

**REPORT OF THE STATE AUDITOR**  
**on**  
**CORRECTIVE ACTION PLANS and DISPUTED FINDINGS**  
**from the**  
**MAINE SINGLE AUDIT REPORT**

Pursuant to Chapter 42 of the 2021 Resolves of Maine (H.P. 890, L.D. 1215, *Resolve, to Require the State Auditor to Report on Corrective Actions Regarding the Administration of Federal Grants*), I am pleased to present this executive summary and full report to the policy committees of the 131<sup>st</sup> Legislature having jurisdiction and oversight responsibilities over the policies and substantive matters of Executive Department agencies charged with implementing state programs with funding from Federal grant and award programs.

This report is comprised of the following elements: this executive summary and narrative; tables derived from the 2020-21 Single Audit Report; explanatory slides and graphs from those audit reports; and the Single Audit Report for the fiscal year ending on June 30<sup>th</sup>, 2022.

I present this report with a view towards submitting this information from an unorthodox vantage point; that of a first-term legislator. I possess an outsized advantage not only as State Auditor, but I also have more than two decades of experience in government to inform how I am able to aggregate and synthesize information. Legislators, in the era of term limits in the Information Age, try to navigate public policy through towering, mountainous waves of data, competing priorities, and policy initiatives moving at breakneck speed. Even assuming a given lawmaker is an expert in the area of public policy that their committee work engages in, there's still the work of the many other policy committees, the Other Body, and the full Legislature to try to keep up with. Especially for new legislators, it's hard to process more information than you are given—in other words, you only really can fully understand what you're able to process out of all the information you receive. I remember only too well my first term and trying to sort out what was important now and what I could put aside for later. This report is meant to be a bit of a shortcut to that end.

The explicit expectation articulated in Resolves, Chapter 42 is to report to this Legislature on corrective action plans implemented by Executive Department agencies that originate from the findings derived from the work of our auditors during the course of the Single Audit. That is easy enough. In fact, that information is available in the Single Audit. I think the meat of the intent of L.D. 1215, however, was to bring to the attention of policymakers those areas of disagreement between our auditors and the custodians of the programs we review. In the oversight role of the Legislature, information such as this can highlight areas of risk that you may want to get a better understanding of.

This report, it is hoped, will help you have a stronger understanding of the power of your oversight role.

Let's begin with some context. In 2013, the Federal Centers for Medicare and Medicaid Services (CMS) decertified the Riverview Psychiatric Center (under the Maine Department of Health and Human Services (DHHS)) as a Medicare provider of psychiatric hospital services. Nonetheless,



the state continued to draw down Federal funds to provide those services. In the State Auditor's finding that year (2016-027), the Auditor noted that the state had drawn \$14 million in FY 2016, \$16 million in FY 2015, and \$10.5 million in 2014 after Riverview had been decertified. The state drew these funds after receiving legal advice that it was appropriate to continue to claim costs from the Federal government regardless of the certification status of Riverview. The Auditor warned that the effect could include "possible disallowed costs" and recommended that "DHHS should work with CMS to resolve this matter."

Management's response to the finding? "The Department disagrees with this finding. As stated in response to prior findings, the Department of Health and Human Services does not believe that this matter constitutes a finding nor that it is a "significant deficiency" in Department operations.

"The fact that CMS has refused to recertify Riverview—and has given no clear guidance on how the State would achieve that—is not new to the State. Indeed, the Department *has routinely communicated to the Legislature* the continued risk associated with using disproportionate share hospital (DSH) funding for Riverview (emphasis mine).

"Notably, the Department believes the decertification of Riverview was unjustified, and that nothing in Federal law or rule prohibits the State from continuing to use DSH funds to support Riverview. Furthermore, whereas the Effect of "Possible Disallowances" is a potential outcome, "Possible Noncompliance with Federal Regulations" is not. Any noncompliance that could occur already has occurred, resulting in the disputed decertification."

The Auditor's Concluding Remarks, issued in response:

"The Office of the State Auditor is not making a determination as to whether or not Riverview should have been decertified as a Medicare provider of psychiatric hospital services. However, we are reporting on the fact that the State continued using Federal funds after Riverview was decertified."

The above sentence regarding communications to the Legislature caught my attention. In discussions with a number of current and former members who served on the Joint Standing Committee on Health and Human Services during the years covered by the Riverview audits, members allowed that yes, they did receive updates on Riverview. One member recalled that it was communicated that negative Federal action was "highly unlikely"; another remembered an emphasis on separating out the forensic unit as a possible solution to Federally-articulated concerns. Still another felt that with legal advice to proceed in hand, that there wasn't a feeling that there was lot of need to dig further into the matter. No one I spoke to recalled seeing the findings issued by the Office of the State Auditor.

It would be an unfair projection to assume it would have made a critical difference. It may not have; as discussed above, more information when one is already inundated isn't necessarily a cure. I can recall plenty of times when the pressure was on, and as an administrator or legislator I had to *make a decision*. You hope fervently that you're making the right one. As has been shown, we don't always get that right.



This point of doing our best with the best information available *at the moment* is an important one. The object lesson we are relying on is told by the series of events and decisions that led to a Federal clawback of \$77,610,691, including \$2,063,246 in *interest* payments; but in my experience, regardless of partisan affiliation, management philosophy, or policy priorities, those who are charged with governance really and truly try their best. The work that we do in the Office of the State Auditor isn't geared towards pinning back anyone's ears or playing 'gotcha'. In fact, it is a paramount charge to a certified auditor that the purpose of an audit is *to add value to an organization*. That value is manifested in orienting information so that it helps an organization—and those who rely on the work of the organization—to understand where it is and where it's going. That is our intent here.

The operative question raised by passage of L.D. 1215 asks, then, is exactly how does the Office of the State Auditor add value with its findings, and what does that mean to policy makers and the general public?

As a legislator, it wasn't something I thought about very much. Much of my time was consumed by committee and constituent work, communicating with other legislators and leadership, being available to people in town, and just generally trying to be a resource to people. This last activity is where I learned the most about how government functions, and why. For me, a shortcut to understanding the underpinnings of an institution or policy is to try to understand what would work differently if we didn't have those institutions and policies.

We can provide plenty of examples of those types of situations. For now, as you review this report and the information condensed for your review, you will find you have plenty to consider in your oversight role; where programs operate efficiently and well, and where others struggle and need additional support. From there, you can wield the information to craft better policy on behalf of your constituents. Respectfully, from our view, that is entirely the point.

Matthew Dunlap, CIA  
State Auditor

*on behalf of the Office of the State Auditor*

B. Melissa Perkins, CPA, Deputy State Auditor  
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# 130th MAINE LEGISLATURE

## FIRST REGULAR SESSION-2021

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Legislative Document

No. 1215

H.P. 890

House of Representatives, March 24, 2021

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**Resolve, To Require the State Auditor To Report on Corrective  
Actions Regarding the Administration of Federal Grants**

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Received by the Clerk of the House on March 22, 2021. Referred to the Committee on State and Local Government pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

*Robert B. Hunt*

ROBERT B. HUNT  
Clerk

Presented by Representative RISEMAN of Harrison.









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Date: (Filing No. H- )

**STATE AND LOCAL GOVERNMENT**

Reproduced and distributed under the direction of the Clerk of the House.

**STATE OF MAINE  
HOUSE OF REPRESENTATIVES  
130TH LEGISLATURE  
FIRST SPECIAL SESSION**

COMMITTEE AMENDMENT “ ” to H.P. 890, L.D. 1215, “Resolve, To Require the State Auditor To Report on Corrective Actions Regarding the Administration of Federal Grants”

Amend the resolve by striking out all of section 2 and inserting the following:

**'Sec. 2. Report. Resolved:** That, by December 2, 2022, the State Auditor shall submit the report under section 1, including suggested legislation, to each joint standing committee of the Legislature having jurisdiction over the same policy and substantive matters as a state agency included in the report. Each committee may report out a bill related to the matters over which the committee has jurisdiction based on the report to the First Regular Session of the 131st Legislature.'

