

MAINE STATE LEGISLATURE

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LAWS

OF THE

STATE OF MAINE

AS PASSED BY THE

ONE HUNDRED AND TWELFTH LEGISLATURE

SECOND REGULAR SESSION
January 8, 1986 to April 16, 1986

SECOND SPECIAL SESSION
May 28, 1986 to May 30, 1986

AND AT THE

THIRD SPECIAL SESSION
October 17, 1986

PUBLISHED BY THE DIRECTOR OF REVISOR OF STATUTES IN
ACCORDANCE WITH MAINE REVISED STATUTES ANNOTATED,
TITLE 3, SECTION 163-A, SUBSECTION 4.

J.S. McCarthy Co., Inc.
Augusta, Maine

PUBLIC LAWS
OF THE
STATE OF MAINE

AS PASSED AT THE
SECOND REGULAR SESSION
of the
ONE HUNDRED AND TWELFTH LEGISLATURE
1985

1986-87

All Other

\$136,935

Provides funds for C.O.L.A.'s
for boarding care facilities.

Effective July 16, 1986.

CHAPTER 792

S.P. 924 - L.D. 2304

**AN ACT to Ensure the Implementation of a
Single Audit.**

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

Sec. 1. 5 MRSA §1653, sub-§1-A is enacted to read:

1-A. Agency-wide audit. "Agency-wide audit" means an audit which includes the entire operations of the community agency.

Sec. 2. 5 MRSA §1653, sub-§9, as enacted by PL 1983, c. 716, §2, is amended to read:

9. Single audit. "Single audit" means one state financial and compliance audit of all funds contracted for between the State and community agency, excluding Medicaid done on a grant by grant basis, that will be conducted usually on an annual basis but no less frequently than every 2 years, and may encompass more than one community agency fiscal year. The 2-year period shall be calculated from the date of the previous single state audit or the effective date of July 1, 1987 January 1, 1987. The single audit may be conducted by licensed independent public accountants engaged by the community agency, by the State or by employees of the State.

Sec. 3. 5 MRSA §1654, sub-§2, ¶B, as enacted by PL 1983, c. 716, §2, is amended to read:

B. Developing uniform and standard state administrative practices at least in the following areas:

- (1) Uniform contract grant fiscal year wherever possible;
- (2) Standard and uniform contracts or grants; and.
- ~~(3) Standard and uniform billing forms;~~
- ~~(4) Standard and uniform financial reports;~~
- ~~(5) Standard and uniform line items; and~~
- (6) Standard and uniform state grant, contract administrative policies and procedures; and

Sec. 4. 5 MRSA §1654, sub-§3, as enacted by PL 1983, c. 716, §2, is amended to read:

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

Effective ~~July 1, 1987~~ January 1, 1987, the State shall conduct a single audit of community agencies, provided that the community agency meets the minimum requirements for receiving a single state audit as outlined in subsection 4, paragraph C. Such a single state audit shall be intended to:

- A. Meet the reasonable financial, administrative and compliance requirements of each department financially supporting the community agency, but shall not involve program monitoring;
- B. Meet generally accepted auditing standards as established by the Comptroller General of the United States and by the American Institute of Certified Public Accountants; and
- C. Meet the intent of this chapter.

The department shall accept such an audit as satisfying the department requirements, unless significant omissions, errors or other conditions exist as determined by the commissioner or unless there is reasonable justification to conduct an additional audit based upon irregularities. Irregularities include such matters as conflicts of interest, falsification of records or reports and misappropriation of funds or other assets. If the commissioner determines that

an additional audit is warranted, he shall determine how this audit shall be performed.

Sec. 5. 5 MRSA §1654, sub-§4, ¶¶B and C, as enacted by PL 1983, c. 716, §2, are amended to read:

B. The lead agency shall:

(1) Direct, coordinate or conduct the single state audit or coordinate the State's interest in the conduct of agency-wide audits;

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

(3) Conduct a formal exit interview with representatives of the community agency prior to the issuance of the audit report and include comments and responses from that meeting in the report;

(4) Issue the single audit report;

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

(6) Maintain a follow-up system on audit reports to assure that audit findings and recommendations are resolved in writing within a reasonable period of time;

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

~~(8) Conduct the audit~~ Ensure that the audit is conducted in accordance with generally accepted auditing standards as prescribed by the American Institute of Certified Public Accountants and the United States General Accounting Office; and

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

C. The community agency shall:

(1) Maintain accounting records in accordance with standards of accounting practices and generally accepted accounting principles as promulgated by the commissioner. Until the standards of accounting practices have been finally issued, the accounting records shall be maintained in accordance with generally accepted principles;

(2) Meet by ~~July 1, 1987~~ January 1, 1987, the minimum requirements necessary for obtaining a single state audit or obtain from the commissioner a waiver to the single state audit. The minimum requirements to elect a single state audit include:

(a) A fiscal year filed with the Secretary of State;

(b) At a minimum, annual financial ~~review~~ statements ~~prepared~~ compiled by an independent auditor registered with the Maine Board of Accounting which includes:

(i) A balance sheet; and

(ii) A statement of revenue, expenses and balance;

(c) Individual final grant statements of revenue, expense and balance prepared for each contract or grant. 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 American Institute of Certified Public Accountants' standards shall include the necessary disclosures;

~~(ii)~~ Be prepared on uniform state forms;

(iii) Be reconciled 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, ~~be accompanied by an adjusted trial balance;~~ and

(v) Be dated and signed by ~~the community agency's internal accountant;~~ an authorized and appropriate representative of the community agency;

(3) If required, obtain an agency-wide audit; and

(4) Notify the commissioner of the intent to have an agency-wide audit performed.

