

STATE CONTROLLER'S BULLETIN



Edward Karass
State Controller

Ryan W. Low, Commissioner
Administrative & Financial Services

Bulletin #FY09-08

SUBJECT: Initial Guidelines for Budgeting, Accounting and Developing Interagency Agreements being Funded with American Recovery and Reinvestment Act Funds

DATE: March 6, 2009

TO: All Departments and Agencies

**FROM: Ryan Low, Commissioner
Edward A. Karass, State Controller
Ellen Schneider, State Budget Officer**

On behalf of the State we are required to provide appropriate oversight of American Recovery and Reinvestment Act (ARRA) funding to ensure funds go to work quickly, make the process completely open for scrutiny and comply with all transparency, accountability and reporting requirements of the ARRA of 2009. To accomplish these goals we have collaborated on this Controller's Bulletin to jointly issue guidance to all agencies involved with or may be involved with ARRA Funds. As required we will provide you with additional guidance as necessary.

In an effort to facilitate proper the accounting and reporting for the receipt and expenditure of ARRA funds, the Office of the State Controller and the State Budget Office have established two new federal funds. We are requiring that all ARRA activity be accounted for in these two funds. Fund 020 must be used for recording non-block grant activity and Fund 021 must be used to account for block grant activity. We have established the following guidelines for all agencies to follow:

- Requirement for budgeting funds and accounting for the new funds are the same as those currently in place for the 013 and 015 funds.
- Accounts have been created for funds 020 and 021 that mirror existing 013 and 015 accounts for which funds are allocated in FY 09 or proposed for allocation in the 2010-2011 Biennial Budget.
- Agencies should contact the Budget Office to establish additional 020 and 021 accounts in order to segregate funds authorized in ARRA that are for a different purpose.
- Agencies should be working ahead to develop requests for allocation for 2010-2011 in accordance with the timeline to be established by the Bureau of the Budget.

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- Additionally, we have included a template for agencies to list all of the ARRA funds they are receiving to be submitted to the Bureau of the Budget and copied to the Internal Audit Division of the Office of the State Controller. The template presents information that will be helpful to the Budget Office when submitting Financial Order for consideration and for the Office of the State Controller's compliance program related to the ARRA.

When entering into a relationship to provide ARRA funds to another state agency it is important to determine the nature of the relationship as either a vendor or sub recipient. This is necessary to give the appropriate guidance in the Memorandum of understanding (MOU) agreement. Reporting on the expenditure of ARRA funds will be subject to accelerated deadlines. Additionally, there may be specific compliance requirements attached to ARRA funds requiring a greater level of detail on the expenditure of these funds may need to be reported. The MOU agreement should contain sufficient detail of the responsibilities of each agency to ensure timely and accurate reporting on the use of ARRA funds, compliance with grant award requirements and State regulations, and proper reporting of the expenditure of federal dollars on the Federal Status Reports and the Schedule of Expenditures of Federal Awards. As ARRA guidance becomes available please be sure your MOU agreements contain the appropriate detailed guidance to facilitate proper use and reporting of ARRA funds.

We are requiring the following language and coding be added to all Memorandum of Understanding agreements being funded with ARRA funds. If you have questions regarding this information or on vendor and sub recipient determination, please contact April Newman, Financial Management Coordinator at 207-626-8436 or april.d.newman@maine.gov.

Memorandum of Understanding - Sub recipients of ARRA Funds

This Memorandum of Understanding (MOU) is entered into by:

Federal recipient: State of Maine _____ and **Sub recipient agency:** _____

The federal grant is awarded under CFDA # ____.

The purpose of the agreement is to outline responsibilities and reporting requirements for both agencies in order to carry out the mission of the Federal program and ensure transparency. The Lead Agency (Agency funds are being awarded to) is responsible for all activities related to the federal government including: billing, establishing funding priorities, disbursing funds, acting as the principal liaison and monitoring State sub recipients. The Lead Agency recipient agrees to code these sub recipient expenditures to transfer account **2982 (transfer of Federal Funds – ARRA)** in either **Fund 020 or 021** and report these expenditures as both “D” direct funding and “T” transfers on its SEFA report. The Sub recipient Agency agrees to account for these costs in either **Fund 020 or 021**, invoice the Lead Agency for its costs using transfer account **2982**, and report these expenditures as “P” pass-thru expenditures on its SEFA report. By signing this MOU, both agencies agree to comply with audit requirements under the Single Audit Act, OMB A-133. This agreement is effective through _____. It is critical that the transfer of funds is recorded by the Lead Agency and the Sub recipient Agency using the **2982** code.

