8-24-2006

Presentation to the Joint Standing Committee on Appropriations and Financial Affairs, 2006

Maine Office of the State Auditor

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Joint Standing Committee
Appropriations
and
Financial Affairs

Maine Department of Audit
Neria R. Douglass, JD, CIA
State Auditor
August 24, 2006
2005 Single Audit

Maine Department of Audit performs the Single Audit
- required for receipt of $2.7 Billion+ (FY 2005)
- federal assistance for specific grants and programs
- audit of 25 programs that are 91% of total

Audit examines the State’s
- financial statements
- internal control systems
- compliance with laws and regulations

We report instances of noncompliance and internal control weaknesses as findings
Components of the Single Audit

Single Audit Report
Circular A-133 US
OMB
3/17/06

Independent Auditor’s Report (Opinion)
On State of Maine Financial Statement

Opinion on Compliance With rules and regulations 14 compliance areas

Report on Internal Control over compliance

Internal control & compliance on Financial Statements (Report)
2005 Single Audit

Audit issued a “clean” or “unqualified” opinion on 2005 financial statements of the State of Maine

Fourth consecutive “clean” financial statement opinion shows improvement in accounting & financial reporting

3 financial statement findings:
- Medicaid financial activity
- Lottery account variance
- Reporting on fixed assets
2005 Single Audit

Audit issued a “clean” or “unqualified” opinion on compliance with 23 programs, 9 at DHHS

Audit qualified the opinion on 2 DHHS programs for noncompliance with federal requirements:

- **Medicaid Cluster:**
  - MECMS (05-31 and 05-56) functional claims management system
  - MR Waiver (05-57) compliance with allowable costs and activities

- **Social Services Block Grant:** earmarking (05-54)
2005 Single Audit

Findings are reported to the federal oversight agency, which determines further action

71 findings:

- 69 reportable conditions of internal control and/or noncompliance with federal requirements;
- 51 reportable conditions at DHHS
- $8.1 Million questioned costs plus undeterminable costs
# Findings by Questioned Costs

<table>
<thead>
<tr>
<th>2005 Audit Finding</th>
<th>Program</th>
<th>Department</th>
<th>Bureau</th>
<th>2004 Audit Finding</th>
<th>Known Questioned Costs</th>
<th>Likely Questioned Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>05-54</td>
<td>Social Services Block Grant</td>
<td>DHHS</td>
<td>Office of Child and Family Services</td>
<td>04-50</td>
<td>$3,100,000</td>
<td>$0</td>
</tr>
<tr>
<td>05-04</td>
<td>Food Stamp Cluster</td>
<td>DAFS</td>
<td>DHHS Service Center</td>
<td>04-24</td>
<td>$1,277,640</td>
<td>$0</td>
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<tr>
<td>05-34</td>
<td>Various/working capital</td>
<td>DAFS</td>
<td>OIT</td>
<td>04-09</td>
<td>$1,170,000</td>
<td>$0</td>
</tr>
<tr>
<td>05-35</td>
<td>Various/Cost Allocation</td>
<td>DAFS</td>
<td>DHHS Service Center</td>
<td>04-62</td>
<td>$1,065,582</td>
<td>$0</td>
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<tr>
<td>05-20</td>
<td>Child Support Enforcement</td>
<td>DAFS</td>
<td>DHHS Service Center</td>
<td>No</td>
<td>$569,102</td>
<td>$0</td>
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<tr>
<td>05-47</td>
<td>Immunization Grants</td>
<td>DHHS</td>
<td>Maine Center for Disease Control &amp; Prevention</td>
<td>04-29</td>
<td>$427,504</td>
<td>$0</td>
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<tr>
<td>05-27</td>
<td>Foster Care Adoption Assistance</td>
<td>DAFS</td>
<td>DHHS Service Center</td>
<td>04-46</td>
<td>$307,382</td>
<td>$1,229,528</td>
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<td>05-15</td>
<td>Immunization Grants</td>
<td>DAFS</td>
<td>DHHS Service Center</td>
<td>04-30</td>
<td>$80,887</td>
<td>$0</td>
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</tbody>
</table>
## Findings by Questioned Costs

