

# MAINE STATE LEGISLATURE

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1 SECOND REGULAR SESSION  
2

3 ONE HUNDRED AND ELEVENTH LEGISLATURE  
4

5 Legislative Document

No. 1929  
6

7 H.P. 1471

House of Representatives, January 12, 1984

8 Reported by Representative Rolde from the Committee on Audit and  
9 Program Review. Sent up for concurrence and ordered printed.

10 EDWIN H. PERT, Clerk

11 Reported from the Committee on Audit and Program Review under Joint  
Rule 18, pursuant to Revised Statutes, MRSA, Title 3, Chapter 23.

12 STATE OF MAINE  
13

14 IN THE YEAR OF OUR LORD  
15 NINETEEN HUNDRED AND EIGHTY-FOUR  
16

17 AN ACT to Create the Maine Uniform  
18 Accounting and Auditing Practices Act for  
19 Community Agencies.  
20

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

23 Sec. 1. 5 MRSA c. 148, as enacted by PL 1977, c.  
24 541, is repealed.

25 Sec. 2. 5 MRSA c. 148-B is enacted to read:

26 CHAPTER 148-B

27 MAINE UNIFORM ACCOUNTING AND AUDITING

28 PRACTICES ACT FOR COMMUNITY AGENCIES

29 §1651. Short title

1        This chapter shall be cited as the "Maine Uniform  
2 Accounting and Auditing Practices Act for Community  
3 Agencies."

4        §1652. Declaration of problem

5        A community agency which provides services funded  
6 by several state departments is often subjected to:

7            1. Records and reports. Maintaining various ac-  
8 counting records and filing multiple grant contract  
9 fiscal reports for several state departments. These  
10 accounting records and reports are often required in  
11 an uncoordinated, overlapping and inefficient manner;  
12 and

13            2. Audits. Receiving within one fiscal year,  
14 numerous routine audits by the same or different  
15 state departments.

16        Many community agencies propose that the State  
17 adopt standard accounting and auditing practices, to  
18 include under normal circumstances, only one state  
19 financial audit for each fiscal year covering all  
20 funds disbursed by the State and received by a commu-  
21 nity agency.

22        The Legislature also finds that current community  
23 agency accounting practices are both costly to Maine  
24 taxpayers and inefficient and, therefore, may be im-  
25 proved to more fully protect state funds and justify  
26 this Act.

27        §1653. Definitions

28        For the purposes of this chapter, unless the con-  
29 text indicates otherwise, the following terms have  
30 the following meanings.

31            1. Agreement. "Agreement" means a legally bind-  
32 ing written document between 2 or more parties, in-  
33 cluding such documents as are commonly referred to as  
34 accepted application, proposal, prospectus, contract,  
35 grant, joint or cooperative agreement, purchase of  
36 service or state aid.

37            2. Auditor. "Auditor" means State Auditor of  
38 the Department of Audit.

1           3. Community agency. "Community agency" means  
2 any public or private nonprofit organization; or any  
3 firm, partnership or business corporation operated  
4 for profit, which:

5           A. Operates a service program at the community  
6 level;

7           B. Receives public funds from one or more state  
8 departments or agencies; and

9           C. Is not an administrative unit of the Federal  
10 Government or State Government.

11           4. Department. "Department" means the Depart-  
12 ment of Educational and Cultural Services, the De-  
13 partment of Human Services, the Department of Mental  
14 Health and Mental Retardation and the Department of  
15 Corrections; the Division of Community Services of  
16 the Executive Department; the Criminal Justice Plan-  
17 ning and Assistance Agency of the Executive Depart-  
18 ment; or the Department of Transportation; and may  
19 mean such other administrative units of State Govern-  
20 ment as are defined from time to time by the State  
21 Auditor.

22           5. Lead agency. "Lead agency" means that state  
23 agency, as designated by the State Auditor, which is  
24 responsible for coordinating, directing or conducting  
25 a single audit.

26           6. Nonprofit organization. "Nonprofit organiza-  
27 tion" means any agency, institution or organization  
28 which is, or is owned and operated by, one or more  
29 corporations or associations no part of the net earn-  
30 ings of which inures, or may lawfully inure, to the  
31 benefits of any private shareholder or individual.