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Memorandum of Understanding – Non-Internal Service Fund Vendors of ARRA Funds

This Memorandum of Understanding (MOU) is entered into by:

Federal recipient: State of Maine _____ and **Vendor agency:** _____

The federal grant is awarded under CFDA #____.____.

The purpose of the agreement is to outline responsibilities and reporting requirements for both agencies in order to carry out the mission of the Federal program and ensure transparency. The Lead Agency (Agency funds are being awarded to) is responsible for all activities related to the federal government including: billing, establishing funding priorities, disbursing funds and acting as the principal liaison. The Lead Agency agrees to code these vendor expenditures to appropriate vendor codes in either **Fund 020 or 021** and to report these expenditures as “D” direct funding on its SEFA report. The vendor agency agrees to account for these costs in a dedicated revenue fund, invoice the Lead Agency for its costs using revenue source **2650 (Interagency Receipts – ARRA)** and refrain from reporting these expenditures on its SEFA report. By signing this MOU, both agencies agree to that the Lead Agency is the only agency required to comply with audit requirements under the Single Audit Act, OMB A-133. This agreement is effective through _____.

Memorandum of Understanding – Internal Service Fund (ISF) Vendors of Stimulus Funds

This Memorandum of Understanding (MOU) is entered into by:

Federal recipient: State of Maine _____ and **ISF Vendor agency:** _____

The federal grant is awarded under CFDA #____.____.

The purpose of the agreement is to outline responsibilities and reporting requirements for both agencies in order to carry out the mission of the Federal program and ensure transparency. The Lead Agency (Agency funds are being awarded to) is responsible for all activities related to the federal government including: billing, establishing funding priorities, disbursing funds and acting as the principal liaison. The Lead Agency agrees to code these vendor expenditures to appropriate vendor codes in either **Fund 020 or 021** and to report these expenditures as “D” direct funding on its SEFA report. The ISF vendor agency agrees to account for these costs in an internal service fund, invoice the Lead Agency for its costs using a revenue account code and refrain from reporting these expenditures on its SEFA report. By signing this MOU, both agencies agree to that the Lead Agency is the only agency required to comply with audit requirements under the Single Audit Act, OMB A-133. This agreement is effective through _____.

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Guidance for Agencies: Sub recipient versus Vendor Determination

The OSC recognizes OMB's guidance from Circular A – 133 as the primary authority in making sub recipient/ vendor determinations. Excerpts explain the differences:

“Characteristics indicative of a Federal award received by a sub recipient are when the organization:

- (1) Determines who is eligible to receive what Federal financial assistance;
- (2) Has its performance measured against whether the objectives of the Federal program are met;
- (3) Has responsibility for programmatic decision making;
- (4) Has responsibility for adherence to applicable Federal program compliance requirements; and
- (5) Uses the Federal funds to carry out a program of the organization as compared to providing goods or services for a program of the pass-through entity.

Characteristics indicative of a payment for goods and services received by a vendor are when the organization:

- (1) Provides the goods and services within normal business operations;
 - (2) Provides similar goods or services to many different purchasers;
 - (3) Operates in a competitive environment;
 - (4) Provides goods or services that are ancillary to the operation of the Federal program; and
 - (5) Is not subject to compliance requirements of the Federal program.
- (d) Use of judgment in making determination. There may be unusual circumstances or exceptions to the listed characteristics. In making the determination of whether a sub recipient or vendor relationship exists, *the substance of the relationship is more important than the form of the agreement. It is not expected that all of the characteristics will be present and judgment should be used in determining whether an entity is a sub recipient or vendor.*”

If you should have any questions or concerns regarding how to report or account for the ARRA funds that you receive, please contact the following individuals:

Budget Matters

Dawna Lopatosky – 624-7818

Accounting and Compliance

Terry Brann - 626-8423

Ruth Quirion – 626-8493