<table>
<thead>
<tr>
<th>2005 Audit Finding</th>
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<th>Dept</th>
<th>Bureau</th>
<th>2004 Audit Finding</th>
<th>Known Questioned Costs</th>
<th>Likely Questioned Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>05-22</td>
<td>Child Support Enforcement</td>
<td>DAFS</td>
<td>DHHS Service Center</td>
<td>04-35</td>
<td>$49,431</td>
<td>$0</td>
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<tr>
<td>05-24</td>
<td>Child Support Enforcement</td>
<td>DAFS</td>
<td>DHHS Service Center</td>
<td>04-37</td>
<td>$47,924</td>
<td>$0</td>
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<tr>
<td>05-53</td>
<td>Adoption Assistance</td>
<td>DHHS</td>
<td>Office of Child &amp; Family Services</td>
<td>04-47</td>
<td>$13,944</td>
<td>$925,106</td>
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<tr>
<td>05-55</td>
<td>Medicaid Cluster</td>
<td>DHHS</td>
<td>Office of Child &amp; Family Services</td>
<td>04-55</td>
<td>$6,258</td>
<td>$8,100,231</td>
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<tr>
<td>05-14</td>
<td>Immunization Grants</td>
<td>DAFS</td>
<td>DHHS Service Center</td>
<td>04-27</td>
<td>$0.00</td>
<td>$0.00</td>
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<tr>
<td>05-31</td>
<td>Medicaid Cluster</td>
<td>DAFS</td>
<td>OIT/Maine Care</td>
<td>No</td>
<td>$0.00</td>
<td>$0.00</td>
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<tr>
<td>05-56</td>
<td>Medicaid Cluster</td>
<td>DHHS</td>
<td>OIT/Maine Care</td>
<td>No</td>
<td>$0.00</td>
<td>$0.00</td>
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<tr>
<td>05-57</td>
<td>Medicaid Cluster/MR Waiver</td>
<td>DHHS</td>
<td>Office of Maine Care Services</td>
<td>No</td>
<td>Undet.</td>
<td>Undet.</td>
</tr>
</tbody>
</table>

August 24, 2006
General Summary

The State administers over 300 different federal programs, 82 of them at DHHS

Of 25 ($2.7 B) programs audited, 23 programs were in compliance in all material respects, although we identified 71 deficiencies.

$8.1 Million and an undeterminable amount in questioned costs are in DHHS

Other questioned costs at DOE
Days to Complete Fieldwork

- Days of Fieldwork vs. Fiscal Year

- FY 2003
- FY 2004
- FY 2005

- Financial Opinion Fieldwork
- Single Audit Fieldwork
Productivity of Audit Staff

Fieldwork on FY 2005 financial statements ended 12/9/2005-- possible GFOA award
– 99 days ahead of FO2004
– 141 days ahead of FO2003

Fieldwork on FY 2005 Single Audit completed 3/18/06–
– 60 days ahead of SA2004
– 94 days ahead of SA2003
Challenges in 2006

Our Auditors are actively recruited for other state agencies

Of 28 auditor positions filled, 6 moved to other state agencies in less than a year:
  – More pay, higher ranges & pay status
  – Fewer certification requirements
  – Fewer professional education requirements

Two retired, one transferred to federal
Challenges in 2006

Maine Department of Audit faces serious challenges in keeping the timelines met in 2006 with auditor turnover over 30%

- 7 employees hired since May 2006
- 9 with less than 2 years auditing state accounts, very specialized work
- Other Auditors offered agency positions
- At least 1 applying to other state agencies
Communication

Communication is a priority. I will meet with Committees of Jurisdiction to report and discuss findings.

Single Audit Reports for FY 2000 to 2005 are available at:
http://www.maine.gov/audit/reports.htm