

COMMITTEE REPORT
HOUSE

4/11

(7)

FURTHER: FINANCE

1/28/85

Date: _____

The Committee on COMMUNITY & REGIONAL AFFAIRS has had HB 139

"An Act relating to the administration of certain grants passed by the legislature; and providing for an effective date."

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 139 (C+RA) same title
- new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Goll Peter Joe

_____ Wallis

_____ Koponen

_____ Phillips

_____ Gruenberg

_____ Furnace

MEMBERS HAVING
OTHER RECOMMENDATIONS:

F. Key Wallis Do Not Pass

Will Koponen no rec

Roll & Bell Do Pass if amended

M. Gruenberg No rec.

W. Furnace Kullers/Wonder do not pass with amendments

Peter Joe
CHAIRMAN

Offered: 4/11/85
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 139 (C&RA)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the administration of certain
7 grants passed by the legislature; and providing for
8 an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 37.05.316 is amended to read:

11 Sec. 37.05.316. GRANTS TO NAMED RECIPIENTS. When an amount is
12 appropriated or allocated to a department as a grant for a named
13 recipient that [WHICH] is not a municipality, the department to which
14 the appropriation or allocation is made shall promptly notify the
15 named recipient of the availability of the grant and request the named
16 recipient to submit a proposal to provide the goods or services speci-
17 fied in the appropriation act [, OR BOTH,] for which the appropriation
18 or allocation is made. At the same time, the department may issue a
19 request for proposals from other qualified persons to provide the same
20 goods or services [, OR BOTH,] in the same area. The department shall
21 award the grant to [CONTRACT WITH] the named recipient unless the
22 Office of the Governor, with due regard for the [ANY] local expertise
23 or experience of [AMONG] those making proposals, determines that an
24 award [OF THE CONTRACT] to a different party would better serve the
25 public interest. If the grant [CONTRACT] is awarded to a [ANOTHER]
26 party other than that named by the legislature, the basis of that
27 action shall be stated in writing at the time the grant is issued and
28 a copy of the written statement shall be sent to the Legislative
29 Budget and Audit Committee. A grant agreement must [CONTRACT SHALL]

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
be executed within 60 days after the effective date of the appropriation or allocation. [THE PURCHASE OF THE GOODS OR SERVICES, OR BOTH, SHALL BE IN ACCORDANCE WITH AS 37.05.230(1)(B).]

* Sec. 2. AS 37.05.318 is repealed and reenacted to read:

Sec. 37.05.318. REGULATIONS. The commissioner of administration shall adopt regulations to implement the provisions of AS 37.05.315 - 37.05.316. The commissioner of community and regional affairs shall adopt regulations to implement the provisions of AS 37.05.317. These regulations must include provisions that establish procedures for the safekeeping and investment of grant money, the management and disposition of property acquired by grant money, and the post audit of grant transactions. An audit required by these regulations is a cost of the grant. The regulations adopted under this section may not interfere with the implementation of the grant, but shall be designed to prevent the mismanagement of the grant and the misuse of grant funds.

* Sec. 3. This Act takes effect July 1, 1985.

1035h

Introduced: 1/28/85
Referred: Community & Regional
Affairs and Finance

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 139

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL,

6 For an Act entitled: "An Act relating to the administration of certain
7 grants passed by the legislature; and providing for
8 an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 37.05.316 is amended to read:

11 Sec. 37.05.316. GRANTS TO NAMED RECIPIENTS. When an amount is
12 appropriated or allocated to a department as a grant for a named
13 recipient which is not a municipality, the department to which the
14 appropriation or allocation is made shall promptly notify the named
15 recipient of the availability of the grant and request the named
16 recipient to submit a proposal to provide the goods or services speci-
17 fied in the appropriation Act [ACT, OR BOTH], for which the appropria-
18 tion or allocation is made. At the same time, the department may
19 issue a request for proposals from other qualified persons to provide
20 the same goods or services[, OR BOTH,] in the same area. The depart-
21 ment shall award the grant to [CONTRACT WITH] the named recipient
22 unless the Office of the Governor, with due regard for any local
23 expertise or experience among those making proposals, determines that
24 an award [OF THE CONTRACT] to a different party would better serve the
25 public interest. If the grant [CONTRACT] is awarded to another party
26 than that named by the legislature, the basis of that action must
27 [SHALL] be stated in writing at the time the grant is issued and a
28 copy of the written statement must [SHALL] be sent to the Legislative
29 Budget and Audit Committee. A grant agreement must [CONTRACT SHALL]

COMMITTEE COPY

1 be executed within 60 days after the effective date of the appropri-
2 tion or allocation. [THE PURCHASE OF THE GOODS OR SERVICES, OR BOTH,
3 SHALL BE IN ACCORDANCE WITH AS 37.05.230(1)(B).]

