062* 2023-082* 2022-078**	Finding Title:	_____ over _____ and _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Costs:	Redacted
	FY25 Status:	* Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2025 Finding:	No finding was issued for FY 2025 and this program was audited as a major program.
2024-067* 2023-091* 2022-080**	Finding Title:	Internal control over Medicaid Nursing Facility audits needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2010

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Finding Number	Prior Audit Finding Status	
	Questioned Costs:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. Progress toward compliance is taking longer than expected due to continued difficulty in hiring staff and the completion of COVID related audit work. The COVID audit work is still hindering the audit process. However, recent changes to the Nursing Facility reimbursement methodology, effective January 1, 2025, reduce the amount of testing required in these audits.
	FY 2025 Finding:	2025-061
2024-068* 2023-092* 2022-084**	Finding Title:	Internal control over Medicare Part B premium payments needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. There has been marked improvement in our results reviewing and acting on these reports since our MaineCare Program Integrity team became fully staffed in March 2024. We intend to review our processes further and regularly to ensure satisfaction of the requirement. The Department provided documentation to support that review and corrective actions were completed for five of the twelve months. Documentation could not be provided to support full review for seven months
2022-082	FY 2025 Finding:	No finding was issued for FY 2025 and this program was audited as a major program
	Finding Title:	Internal control over the eligibility determination process needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
	Initial Finding FY:	2019
	Questioned Costs:	None
	FY25 Status:	Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding.
	FY 2025 Finding:	No finding was issued for FY 2025 and this program was audited as a major program.

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
2024-074 2023-097 2022-090	Finding Title:	Internal control over DG – PA program cash management needs improvement
	State Department:	Defense, Veterans and Emergency Management Administrative and Financial Services
	ALN:	97.036
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY25 Status:	Corrective action was taken during FY 2025
2024-007* 2023-003* 2022-006**	Finding Title:	Internal control over Lottery Fund financial reporting needs improvement
	State Department:	Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. The Department will complete a full reconciliation of the liability accounts by fiscal year-end 2026 and implement standardized monthly/quarterly reconciliation procedures. The Department recognizes the potential financial impacts of inaccuracies in the financial statements and are committed to strengthening controls to ensure accuracy and transparency moving forward.
2024-004* 2023-015* 2022-011**	FY 2025 Finding:	2025-006
	Finding Title:	Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables needs improvement
	State Department:	Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2020
	Questioned Costs:	None
	ThanksFY25 Status:	*Management disagrees with this finding and does not believe that corrective action is required ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	OSC agrees with the process description. Judicial provides the aging report and OSC calculates the reserve. OSC is responsible for determining the estimates in the financial statements. The accounting estimates are based on subjective as well as objective factors; therefore, professional judgement is required to estimate an amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is conservative, not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, OSC accumulates relevant, sufficient, and reliable data on which to base the estimate. Additionally, we believe that the

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		estimate is presented in conformity with the applicable accounting principles and that disclosure is adequate. OSC will continue to reserve 100% of all fines over 360 days old, which has been the acceptable method for many years until we receive an aging report from Judicial that provides an estimate or methodology for the calculation of the allowance.
	FY 2025 Finding:	2025-004
2024-054* 2023-080* 2022-070**	Finding Title:	Internal control over TANF client child support sanction procedures needs improvement
	State Department:	Health and Human Services
	ALN:	93.558
	Initial Finding FY:	2020
	Questioned Costs:	None
	FY25 Status:	*Management disagrees with this finding and does not believe that corrective action is required ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department disagrees with this finding. The audit objective identified in the Compliance Supplement is to “Determine whether, after notification by the state Title IV-D agency, the TANF agency has taken necessary action to reduce or deny TANF assistance.” One of the two suggested audit procedures is to “Test a sample of cases referred by the Title IV-D agency to the TANF agency to ascertain if benefits were reduced or denied as required.” The Department spent a lot of time and effort attempting to validate for OSA that it had a testable population, and the Department believes that the Office of State Auditor can perform this procedure either with the DSER-provided report of referrals or with that report in conjunction with the additional material (including active sanction activity within the fiscal year as provided by OFI) the Department has pulled and analyzed for OSA. In the absence of that review nothing in the Department’s records, data, or discussions with OSA could reasonably be interpreted to suggest a “significant deficiency” in its Internal Controls over this aspect of the TANF program. There has not been any evidence that referrals made from DSER to OFI are getting lost, ignored, or misapplied.
	FY 2025 Finding:	No finding was issued for FY 2025 and this program was audited as a major program.
2024-023* 2023-032* 2022-086**	Finding Title:	Internal control over Medicaid and SNAP deceased client cases needs improvement
	State Department:	Health and Human Services
	ALN:	10.551, 10.561; 93.775, 93.777, 93.778
	Initial Finding FY:	2019
	Questioned Costs 2023-032:	Known questioned costs \$8,329 (ALN 10.551). Likely questioned cost undeterminable; the Office of the State Auditor (OSA) tested a sample of cases where Supplemental Nutrition Assistance Program (SNAP) benefits were issued after the client’s date of death (DOD). Issuance of benefits to a deceased client does not necessarily result in

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		unallowable program costs, as the issued benefits may not be expended; therefore, an error rate cannot be applied to the population and a projection of questioned costs cannot be reasonably estimated.
	Questioned Costs 2022-086:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. The data matching failed because there were inconsistencies in the data between the two systems, specifically in the spelling of names. The Department acted timely on all deaths that were reported correctly.
	FY 2025 Finding:	2025-015
2024-017* 2023-028* 2022-018**	Finding Title:	Title: _____
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	Redacted
	FY25 Status:	*Corrective action was not completed in FY 2025 ** Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2025 Finding:	2025-010
2024-013 2023-021 2022-016	Finding Title:	_____ over the _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Costs:	Redacted
	FY25 Status:	Corrective action was taken during FY 2025
2024-029 2023-029 2022-083 2021-058 2020-065	Finding Title:	_____ over _____ and _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs:	Redacted
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2025 Finding:	No finding was issued for FY 2025 and this program was audited as a major program

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
2024-029 2023-034 2022-083 2021-058 2020-065	Finding Title:	_____ over _____ and _____ needs improvement
	State Department:	Health and Human Services
	ALN:	Redacted
	Initial Finding FY:	2020
	Questioned Costs 2024-029:	Redacted
	Questioned Costs 2023-034:	Redacted
	Questioned Costs 2022-083:	Redacted
	Questioned Costs 2021-058:	Redacted
	Questioned Costs 2020-065:	Redacted
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2025 Finding:	No finding was issued for FY 2025 and this program was audited as a major program
2023-073* 2022-063**	Finding Title:	Internal control over ELC program reporting needs improvement
	State Department:	Health and Human Services
	ALN:	93.323
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. With each quarterly financial reporting due on the 20th of each subsequent month (November, February, May, and August), the Maine CDC will submit quarterly financial reports for internal review by the 10th of the pertinent month. The internal reviewer will have until the 18th to review and submit corrections, for reporting to be inputted into CAMP. A confirmatory email for the process will be issued to record the examination of financial reporting. For performance reporting, quantitative data is pulled for each report, however data cleaning of the quantitative data is ongoing and a requirement from the Federal CDC. Data pulled for each report will only be accurate at the point in time when the data is pulled. Each year's data is not finalized until six plus months after the year ends. The Federal CDC does not require past reports to be reposted and updated as data cleaning occurs after the initial report is filed. For performance reporting of qualitative data, each team holds a quarterly meeting to review the milestones and provide updates. These meetings will now be recorded and will be available to audit upon