(a) If the community agency elects to satisfy the single state audit requirement as part of its agency-wide audit, it must ensure the requirements of this subsection are met.

(b) If the agency does not so elect, any supplemental audit to meet state compliance needs shall be conducted as a single state audit.

Sec. 6. 5 MRSA §1654, sub-§5, as enacted by PL 1983, c. 716, §2, is amended to read:

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 contracted by the State and the amount of the awards received;

(3) State that the audit was done in accordance with standards specified in this Act; and

(4) Express an opinion as to whether the financial statements claims as reported to the State are fairly presented in accordance with generally accepted accounting principles the terms and conditions of the agreements. If an unqualified opinion cannot be expressed, state the nature of the qualification;

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

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

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

(3) Contain a positive assurance with respect to compliance with requirements for tested items and negative assurance for untested items;

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

E. Comments on corrective action taken or planned by a community agency on current and prior audit findings; and

F. The community agency's written response and shall become a part of the compliance and internal controls report; and.

G. Settlement of all disputed items shall be confirmed in writing by the lead agency within a reasonable time frame and made a part of the audit report.

Sec. 7. 5 MRSA §1655, as enacted by PL 1983, c. 716, §2, is amended to read:

§1655. Transition for implementation

1. Election for single audit. Prior to the effective date of ~~July 1, 1987~~ January 1, 1987, a community agency may elect to request the performance of a single audit. These agencies shall serve as models for the purpose of determining an eventual final process for implementation of the mandatory single audit.

2. Conditions of elections. To elect the single audit option during the transition period, the community agency shall submit a written request to the commissioner at least 6 months prior to the expected date of audit but no sooner than 6 months after the effective date of this chapter, and shall meet the minimum requirements as stated in section 1654, subsection 4, paragraph C. The 6-month period may be waived as determined by the commissioner.

3. Transition committee. The commissioner shall convene a committee by July 1, 1984, to include at least one representative from each department affected by this chapter and at least 4 representatives from community agencies of which one may be a representative of the Maine Society of Certified Public Accountants to develop the standards and process for implementation of the mandatory single audit and uniform accounting practices requirement by ~~July 1, 1987~~ January 1, 1987. Provisions shall be made to ensure maximum input from other community agency personnel prior to any final decisions. The transition committee shall include in its area of responsibility the development of criteria for determining the designation of a lead agency.

4. Report. The commissioner shall report by July 1, 1985, July 1, 1986, and ~~July 1, 1987~~ January 1, 1987, to the joint standing committee of the Legislature having jurisdiction over audit and program review on the process of implementation of this chapter. At these times any problems shall be identified and any savings or cost associated with the implementation shall also be identified.

5. Public notice. The final decisions of the transition committee and substantive changes made thereafter by the commissioner shall be subject to notifying the public through the Maine Administrative Procedure Act, chapter 375.

Sec. 8. 5 MRSa §1658 is enacted to read:

§1658. Advisory Committee on Single State Audits

The Commissioner of Finance and Administration may appoint and maintain an advisory committee composed of persons representing a cross section of interests governed by this chapter, such as community agencies and representatives of interested government agencies. All members of the advisory committee shall serve without compensation or reimbursement of expenses, as set out in section 12004, subsection 10.

Sec. 9. 5 MRSA §12004, sub-§10, ¶(28-A) is enacted to read:

(28-A) Finance Advisory Committee on No 5 MRSA §1658
Single State Audits Expenses

Effective July 16, 1986.

CHAPTER 793

H.P. 1647 - L.D. 2324

AN ACT Relating to Place of Payment of Motor Vehicle Excise Tax on Leased Vehicles.

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

Sec. 1. 36 MRSA §1484, sub-§3, ¶D is enacted to read:

D. Notwithstanding other provisions of this subsection, if a motor vehicle is leased for a period of one month or longer, the excise tax shall be paid in the place where it would be paid if the lessee were the owner.

Sec. 2. 36 MRSA §1484, sub-§4, as amended by PL 1969, c. 498, §17, is amended to read:

4. When paid to State. When an excise tax is to be paid to the State under this section, it shall be paid to the Treasurer of State in the case of aircraft and to the Secretary of State in the case of motor vehicles and deposited in the General Fund.

Effective July 16, 1986.