Amend the resolve by relettering or renumbering any nonconsecutive Part letter or section number to read consecutively.

**SUMMARY**

This amendment requires the State Auditor to file the report required in the resolve to each joint standing committee of the Legislature having jurisdiction over the same policy and substantive matters as state agencies included in the report. It gives these committees the authority to report out legislation.

**FISCAL NOTE REQUIRED**  
(See attached)

**COMMITTEE AMENDMENT**



APPROVED  
JUNE 10, 2021  
BY GOVERNOR

CHAPTER  
42  
RESOLVES

STATE OF MAINE

—  
IN THE YEAR OF OUR LORD  
TWO THOUSAND TWENTY-ONE

—  
H.P. 890 - L.D. 1215

**Resolve, To Require the State Auditor To Report on Corrective Actions  
Regarding the Administration of Federal Grants**

**Sec. 1. State Auditor directed to report on corrective actions in administration of federal grants. Resolved:** That the State Auditor shall issue a report on the compliance of state agencies with findings and corrective actions issued by the State Auditor as part of an audit of the agencies regarding the administration of federal grants. The report must contain all the outstanding corrective actions that have not been taken and are listed on the prior audit status of single audit reports of all agencies for the immediate 5 complete fiscal years prior to the effective date of this resolve and any recommendations as to further corrective action or audit needed.

**Sec. 2. Report. Resolved:** That, by December 2, 2022, the State Auditor shall submit the report under section 1, including suggested legislation, to each joint standing committee of the Legislature having jurisdiction over the same policy and substantive matters as a state agency included in the report. Each committee may report out a bill related to the matters over which the committee has jurisdiction based on the report to the First Regular Session of the 131st Legislature.





STATE OF MAINE  
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Matthew Dunlap, CIA  
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B. Melissa Perkins, CPA  
Deputy State Auditor

LETTER OF TRANSMITTAL

The Honorable Tim Nangle, Chair  
Committee on State and Local Government

The Honorable Holly Stover, Chair  
Committee on State and Local Government

Dear Mr. Chairman and Madam Chairwoman,

Enclosed you will find a report summarizing Single Audit findings issued by the Office of the State Auditor for the fiscal year ended June 30, 2021, where responses indicated a disagreement from management of the receiving department.

We are submitting this report in accordance with L.D. 1215, *Resolve, To Require the State Auditor To Report on Corrective Actions Regarding the Administration of Federal Grants*. The contents of this report are organized by Legislative Oversight Committee. A table of contents is presented on the following page.

Several findings noted within the report are redacted because they relate to confidential and sensitive information. Redacting this information is consistent with *Government Auditing Standards* promulgated by the U.S. Government Accountability Office. The confidential findings are presented at the conclusion of each committee section in order to provide full context for the number of agency disagreements. A complete listing of findings issued by the Office of the State Auditor can be found in the Annual Single Audit Report, presented on our website at: <https://www.maine.gov/audit/osa-reports/annual-single-audit.html>.

Respectfully submitted,

Matthew Dunlap, CIA  
State Auditor

May 30, 2023





**Summary of Finding Disagreements  
Fiscal Year Ending June 30, 2021**

**Table of Contents**

	<u>Page</u>
<b>State and Local Government Committee .....</b>	<b>1-2</b>
<b>2021-003</b> Internal control over financial reporting of OFI overpayments needs improvement	
<b>2021-008</b> Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables needs improvement	
<b>2021-024</b> Internal control over payroll transfers to the Coronavirus Relief Fund (CRF) needs improvement	
<b>Education and Cultural Affairs Committee .....</b>	<b>3</b>
<b>2021-023</b> Internal control over education expenditures charged to the Coronavirus Relief Fund needs improvement	
<b>2021-005</b> <i>Confidential Finding*</i>	
<b>Health and Human Services Committee .....</b>	<b>4-8</b>
<b>2021-003</b> Internal control over financial reporting of OFI overpayments needs improvement	
<b>2021-025</b> Internal control over subrecipient risk evaluation procedures needs improvement	
<b>2021-042</b> Internal control over subrecipient cash management needs improvement	
<b>2021-043</b> Internal control over Income Eligibility and Verification System (IEVS) procedures needs improvement	
<b>2021-045</b> Internal control over cash benefits paid to TANF clients needs improvement	
<b>2021-050</b> Internal control over Hospital and Long Term Care Facility audits needs improvement	
<b>2021-052</b> Internal control over compliance with eligibility determination requirements needs improvement	
<b>2021-054</b> Internal control over the eligibility determination process needs improvement	
<b>2021-056</b> Internal control over deceased client cases and claims analysis needs improvement	
<b>2021-012, 2021-017, 2021-058</b> <i>Confidential Findings*</i>	



**Judiciary Committee .....9**

**2021-008** Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables needs improvement

**2021-007 Confidential Finding\***

**Labor and Housing Committee .....10**

**2021-021** Internal control over Unemployment Insurance claim payments needs improvement

**2021-011 Confidential Finding\***

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

The summary table below presents fiscal year 2021 Financial Statement and Federal findings by joint standing committee. This summary provides additional context for how many findings apply to each joint standing committee, and known/likely Federal questioned costs.

Joint Standing Committee	# of findings	# of Repeat findings	Federal QC		Management's Response	
			Known \$	Likely \$	# of Agree responses	# of Disagree responses
Health and Human Services	34	26	\$8,601	\$779,731	22	12
State & Local Government	16	9	\$4,867	Undeterminable	13	3
Labor and Housing	4	3	\$2,032,324	\$29,100,000	2	2
Transportation	1	1	\$ -	\$ -	1	0
Education & Cultural Affairs	8	2	\$27,169	Undeterminable	6	2
Judiciary	2	2	\$ -	\$ -	0	2
Criminal Justice & Public Safety	5	0	\$ -	\$ -	5	0
Innovation, Development, Economic Advancement and Business	2	0	\$ -	\$ -	2	0
<b>TOTALS</b>	<b>72</b>	<b>43</b>	<b>\$ 2,072,961</b>	<b>\$ 29,879,731</b>	<b>51</b>	<b>21</b>

Commonly used acronyms in the following pages:

- OSA – Office of the State Auditor
- OSC – Office of the State Controller
- OFI – Office for Family Independence
- ACES – Automated Client Eligibility System



**Summary of Audit Findings with Management Disagreements  
Fiscal Year Ending June 30, 2021**

<b>Legislative Committee: State and Local Government</b>		
<b>Finding 2021-003</b>	Internal control over financial reporting of OFI overpayments needs improvement	
<b>Finding Summary:</b> OSC records overpayments made by the State to the OFI's clients as a receivable owed by the client to whom the service was provided. The related expense should have been recorded in the General Fund since Federal funds cannot be used to pay for unallowable costs such as improper payments made by the State.		
<b>Management Disagreement Summary:</b> For TANF overpayments, the Department cites U.S. DHHS program guidance and asserts that recording the expense related to overpayments in the General Fund would be erroneous. For SNAP overpayments, the Department cites a different section of Federal program guidance. They conclude by stating that they received guidance from the relevant Federal offices for these programs justifying their accounting methods.		
<b>Auditor's Response:</b> This finding is over financial reporting of bad debts. Management's Disagreement does not address financial reporting, rather, it erroneously focuses on improper payment recovery.		
<b>SAR page:</b> E-14	<b>Repeat Finding:</b> Yes, 2 years	<b>Questioned Costs:</b> None
<b>Finding 2021-008</b>	Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables needs improvement	
<b>Finding Summary:</b> The valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables is not supported by documented, current and historical collections data, and other factors that support professional judgment. Receivables outstanding for more than 180 days are automatically deemed uncollectible.		
<b>Management Disagreement Summary:</b> Management's opinion is that the valuation using an aging methodology is based on subjective, as well as objective, factors including professional judgement. They believe the 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, believes that the estimate is presented in conformity with the applicable accounting principles, and that disclosure is adequate. OSC plans to continue to reserve 100% of all fines over 180 days old, which has been the acceptable method for many years.		
<b>Auditor's Response:</b> OSC did not provide documented considerations for the valuation assumptions and methodology used to estimate the allowance for uncollectible fines and fees. Furthermore, the Judicial Branch chose not to provide collection data upon request, citing lack of resources.		
<b>SAR page:</b> E-22	<b>Repeat Finding:</b> Yes, 2 years	<b>Questioned Costs:</b> None



