

Remarks of Douglas Cotnoir, State Controller
Department of Administrative and Financial Services

Before the Committee on
Government Oversight

March 27, 2026

Senator Hickman, Representative Mastraccio, and members of the Committee on Government Oversight, I am Doug Cotnoir, the State Controller. Thank you for the opportunity to be here. I would like to start by addressing the State Auditor's letter to the Committee and related audit findings and then, of course, be available for questions.

To begin, I'd like to provide a little of my background: I have worked in State finance for more than 42 years. I have been the Controller for 14 years, have worked in the Controller's Office for 26 years, and worked in the Office of the State Auditor for more than 10 years prior to that. Within that tenure, I have been both a Certified Public Accountant and Certified Internal Auditor for more than 30 years.

Understanding that background, I want to be clear that the State is best served by an independent assessment of our internal controls, financial reporting and compliance over federal programs. We welcome the auditor's findings and recommendations, *when they are meaningful and actionable*, as it helps us to better administer the programs we are responsible for. As to whether there should be findings, this is a multi-billion-dollar entity, processing millions of transactions every year. No person and no system is entirely perfect. State government and its systems are constantly evolving and changing. There is always room for improvement. The audit process is integral to assessing risk, while ensuring accountability and transparency.

I am, however, disheartened by how the audit results in the report have been characterized. Although the audit is a valuable tool, that does not mean that Management always agrees with an auditor's findings. Sometimes, those disagreements involve differences in professional judgment or interpretations of laws, rules, regulations or accounting standards. When we aren't in agreement, it is difficult to determine meaningful corrective action. An important part of the process is ensuring the identified conditions are understood and properly characterized such that agencies can implement meaningful corrective action.

Some important things to keep in mind in relation to the FY24 audit:

- The Audit did **not** indicate any evidence of wrongdoing, fraud, waste or abuse.
- The Auditor did **not** refer anything to OAG or OSC for follow-up as defined in Title 5 §200-C and §1541 (e.g., fraud, waste, abuse).
- This audit did not reveal anything that would be of surprise in an organization this large and complex. It has identified areas for improvement and areas where we should prioritize some focus. All of which appear to be manageable within our existing audit review, follow-up and remediation processes.
- Specific to the procurement review, there were internal control weaknesses noted and we disagreed in whole or in part with most of these. I will provide context and an explanation of those disagreements in response to the Auditor's letter.

1. State Auditor Letter to GOC

- a. "Offered to construct a narrative detailing how we went about our audit work"
 - i. Commissioner met with State Auditor and GO Staff 12/18/25
 - ii. State Auditor subsequently offered to meet with Procurement, audit staff, OSC and Commissioner
 1. Commissioner followed up and received no response
- b. "We endeavored on numerous occasions to meet with and review our work with personnel in the Controller's Office, Procurement, and DAFS. No follow-up was ever received from those offices; indeed, after meeting with members of the Executive in mid-December and crafting the attached narrative and following up with the offices of the Executive, no further follow-up has yet been pursued."
 - i. Narrative received in follow-up to 12/18/25 meeting reiterated essentially the same points as the Auditor's Concluding Remarks in original finding. We found many of those points to be in conflict with the actual results of their audit work and conclusions drawn from those results.

2. Finding 24-0208-01 (2024-015) Internal Control Over Procurement Procedures

- a. Context: \$2.1 billion in contract-related payments (unclear what the population represents) *Terminology matters. Procurement documents and Contract-related spend*