4 * Sec. 2. AS 37.05.318 is repealed and reenacted to read:

5 Sec. 37.05.318. REGULATIONS. The commissioner of administration
6 shall adopt regulations to implement the provisions of AS 37.05.315 --
7 37.05.317. These regulations must include provisions that establish
8 procedures for safekeeping and investment of grant money, management
9 and disposition of property acquired by grant money, and post audit of
10 grant transactions.

11 * Sec. 3. This Act takes effect July 1, 1985.
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

5289

Revision Date: _____ Page 1 of 1

REQUEST
 Bill/Resolution No.: HB 139
 Title: An Act Relating to the
Administration of Certain Grants
 Sponsor: Governor
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL
 Agency Affected: Administration
 Program Category Affected: _____
General Government
 BRU, Program or Subprogram(s) Affected:
General Services & Supply

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary) This Bill recognizes that a grant is more often akin to a unilateral contract (in that there is no specific performance on the State's part other than the provision of funding) than it is to a bilateral contract (where there is an exchange of promises with specific performance on the part of both parties). This bill further recognizes that the difference warrants a separate set of procedures under which the grant will be expended.

Prepared By: Robert J. Link *Robert J. Link* Phone: 465-2250
 Division: General Services & Supply V Date: December 27, 1984

Approved by Commissioner: Lisa Rudd *Lisa Rudd* Date: 1/11/85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 139

January 28, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

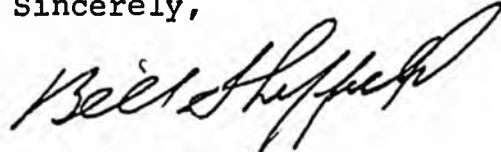
Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the administration of certain grants passed by the legislature.

The bill was requested by the Department of Administration to provide specific authority to establish a separate method of administering certain grants to municipalities under AS 37.05.315, named recipients under AS 37.05.316, and to unincorporated communities under AS 37.05.317. Under current procedures, all grants are administered by the Department of Administration in the same manner as professional services contracts. The nature of a grant is more often akin to a unilateral contract than a bilateral contract. This difference warrants the adoption of a body of administrative law that sets out the ground rules under which the grants will be expended. Certainly, this distinction between a grant and a contract can only be implemented if the department has the power to provide for adequate safeguards to assure that grantees and the state operate in the public interest.

This bill reverses the provisions of AS 37.05.318, to permit the creation of safeguards through the adoption of administrative regulations. Under existing law, the adoption of regulations to interpret and make specific the grant statutes is prohibited. I know that many members of the legislature are becoming increasingly alarmed at the

lack of responsiveness of grantees to expeditiously accomplish the intent of the legislature. This bill offers an opportunity for a change that will result in the speedy accomplishment of legislatively assigned purposes of grant appropriations.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield
Governor



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

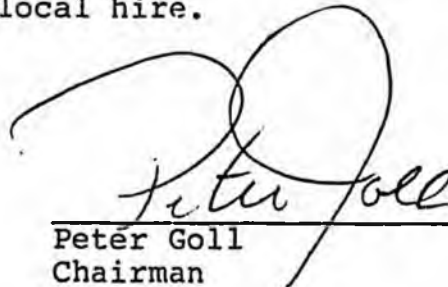
Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

LETTER OF INTENT
for
CSHB 139 (CR&A)

The House Committee on Community and Regional Affairs has considered House Bill 139 at length.

During committee discussion the following areas were considered appropriate for the focus of regulation.