Summary Schedule of Prior Audit Findings		
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		request. For any qualitative milestone where progress is made on any given period, the Maine CDC will ensure there is a documented note associated with the percentage completeness selected to further document the recorded value.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2024-073* 2023-096* 2022-091**	Finding Title:	Internal control over DG – PA program special reporting needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	97.036
	Initial Finding FY:	2021
	Questioned Costs:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. Corrective action was implemented beginning in November of 2025. Untimely or missing reports were primarily due to staff turnover in the agency, which has been remedied by successful recruitment efforts. Incorrect data elements were attributed to an ineffective element of the prior reporting process, which increased the reporting burden by tasking staff with creating ad-hoc unique identifiers rather than using existing unique identifiers. In the monthly reporting process since November 2025, federally assigned project numbers are used to distinctly identify each subaward, and reporting personnel retrieve obligation reports directly from the relevant federal system, minimizing the overall staff burden in reporting.
	FY 2025 Finding:	2025-028
2024-009* 2023-007* 2022-008**	Finding Title:	Internal control over financial reporting of Department of Agriculture, Conservation and Forestry capital assets needs improvement
	State Department:	Administrative and Financial Services Agriculture, Conservation and Forestry
	ALN:	Financial Statement Finding
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	CSC Response: The Department agrees with this finding. The Department will ensure payments are posted correctly in the fixed asset records no later than the end of the fiscal year. NRSC Response: The Department agrees with this finding. The Maine Department of Inland Fisheries and Wildlife and the Natural Resources Service Center are collaborating to work toward a solution

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Finding Number	Prior Audit Finding Status	
		that will ensure construction in progress payments are accurately reported by fiscal year end. DACF Response: The Department partially agrees with this finding. This asset was conveyed to DACF on September 12, 1958, and recorded in the Franklin County Registry of Deeds in Book 347, Page 213. We believe that due to the age of the asset, it was not brought into the system. At that time, Forestry was its own department and has since been combined with the Department of Conservation, and later combined into the Department of Agriculture, Conservation & Forestry. We feel this is an anomaly, but we will continue to analyze our assets. DVEM Response: The Department agrees with this finding. The audit results highlight the need for strengthened understanding of fixed asset procedures at the department level. DVEM is committed to improving in this area and will continue working with OSC to obtain the training and clarification needed to ensure our responsibilities within the fixed asset process are carried out appropriately.
	FY 2025 Finding:	2025-008
2024-027* 2023-022* 2022-024**	Finding Title:	_____ over _____ and _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2025 Finding:	No finding was issued for FY 2025 and this program was audited as a major program
2024-025* 2023-035* 2022-028**	Finding Title:	Internal control over SNAP EBT card security needs improvement
	State Department:	Health and Human Services
	ALN:	10.551, 10.561
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. There were separate processes mentioned in the finding. Therefore, there will be two separate Corrective Action Plans (CAP), which will be tracked independently. The first CAP is to correct deficiencies associated to

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		SOC reporting. The second CAP is to strengthen our internal processes regarding returned EBT cards.
	FY 2025 Finding:	2025-013
2024-031* 2023-038* 2022-031**	Finding Title:	Internal control over CNC claim reimbursements needs improvement
	State Department:	Education
	ALN:	10.553, 10.555, 10.556, 10.559, 10.582
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. The exceptions referenced in this finding are from the program FY23 audit. All identified exceptions have been addressed in the 2025 program year and the upcoming 2026 program year with the strengthening of program software and provided training to the program sponsors. During program years 2020–2023, the Summer Food Service Program (SFSP) operated under emergency authorities in response to COVID-19, during which the USDA implemented numerous program flexibilities and temporarily waived certain regulatory requirements. In subsequent years, many of these flexibilities continued but were reintroduced with additional regulatory requirements, expanded data collection, and ongoing updates to program guidance. As a result, program regulations and administrative requirements have evolved rapidly, with federal guidance frequently being released throughout the program year. The Child Nutrition team has worked to remain current with these evolving requirements and implement updates as changes occur. In some instances, updated regulations or federal guidance are issued after the program year has begun, which can result in necessary system changes or corrections to the Child Nutrition software system being implemented after the operating period has already started. At the request of School Administrative Units, Child Nutrition re-allocated funds for the FFVP from schools with unexpended balances, to schools requesting additional funds. A procedure has been implemented for SFY 2026 to ensure school allocations remain within the \$50-75/student allocation range.
	FY 2025 Finding:	2025-019
2024-033* 2023-039* 2022-033** 2022-037**	Finding Title:	Title: _____
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The department is taking steps to address and remediate this condition
	FY 2025 Finding:	2025-025
2024-034 2023-041 2022-034	Finding Title:	Internal control over the submission of CNC Schedule of Expenditures of Federal Awards information needs improvement
	State Department:	Education
	ALN:	10.553, 10.555, 10.556, 10.559, 10.582
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	Corrective action was taken during FY 2025
2024-035* 2023-042* 2022-036**	Finding Title:	Internal control over CNC donated food inventory needs improvement
	State Department:	Education
	ALN:	10.553, 10.555, 10.556, 10.559, 10.582
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department partially agrees with this finding. The Child Nutrition acknowledges the identified miscounts and has implemented an additional tracking system to monitor and reconcile inventory. However, the Department maintains that its existing internal control procedures provide reasonable assurance that CNPWeb inventory counts are not materially misstated. The errors found in case counts attribute to less than 1% of the total cases in the test group and may be due to pick errors from the vendor or warehouse, or the delivery of out-of-condition food. The vendor is responsible for the accuracy of counts, all loss or damage caused by the vendor including delivery of out-of-condition food. Monthly inventory tests have been established between the department and the distributor. A ticket has been placed for fixes to the computerized inventory system.
	FY 2025 Finding:	2025-022
2024-020* 2023-040* 2022-038**	Finding Title:	_____ over _____ and _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2022
	Questioned Cost:	Redacted

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2025 Finding:	No finding was issued for FY 2025 and this program was audited as a major program.
2023-046* 2022-041** 2022-043**	Finding Title:	Internal control over CACFP eligibility determination and claim reimbursement procedures needs improvement
	State Department:	Education
	ALN:	10.558
	Initial Finding FY:	2022
	Questioned Cost 2023-046:	Known questioned costs totaling \$19,362. Likely questioned costs undeterminable. Due to the variety of institution types in the test population and varied meal claim counts, the projection of questioned costs utilizing the error rate related to the known exceptions would not provide a reasonable estimate of likely questioned costs.
	Questioned Cost 2022-043:	Known questioned costs totaling \$50,275. Likely question costs undeterminable. Likely questioned costs cannot be determined as the projection of questioned costs utilizing the error rate is not tested by dollar amount, but instead is based on eligibility.
	Questioned Cost 2022-041:	Known questioned costs totaling \$11,222. Likely question costs undeterminable. Due to the variety of institution types in the test population and varied meal claim counts, the projection of questioned costs utilizing the error rate related to the known exception and amount tested would not produce a reasonable estimate of likely questioned costs.
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action – 2CFR 200.511 (b) (3)
	Explanation:	The Department partially agrees with this finding. The Department disagrees with the finding in relation to the property type, according to Federal Guidelines, submitted to OSA directly from the USDA, the State Agency is in compliance with Small Facility Approvals. Due to the state interpretation, we will develop a property form for new small facilities to confirm their residential status prior to approval for participation into the CACFP Program. The Department will update procedures to support claims made in excess of licensed capacity or enrollment and will require a secondary review of CFRs.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2023-047* 2022-042** 2022-044**	Finding Title:	Internal control over CACFP subrecipient monitoring procedures needs improvement
	State Department:	Education
	ALN:	10.558
	Initial Finding FY:	2022