32           7. Public. "Public" means municipal, county or  
33 other governmental body which is a political subdivi-  
34 sion within the State.

35           8. Service. "Service" means any alcoholism,  
36 children's community action, corrections, criminal  
37 justice, developmental disability, education, elder-  
38 ly, health, income supplementation, juvenile, law en-  
39 forcement, legal, medical care, mental health, mental

1 retardation, poverty, rehabilitation, services to  
2 older people, substance abuse, transportation or  
3 youth service or other social service operated by a  
4 community agency under an agreement financially sup-  
5 porting the service wholly or in part by funds autho-  
6 rized for expenditure by the department, except man-  
7 power programs and educational services operated di-  
8 rectly by public schools or school administrative  
9 districts on behalf of a political subdivision of  
10 this State.

11 9. Single audit. "Single audit" means one state  
12 financial audit of all funds contracted for between  
13 the State and community agency, excluding Medicaid  
14 done on a grant by grant basis, that will be con-  
15 ducted usually on an annual basis but no less fre-  
16 quently than every 2 years, and may encompass more  
17 than one community agency fiscal year. The 2-year  
18 period shall be calculated from the date of the pre-  
19 vious single state audit or the effective date of Ju-  
20 ly 1, 1987.

21 §1654. Maine Accounting and Auditing Practices Act

22 1. Intent. It is the intent of the Legislature  
23 that an agreement entered into by the department with  
24 a community agency, the purpose of which is to finan-  
25 cially support the provision of a service, shall be  
26 governed by the following state accounting and audit-  
27 ing practices effective with the dates indicated in  
28 this chapter and unless future enactments of law resc-  
29 ind the provisions of this chapter.

30 2. Standard accounting practices. Effective Ju-  
31 ly 1, 1984, the State Auditor will begin the process  
32 of:

33 A. Developing written guidelines on uniform com-  
34 munity agency accounting practices;

35 B. Developing uniform and standard state admin-  
36 istrative practices at least in the following ar-  
37 reas:

38 (1) Uniform contract grant fiscal year;

39 (2) Standard and uniform contracts or  
40 grants;

- 1                   (3) Standard and uniform billing forms;
- 2                   (4) Standard and uniform financial reports;
- 3                   (5) Standard and uniform line items; and
- 4                   (6) Standard and uniform state grant, con-
- 5                   tract administrative policies and proce-
- 6                   dures; and

7           C. Developing definitions of all items covered  
8           in this section.

9           These standard accounting practices will be finalized  
10           by July 1, 1987, as promulgated by the State Auditor  
11           through rules under the Maine Administrative Proce-  
12           dures Act, chapter 375.

13           3. Standard audit practices. Effective July 1,  
14           1984, to July 1, 1987, community agencies may elect  
15           to have a single state audit, provided that they meet  
16           the conditions of election in subsection 4, paragraph  
17           C.

18           Effective July 1, 1987, the State shall conduct a  
19           single audit of community agencies, provided that the  
20           community agency meets the minimum requirements for  
21           receiving a single state audit as outlined in subsec-  
22           tion 4, paragraph C. Such a single state audit shall  
23           be intended to:

24           A. Meet the reasonable financial, administrative  
25           and compliance requirements of each department  
26           financially supporting the community agency, but  
27           shall not involve program monitoring;

28           B. Meet generally accepted auditing standards as  
29           established by the Comptroller General of the  
30           United States and by the American Institute of  
31           Certified Public Accountants; and

32           C. Meet the intent of this chapter.

33           The department shall accept such an audit as satisfy-  
34           ing the department requirements, unless significant  
35           omissions, errors or other conditions exist as deter-  
36           mined by the State Auditor or unless there is reason-

1 able justification to conduct an additional audit  
2 based upon irregularities. Irregularities include  
3 such matters as conflicts of interest, falsification  
4 of records or reports and misappropriation of funds  
5 or other assets. If the State Auditor determines  
6 that an additional audit is warranted, he shall de-  
7 termine how this audit shall be performed.

8 4. Responsibilities of parties. The responsibil-  
9 ities of State Auditor, lead agency and community  
10 agency shall be as follows.