- i. \$2.015 B processed through procurement documents in FY24 (**provide context from chart**)
- ii. \$2.22 B processed through PRC payments (**provide context from chart**)
- b. Procedural flaws in identifying population and sample selection
 - i. Population could easily have been stratified so sample items would be representative. Supports ability to project test results to population.
 - ii. 45 “contracts” tested totaled \$7.4 million
 - 1. A full \$5,000,000 of that amount is one blanket contract for economic aid to farmers with confirmed contamination at their farms and who have ceased selling most or all their products commercially. DACF provided direct financial support to these farms potentially equivalent to up to two years of lost gross income under the Maine DACF Producer PFAS Income Replacement Program. The reimbursements were issued to producers meeting the criteria of the program.
 - 2. This is not a public procurement; rather, it is a financial assistance grant program.
- c. 5 of 23 federal “contracts” did not contain required federal award information.
 - i. Terminology matters, “contracts” could represent service providers or subrecipient grant agreements, each of which have differing requirements.
 - ii. Federal contract (grant) management is not OSPS’s responsibility. Based on 2 CFR 200.1, State agencies are the recipients of federal awards. Contract management in Maine is decentralized to the State agencies. Federal award compliance is the responsibility of the award recipient.
- d. 18 of 31 PJFs tested were signed after the contract start date.
 - i. The dates on the PJF are clearly labeled as "Proposed Dates," intended for internal review and not indicative of finalized timelines.
- e. 24 of 45 contracts tested were signed after the contract start date.
 - i. Contract signing and management are the responsibilities of the contracting agency, not OSPS.

- f. 16 of 31 PJFs tested were designated as sole-source and there was no documentation to support reasonable investigation by the Director occurred.
 - i. This exception is inaccurate and does not consider the complete PJF/NOI process. Agencies complete the PJF, which OSPS reviews and approves. PJFs are publicly posted, allowing vendors to protest claims, ensuring accountability.
 - ii. The auditor indicated that the effect would be that this does not allow OSPS to secure the “best value” when contracting.
 - iii. ‘Reasonable investigation’ under 5 MRSA §1825-B(2)(C) should be read in the context of the overarching competitive framework, where the State’s primary obligation is to achieve best value, not lowest cost for its own sake. This is supported by 1825-B (7).
 - 1. Awards to best-value bidder. Except as otherwise provided by law, competitively awarded orders, grants or contracts made by the Director of the Bureau of General Services or by any department or agency of the State must be awarded to the best-value bidder, taking into consideration the qualities of the goods or services to be supplied, their conformity with the specifications, the purposes for which they are required, the date of delivery and the best interest of the State.

Within that structure, agencies, who hold the subject matter expertise, are responsible for conducting market research and determining whether only one vendor can meet their programmatic needs. And, it is through that lens that OSPS qualitatively reviews the agency PJFs.

This approach aligns with OSPS Chapter 110 rules which support subjectively evaluated procurements with a minimum 25% cost component, assigned at agency discretion. A single source determination represents that same ‘best-value’ approach, where the agency concludes (based on its investigation) that only one vendor satisfies the required combination of factors to achieve best-value to effectively meet their programmatic requirements.

Accordingly, “reasonable investigation” is best understood as an agency assessment sufficient to support that conclusion, not exhaustive proof of lowest price. OSPS’ role is to review the justification for reasonableness and alignment with best value, allowing for the agency’s subjective assessment, much like we review agency evaluation packages prior to award, determining that the process has been satisfied and appears to be defensible by the agency under appeal.

Like the appeal hearing, and as the robust safeguard, the Notice of Intent (NOI) process publicly posts proposed single source procurements, allowing the vendor community and public to challenge the determination, providing a built-in external validation and protest mechanism.”

- g. Documentation to support performance of a cost analysis could not be provided for any of the 45 procurement actions tested.
 - i. The auditor overlooked established processes. Relevant documents often stem from formal solicitations, with rigorous cost analyses in place.
 - 1. 2 were subscriptions/dues
 - 2. 4 were competitive RFPs
 - 3. 3 were BGS purview not subject to OSPS
 - 4. 1 was clearly a grant program
- h. Of the 7 LCSCs tested, 4 were to vendors already engaged in more than one LCSC with the Department within the same 12-month period.
 - i. Agencies can have multiple LCSC agreements with the same vendor under certain conditions. "Stacking" avoids proper procurement processes. We review relevant documents when stacking is suspected, and two LCSC contracts from fiscal year 2023 indicate possible stacking.
- i. OSPS did not request or review information related to vendor performance during the contract amendment process.
 - i. Contract management has been decentralized, and OSPS does not sign contracts or oversee vendor performance—these responsibilities lie with the agency.