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	Questioned Cost:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action – 2CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. The CACFP Team in Child Nutrition has made significant improvements since the prior year single audit. This finding is due to the timing of the single audit and the time it takes to implement corrective action, the Department responding to a Federal Audit, the withdrawal of a subrecipient, and the process to hire additional staff.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2024-041* 2023-050* 2022-046**	Finding Title:	Internal control over monitoring of employee classification and compensation needs improvement
	State Department:	Administrative and Financial Services
	ALN:	12.401; 15.605, 15.611, 15.626; 17.225; 20.205; 84.027, 84.173; 84.126; 93.268; 93.489, 93.575, 93.596; 93.563
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	*Management disagrees with this finding and does not believe that corrective action is required **Management believes this audit finding does not warrant further action – 2CFR 200.511 (b) (3)
	Explanation:	The Department disagrees with this finding. The procedure referenced in 5 M.R.S. Sec. 7061(4) is laid out in 18-389 C.M.R. Ch. 4. The Department complies with these written policies and procedures as required by federal and state law. Section 7061(4) was last updated in 2023, with an effective date in October 2023. Pursuant to the JSC on Appropriations, Section 7061(4)(A) requires a review every five years of the state compensation plan for each class or position in the classified service. The FJA process is not related to the compensation plan, however, it is administered under a separate internal control structure that is in place and operating effectively and ensures that the compensation for individual employees is reasonable for the services rendered. The requirement for review of each classification through the FJA process is covered under Section 7061(4)(C) and is required to be reviewed every 10 years. It is also important to note that the Department has conferred with the OAG, who determined that Section 7061(4)(C) is not retroactive, meaning the Department has another 8.5 years to complete a review of all classifications. Additionally, salary studies conducted on State employee wages have shown that the salary and wages of job classifications paid by the State are consistently lower than industry averages, removing the risk that the utilization of these salary schedules as a component of payroll costs will cause overcharges to Federal grants.
	FY 2025 Finding:	ML-25-1011-02
2023-055* 2022-049**	Finding Title:	Internal control over ERA Program subrecipient monitoring needs improvement

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	State Department:	Economic and Community Development
	ALN:	21.023
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action – 2CFR 200.511 (b) (3)
	Explanation:	Although management agrees with this finding, the ERA program was one-time funding that the department was required to award to MaineHousing. The Department determined that because MaineHousing is a quasi-state agency that administers millions of federal dollars for rental assistance under the Section 8 and HOME programs, they did not require the level of oversight cited in the finding. The ERA 1 program is already closed-out with Treasury. If there is any additional funding under that program the department will implement our subrecipient monitoring policies and procedures.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2023-056* 2022-050**	Finding Title:	Internal control over ERA Program performance reporting needs improvement
	State Department:	Economic and Community Development
	ALN:	21.023
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action – 2CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. DECD will take corrective action as advised. Prior to each quarterly report submission deadline, staff will meet with MaineHousing on site and review the data collected for uploading into the report to ensure the content of the submission is accurate.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2023-064* 2022-052**	Finding Title:	Internal control over ESF expenditures needs improvement
	State Department:	Education
	ALN:	84.425D, 84.425U
	Initial Finding FY:	2022
	Questioned Cost 2023-064:	Known questioned costs totaling \$161,468. Likely questioned costs totaling \$7,308,277 were projected by dividing the known questioned costs in our sample by total expenditures tested to establish an error rate, then applying that error rate to total expenditures paid in fiscal year 2023.
	Questioned Cost 2022-052:	Known questioned costs totaling \$620,676. Likely questioned costs totaling \$6,364,627 were projected by dividing the known questioned

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		costs in our sample by total expenditures tested to establish an error rate, then applying that error rate to total expenditures paid in fiscal year 2022.
	FY25 Status:	*Management disagrees with this finding and does not believe that corrective action is required **Management believes this audit finding does not warrant further action – 2CFR 200.511 (b) (3)
	Explanation:	The Maine Department of Education (MDOE) disagrees with the identified questioned costs. The FERP utilized guidance provided by the U.S. Department of Education (grantor) and conferred in writing with Maine’s assigned U.S. Department of Education program officer throughout the Education Stabilization Fund application review process. The Maine Department of Education’s FERP provided the auditor with the grantor’s guidance which clearly states that the questioned costs were allowable, reasonable, and necessary to prepare, prevent, and respond to the COVID-19 pandemic. Throughout the application review process, FERP utilized ESF federal statutory language and the grantor’s published guidance to determine allowability. Once funding applications were approved, SAUs requested reimbursement from the FERP for the approved costs outlined in the school administrative unit (SAU) application. The FERP reviewed SAU reimbursement requests and provided payment for approved expenses. The ESF costs outlined in this finding were allowable, reasonable, and necessary to prepare, prevent, and respond to the COVID-19 pandemic.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2024-049* 2023-067* 2022-057**	Finding Title:	Internal control over ESF subrecipient monitoring procedures needs improvement
	State Department:	Education
	ALN:	84.425D, 84.425R, 84.425U
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	*Corrective action was not completed in FY 2025 **Management believes this audit finding does not warrant further action - 2 CFR 200.511 (b) (3)
	Explanation:	The Department agrees with this finding. The former Office of Federal Emergency Relief Programs will incorporate the collection of this information in the fiscal year 2024 and 2025 annual performance report. All equipment purchased with ESF will be self-reported by each individual School Administrative Unit.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2023-074 2022-065	Finding Title:	Internal control over ELC program cash management needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	93.323

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	Corrective action was taken during FY 2025
2022-066	Finding Title:	Internal control over ELC program suspension and debarment needs improvement
	State Department:	Health and Human Services
	ALN:	93.323
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	Management believes this audit finding does not warrant further action – 2CFR 200.511 (b) (3)
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this program was not audited as a major program.
2022-077	Finding Title:	Internal control over Child Support Enforcement expenditures needs improvement
	State Department:	Administrative and Financial Services
	ALN:	93.563
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Departments agree with this finding. The Office of the Courts will strengthen policies, procedures, and oversight to ensure that the Child Support Services program remains in full compliance with Federal regulations by March 31, 2026.
	FY 2025 Finding:	2025-048
2022-079	Finding Title:	Internal control over the CCDF Cluster eligibility determination process needs improvement
	State Department:	Health and Human Services
	ALN:	93.489, 93.575, 93.596
	Initial Finding FY:	2022
	Questioned Cost:	None
	FY25 Status:	Management believes this audit finding does not warrant further action – 2CFR 200.511 (b) (3)
	Explanation:	1. Two years have passed since the audit report in which this finding occurred was submitted to the FAC; 2. The Federal agency or pass-through entity is not currently

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		following up with the auditee on this audit finding; and 3. A management decision was not issued on this finding.
	FY 2025 Finding:	No finding was issued for FY 2025 and this program was audited as a major program
2024-001 2023-002	Finding Title:	Internal control over procurement card procedures needs improvement
	State Department:	Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department partially agrees with this finding. The only way for per transaction or spending limits to be changed on a P-card is for a Procurement Services employee to update those limits with the P-card vendor. Therefore, all limit exceptions go through an approval process within Procurement Services prior to being changed. However, for the 3 transactions identified, we were unable to produce written, explicit documentation of the source of the approval. These exceptions occurred prior to the creation of our new tracking log. The previous system to document information about approvals was based on email and telephone calls, records of which can be difficult to track. In some cases, this was due to the “emergency” nature of the request; in some cases, these were related to P-cards with “historically heightened” limits due to the unique purchasing needs of the employee’s work, for example, aircraft fueling or repair expenses for the state fleet, where previously approved limits were carried forward based on the position when there was employee turnover. Procurement Service’s new tracking log has addressed this concern by logging both the request and the approval in one repository. Procurement Services has no role related to the processing or enforcement of inter-agency billing or collections/payment of invoices. This is best practice based on internal controls and segregation of duties between providing the ability to make purchases, and actual payment of invoices. The 5-day payment requirement was never intended to be enforced by Procurement Services but was included in the policy to provide a holistic understanding of P-card processing.
	FY 2025 Finding:	ML 25-0320-02
2024-008 2023-004	Finding Title:	Internal control over Alcoholic Beverages Fund financial reporting needs improvement
	State Department:	Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was taken during FY 2025

