



STATE OF MAINE  
DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES  
BURTON M. CROSS BUILDING, 3<sup>RD</sup> FLOOR  
78 STATE HOUSE STATION  
AUGUSTA, MAINE 04333-0078

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

JANET T. MILLS  
GOVERNOR

KIRSTEN LC FIGUEROA  
COMMISSIONER

January 10, 2024

To: Senator Margaret Rotundo, Chair  
Representative Melanie Sachs, Chair  
Members of the Joint Standing Committee on Appropriations and Financial Affairs  
Senator Tim Nangle, Chair  
Representative Holly Stover, Chair  
Members of the Joint Standing Committee on State and Local Government

From: Douglas E. Cotnoir, CPA, CIA, State Controller  
Department of Administrative and Financial Services

Re: Report on Recovery Audits of Certain State Agency Overpayments

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Pursuant to 5 MRSA section 1622 the State Controller is required to report to the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs and the joint standing committee of the Legislature having jurisdiction over state and local government matters, on the results of recovery audits for certain state agency overpayments.

Statute requires the State Controller, at least once every 10 years, to contract for recovery audits of payments made by state agencies to vendors. The last such recovery audit was completed in November 2013. The scope of the audit included accounts payable/disbursement transactions made for fiscal years 2008, 2009, 2010 and 2011, which comprises the period beginning July 1, 2007 through June 30, 2011. Total expenditures included in this audit exceeded \$4 billion. Overpayments found totaled \$20,957.55, most of which relate to and were recoverable through credit memos issued by the vendors.

The findings involved a very small recovery, which indicates that the State's accounts payable controls are working as designed and that the auditor did not have improvements or control corrections to suggest in that regard. The summary findings report includes some general accounts payable best practice measures, although the auditor acknowledged that most, if not all, likely are being utilized effectively given the minimal review findings.

The Office of the State Controller has solicited bids to again provide recovery audit services in accordance with statute. We have been challenged to find interested parties as the prior audit resulted in very limited recoveries. After reissuing the RFP in 2023, we are currently negotiating the terms of a recovery audit contract and hope to have an engagement underway early in 2024.

An “overpayment” is defined as a payment made to a vendor:

- In duplicate for a single invoice;
- In the amount of a discount available from the vendor that was not applied;
- For a late payment penalty that was improperly applied by the vendor;
- For shipping costs that were computed incorrectly or incorrectly included in an invoice;
- For any commodities billed at an amount higher than negotiated in a contract or master agreement;
- For a state tax inappropriately imposed pursuant to Title 36; or
- For a good or service the vendor did not provide.

For this purpose, “State agency” means a department, commission, board, office or other entity that is in the executive branch of State Government.

The scope of the proposed audit will include accounts payable/disbursement transactions made for fiscal years 2018, 2019, 2020, 2021 and 2022, which comprises the period beginning July 1, 2017 through June 30, 2022. Total expenditures to be included in this audit exceed \$6.7 billion.

We will report on the results of the recovery audit once the engagement has concluded.