11 A. The State Auditor shall:

12 (1) Establish final written community stan-  
13 dard account practices;

14 (2) Promulgate final rules governing per-  
15 formance guidelines and criteria for stan-  
16 dard audit practices incorporating those  
17 outlined in subsection 3. These rules shall  
18 also include:

19 (a) Criteria to be used by the lead  
20 agency responsible for directing and  
21 completing the single state audit;

22 (b) Clarification of the responsibili-  
23 ties of the lead agency in carrying out  
24 a single state audit;

25 (c) Identification of the responsibil-  
26 ities and role of state departments  
27 other than the lead agency; and

28 (d) Specification of the conditions un-  
29 der which a community agency can obtain  
30 a waiver from the single audit;

31 (3) Maintain the register of all agencies  
32 qualifying as a community agency;

33 (4) Maintain a register of all grants or  
34 contracts administered by the State to com-  
35 munity agencies. The register will include  
36 at a minimum the name of the community agen-  
37 cy, a listing of all grant or contract fis-

1 cal year or the contracting state agency  
2 name and the approximate amount of the grant  
3 or contract;

4 (5) Ensure that at a minimum, annual train-  
5 ing be available for community agencies on  
6 standard accounting practices;

7 (6) Serve as the individual ultimately re-  
8 sponsible for the interim and final adminis-  
9 tration and implementation of this chapter;  
10 and

11 (7) At the request of a community agency,  
12 the State Auditor may waive certain require-  
13 ments in the Maine Uniform Accounting and  
14 Audit Practices Act when the requirements  
15 are determined by the State Auditor to be an  
16 unreasonable economical hardship.

17 B. The lead agency shall:

18 (1) Direct or conduct the single state au-  
19 dit;

20 (2) Maintain all audit workpapers on the  
21 single audit. These workpapers and reports  
22 shall be retained for a minimum of 3 years  
23 from the date of the audit report, unless  
24 the lead agency is notified in writing by  
25 the State Auditor of the need to extend the  
26 retention period;

27 (3) Conduct a formal exit interview with  
28 representatives of the community agency pri-  
29 or to the issuance of the audit report;

30 (4) Issue the single audit report;

31 (5) Ensure that written response from the  
32 community agency shall become a part of the  
33 audit report;

34 (6) Maintain a follow-up system on audit  
35 reports to assure that audit findings and  
36 recommendations are resolved;



1           (7) Provide technical advice and act as a  
2           liaison between all interested parties;

3           (8) Conduct the audit in accordance with  
4           generally accepted auditing standards as  
5           prescribed by the American Institute of Cer-  
6           tified Public Accountants and the United  
7           States General Accounting Office; and

8           (9) Whenever possible rely upon any fiscal  
9           audit already conducted on the community  
10           agency.

11        C. The community agency shall:

12           (1) Maintain accounting records in accord-  
13           ance with standards of accounting practices  
14           and generally accepted accounting principles  
15           as promulgated by the State Auditor. Until  
16           the standards of accounting practices has  
17           been finally issued, the accounting records  
18           maintained in accordance with generally ac-  
19           cepted principles shall be deemed accept-  
20           able;

21           (2) Meet by July 1, 1987, the minimum re-  
22           quirements necessary for obtaining a single  
23           state audit or obtain from the State Auditor  
24           a waiver to the single state audit. The  
25           minimum requirements shall includes:

26                   (a) A fiscal year filed with the Sec-  
27                   retary of State;

28                   (b) At a minimum, annual financial re-  
29                   view statements prepared by an indepen-  
30                   dent auditor registered with the Maine  
31                   Board of Accounting which includes:

32                           (i) A balance sheet; and

33                           (ii) A statement of revenue, ex-  
34                           penses and balance;

35                   (c) Individual final grant statements  
36                   of revenue, expense and balance pre-  
37                   pared for each contract or grant.

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These individual grant statements must:

(i) Be prepared in accordance with the uniform state policies and in accordance with generally accepted accounting principles as promulgated by the American Institute of Certified Public Accountants. Any deviations from these Amercian Institute of Certified Public Accountants standards shall include the necessary disclosures;

(ii) Be prepared on uniform state forms;

(iii) Be in agreement with the financial statements prepared by the outside public accounting firm;

(iv) Be filed with the department's grantor and be accompanied by the auditor's comments and recommendations on internal control and management practices, if any; and

(v) Be dated and signed by the community agency's internal accountant.