**Summary of Audit Findings with Management Disagreements  
Fiscal Year Ending June 30, 2021**

<b>Legislative Committee: State and Local Government, continued</b>		
<b>Finding 2021-024</b>	Internal control over payroll transfers to the Coronavirus Relief Fund (CRF) needs improvement	
<p><b>Finding Summary:</b> The Corrections Service Center and the Security and Employment Service Center prepared and processed journal transfers of payroll expenditures, which included vacation and compensatory time earned and accrued by employees prior to March 1, 2020, from the General Fund to CRF, upon employee termination. CRF allowability criteria states that costs charged to the program must be incurred subsequent to March 1, 2020.</p>		
<p><b>Management Disagreement Summary:</b> Management asserts that payroll costs are incurred when the service is provided; however, the cost of leave benefits (including vacation, sick and compensatory time) is not incurred until claimed by the employee. The cost of benefits in question were claimed by substantially dedicated public safety employees during the period of performance in accordance with CRF guidance.</p>		
<p><b>Auditor's Response:</b> The State is liable for and obligated to pay the cost of leave benefits as leave is earned by employees, not when utilized by employees. The leave benefit payouts noted as exceptions and reported as questioned costs were earned throughout employment prior to March 1, 2020; therefore, the obligations existed prior to the start of the CRF period of performance and do not meet allowability requirements.</p>		
<b>SAR page:</b> E-72	<b>Repeat Finding:</b> No	<b>Questioned Costs:</b> \$4,867





**Summary of Audit Findings with Management Disagreements  
Fiscal Year Ending June 30, 2021**

Legislative Committee: Education and Cultural Affairs		
<b>Finding 2021-023</b>	Internal control over education expenditures charged to the Coronavirus Relief Fund needs improvement	
<b>Finding Summary:</b> Supporting documentation for the reimbursement of education expenditures did not provide adequate evidence to support that the expenditures were incurred due to the public health emergency as required by Federal guidance.		
<b>Management Disagreement Summary:</b> The Department partially agrees with the finding. They assert that the Office of Federal Emergency Relief Programs has written justification of the projects and expenses that were proposed by the school administrative units to respond to the COVID-19 pandemic. They add that each justification was reviewed and discussed to determine if it was in fact an appropriate cost. They also consulted with their US. Department of Education program officer throughout the process. They concede that they failed to document their decisions separately from the application approvals and acknowledge that they did not fully document their discussions and determinations to justify the necessity and reasonableness of the costs. They assert that this was due to the urgency and time-sensitivity of the funding. Overall, the Department asserts that they spent the funding in accordance with all regulations and that all costs were appropriate.		
<b>Auditor's Response:</b> Supporting documentation provided by the Department for the reimbursement of \$27,169 for a campus athletics vehicle did not provide adequate evidence that this was a necessary, reasonable, and allowable expenditure incurred due to the public health emergency. Without documentation and evidence to substantiate that the reimbursement was for critical and time sensitive needs directly arising from the public health emergency, OSA asserts that the reimbursement was not to prepare for, prevent, or respond to COVID-19; therefore, the amount is reported as a known questioned cost.		
<b>SAR Page:</b> E-69	<b>Repeat Finding:</b> No	<b>Questioned Costs:</b> \$27,169
<b>Confidential Findings:</b>		
<b>Finding 2021-005</b>	_____ over the _____ system needs improvement	
<b>SAR Page:</b> E-19	<b>Repeat Finding:</b> Yes, 4 years	<b>Questioned Costs:</b> None



**Summary of Audit Findings with Management Disagreements  
Fiscal Year Ending June 30, 2021**

Legislative Committee: Health and Human Services		
<b>Finding 2021-003</b>	Internal control over financial reporting of OFI overpayments needs improvement	
<p><b>Finding Summary:</b> OSC records overpayments made by the State to the OFI's clients as a receivable owed by the client to whom the service was provided. The related expense should have been recorded in the General Fund since Federal funds cannot be used to pay for unallowable costs such as improper payments made by the State.</p>		
<p><b>Management Disagreement Summary:</b> For TANF overpayments, the Department cites U.S. DHHS program guidance and asserts that recording the expense related to overpayments in the General Fund would be erroneous. For SNAP overpayments, the Department cites a different section of Federal program guidance. They conclude by stating that they received guidance from the relevant Federal offices for these programs justifying their accounting methods.</p>		
<p><b>Auditor's Response:</b> This finding is over financial reporting of bad debts. Management's Disagreement does not address financial reporting, rather, it erroneously focuses on improper payment recovery.</p>		
<b>SAR page:</b> E-14	<b>Repeat Finding:</b> Yes, 2 years	<b>Questioned Costs:</b> None
<b>Finding 2021-025</b>	Internal control over subrecipient risk evaluation procedures needs improvement	
<p><b>Finding Summary:</b> The Department could not provide evidence for three subrecipients to demonstrate that monitoring procedures were established in response to an evaluation of the subrecipient's risk of noncompliance with Coronavirus Relief Funds subrecipient awards.</p>		
<p><b>Management Disagreement Summary:</b> The Department contracted with many new providers through limited period contracts in order to prevent the spread of COVID-19 infections by creating local prevention plans and providing education to businesses and towns. Guidance from the Federal government was to promote flexibility in the disbursement of these funds. The Department, knowing that the timing of contracting and disbursing these funds was critical and that many of these providers were new to contracting with the State, recognized these providers as "high risk". Recognizing these providers as "high risk", the Department utilized 2 of the 3 suggested monitoring tools in the Uniform Guidance based on the assessment of risk posed by the subrecipients. The third monitoring tool identified in the Uniform Guidance related to high risk subrecipients, performing on-site visits of subrecipient's program operations, was not practical in the middle of the pandemic.</p>		
<p><b>Auditor's Response:</b> The Department failed to address or dispute the conditions relating to the three subrecipients identified in the finding. Even with the unprecedented impacts of the pandemic, Federal regulations still require the Department to evaluate each subrecipient's risk of noncompliance. In response to the Department's assertion that high risk subrecipients were recognized and monitored, no evidence, including risk evaluations, was provided to support this statement.</p>		
<b>SAR Page:</b> E-75	<b>Repeat Finding:</b> No	<b>Questioned Costs:</b> None