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
2023-009	Finding Title:	Internal control over Department of Defense, Veterans and Emergency Management procurement related expenditures needs improvement
	State Department:	Defense, Veterans and Emergency Management Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	Maine National Guard Response: The DVEM Military Bureau agrees with this finding. Procedures are in place but were not followed in accepting and submitting an invoice for payment with errors. A review of these procedures has been conducted with personnel. MEMA Response: MEMA agrees with the portion of the finding related to the agency.
	FY 2025 Finding:	No finding was issued for FY 2025
2023-012	Finding Title:	Internal control over year-end adjusting journal entry procedures needs improvement
	State Department:	Administration and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Management does not believe that corrective action is required
	Explanation:	Management's opinion is that corrective action is not required. In an attempt to meet the deadline for completing the journal entries, an error occurred in the process. This error would have been identified during our analytical review, prior to the issuance of the statements. OSA communicated the issue before the analytical review was completed.
	FY 2025 Finding:	No finding was issued for FY 2025
2024-003 2023-013	Finding Title:	Internal control over financial reporting of subscription-based information technology arrangements needs improvement
	State Department:	Administration and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department partially agrees with this finding. The Department acknowledges that contract details across the State can be limited and that further enhancements can be made to our collaborative processes with our partner agencies.

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		However, OSC has implemented adequate procedures to identify and evaluate potential SBITAs. For all items, OSC: • sought and obtained information directly from responsible agencies; • conducted a reasonable assessment of agency-provided amounts; • evaluated statutory provisions and contract language; and • applied GASB 96 guidance where observable information existed and documented where it did not. OSC followed professional judgment in accordance with GASB 96, assessed the presence or absence of identifiable right-to-use components, and appropriately concluded that the excluded amounts were not capitalizable
	FY 2025 Finding:	2025-003
2023-016	Finding Title:	Internal control over Division of Procurement Services procurement related expenditures needs improvement
	State Department:	Administration and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department partially agrees with this finding. We agree with one of the five findings identified. Two BPOs were approved without the accompanying price-per-unit calculation. DPS will review relevant requirements with staff to ensure procedures are followed correctly in the future. We disagree with four of the five findings identified. E-53 - Quarterly sales reports: These reports have no impact on current purchases under the MA, as they are purely informational in nature, and are not used to audit sales against the MA. The reports are intended to provide aggregate expenditure data to identify total sales by municipality and other organizational units for use during the next solicitation. Additionally, for 2 of the MAs examined, no sales were drawn against the MAs, so reports would have had no content. However, DPS will update its MA and RFP documents to clarify the purpose of the reports and to specify that reports are not required when there have been no transactions under the MA. -Sole-source non-competitive PJF: the selected vendor was approved as qualified by the relevant Federal oversight agency and had a letter of support from that Federal agency. As such, the vendor was legitimately eligible for a waiver of competitive bidding per Title 5 §1825-B. To provide an additional measure of assurance, DPS publicly posted the PJF for 7 days, with no questions or complaints received. DPS' decision to approve the PJF was appropriate. -MA Pricelists: updated pricelists are provided via cooperative link and added to the DPS MA pricelist link. Agency personnel download the updated pricelist to use in the required application, therefore agencies are able to

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		confirm that invoiced prices are in agreement with the MA. -BPO issued for services already covered under an existing contract: BPO's are an approved method to bridge contracts and master agreements to meet agency project timelines and protect available project funding. The BPO was issued/encumbered in June 2023 to avoid loss of funds and to ensure that the contracted work could occur in the new fiscal year. Due to expiration of the contract in August 2023, the agency negotiated a new contract, that was signed and approved in August 2023. The BPO was necessary to appropriately encumber funds and was consistent with policy.
	FY 2025 Finding:	No finding was issued for FY 2025
2023-017	Finding Title:	Internal control over Division of Contract Management procurement related expenditures needs improvement
	State Department:	Health and Human Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Management disagrees with this finding and does not believe that corrective action is required.
	Explanation:	The Department disagrees with this finding. It is difficult to respond fully or accurately to the finding without the full details of what was tested. Regarding the potential overpayment, there was a situation where a quarterly financial report (QFR) was submitted by the provider with an error, and it was processed resulting in a higher payment (\$3800) than should have been processed. However, the Department's internal controls will correct this through its agreement closeout (ACR) process. This is the Department's check/balance on the financials for the entire contract for cost-settled contracts. Regarding paying invoices with overlapping dates, it is possible that dates for invoices may be overlapping. A common reason is that the provider did not invoice for everything in the first month, so they catch up in the following month. The Department is not double paying for services. Also, invoices do not necessarily contain all of the detail required to approve an invoice. Much of that is in reports that the program administrator/manager receives and reviews prior to approving invoices. Regarding the concern with a cost-settled payment being made prior to the end of a quarterly service period, this was for a contract that was encumbered very late. The payment was large, for the first six months of the contract. The Department made the decision to catch up for the first six months and not require the quarterly financial report after the first three months. The Department would, however, require a financial report due after the second quarter and would then settle based upon that quarterly report.

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		Finally, regarding the concerns about the cost allocation methodology, the Department uses multiple methods for the allocations which may result in non-standard splits between funding lines.
	FY 2025 Finding:	No finding was issued for FY 2025
2024-024 2023-033	Finding Title:	Internal control over automated SNAP eligibility certification periods needs improvement
	State Department:	Health and Human Services
	ALN:	10.551, 10.561
	Initial Finding FY:	2023
	Questioned Cost 2024-024:	Known questioned costs ALN 10.551 \$3,973. Likely questioned costs undeterminable; incorrectly suspending Supplemental Nutrition Assistance Program (SNAP) benefits may result in overpayments or underpayments to households. Since there are known overpayments and underpayments in our sample, a projection of questioned costs cannot be reasonably estimated.
	Questioned Cost 2023-033:	Known questioned costs \$18,090. Likely questioned costs undeterminable. Incorrectly suspending Supplemental Nutrition Assistance Program (SNAP) benefits may result in overpayments or underpayments to households. Since there are known overpayments and underpayments in our sample, a projection of questioned costs cannot be reasonably estimated.
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department agrees with this finding. OFI has had a number of technological challenges with the automatic setting of renewal and six-month report dates related to the suspension of Medicaid renewals during the pandemic, the extension of certification periods during the unwinding period, and the application of the new passive Medicaid renewal technology.
2024-032 2023-043	FY 2025 Finding:	2025-012
	Finding Title:	Internal control over CNC subrecipient monitoring procedures needs improvement
	State Department:	Education
	ALN:	10.553, 10.555, 10.556, 10.559, 10.582
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department partially agrees with this finding. Regulatory requirements for the administrative review process including corrective and fiscal action were met. Staff will receive training on tracking sheet completion and additional internal control measures that document requirements were met. The 2026 SFSP tracker has been updated to clarify the date of corrective action and now reads "Corrective Action Received Date".

