

# MAINE STATE LEGISLATURE

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# 122nd MAINE LEGISLATURE

## SECOND REGULAR SESSION-2006

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Legislative Document

No. 1862

H.P. 1302

House of Representatives, January 3, 2006

### **An Act To Expand Notification Requirements for Internal Control Inquiries Made by Nonstate Organizations**

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Submitted by the Department of Audit pursuant to Joint Rule 204.

Received by the Clerk of the House on December 28, 2005. Referred to the Committee on State and Local Government pursuant to Joint Rule 308.2 and ordered printed pursuant to Joint Rule 401.

*Millicent M. MacFarland*  
MILLICENT M. MacFARLAND  
Clerk

Presented by Representative BARSTOW of Gorham.

**Be it enacted by the People of the State of Maine as follows:**

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**Sec. 1. 5 MRSA §1541, sub-§10-A, ¶F,** as amended by PL 2003, c. 600, §3, is further amended to read:

F. Access to resources and records must be limited to authorized individuals as determined by the state agency or department head, except that the powers and duties of the State Auditor may not be limited by this subsection. Restrictions on access to resources depend upon the vulnerability of the resource and the perceived risk of loss, both of which must be periodically assessed. The state agency or department head is responsible for maintaining accountability for the custody and use of resources and shall assign qualified individuals for that purpose. Periodic comparison must be made between the resources and the recorded accountability of the resources to reduce the risk of unauthorized use or loss and protect against waste and wrongful acts. The vulnerability and value of the state agency or department resources determine the frequency of this comparison.

Within each state agency or department there must be a qualified employee whose responsibility, in addition to the employee's regularly assigned duties, is to ensure that the state agency or department has written documentation of its internal accounting and administrative control system on file. The employee shall, annually, or more often as conditions warrant, evaluate the effectiveness of the state agency's or department's internal control system and establish and implement changes necessary to ensure the continued integrity of the system. The employee shall:

- (1) Ensure that the documentation of all internal control systems is readily available for examination by the State Controller, Commissioner of Administrative and Financial Services and State Auditor;
- (2) Certify to the State Controller that the appropriate updates have been made and implemented by the state agency or department;
- (3) Ensure that the results of audits and recommendations to improve state agency or department internal controls are promptly evaluated by the state agency or department management;
- (4) Ensure that timely and appropriate corrective actions are effected by the state agency or department management in response to an audit;

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(5) Ensure that all actions determined by the state agency or department management as necessary to correct or otherwise resolve matters are addressed by the state agency or department in its budgetary request to the Legislature; and

(6) Immediately notify the State Controller and the State Auditor when an auditor, inspector general or other representative from the Federal Government or another nonstate organization requests access to state agency resources and records related to internal controls.

All unaccounted for variances, losses, shortages or thefts of funds or property must be immediately reported to the State Controller, who shall review the matter to determine the amount involved that must be reported to the appropriate state agency or department management, law enforcement officials and the State Auditor. The State Controller shall also determine the internal control weakness that contributed to or caused the condition. The State Controller shall then make recommendations to the state agency or department official overseeing the internal control system and other appropriate management officials. The recommendations of the State Controller must address the correction of the conditions found and the necessary internal control policies and procedures that must be modified. The state agency or department oversight official and the appropriate management officials shall immediately implement policies and procedures necessary to prevent a recurrence of the problems identified and report the steps taken to the State Controller. From time to time the State Controller shall examine the policies and procedures implemented to ensure that the relevant policies and procedures are functioning appropriately.

**SUMMARY**

This bill requires that the State Auditor be notified when a nonstate organization requests access to state agency resources and records related to internal controls.