**Summary of Audit Findings with Management Disagreements  
Fiscal Year Ending June 30, 2021**

Legislative Committee: Health and Human Services, continued		
<b>Finding 2021-042</b>	Internal control over subrecipient cash management needs improvement	
<p><b>Finding Summary:</b> The Department did not monitor subrecipients with "cost-settled" or "cost-settled by invoice" subawards to ensure they were drawing Federal funds in accordance with cash management requirements. The Department's current procedures include making advance monthly payments for the same amount and reconciling those amounts to the 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.</p>		
<p><b>Management Disagreement Summary:</b> The Department asserts that they review budgeted expenses to determine their timing and nature; review quarterly expense reports to alter payments to meet immediate cash needs; and properly monitor subrecipients by looking at independent audit reports on the subrecipient for any issues. Overall, they assert that their approach is administratively reasonable and in fact does minimize the time elapsing between payment of Federal funds and disbursement by subrecipients.</p>		
<p><b>Auditor's Response:</b> Reviewing budgeted expenses does not constitute sufficient monitoring because this review does not take into consideration the actual timing of when the funds are disbursed by the subrecipient. In addition, the Department does not obtain documentation to support the timing of the subrecipient's expenses as reported on quarterly expense reports. Reviewing audit reports of subrecipients can be beneficial; however, most of those reports aren't completed until after the Federal funds have already been spent, and do not necessarily include an audit of cash management activities. Therefore, review of subrecipient audits is not a substitute for sufficient monitoring.</p>		
<b>SAR Page:</b> E-105	<b>Repeat Finding:</b> Yes, 5 years	<b>Questioned Costs:</b> None
<b>Finding 2021-043</b>	Internal control over Income Eligibility and Verification System (IEVS) procedures needs improvement	
<p><b>Finding Summary:</b> IEVS generates various discrepancy reports on a weekly, monthly and quarterly basis. The Department is required to resolve all discrepancies identified through IEVS reports within 45 days of receipt. Of the 194 IEVS discrepancies tested: 61 discrepancies were not addressed in ACES; 11 discrepancies were addressed between 4 and 40 days late; 2 discrepancies were not correctly addressed in ACES; and the auditor was unable to confirm if one discrepancy was updated correctly in ACES.</p>		
<p><b>Management Disagreement Summary:</b> The Department disagrees with three discrepancies cited in the finding, and states that four standard operating procedures governing IEVS reporting were modified in FY2021. They noted that due to the pandemic, combined with manual processing, an uptick in errors was noted. They have created a Technology Roadmap workgroup and stated that IEVS automation is a component of this project.</p>		
<p><b>Auditor's Response:</b> Of the 75 discrepancies identified, the Department disagrees with three of them. Furthermore, the Department did not provide adequate documentation to support their disagreement with these three discrepancies.</p>		
<b>SAR Page:</b> E-108	<b>Repeat Finding:</b> Yes, 3 years	<b>Questioned Costs:</b> None



**Summary of Audit Findings with Management Disagreements  
Fiscal Year Ending June 30, 2021**

<b>Legislative Committee: Health and Human Services, continued</b>		
<b>Finding 2021-045</b>	Internal control over cash benefits paid to TANF clients needs improvement	
<p><b>Finding Summary:</b> The Department issues monthly direct cash benefit payments to TANF clients to provide temporary assistance to families as they work towards becoming self-sufficient. An overpayment was identified during audit testing. Though the case was referred to another division for overpayment in September 2020, the Department has not recouped any of the identified overpayment as of audit testing in March 2022.</p>		
<p><b>Management Disagreement Summary:</b> OSA correctly identified an error; however, the Department has controls in place and identified the error timely. The case was referred for overpayment during the fiscal year.</p>		
<p><b>Auditor's Response:</b> Although the case was referred as an overpayment in September 2020, which was documented in the TANF client's electronic case record, the Department subsequently issued another payment to the client (the erroneous overpayment identified by OSA), indicating a lack of adequate controls. As of audit testing in March 2022, the overpayment remains listed as pending in the TANF client's electronic case record, 18 months after the initial overpayment was referred to another division, and the Department has not recouped any of the identified overpayment.</p>		
<b>SAR Page:</b> E-111	<b>Repeat Finding:</b> No	<b>Questioned Costs:</b> None
<b>Finding 2021-050</b>	Internal control over Hospital and Long Term Care Facility audits needs improvement	
<p><b>Finding Summary:</b> The Division of Audit did not issue Hospital and Long Term Care Facility audits in accordance with Federal regulations.</p>		
<p><b>Management Disagreement Summary:</b> The Department states that audits of Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID) do not have a specific time requirement for completion, and that Federal regulations only require that periodic audits of financial records occur. All ICF/IID cost reports submitted to the Department are tracked in a database for audit purposes, and are audited as resources are available. The Department states that they have worked with Federal partners who have agreed with their interpretation of the regulation and the timing of audits for the ICF/IIDs.</p>		
<p><b>Auditor's Response:</b> Federal guidance states that the agency "must provide for the filing of uniform cost reports by each participating provider [and] periodic audits of the financial and statistical records of participating providers." The Department is correct in its assertion that the regulation does not define a timeframe for either of these things. However, the Department requires that providers submit cost reports annually. The periodic audit of a facility's financial and statistical records should follow the same pattern as the periodic submission of those financial and statistical records. Failure to do so leads to delays in identifying funds due to or due from the provider. Also, the Department's interpretation that there is no deadline for performing audits of the financial and statistical records of ICF/IIDs leads to an open-ended timeframe where audits are never required to be completed.</p>		
<b>SAR Page:</b> E-121	<b>Repeat Finding:</b> Yes, 8+ years	<b>Questioned Costs:</b> None





**Summary of Audit Findings with Management Disagreements  
Fiscal Year Ending June 30, 2021**

Legislative Committee: Health and Human Services, continued		
<b>Finding 2021-052</b>	Internal control over compliance with eligibility determination requirements needs improvement	
<b>Finding Summary:</b> The Department does not have procedures in place for eligibility determinations to: ensure household income is complete and household size is verified; retain supporting documentation in client case files; verify applicant identity; and ensure that redeterminations are timely.		
<b>Management Disagreement Summary:</b> The Department believes that OSA is misinterpreting the regulation regarding electronic case files. The Department states that the eligibility system, ACES, is part of the electronic case record, and therefore by storing citizenship and identity verification within the ACES system, they are acting in accordance with State and Federal regulations.		
<b>Auditor's Response:</b> Federal requirements for evidence of citizenship and identity provide States with the options of relying on, without further documentation of citizenship or identity, a verification of citizenship made by a Federal agency or another State agency, or requiring further documentary evidence of citizenship and/or identity. The MaineCare Eligibility Manual details the Department's decision to require applicants to submit documentary evidence of identity beyond verification of citizenship made by a Federal agency or another State agency. In addition, the MaineCare Eligibility Manual states that "copies of citizenship and identification documents shall be maintained in the case record or electronic database." OSA agrees that ACES is part of the electronic case record, and where appropriate documentation was recorded in ACES, no exception was taken; however, the exceptions noted in the finding relate to instances where copies of documentation were required to be maintained in the electronic case record and were not. To ensure compliance with the requirements of the Federal awards, the Department must adhere to the procedures established for obtaining, using, verifying, and maintaining information relevant for eligibility determinations and the amount of assistance.		
<b>SAR Page:</b> E-127	<b>Repeat Finding:</b> Yes, 5 years	<b>Questioned Costs:</b> None
<b>Finding 2021-054</b>	Internal control over the eligibility determination process needs improvement	
<b>Finding Summary:</b> The Department does not have a documented review process in place to ensure information entered into ACES is accurate and complete, or to ensure that eligibility determinations are accurate. There is no comprehensive secondary review by a supervisor or peer to ensure the accuracy of data that is manually entered prior to eligibility determination.		
<b>Management Disagreement Summary:</b> The Department believes the systems in place are sufficient in meeting programmatic requirements to ensure accurate eligibility determinations are being made.		
<b>Auditor's Response:</b> The results of testing client eligibility determination requirements, as documented in finding 2021-052, identified material noncompliance with Federal regulations. The existing control environment as described by the Department did not prevent, or detect and correct, this noncompliance. In addition, the auditor requested evidence to support the Department's tracking of deficiencies identified through existing procedures, including the frequency and cause of deficiencies, and the implementation of broad-based corrective action taken in response to those findings. The Department did not provide evidence that this occurred.		
<b>SAR Page:</b> E-132	<b>Repeat Finding:</b> Yes, 3 years	<b>Questioned Costs:</b> None



