



STATE CONTROLLER'S BULLETIN

Edward Karass
State Controller

Rebecca M. Wyke, Commissioner
Administrative & Financial Services

Bulletin # FY06-01

SUBJECT: Agency Responsibility For Subrecipient Monitoring

DATE: July 6, 2005
TO: All Departments and Agencies
FROM: Edward A. Karass, State Controller

A large percentage of the federal funds received by the State of Maine are expended by subrecipients rather than by State of Maine departments themselves. Department management must continue to monitor the entities to which they grant their federal funds. Departments are reminded that during times of fiscal difficulty, department heads and their staff must be responsible stewards of the funds entrusted to us as public servants.

As part of the Federal Government's expanded monitoring of expenditures, federal agencies have begun to increase their audit presence at state and local government agencies. OSC has seen an increased trend in the number of comments made by the Auditor regarding the laxness and overall lack of compliance of subrecipient monitoring.


Each year the Office of Management and Budget (OMB) publishes a guide to identify the compliance requirements that the Federal Government expects auditors to review as part of the single audit. The [OMB Circular A-133 Compliance Supplement](#), which is available online, adds new material to emphasize and provide guidance on what the federal government considers adequate sub-recipient monitoring. Agencies should pay particular attention to Part 3 of the circular, which outlines compliance requirements and the relevant sections of Part 4, which outlines the details of each federal grantor's program requirements.

Given the increased focus on sub-recipient monitoring by the Federal Government along with budget cuts, staffing cuts, and government reorganizations, continued access to Federal funds will be at risk unless agencies maintain careful management and monitoring of sub-recipients.

14 State House Station
Burton M. Cross Building, 4th Floor
Augusta, ME 04333-0014

Phone: (207)626-8420
Fax: (207)626-8422

www.maine.gov



State departments that accept federal funds are responsible for monitoring the use of those funds, even when the grants are passed through to one or more non-profit providers or other government agencies (sub-recipients). Even though a department does not expend the funds for department use, the department is responsible for adequate oversight of the funds to ensure funds are spent in accordance with the federal grant requirements. Grants generally allow, or even provide for, a portion of the funding to be used for management/administrative activities. When programs are being reduced, the pressure to retain fewer dollars for management and oversight in order to be able to provide more funds to the program can be immense. Departments must, however, responsibly monitor the use of these funds. Carefully monitored funds have a much higher probability of being continued, benefiting the citizens of the State of Maine.

Subrecipient monitoring is a critical internal control function, required by federal granting agencies. Reporting requirements for sub grantees become part of the grant agreement and are monitored on a regular basis.

Should you have any questions or concerns regarding this issue, please contact the OSC's Internal Control Unit.