5. Single audit report. At a minimum, the state audit report shall include:

A. A final audited statement on a grant by grant basis of revenue, expense and balance of the community agency;

B. The lead agency's comments on the audit statement and which shall:

(1) Identify the initial statements examined, and the period covered;

(2) Identify the various programs under which the organization received funds con-

1 tracted by the State and the amount of the  
2 awards received;

3 (3) State that the audit was done in ac-  
4 cordance with standards specified in this  
5 Act; and

6 (4) Express an opinion as to whether the  
7 financial statements are fairly presented in  
8 accordance with generally accepted account-  
9 ing principles. If an unqualified opinion  
10 cannot be expressed, state the nature of the  
11 qualification;

12 C. The lead agency's comments on compliance and  
13 internal control and shall:

14 (1) Include comments on weaknesses in, and  
15 noncompliance with, the systems of internal  
16 control, separately identifying material  
17 weaknesses;

18 (2) Identify the nature and impact of any  
19 noted instances of noncompliance with the  
20 terms of agreements and those provisions of  
21 state or federal law or regulations that may  
22 have a material effect on the financial  
23 statements and reports; and

24 (3) Contain a positive assurance with re-  
25 spect to compliance with requirements for  
26 tested items and negative assurance for  
27 untested items;

28 D. Comments on the accuracy and completeness of  
29 the community agency financial reports submitted  
30 to the department;

31 E. Comments on corrective action taken or  
32 planned by a community agency on current and pri-  
33 or audit findings; and

34 F. The community agency's written response and  
35 shall become a part of the compliance and inter-  
36 nal controls report.

37 §1655. Transition for implementation

1           1. Election for single audit. Prior to the ef-  
2 fective date of July 1, 1987, a community agency may  
3 elect to request the performance of a single audit.  
4 These agencies shall serve as models for the purpose  
5 of determining an eventual final process for imple-  
6 mentation of the mandatory single audit.

7           2. Conditions of elections. To elect the single  
8 audit option during the transition period, the commu-  
9 nity agency shall submit a written request to the  
10 State Auditor at least 6 months prior to the expected  
11 date of audit and shall meet the minimum requirements  
12 as stated in section 1654, subsection 4, paragraph C.

13           3. Transition committee. The auditor shall con-  
14 vene a committee to include at least one representa-  
15 tive from each department affected by this chapter  
16 and 2 representatives from community agencies of  
17 which one may be a representative of the Maine Socie-  
18 ty of Certified Public Accountants to develop the  
19 standards and process for implementation of the man-  
20 datory single audit and uniform accounting practices  
21 requirement by July 1, 1987. Provisions shall be  
22 made to ensure maximum input from other community  
23 agency personnel prior to any final decisions.

24           4. Report. The auditor shall report by July 1,  
25 1985, July 1, 1986, and July 1, 1987, to the joint  
26 standing committee of the Legislature having juris-  
27 isdiction over audit and program review on the process  
28 of implementation of this Act. At these times any  
29 problems shall be identified and any savings or cost  
30 associated with the implementation shall also be  
31 identified.

32           5. Public notice. The final decisions of the  
33 transition committee and substantive changes made  
34 thereafter by the State Auditor shall be subject to  
35 notifying the public through the Maine Administrative  
36 Procedure Act, chapter 375.

37           §1656. Appeals procedure

38           Any person aggrieved under this chapter shall be  
39 entitled to judicial review, as provided in the Maine  
40 Administrative Procedure Act, chapter 375.

1     §1657. Application of chapter

2             1. Department of Audit. Nothing in this chapter  
3     shall be construed to affect or limit any previously  
4     existing power or duty of the Department of Audit.

5             2. Federal Government. Nothing in this chapter  
6     may be construed to affect or limit any power or duty  
7     reserved by the Federal Government.

8                                     STATEMENT OF FACT

9             The intent of this bill is to ensure that the  
10     State implement uniform accounting and administrative  
11     practices for contracts and perform a single annual  
12     audit of funds contracted with community agencies to  
13     reduce the administrative demands now made on commu-  
14     nity agencies.

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