**Summary of Audit Findings with Management Disagreements  
Fiscal Year Ending June 30, 2021**

<b>Legislative Committee: Health and Human Services, continued</b>		
<b>Finding 2021-056</b>	Internal control over deceased client cases and claims analysis needs improvement	
<b>Finding Summary:</b> There is a lack of procedures to ensure date of death (DOD) information is entered accurately and updated appropriately in ACES. There is also a lack of adequate procedures to ensure all claims paid after a client's DOD are identified, researched, and corrected. This can result in claims being paid on behalf of deceased clients going undetected and resulting in questioned costs and disallowances. Audit procedures identified 13 clients with a DOD that was inconsistent with the actual DOD as provided by Maine Vital Records. Audit procedures further identified an additional 65 claims that had service dates after death but were not identified by Department procedures.		
<b>Management Disagreement Summary:</b> While the Department acknowledges that exceptions were found during the audit period ending June 30, 2021, they noted that all of these occurred prior to their updated standard operating procedure governing DOD processing, which was implemented on April 26, 2021. The Department has procedures in place among multiple units to identify and recover claims paid with dates of service after the DOD.		
<b>Auditor's Response:</b> The Office of the State Auditor identified 65 claims that had service dates after death during audit testing in early 2022, which were not identified by the updated procedures implemented in April 2021. Therefore, procedures are not adequate to ensure claims are identified and reviewed.		
<b>SAR Page: E-138</b>	<b>Repeat Finding: Yes, 2 years</b>	<b>Questioned Costs: None</b>
<b>Confidential Findings:</b>		
<b>Finding 2021-012</b>	_____ over the _____ system needs improvement	
<b>SAR Page: E-29</b>	<b>Repeat Finding: Yes, 3 years</b>	<b>Questioned Costs: None</b>
<b>Finding 2021-017</b>	_____ over the _____ system needs improvement	
<b>SAR Page: E-51</b>	<b>Repeat Finding: Yes, 3 years</b>	<b>Questioned Costs: None</b>
<b>Finding 2021-058</b>	_____ over the _____ system needs improvement	
<b>SAR Page: E-143</b>	<b>Repeat Finding: Yes, 2 years</b>	<b>Questioned Costs: None</b>



**Summary of Audit Findings with Management Disagreements  
Fiscal Year Ending June 30, 2021**

Legislative Committee: Judiciary		
<b>Finding 2021-008</b>	Internal control over the valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables needs improvement	
<b>Finding Summary:</b> The valuation of the allowance for uncollectible fines and fees for Judicial Branch receivables is not supported by documented, current and historical collections data, and other factors that support professional judgment. Receivables outstanding for more than 180 days are automatically deemed uncollectible.		
<b>Management Disagreement Summary:</b> Management's opinion is that the valuation using an aging methodology is based on subjective, as well as objective, factors including professional judgement. They believe the 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, believes that the estimate is presented in conformity with the applicable accounting principles, and that disclosure is adequate. OSC plans to continue to reserve 100% of all fines over 180 days old, which has been the acceptable method for many years.		
<b>Auditor's Response:</b> OSC did not provide documented considerations for the valuation assumptions and methodology used to estimate the allowance for uncollectible fines and fees. Furthermore, the Judicial Branch chose not to provide collection data upon request, citing lack of resources.		
<b>SAR page:</b> E-22	<b>Repeat Finding:</b> Yes, 2 years	<b>Questioned Costs:</b> None
<b>Confidential Findings:</b>		
<b>Finding 2021-007</b>	_____ over the _____ and _____ system needs improvement	
<b>SAR Page:</b> E-21	<b>Repeat Finding:</b> Yes, 2 years	<b>Questioned Costs:</b> None



**Summary of Audit Findings with Management Disagreements  
Fiscal Year Ending June 30, 2021**

Legislative Committee: Labor and Housing		
<b>Finding 2021-021</b>	Internal control over Unemployment Insurance claim payments needs improvement	
<b>Finding Summary:</b> Maine Department of Labor (MDOL) did not follow standard operating procedures such as issuing warnings for failures to meet eligibility requirements, establishing overpayments when warranted, applying temporary holds on benefit payments when additional information is required, and conducting follow-up procedures such as fact-finding interviews when appropriate.		
<b>Management Disagreement Summary:</b> MDOL partially agreed with the finding. They acknowledge some of the issues specifically identified by the Office of the State Auditor (OSA), but overall assert that the majority of benefits were administered in accordance with Federal and State regulations, laws, and guidance. They acknowledge some of the issues surrounding initial eligibility and will explore additional procedures, but overall assert that they collect the necessary information to make the proper determinations. They disagree with the exceptions surrounding Pandemic Unemployment Assistance, citing Federal guidance. They also disagree with the work search issues identified, citing a different interpretation of State laws and regulations. MDOL agrees that additional data analytic controls should be implemented and enhanced over date of death and the verification of the age of claimants.		
<b>Auditor's Response:</b> OSA reasserts that the issues uncovered surrounding initial eligibility demonstrate that controls were not always effective, and that the necessary information needed to make an eligibility determination was not always obtained. OSA reasserts that the work search issues identified did not meet eligibility requirements under Maine State Law. OSA acknowledges that MDOL received Federal guidance on administering PUA benefits; however, policies and procedures were not in place at the time of payment to properly determine eligibility, and payments were made to claimants who should not have received those benefits.		
<b>SAR Page:</b> E-59	<b>Repeat Finding:</b> Yes, 8+ years	<b>Questioned Costs:</b> \$2,032,324
<b>Confidential Finding:</b>		
<b>Finding 2021-011</b>	_____ over the _____ system needs improvement	
<b>SAR Page:</b> E-28	<b>Repeat Finding:</b> Yes, 3 years	<b>Questioned Costs:</b> None





# Audit Summary Findings

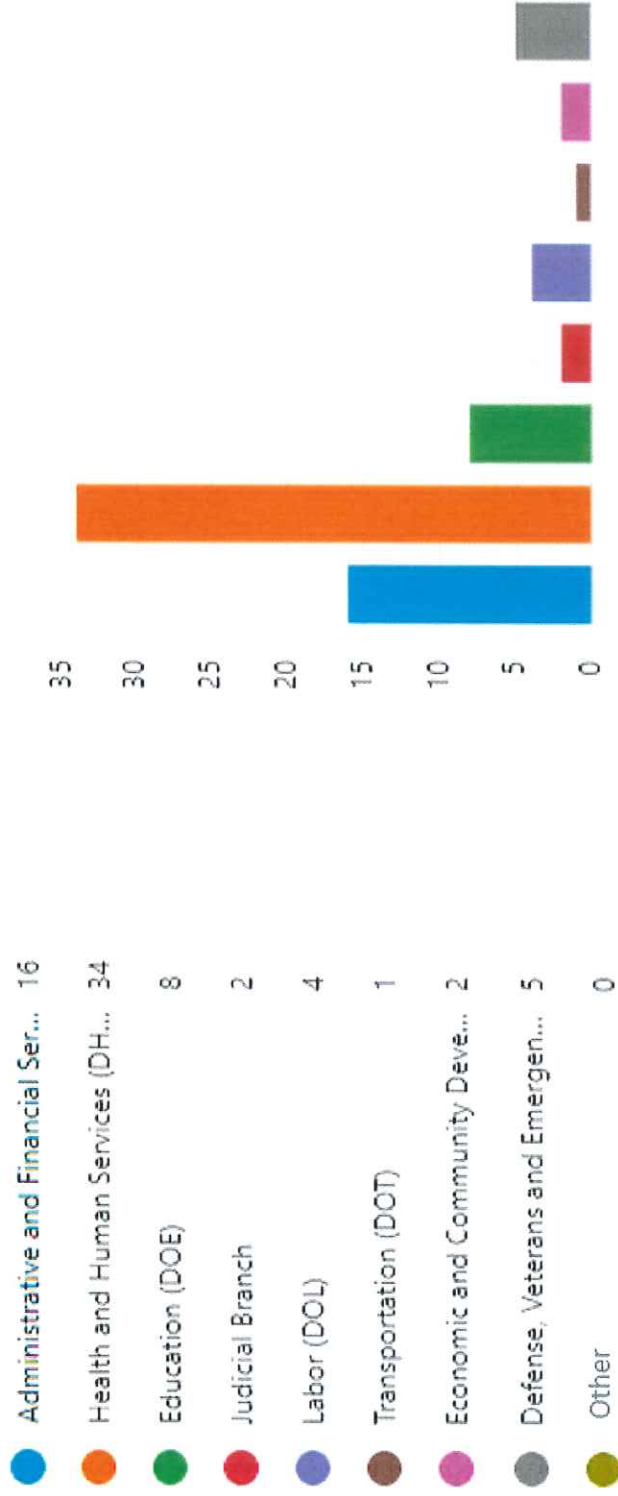
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2021