- j. 2 of 8 IT-related contracts were approved without documentation of OIT review or approval.
 - i. 1 IT-related contract was not reviewed by MaineIT as required. However, the other contract was signed prior to the establishment of the formal IT procurement process for LCSCs, and approval was not required at that time.
3. To repeat something I said at the beginning, some critical takeaways are that this finding:
- a. Did not identify any known or projected questioned costs.
 - b. Did not indicate any evidence of wrongdoing, fraud, waste or abuse.
 - c. Did not refer anything to OAG or OSC for follow-up as defined in Title 5 §200-C and §1541 (e.g., fraud, waste, abuse).

4. Finding 24-0208-02 (2024-001) Internal Control Over PCard Procedures

- a. Context: OSPS is responsible for managing the State's PCard vendor contracts, controlling eligible uses for the PCard, managing individual PCard spending limits, and paying the PCard billing biweekly to leverage the maximum rebate benefit available through timely payment.
- i. The GGSC is responsible for processing internal billings to participating agencies to reimburse the PCard paying fund.
- b. In 3 of 44 transactions, OSPS could not provide documentation of oversight for transactions that exceeded the individual transaction limit.
- i. Transaction limits can only be exceeded if OSPS takes physical action to update those limits on a case-by-case basis. This action is evidence that an OSPS employee authorized the exception. In these 3 cases, there was no separate documentation of the source of the approval. OSPS implemented a new tracking log to address this concern.
- c. In 43 of 44 transactions, OSPS could not provide evidence of monitoring/oversight of internal billing process.
- i. OSPS has no role in the internal billing process. This is the responsibility of GGSC. Timely payment policies are intended to encourage the provision of supporting documents/receipts as payment delays often result in lost of misplaced receipts.

5. Finding 25-0208-02 (2024-009) Internal Control Over Procurement and Contract Payment Procedures

- a. Context: \$1.6 billion in contract-related payments) *Terminology matters. Procurement documents and Contract-related spend.*
 - i. \$1.6 B processed through procurement documents in FY25 (**provide context from chart**)
 - 1. Approximately ½ was for grants
 - 2. Approximately ¼ was for commodities and equipment
 - 3. Less than 1/3 was for services
 - ii. Procedural flaws in identifying population and sample selection
 - iii. Population could easily have been stratified so sample items would be representative. Supports ability to project test results to population
- b. 36 contracts and 26 PJFs tested were not signed at least 14 days prior to the contract start date
 - i. Contract signing and management are the responsibilities of the contracting agency, not OSPS.
 - ii. The dates on the PJF are clearly labeled as "Proposed Dates," intended for internal review and not indicative of finalized timelines.
 - iii. 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.
- c. 18 PJFs tested were designated as sole-source and there was no documentation to support reasonable investigation by the Director
 - i. 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.

- d. Documentation to support performance of a cost analysis could not be provided for 41 contracts
 - i. The referenced criteria is no longer authoritative and no longer reflects the present structure nor established procurement practices.
 - ii. the conclusion does not accurately characterize OSPS/agency shared control structure or operations.
 - iii. the finding fails to identify that 13 of the listed 41 were awarded based on a competitive process or determined by a specific grant funding formula; which inherently represent appropriate cost analyses. One was a Low Cost Service Contract issued, below the statutory threshold, at agency discretion, and, lastly, one was compared to market rates for a previous event.
- e. 11 contracts contained amendments; however, OSPS did not request or review information related to vendor performance during the contract amendment process.
 - i. 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.
- f. 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. The review identified several systemic concerns within the three versions of finding communications, including reliance on non-authoritative and superseded guidance, inaccurate characterizations of OSPS review processes, use of non-representative 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.