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	FY 2025 Finding:	2025-020
2023-054	Finding Title:	Internal control over DOT subrecipient and contractor determinations needs improvement
	State Department:	Transportation
	ALN:	20.509
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was taken during FY 2025
2023-057	Finding Title:	Internal control over the submission of HAF Program Schedule of Expenditures of Federal Awards reporting needs improvement
	State Department:	Administrative and Financial Services
	ALN:	21.026
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department agrees with this finding. The expenditure data was not correctly classified as sub-recipient expenditures.
2024-045 2023-060	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
	Finding Title:	Internal control over CSLFRF subrecipient risk evaluation procedures needs improvement
	State Department:	Labor
	ALN:	21.027
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department agrees with this finding. MDOL received funds via the Maine Jobs and Recovery Plan to accomplish several goals across 20 unique initiatives. To best meet the goals of several initiatives, MDOL selected various partners to work with - via a competitive Request for Applications (RFA) process or other contractual arrangement. MDOL's competitive RFA process required evaluating individual applicants' previous experience in managing grants and delivering similar programs, which directly correlated with selection criteria and grantee scoring. After selection, grantees are required to submit quarterly performance reports and participate in grantee check-in calls at least twice per year. For grantees not on track to meet their performance goals, monthly calls were held with interim progress milestones set to track performance. While the above procedures were implemented for all subrecipients, going forward,

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
		the Department will document that monitoring procedures were established in response to an evaluation of the subrecipient's risk of noncompliance
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program.
2024-044 2023-061	Finding Title:	Internal control over CSLFRF reporting needs improvement
	State Department:	Administrative and Financial Services
	ALN:	21.027
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was taken during FY 25
2024-047 2023-062	Finding Title:	Internal control over Special Education period of performance needs improvement
	State Department:	Education Administrative and Financial Services
	ALN:	84.027, 84.173
	Initial Finding FY:	2023
	Questioned Costs 2024-047:	Known questioned costs ALN 84.027 \$7,303. Likely questioned costs ALN 84.027 \$31,768; likely questioned costs were projected by dividing the known questioned costs identified in the sample by total Federal fiscal year 2022 grant award expenditures tested to establish an error rate, then applying that error rate to total Federal fiscal year 2022 grant award expenditures paid in fiscal year 2024.
	Questioned Costs 2023-062:	Known questioned costs \$2,446,391. Likely questioned costs undeterminable. The exceptions noted in our sample represent nonroutine transactions; therefore, the projection of questioned costs utilizing the error rate related to known exceptions and amounts tested would not produce a reasonable estimate of likely questioned costs.
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department agrees with this finding. The Office of Special Services & Inclusive Education has developed and will implement a corrective action plan to address the issue identified.
2024-060 2023-085	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program.
	Finding Title:	Internal control over CCDF provider health and safety requirements needs improvement
	State Department:	Health and Human Services
	ALN:	93.489, 93.575, 93.596
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	Explanation:	The Department agrees with this finding. The Department acknowledges that two facilities annual unannounced inspections did not occur within 12 months, being 3 days and 10 days past due. The Department also agrees with the finding that one facility inspection was not posted publicly.
	FY 2025 Finding:	2025-050
2024-063 2023-086	Finding Title:	Internal control over the Foster Care – Title IV-E and Adoption Assistance – Title IV-E eligibility and benefit determination process needs improvement
	State Department:	Health and Human Services
	ALN:	93.658; 93.659
	Initial Finding FY:	2023
	Questioned Cost 2024-063:	Known questioned costs ALN 93.658 \$4,647 and ALN 93.659 \$9,367. Likely questioned costs undeterminable; the Office of the State Auditor (OSA) selected a sample of clients who received Title IV-E benefits during the fiscal year and identified known questioned costs associated with seven clients based on various eligibility attributes. Since each exception is unique to the client, a projection of questioned costs cannot be reasonably estimated.
	Questioned Cost 2023-086:	Known questioned costs \$8,006. Likely questioned costs \$220,373. Likely questioned costs were projected by dividing the identified known overpayment in our sample by total payments tested to establish an error rate, then applying that error rate to total payments made on behalf of Foster Care – Title IV-E clients in fiscal year 2023.
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department partially agrees with this finding. OCFS disagrees with the condition that child abuse and neglect registry checks for RFH require a denial. According to State of Maine Department of Health and Human Services Chapter 16 Rules Providing for the Licensing of Family Foster Homes for Children: Section 9: Licensing Requirements for Family Foster Homes for Children, Sect A. (9): An application may be denied if the applicant(s) have an open Child Protective Services Case or a closed substantiated and/or indicated Child Protective Services case. An open Child Protective Services Case includes a pending disposition of an open report, a case open for assessment or a case open for services. OCFS also disagrees with the condition that Title IV-E was claimed in error during their foster care placement, since the Social Security Administration (SSA) did not stop SSI payments to the biological parent, and is requiring OCFS to pay back the Title IV-E funding that was received to help pay for the child's care. This is an error of the SSA office that DHHS has no responsibility over. DHHS reports all children removed from their parents' custody to SSA through a monthly federally required reporting process. SSA would be responsible for taking any action based on that reporting. DHHS

Summary Schedule of Prior Audit Findings		
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		does not agree that Maine taxpayers should be penalized for the federal agency's failure to take action and stop benefits to the parent. OCFS agrees to the remaining conditions noting that: Changes were made to the Katahdin system (User story 3002158) that were released on 8/3/2025 to avoid overlapping payments for childcare in both Foster Care and Adoption. Changes were made to the OCFS Licensing policy in July 2025, removing the 60-day time limit on the license renewal process.
	FY 2025 Finding:	2025-055
2023-087	Finding Title:	Internal control over DHHS allocated costs needs improvement
	State Department:	Administrative and Financial Services Health and Human Services
	ALN:	93.472; 93.658
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was taken during FY 25
2024-064 2023-088	Finding Title:	Internal control over the Adoption Assistance – Title IV-E eligibility and benefit determination process needs improvement
	State Department:	Health and Human Services
	ALN:	93.659
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department agrees with this finding. The Department will develop training information for distribution to child welfare staff defining steps for them to take when they discover that a child in an adoption assistance agreement is no longer receiving support from the adoptive parents. These steps will raise the information to the OCFS Adoption Unit Manager's attention so they can take appropriate actions.
2024-066 2023-089	FY 2025 Finding:	2025-060
	Finding Title:	Title: _____
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2023
	Questioned Cost:	Redacted
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2025 Finding:	2025-059

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Finding Number	Prior Audit Finding Status	
2024-069 2023-093	Finding Title:	Internal control over Medicaid cost of care assessments and deductions needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department partially agrees with this finding. The Department agrees with the two exceptions found by the Office of the State Auditor. However, we believe that the Department has reasonable assurance with the controls in place that results in a 97% compliance with the COC calculations, which has not decreased from previous findings. No corrective action is necessary as a result of an error rate of only 3%. The Department will continue to actively manage and monitor the Cost of Care system in compliance with federal regulations. In response to the first of two errors identified by OSA, OMS will request an update to an existing Cost of Care report supplied by a third-party vendor. Changes to cost of care are contained in the Retroactive Cost of Care Report, however if there is a second determination of cost of care in a month and the result is identical to the first change in the month, neither is included in the report. This is an error in the report logic that must be corrected. A Change Request will be created to modify and correct the report so that the latest change in the month will be reported to be acted on by OMS.
2024-070 2023-094	FY 2025 Finding:	No finding was issued for FY 2025 and this program was audited as a major program
	Finding Title:	Internal control over Medicaid drug rebates needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department disagrees with this finding. Drug Rebate pre-invoicing and post-invoicing is completed quarterly. As demonstrated during walkthroughs and during our meetings Maine completes specific tasks to ensure accuracy of the invoicing process. The pre-invoicing and post-invoicing procedures are documented in the Pharmacy Rebate Information Management System (PRIMS) Desk Level Procedure (DLP). The pre-invoicing work is performed by the State that compares drug utilization data to the number of dispensed units invoiced. Upon the