# By State Department

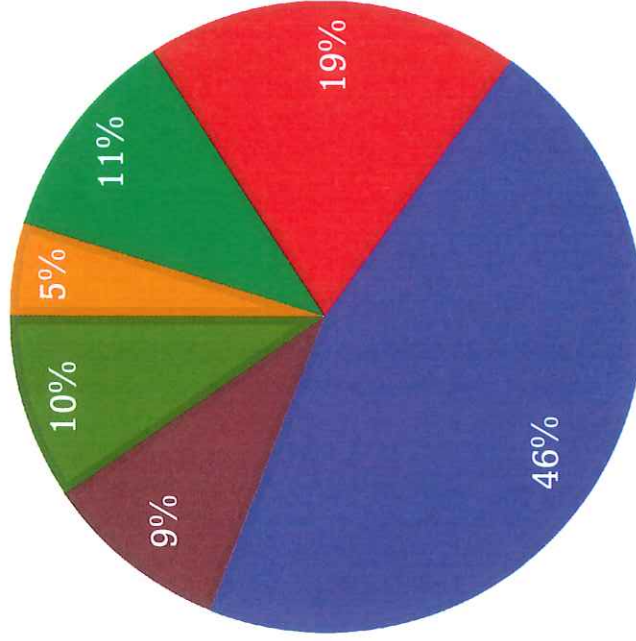




# Federal Agency

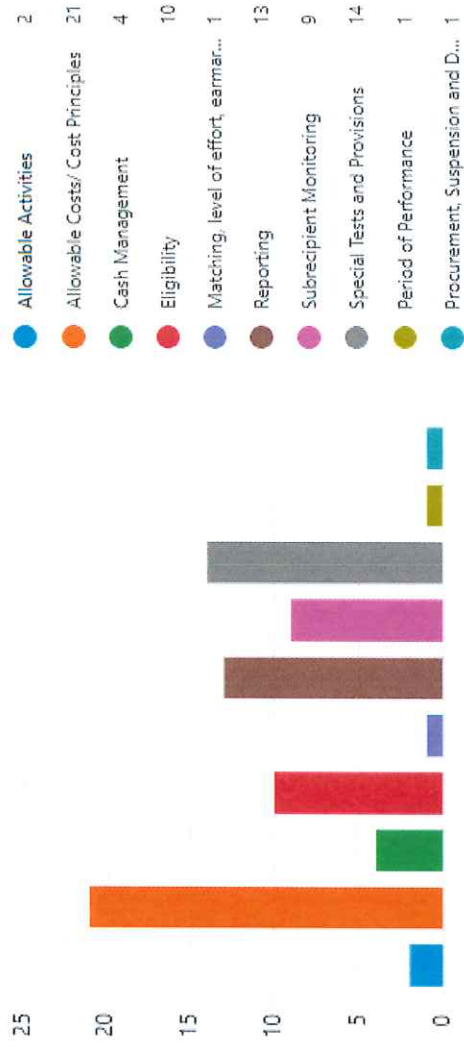
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● U.S. Dept. of Homeland Security	4
● U.S. Dept. of Agriculture	29
● U.S. Dept. of Health and Human...	42
● U.S. Dept. of Treasury	4
● U.S. Dept. of Education	6
● U.S. Dept. of Defense	2

## FEDERAL AGENCY

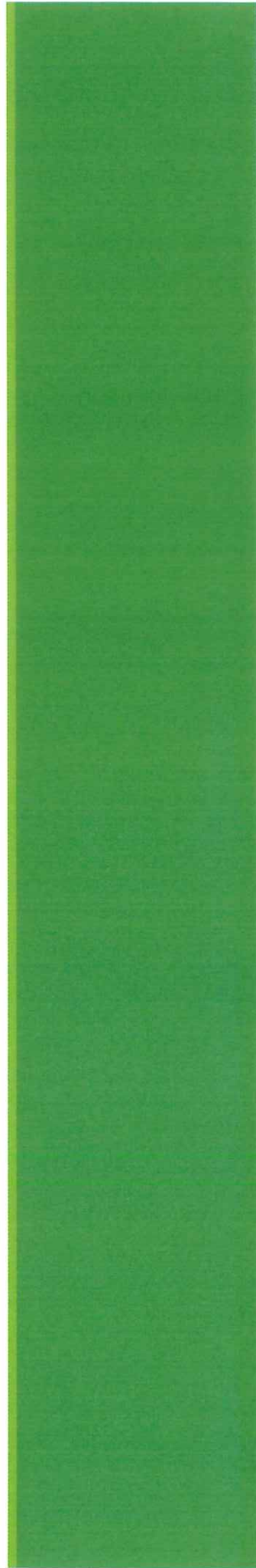




# Compliance Area



A B C G E H L I M N








# Audit Summary Findings

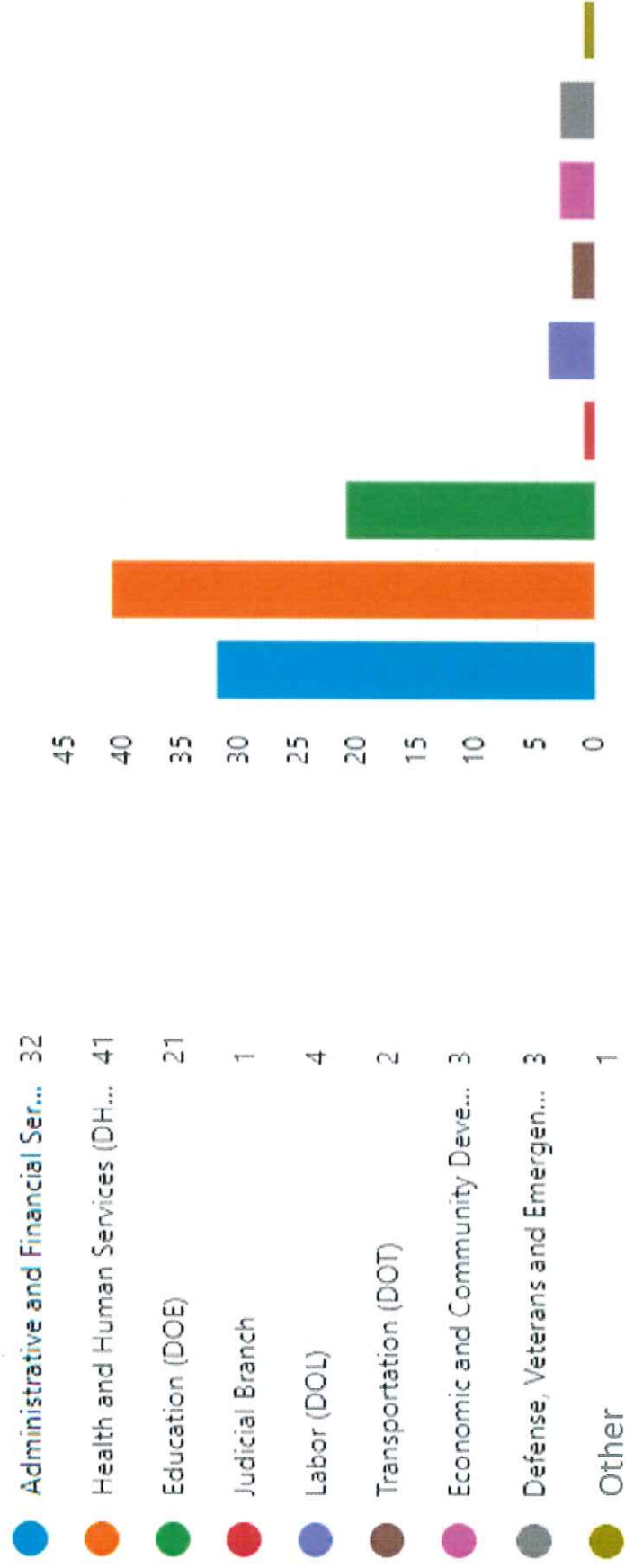
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2022





