

LD 1215 Resolve, To Require the State Auditor To Report on Corrective Actions Regarding the Administration of Federal Grants

To: Members, Joint Standing Committee on State and Local Government
From: Lynne Caswell, Esq., Legislative Analyst
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*electronic
record*

<http://legislature.maine.gov/ctl/SLG/04-26-2021?panel=0&time=0&sortdir=0&sortby=2>

SUMMARY

This resolve requires the State Auditor to issue a one-time report to the Legislature, by 12/2/2022, on state agencies compliance with federal grant requirements. The report must include a list of outstanding corrective actions for the past 5 years. The resolve permits the Government Oversight Committee to report out a bill based on the report

TESTIMONY*

Sponsor: Representative Riseman

- Lack of clear authority to respond to compliance matters raised but not resolved by state agencies
- Focus on financial accountability and governmental transparency
- Limited to federal funds
- Failure of agency to comply with federal requirements could lead to loss of funds ior claw back (Riverview = \$72 million)

Proponents: State Auditor, Matt Dunlap

- Federal audit is down to every penny (\$41 dollars over of \$21 million)
- 62 findings this year
- GOC and OPEGA have different role
- Single Audit Report issued each year and shared with the Legislature (most recently submitted on 03/31/21) <https://www.maine.gov/audit/osa-reports/2020single-audit-report.pdf>

Opponents: none

NFNA: none

written only: Deborah Grindle

INFORMATION / MATTERS FOR CONSIDERATION***FEDERAL FUNDING REQUIREMENTS***

State agencies that accept federal grant funds are required to comply with certain financial and programmatic standards. The obligation to comply with these financial and programmatic standards also applies to companies,

* The section is not intended to reflect all comments and may include unintentionally errors.

organizations or other entities that receive those federal funds under a contract with the state agency. These entities are often called subrecipients. The state agencies have an obligation to monitor their own compliance and the compliance of the subrecipients.

Failure to comply with the federal requirements, either programmatic or financial, may lead to lose of future funds or the requirement to pay back funds (claw back).

Title 5, ch. 11, Office of the State Auditor

§243-B. Report regarding discrepancies

If in the course of any audit of a state department or agency the Office of the State Auditor finds significant discrepancies in the financial records of that state department or agency, the State Auditor shall report, in person, to the joint standing committee of the Legislature that has jurisdiction over that state department or agency within 60 days of the audit findings and the joint standing committees of the Legislature having jurisdiction over appropriations and financial affairs and state and local government matters. If the Legislature is not in session during that 60 days, the State Auditor may report in writing to those committees.

§244. Records and reports; findings of improper practices

The State Auditor may not perform the accounting functions for the State, but shall audit the accounts, books, records and other evidences of financial transactions kept in the Department of Financial and Administrative Services or in the other departments and agencies of State Government. The State Auditor shall prepare and publish a report for each fiscal year, setting forth the essential facts of such audits in summary form, within the following fiscal year after the books of the State Controller have been officially closed. If the State Auditor finds in the course of an audit evidences of improper transactions, or of unacceptable practices in keeping accounts or handling funds or of any other improper practice of financial administration, the State Auditor shall report the same to the Governor and the Legislature immediately. After reporting evidence of material weaknesses or reportable conditions, the State Auditor shall provide for subsequent review to ensure that those conditions are addressed in a timely manner and report to the Governor and the Legislature to confirm the status of the correction of those conditions. If the State Auditor finds evidences of illegal transactions, the State Auditor shall immediately report those transactions both to the Governor and to the Attorney General. All such evidences must be included in the annual reports of the State Auditor and the State Auditor may, at the State Auditor's discretion, make them public at any time during the fiscal year.

By September 15th of each year, the State Auditor shall schedule a meeting with each joint standing committee of the Legislature having jurisdiction over those departments or agencies in the audit of which the State Auditor has identified findings and the joint standing committees of the Legislature having jurisdiction over appropriations and financial affairs and state and local government matters. The State Auditor shall present an assessment of findings and recommendations of the most recently completed audit performed pursuant to this section, including, but not restricted to, questioned costs and material weaknesses of state programs. The State Auditor shall notify affected state agencies and applicable state central service agency officials, such as, without limitation, the State Controller, State Budget Officer, State Purchasing Agent and Chief Information Officer, of the meeting time and place.

FISCAL IMPACT - Preliminary (OFPR)

None provided as of this date.