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		completion of the pre-invoicing review approval is provided to the vendor allowing them to continue with the invoicing process. There is no requirement on how we select our sample of invoices to review. Based on OSA noting no exceptions to the drug rebate amounts, our system in place to review invoiced drug rebates is functioning as intended.
	FY 2025 Finding:	2025-062
2023-095	Finding Title:	Internal control over conflict of interest requirements needs improvement
	State Department:	Administrative and Financial Services
	ALN:	93.775, 93.777, 93.778
	Initial Finding FY:	2023
	Questioned Cost:	None
	FY25 Status:	Corrective action was taken during FY 2025
2024-002	Finding Title:	Internal control over financial reporting procedures needs improvement
	State Department:	Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department agrees that subsequent adjustments were necessary; however, we have compensating controls in our review process that we believe would have identified many of these discrepancies for remediation prior to final issuance. Much of this is due to the timing of when draft financials and internal reference documents are provided to the auditor due to statutory deadlines. This timing necessitates that we provide this information prior to OSC's final review, which was still yet to be conducted.
2024-005	FY 2025 Finding:	ML 25-0104-01
	Finding Title:	Internal control over financial reporting of software assets needs improvement
	State Department:	Administrative and Financial Services
	ALN:	Financial Statement Finding
	Initial Finding FY:	2024
	Questioned Cost:	None
2024-010	FY25 Status:	Corrective action was taken during FY 2025
	Finding Title:	Internal control over Bureau of Parks and Lands purchasing procedures needs improvement
	State Department:	Agriculture, Conservation and Forestry

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Finding Number	Prior Audit Finding Status														
	ALN:	Financial Statement Finding													
	Initial Finding FY:	2024													
	Questioned Cost:	None													
	FY25 Status:	Corrective action was taken during FY 2025													
2024-011	Finding Title:	Internal control over Department of Corrections purchasing procedures needs improvement													
	State Department:	Corrections													
	ALN:	Financial Statement Finding													
	Initial Finding FY:	2024													
	Questioned Cost:	None													
	FY25 Status:	Corrective action was taken during FY 2025													
2024-012	Finding Title:	Internal control over Department of Transportation financial reporting needs improvement													
	State Department:	Transportation													
	ALN:	Financial Statement Finding													
	Initial Finding FY:	2024													
	Questioned Cost:	None													
	FY25 Status:	Corrective action was taken during FY 2025													
2024-015	Finding Title:	Internal control over Office of State Procurement Services oversight procedures needs improvement													
	State Department:	Administrative and Financial Services													
	ALN:	Financial Statement Finding													
	Initial Finding FY:	2024													
	Questioned Cost:	None													
	FY25 Status:	Management disagrees with this finding and does not believe that corrective action is required													
	Explanation:	DAFS Response: The Department disagrees with this finding. To clarify the “Context,” which currently reads, “In fiscal year 2025, the State expended approximately \$1.6 billion in contract-related payments,” we provide the following stratification of the population from which the transactions were selected: <table><tr><th><u>Procurement Category</u></th><th><u>FY25 Expense (millions)</u></th></tr><tr><td>Services</td><td>\$442,428</td></tr><tr><td>Commodities</td><td>\$157,355</td></tr><tr><td>Materials (Highway)</td><td>\$60</td></tr><tr><td>Equipment</td><td>\$174,734</td></tr><tr><td>Grants</td><td><u>\$768,899</u></td></tr><tr><td>Total</td><td><u>\$1,534,477</u></td></tr></table>	<u>Procurement Category</u>	<u>FY25 Expense (millions)</u>	Services	\$442,428	Commodities	\$157,355	Materials (Highway)	\$60	Equipment	\$174,734	Grants	<u>\$768,899</u>	Total
<u>Procurement Category</u>	<u>FY25 Expense (millions)</u>														
Services	\$442,428														
Commodities	\$157,355														
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Equipment	\$174,734														
Grants	<u>\$768,899</u>														
Total	<u>\$1,534,477</u>														

Summary Schedule of Prior Audit Findings	
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	Each of these strata are subject to differing procurement rules. For example, a significant amount of “Grants” are formula grants or statutorily directed funding, not subject to competition; a significant amount of “Commodities” purchases are related to Master Agreements negotiated directly by OSPS or as participating addenda to agreements negotiated by NASPO ValuePoint, which is a cooperative purchasing program facilitating public procurement solicitations and agreements using a lead-State model. Consequently, each issue identified in this finding should be considered in relation to those strata, not combined under one system or process umbrella. 1) 36 contracts and 26 PJFs tested were not signed at least 14 days prior to the contract start date as required by OSPS policy - This finding is misassigned to OSPS. The State of Maine operates under a hybrid procurement model whereby State agencies and OSPS share procurement responsibilities. The execution of contracts is controlled by the contracting signatories at the agency level where scope and specifications, solicitation parameters, award evaluations, and contract negotiations occur according to OSPS policy and procedure. To support the consistent application of procurement policies and procedures within this hybrid model, OSPS provides extensive, ongoing training to agencies, covering evolving requirements, procedural updates, and process improvements. OSPS is so committed to this responsibility that a full-year FTE position was created specifically to develop, deliver, and continuously update procurement training materials and guidance for both OSPS staff and agency partners. Regarding contract dates: OSPS does not allow or give approval for vendors to work at risk; nor does OSPS have statutory authority to further delay the execution of agency contracts with vendors already working at risk. To do so would only exacerbate the situation, increasing liability risks and may run afoul of agency statutory and federal responsibilities. OSPS has little insight into agency activities prior to submission for review within the State’s accounting system after contract execution. Furthermore, functioning under the State’s hybrid procurement structure, most agencies have statutory authority/responsibility to execute, administer, and manage their contracts; and yet others have legislatively established authority to conduct procurement or grant activities independent of OSPS statute and rule. For example: DHHS statute establishes their independent authority/responsibility for timely contract execution and renewal pursuant to 22-A MRSA 207. However, OSPS supports and encourages OSA to directly address the agencies engaged in delayed contracting for the same concerns listed in this communication. Secondly, the signature of the coversheet will not always correlate with the contracting dates as contracts are negotiated and executed prior to submission into our State’s ERP system for OSPS review and approval. As a third point, the 14 days is a recommendation to allow for OSPS review and processing time as our review process will not be circumvented due to agency tardiness. Lastly, in a departure from historic OSA practice, the numbers portrayed as Fiscal Year 2025 are statistically misrepresented and inaccurately framed. Of the purported 36

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	contracts listed in this finding, 23 are documents from previous fiscal years linked to the contract document number (up to 5 years ago), 7 of which were signed on or before the contract date, 2 are delivery orders (based on master contracts) which require no signature, and 1 was a blanket contract for therapist reimbursements which was signed from the previous fiscal year. 2) 18 PJFs tested were designated as sole-source and there was no documentation to support reasonable investigation by the Director occurred as required - All PJFs are subject to thorough qualitative and contextual review by OSPS staff, in conjunction with the associated contracting documents. The OSPS approval signature serves as verification that the submission meets required review standards. In instances where an agency provides incomplete or substandard information, OSPS responds by requesting additional information/documentation for verification purposes or may reject the PJF. Secondly, the document rationale for each classification is reflected and defined in the PJF guidance document. The PJF and contract documents are reviewed for efficacy, rejected if not appropriately designated, or approved based on provided information. Dates of NOI public postings were provided to the auditor. The execution of contracts is controlled by the contracting signatories at the agency level where scope and specifications, solicitation parameters, award evaluations, and contract negotiations occur. The 6 documents described as reclassified were comprised of 2 statute-directed (student IEP team directed schools), 1 agency grant exempt from OSPS oversight, 1 grant-directed (Good Shepherd Food Bank), 1 University Cooperative under the authority of 5 MRSA 1825-B (E), and 1 extension to multiple vendors (5 substance abuse centers) through legislative funding. It is important to note that 8 of the 18 cited documents for this FY2025 audit are from prior years dating back to 2020. 3) Documentation to support performance of a cost analysis as required by OSPS policy could not be provided for 41 contracts - A) the referenced 2015 manual is no longer authoritative. It has been superseded by multiple policies, procedures, training materials, and organizational changes implemented through subsequent OSPS reorganizations and decentralization of functions. As such, the condition cited in the finding does not represent noncompliance with current requirements. B) The statement relies on evidence that is not representative of the FY 2025 environment. The finding is based on information (such as a 2015 job description) from an earlier process that no longer reflects the present structure nor established procurement practices. By relying on evidence outside the applicable period and disregarding current processes, the conclusion does not accurately characterize OSPS/agency shared control structure or operations. C) This finding is misleading as it fails to identify or acknowledge that 13 of the listed 41 were awarded based on a competitive process or determined by a specific grant funding formula; another 26 of those reviewed were outside the fiscal year dating back to 2020. One was a Low Cost Service