# By State Department

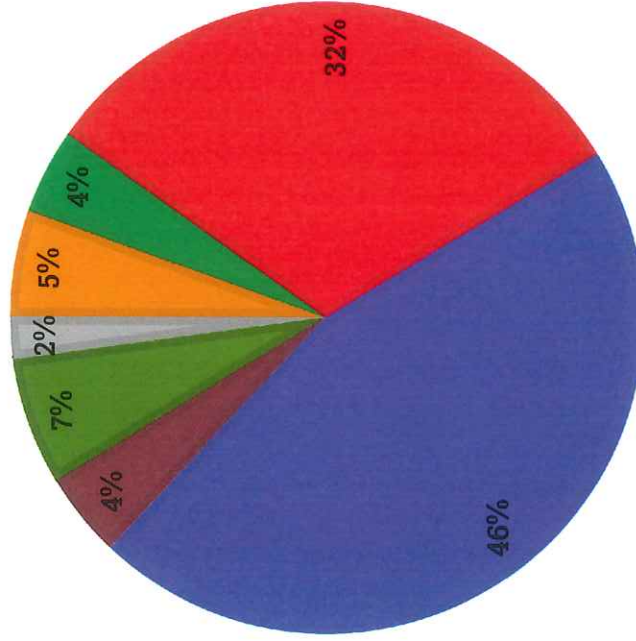




# Federal Agency

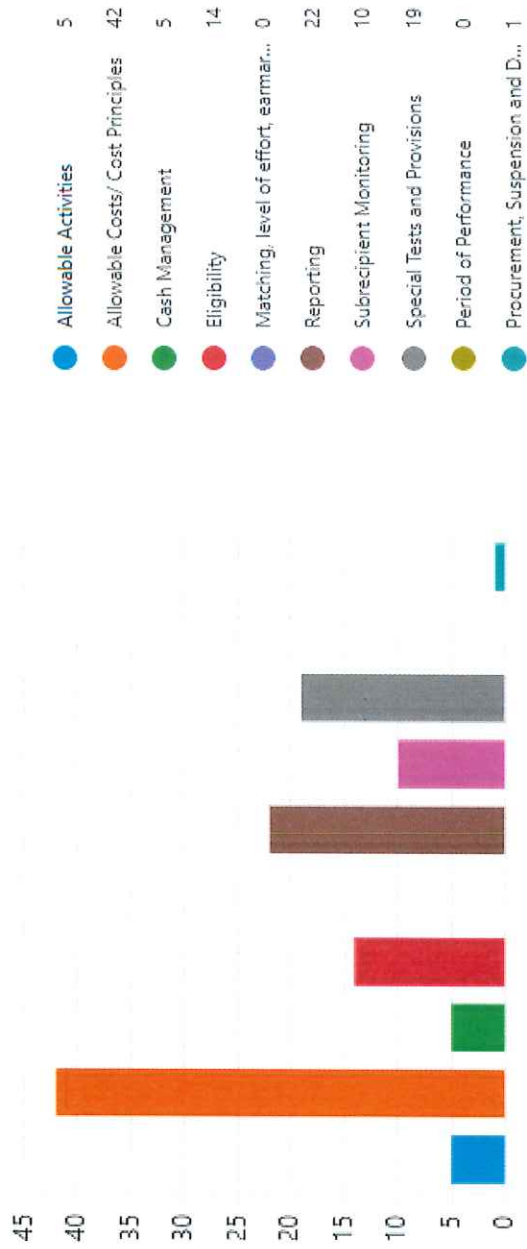
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U.S. Dept. of Homeland Security	4
U.S. Dept. of Agriculture	29
U.S. Dept. of Health and Human...	42
U.S. Dept. of Treasury	4
U.S. Dept. of Education	6
U.S. Dept. of Defense	2

## FEDERAL AGENCY

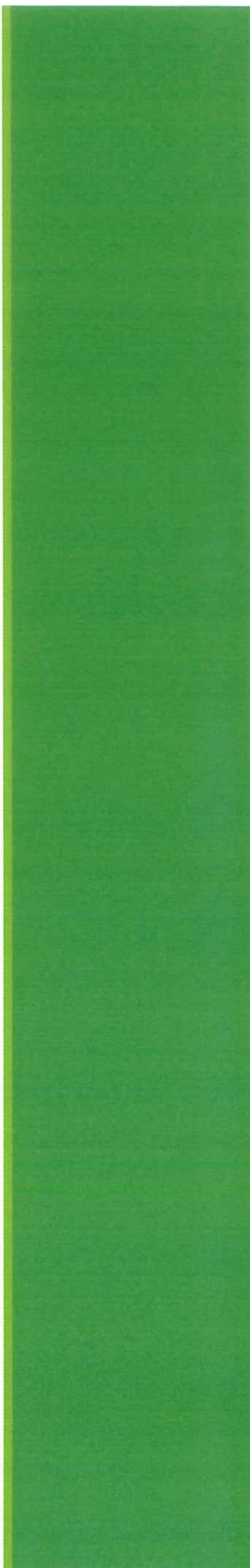
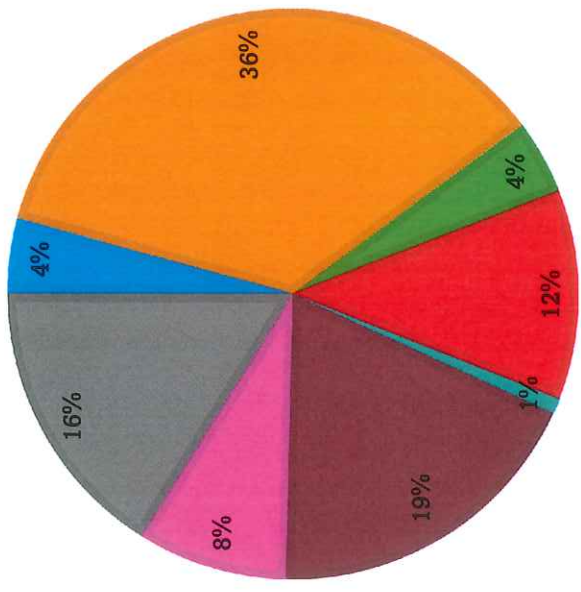




# Compliance Area



■ A ■ B ■ C ■ E ■ I ■ L ■ M ■ N







(2022-048)

**Title:** Internal control over ERA Program special reporting needs improvement

**Prior Year Findings:**

FY21
2021-029

**State Department:** Economic and Community Development

**State Bureau:** Commissioner's Office

**Federal Agency:** U.S. Department of the Treasury

**Assistance Listing Title:** Emergency Rental Assistance Program (COVID-19)

**Assistance Listing Number:** 21.023

**Federal Award Identification Number:** ERA0299, ERA0434, ERAE0515, ERAE0563

**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 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) Subaward Reporting System.

**Condition:** When an amount exceeding the first-tier subaward threshold is awarded to a subrecipient, the Department must collect and enter data into the FFATA Subaward Reporting System. The Department did not report its first-tier subaward under the Emergency Rental Assistance (ERA) Program in the FFATA reporting system for fiscal year 2022.

**Context:** In fiscal year 2022, the Department was required to report a first-tier subaward totaling \$152 million to the only subrecipient of the ERA Program. First-tier subawards account for 100 percent of the program's fiscal year 2022 expenditures.

**Cause:**

- Lack of supervisory oversight
- Lack of adequate policies and procedures

**Effect:**

- Noncompliance with Federal regulations
- First-tier subaward information for the ERA Program was not reported to the Federal government. This information may be used for programmatic, policy, or statistical purposes.

**Recommendation:** We recommend that the Department implement additional policies and procedures, including increased supervisory oversight, to ensure subawards meeting or exceeding the first-tier threshold are reported accurately, timely, and in accordance with Federal regulations.

**Corrective Action Plan:** See F-19

**Management's Response:** The Department agrees with this finding. Due to the evolving reporting requirements for the Emergency Rental Assistance program, the Department did not originally identify the FFATA requirements as applicable and did not submit accordingly. Currently, the existing policies and procedures have been modified to ensure that from this point forward, FFATA reporting is completed for all subawards that meet or exceed the first-tier threshold.

**Contact:** Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817

(State Number: 22-1695-01)

(2022-049)

**Title:** Internal control over ERA Program subrecipient monitoring needs improvement

**Prior Year Findings:** None

**State Department:** Economic and Community Development

**State Bureau:** Commissioner's Office

**Federal Agency:** U.S. Department of the Treasury

**Assistance Listing Title:** Emergency Rental Assistance Program (COVID-19)

**Assistance Listing Number:** 21.023

**Federal Award Identification Number:** ERA0299, ERA0434, ERAE0515, ERAE0563

**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 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 subawards are 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.

When a subrecipient's Federal award expenditures are expected to equal or exceed \$750,000 during the fiscal year, the Department must verify that the subrecipient is audited as required.

**Condition:** In fiscal year 2022, the Department passed through Emergency Rental Assistance (ERA) Program funds to one subrecipient. Subrecipient monitoring procedures included providing Federal award information in grant award agreements and frequent communication with the subrecipient; however, the Department:

- did not adequately design and document ongoing monitoring activities to ensure that the subaward was used for authorized purposes and in compliance with Federal regulations.
- could not provide a documented review of the subrecipient's audit report to verify compliance with Subpart F of 2 CFR 200 and to ensure that the subrecipient took timely and appropriate action on all deficiencies pertaining to the Department's subaward. The Office of the State Auditor reviewed the subrecipient's audit report covering a portion of fiscal year 2022 and noted findings related to the subaward that should have been considered in relation to the risk of subrecipient noncompliance and planned monitoring procedures.

- did not require submission of detailed expenditure information with the subrecipient's requests for reimbursement of ERA Program funds. A summary spreadsheet outlining actual and projected expenditures for second-tier subrecipients was the only support provided to the Department with each reimbursement request.

**Context:** The Department provided \$245.8 million to the ERA subrecipient during fiscal year 2022.

**Cause:**

- Lack of supervisory oversight
- Lack of adequate policies and procedures

**Effect:**

- Noncompliance with Federal regulations
- Lack of ongoing subrecipient monitoring procedures could result in subrecipient noncompliance.

**Recommendation:** We recommend that the Department develop and implement additional policies and procedures to require:

- ongoing subrecipient monitoring during the use of the subaward;
- receipt and documented review of subrecipient audits in order to consider the effects of audit results on subrecipient risk assessment and planned monitoring procedures; and
- receipt of detailed documentation in support of subrecipient reimbursement requests prior to payment approval.

**Corrective Action Plan:** See F-19

**Management's Response:** The Department agrees with this finding. Due to the Emergency Rental Assistance Program coming to a close, the Department plans on utilizing a consultant to assist with close out procedures that will ensure these subrecipient funds were used for authorized purposes and in compliance with Federal regulations. Additionally, the Department will ensure that the review of subrecipient audit reports are sufficiently documented.

**Contact:** Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817

(State Number: 22-1695-02)

(2022-050)

**Title:** Internal control over ERA Program reporting needs improvement

**Prior Year Findings:** None

**State Department:** Economic and Community Development

**State Bureau:** Commissioner's Office

**Federal Agency:** U.S. Department of the Treasury

**Assistance Listing Title:** Emergency Rental Assistance Program (COVID-19)

**Assistance Listing Number:** 21.023

**Federal Award Identification Number:** ERA0299, ERA0434, ERAE0515, ERAE0563

**Compliance Area:** Reporting

**Type of Finding:** Material weakness  
Material noncompliance

**Questioned Costs:** None

**Criteria:** 2 CFR 200.303; Consolidated Appropriations Act, 2021, Section 501(g)

The Department must establish 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 report the total number of participating households receiving Emergency Rental Assistance (ERA) of any kind and the total amount of ERA funds expended by the ERA grantee to or for participating households on behalf of eligible households on a monthly basis. Additionally, the Department must submit quarterly reports providing financial and performance data regarding grantee administration of their ERA projects and capture program design in addition to program status data elements.

**Condition:** The Department contracts with a subrecipient to administer the ERA Program. A Memorandum of Understanding (MOU) between the Department and the subrecipient outlines the following:

- The subrecipient is responsible for preparation of all required reporting under the ERA Program.
- The Department is responsible for certification and submission of all reports prepared by the subrecipient.

The Office of the State Auditor (OSA) reviewed ERA Program reporting and found that the subrecipient prepared, certified, and submitted 24 monthly and 9 quarterly performance reports during fiscal year 2022. The Department did not review, approve, or certify any of the fiscal year 2022 reports prior to submission to the Federal government. The reports were only provided to the Department subsequent to submission.

The Department provided OSA with all monthly and quarterly reports for the fiscal year; however, the Department was unable to provide:

- documentation to support amounts reported on the State's fiscal year 2022 ERA Program performance reports.
- documentation of review and approval of performance reports prepared by the subrecipient, as they were prepared, certified, and submitted with no oversight by the Department.

The Department has no assurance that the ERA Program information prepared by the subrecipient and submitted to the Federal government on behalf of the State is accurate or properly supported.

**Context:** In fiscal year 2022, the Department provided \$245.8 million to the ERA subrecipient.

**Cause:**

- Lack of supervisory oversight
- Lack of adequate policies and procedures

**Effect:** The Department did not properly oversee the ERA Program as required by Federal regulations. ERA Program reports submitted to the Federal government are not properly supported and may not be accurate as documentation is not reviewed or maintained by the Department.

**Recommendation:** We recommend that the Department implement additional policies and procedures to require a documented review and approval of all ERA Program reports prepared by the subrecipient prior to Department certification and submission. This will ensure that information reported to the Federal government is accurate and complete.

**Corrective Action Plan:** See F-19

**Management's Response:** The Department agrees with this finding. The Department will document the review and approval of all ERA program reports prepared by the subrecipient prior to Department certification and submission.

**Contact:** Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817

(State Number: 22-1695-03)

		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:	July 1, 2023
	Agency Contact:	Shirley Browne, Deputy State Controller, Office of the State Controller, 207-626-8423
2022-048	Department:	Economic and Community Development
	Title:	Internal control over ERA Program special reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department has modified existing policies and procedures to ensure FFATA reporting is completed for all subawards that meet or exceed the first-tier threshold. Monthly reports are run for new awards which are then reported within 30 days in FFATA.  The Department will complete FFATA reporting for all prior and current subawards that meet or exceed the first-tier threshold related to this program.
	Completion Date:	June 30, 2023
	Agency Contact:	Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817
2022-049	Department:	Economic and Community Development
	Title:	Internal control over ERA Program subrecipient monitoring needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will contract with a consultant to conduct close out procedures that will ensure these subrecipient funds were used for authorized purposes and in compliance with Federal regulations.  The Department will ensure that the review of subrecipient audit reports are sufficiently documented.
	Completion Date:	June 30, 2023
	Agency Contact:	Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817
2022-050	Department:	Economic and Community Development
	Title:	Internal control over ERA Program reporting needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will require MaineHousing to submit data gathered to prepare reports to DECD for review and approval prior to certification and submission.
	Completion Date:	June 30, 2023
	Agency Contact:	Deborah Johnson, Director, Office of Community Development, DECD, 207-624-9817
2022-051	Department:	Labor Administrative and Financial Services
	Title:	Internal control over CSLFRF expenditures needs improvement
	Questioned Costs:	Known: \$51,482,644 Likely: \$51,482,644
	Status:	Management’s opinion is that corrective action is not required