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	Contract issued, below the statutory threshold, at agency discretion, and, lastly, one was compared to market rates for previous event and sponsorship activities. 4) 11 contracts contained amendments; however, OSPS did not request or review information related to vendor performance during the contract amendment process. None of the 11 amendments tested included documentation to support a review and determination of satisfactory vendor performance in line with terms and conditions of the existing contracts – Under the State’s hybrid procurement model, OSPS and State agencies share contracting responsibilities. The distribution of these procurement functions is necessary and, given the volume of transactions and the specialized technical knowledge held by agencies, a hybrid model is the only practical and effective choice. As such, agencies have the statutory authority/responsibility to enter into/administer contracts. Performance is a component of the agency administration of their contracts required as contract signatories. It is implied in the proposed amendment that performance was sufficient to warrant a continued relationship. Although there may not be specific documentation that says the agency evaluated performance and deemed it satisfactory, there are other indications to support that it was considered satisfactory. A) the referenced 2015 manual is no longer authoritative. It has been superseded by multiple policies, procedures, training materials, and organizational changes implemented through subsequent OSPS reorganizations and decentralization of functions. As such, the condition cited in the finding does not represent noncompliance with current requirements. B) The statement relies on evidence that is not representative of agency contract management during FY 2025. The finding is based on information from an antiquated process that no longer reflects OSPS’s established procurement practices. By relying on evidence outside the applicable period and disregarding current processes, the conclusion does not accurately characterize OSPS’ and agencies’ present control structure or operations. 5) One contract was approved with a requirement that the deliverable report be provided verbally, resulting in a contract term that did not comply with 5 MRSA 1825’s requirement for a written report – This finding is accurate and has been addressed through targeted retraining on reviewing agency contract documents for subtle language changes. Looking ahead, we expect opportunities to leverage AI-assisted comparison tools to detect minor contract alterations and other errors, which would help reduce the types of issues that can occur under manual review. OSPS Summary Statement During the audit communication phase, OSPS completed an initial, contract-by-contract review and provided detailed explanations; however, those explanations were not incorporated into the revised drafts. Our review identified several systemic concerns within the three versions of finding communications, including reliance on non-authoritative and superseded guidance (such as the 2015 PPOM and outdated job descriptions used as policy criteria), inaccurate characterizations of OSPS review processes, use of non-

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	representative or period-incorrect transactions, misunderstanding of operational recommendations as formal policy, and the misassignment of Accounts Payable responsibilities to OSPS despite the State's segregated control structure. Collectively, these inaccuracies lead to erroneous conclusions that do not reflect current procurement practices under the State's hybrid model. Although the audit approach and presentation of contracting activities represent a significant departure from historical practice and has created notable challenges in the review-response process, we do recognize opportunities to further strengthen clarity, enhance documentation detail, and reduce potential misinterpretation moving forward. The evaluation also underscores the importance of clearly communicating how Maine's hybrid procurement model operates effectively without the organizational structure or staffing levels of a fully centralized system. OSPS proposes the following targeted improvements: Standardizing Agency Cost Narrative Requirements for the PJF Document Inconsistencies were the result of variable agency documentation practices within the existing single PJF format. To remove ambiguity and prevent future misinterpretation, OSPS will establish standardized, mandatory cost narrative elements that clearly define what agencies must document when justifying price reasonableness, aligned with present-day policy. This clarification strengthens OSPS's existing review processes and ensures that cost narratives accurately reflect the shared responsibility of the hybrid procurement model and current operating structure. Modularize the Draft Policy Manual Current reference, training, and guidance materials reflect continued advancements in procurement policy since the 2015 PPOM cited by OSA, and we agree these evolving updates have not yet been consolidated into a single document. Rather, changes have occurred in response to ongoing operational needs, including new technologies, organizational restructuring, statutory updates, and external oversight such as OPEGA reviews. To more effectively communicate current requirements, OSPS will transition from a single manual to sequential modules covering policy, procedure, and role-specific responsibilities, released in phases aligned with operational changes. This modular approach allows for timely updates, supports transparency, prevents reliance on outdated guidance, and clearly delineates roles and responsibilities between agencies and OSPS. Provide OSA With LMS Certification Training To avoid reliance on brief entrance meetings or outdated materials, neither of which effectively educates auditors on complex procedure and process, OSPS will grant

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		OSA auditors access to our procurement certification training tracks within the LMS in advance of the audit season. This will facilitate the proper understanding of current policy, procedure, and practice. DHHS Response: Due to the timing of when DHHS was notified of these audit exceptions, the number of bureaus involved, and the response deadline, DHHS currently cannot agree or disagree with this finding. These potential exceptions have been noted and will be addressed. DOL Response: The Department disagrees with this finding. The Department of Labor has one procurement-related payment included in this finding and disagrees with the statement that no documentation was provided. The Department provided detailed information for the selected payment, including specific cost categories, monthly progress reports for the six service areas, and the applicable quarterly status report. PFR Response: The Department disagrees with this finding. For the two payments identified, the rates used were reviewed and confirmed to be accurate as evidenced by the signature on the invoices. While the Service Level Agreement with the underlying master agreement's negotiated rate was not immediately available at the time of review, this documentation is not the primary control used to ensure the accuracy of contract payment rates. The Department has established controls that provide reasonable assurance that the correct rates are consistently applied. Rate validation is performed by trained and knowledgeable supervisory level staff who are familiar with the long-standing rate structure, which has remained unchanged for many years. Additionally, rates are available on the daily Batch Reports within the Regulatory Licensing & Permitting site.
	FY 2025 Finding:	2025-009
2024-016	Finding Title:	Internal control over Unemployment Insurance financial reporting needs improvement
	State Department:	Labor Administrative and Financial Services
	ALN:	Financial Statement Finding, 17.225
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Corrective action was taken during FY 2025
2024-018	Finding Title:	Title: _____
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2024
	Questioned Cost:	Redacted

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Finding Number	Prior Audit Finding Status	
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2025 Finding:	2025-066
2024-019	Finding Title:	_____ over the _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2024
	Questioned Cost:	Redacted
	FY25 Status:	Corrective action was taken during FY 2025
2024-021	Finding Title:	_____ over _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2024
	Questioned Cost:	Redacted
	FY25 Status:	Corrective action was taken during FY 2025
2024-026	Finding Title:	Internal control over DHHS special reporting needs improvement
	State Department:	Health and Human Services
	ALN:	10.551, 10.561; 10.557; 93.788
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department agrees with this finding. The Division of Contract Management has developed and will implement a corrective action plan to address the issues identified.
	FY 2025 Finding:	No finding was issued for FY 2025; however, ALN 10.557 and 93.788 this was not audited as a major programs No finding was issued for FY 2025 and ALN 10.551 and 10.561 were audited as a major programs
2024-030	Finding Title:	Internal control over CNC eligibility needs improvement
	State Department:	Education
	ALN:	10.553, 10.555, 10.556, 10.559, 10.582
	Initial Finding FY:	2024
	Questioned Cost:	Known questioned costs totaling \$628,924 ALN 10.559. Likely questioned costs undeterminable; there is insufficient information on the application to identify programs that may be operating under an incorrect classification.

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	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department partially agrees with this finding. The exceptions referenced in this finding are from the program FY23 audit. All identified exceptions have been addressed in the 2025 program year and the upcoming 2026 program year. The SUN Meals (SFSP) application packet is updated continually to reflect evolving federal program requirements. In recent years, significant federal changes have required substantial updates to application processes, data collection, and training for program operators. Requests for system updates are submitted to the Child Nutrition software developer to ensure continued alignment with federal guidelines. Child Nutrition with the supporting documents provided by the Northeast Regional Office of the USDA, disagrees with the exception addressing the "camp" definition in this finding. The application review process is administered by 1.5 FTE State Agency staff, who review over 1,000 documents within a 6–8 week timeframe, while also providing training and technical assistance to sponsors. Despite these constraints and ongoing federal program changes, staff manage the application process with only limited and isolated incidents.
	FY 2025 Finding:	2025-018
2024-036	Finding Title:	Internal control over CNC cash management needs improvement
	State Department:	Education
	ALN:	10.553, 10.555, 10.556, 10.559, 10.582
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department partially agrees with this finding. The Department acknowledges that improvements could be made over the controls to ensure the timely processing of batch payments. As a result, new procedures have been developed and implemented to confirm that batch payments are processed without delay. However, the Department disagrees with the characterization of noncompliance with cash management requirement regarding the overpayment recoupment and believes the current controls effectively addressed the issue. The CNPWeb system already includes edit checks that track, offset, and reconcile adjustments between state and federal payments within the federal fiscal year, ensuring compliance with both 7 CFR 210.9 and 2 CFR 200.302. The \$113,000 overpayment was fully recouped within the same fiscal year through systematic monthly offsets. These offsets occurred within the fund account (school lunch), and the balance was fully corrected through the current claims without any risk of misallocation. All actions were taken within CNPWeb, with no need for intervention outside of the system.

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		7 CFR 210.9 provides guidance on maintaining appropriate balances for school-level accounts and is not intended to govern isolated errors that were promptly detected and resolved through established program procedures. The Department does not believe that a three-month excess threshold applies in this case, as the error was corrected in accordance with program requirements, and the funds were reconciled in a timely manner. The Department maintains that the existing internal controls, along with the newly implemented procedures, adequately address the identified issues.
	FY 2025 Finding:	No finding was issued for FY 2025 and this program was audited as a major program
2024-040	Finding Title:	Internal control over UI overpayments needs improvement
	State Department:	Unemployment Compensation
	ALN:	17.225
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department agrees with this finding. Remediation efforts are already underway for both issues. Several parameters have been established based on prior findings, and manual monitoring is in place to ensure overpayments are correctly identified. Additionally, federal compliance with the Benefit Accuracy Measurement (BAM) program provides an additional layer of oversight to verify the accuracy of unemployment claims. BAM audits are completed by a unit within the Bureau of Unemployment Compensation. Audits include a comprehensive review of claims and payments. To further enhance oversight, system parameters will be implemented to ensure functionality aligns with MDOL's agreed-upon standards. The agency remains committed to ensuring compliance, improving system functionality, and reinforcing procedural accuracy to mitigate future occurrences of these issues.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2024-042	Finding Title:	Internal control over HAF Program reporting and earmarking needs improvement
	State Department:	Professional and Financial Regulation
	ALN:	21.026
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025

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Finding Number	Prior Audit Finding Status	
	Explanation:	The Department agrees with this finding. The Department will establish and implement additional policies and procedures for this program. The Department will require that the subrecipient submit the required program and financial reports to the department for review prior to submission to the federal agency starting with the reporting period ending March 2025 reporting period.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2024-043	Finding Title:	Internal control over HAF Program subrecipient monitoring needs improvement
	State Department:	Professional and Financial Regulation
	ALN:	21.026
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department agrees with this finding. The Department has contracted with a vendor to perform subrecipient monitoring of the HAF program. The Department will ensure that subrecipient reports adequately detail expenditures.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2024-046	Finding Title:	Internal control over CSLFRF subrecipient cash management needs improvement
	State Department:	Health and Human Services
	ALN:	21.027
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Management disagrees with this finding and does not believe that corrective action is required
	Explanation:	The Department disagrees with this finding. The Department is in compliance with the requirement for minimizing the time between payments to our subrecipients and the disbursement of funds. Payments are made as close as administratively feasible. The Compliance Supplement suggested audit procedures for Cash Management for pass-through entities refers to 200.305(b)(1)...that same paragraph states that the timing and amount of advance payments must be as close as is administratively feasible.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2024-048	Finding Title:	Internal control over Special Education level of effort needs improvement
	State Department:	Education
	ALN:	84.027, 84.173
	Initial Finding FY:	2024

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Finding Number	Prior Audit Finding Status	
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department agrees with this finding. The Office of Special Services & Inclusive Education has developed and will implement a corrective action plan to address the issue identified.
	FY 2025 Finding:	No finding was issued for FY 2025; however, this was not audited as a major program
2024-059	Finding Title:	Internal control over CCDF financial reporting needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	93.489, 93.575, 93.596
	Initial Finding FY:	2024
	Questioned Cost:	Known questioned costs totaling \$3.7 million ALN 93.575. Likely questioned costs totaling \$3.7 million ALN 93.575.
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Departments agree with this finding. The DHHS Financial Service Center updated existing procedures and increased oversight to ensure that all information reported on quarterly ACF-696 reports is accurate and complete prior to submission to the Federal government.
	FY 2025 Finding:	2025-049
2024-061	Finding Title:	Internal control over CCDF period of performance needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	93.489, 93.575, 93.596
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Corrective action was taken during FY 2025
2024-065	Finding Title:	Internal control over the Foster Care – Title IV-E and Adoption Assistance – Title IV-E programs FMAP rates needs improvement
	State Department:	Health and Human Services Administrative and Financial Services
	ALN:	93.658; 93.659
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Corrective action was taken during FY 2025
2024-071	Finding Title:	Internal control over Medicaid paid medical claims needs improvement
	State Department:	Health and Human Services
	ALN:	93.775, 93.777, 93.778

Summary Schedule of Prior Audit Findings		
Finding Number	Prior Audit Finding Status	
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Corrective action was taken during FY 2025
2024-072	Finding Title:	_____ over the _____ and _____ needs improvement
	State Department:	Redacted
	ALN:	Redacted
	Initial Finding FY:	2024
	Questioned Cost:	Redacted
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department is taking steps to address and remediate this condition
	FY 2025 Finding:	No finding was issued for FY 2025 and this program was audited as a major program.
2024-075	Finding Title:	Internal control over DG – PA program financial reporting needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	97.036
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department agrees with this finding. The Department will publish and implement a revised Federal Financial Reporting procedure to fully preserve reporting/validation source material and clearly document the justification for any variances from the source material.
	FY 2025 Finding:	2025-070
2024-076	Finding Title:	Internal control over the submission of DG – PA program Schedule of Expenditures of Federal Awards information needs improvement
	State Department:	Defense, Veterans and Emergency Management
	ALN:	97.036
	Initial Finding FY:	2024
	Questioned Cost:	None
	FY25 Status:	Corrective action was not completed in FY 2025
	Explanation:	The Department agrees with this finding. MEMA will work with Defense, Veterans and Emergency Management staff to develop an agency-specific procedure for comprehensive review of the agency's Federal expenditures at an appropriate point in the department's annual SEFA reporting process.
	FY 2025 Finding:	ML 25-1502-01

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