1. Establishment of adequate accounting procedures to ensure proper documentation of financial activity;
2. Provision of an annual status report on ongoing projects;
3. Project completion within 7 years, with funds lapsing after that time subject to reappropriation;
4. Compliance with local and state laws required;
5. Prohibition of discrimination in hiring by contractors including all constitutional protections plus prohibition of discrimination based upon political affiliation or opinions;
6. Funds to be deposited in a federally insured interest bearing account or federally insured instrument;
7. Audit requirements; and
8. Encouragement of local hire.


Peter Goll
Chairman

COMMITTEE COPY.

ALASKA STATE LEGISLATURE
14th.... Legislature FIRST... Session
HOUSE BILL..... NO. 139...
By ... THE RULES COMMITTEE BY... REQUEST OF THE GOVERNOR
"An Act relating to the administration of certain grants passed by the legislature; and providing for an effective date."
Admin. of certain grants
Introduced in the House ... 1/28... , 1985.

HISTORY IN THE HOUSE																													
19 85	Read first time and referred to Committee on																												
Jan. 28	C&RA AND FINANCE																												
	Reported back with recommendation that																												
	Read second time and																												
	Read third time and																												
	<table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">PASS</td> <td style="text-align: center;">Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td colspan="2" style="text-align: center;">Reconsideration</td> </tr> <tr> <td style="text-align: center;">PASS</td> <td style="text-align: center;">Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td colspan="2">Reported correctly engrossed</td> </tr> <tr> <td colspan="2">Signed by Speaker</td> </tr> <tr> <td colspan="2">Sent to Senate</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	Reported correctly engrossed		Signed by Speaker		Sent to Senate	
PASS	Effective Date																												
Yeas	Yeas																												
Nays	Nays																												
Absent	Absent																												
Excused	Excused																												
Reconsideration																													
PASS	Effective Date																												
Yeas	Yeas																												
Nays	Nays																												
Absent	Absent																												
Excused	Excused																												
Reported correctly engrossed																													
Signed by Speaker																													
Sent to Senate																													
CHIEF CLERK OF THE HOUSE																													

HISTORY IN THE SENATE																													
19	Read first time and referred to Committee on																												
	Reported back with recommendation that																												
	Read second time and																												
	Read third time and																												
	<table style="width: 100%; border: none;"> <tr> <td style="text-align: center;">PASS</td> <td style="text-align: center;">Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td colspan="2" style="text-align: center;">Reconsideration</td> </tr> <tr> <td style="text-align: center;">PASS</td> <td style="text-align: center;">Effective Date</td> </tr> <tr> <td>Yeas</td> <td>Yeas</td> </tr> <tr> <td>Nays</td> <td>Nays</td> </tr> <tr> <td>Absent</td> <td>Absent</td> </tr> <tr> <td>Excused</td> <td>Excused</td> </tr> <tr> <td colspan="2">Reported correctly engrossed</td> </tr> <tr> <td colspan="2">Signed by President</td> </tr> <tr> <td colspan="2">Returned to House</td> </tr> </table>	PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	Reconsideration		PASS	Effective Date	Yeas	Yeas	Nays	Nays	Absent	Absent	Excused	Excused	Reported correctly engrossed		Signed by President		Returned to House	
PASS	Effective Date																												
Yeas	Yeas																												
Nays	Nays																												
Absent	Absent																												
Excused	Excused																												
Reconsideration																													
PASS	Effective Date																												
Yeas	Yeas																												
Nays	Nays																												
Absent	Absent																												
Excused	Excused																												
Reported correctly engrossed																													
Signed by President																													
Returned to House																													
SECRETARY OF THE SENATE																													

HISTORY IN THE HOUSE	
19	Received from Senate
	Concurred in Senate amendment thus adopting: VOTE
	Failed to concur in Senate amendment; asked Senate to recede VOTE
	Senate receded from amendment VOTE
	Senate failed to recede from amendment VOTE
	CC appointed by House
	CC appointed by Senate
	CC adopted by House VOTE
	CC adopted by Senate VOTE
	To enrolling Reported correctly enrolled Sent to Governor
 by Governor
	Filed with Lt. Governor
	Chapter No.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

103
HB 139

Revision Date: _____ Page 1 of 1

REQUEST
 Bill/Resolution No.: CS 00139 (GRA)
 Title: An Act Relating to the Administration of Certain Grants
 Sponsor: Governor
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL
 Agency Affected: Administration
 Program Category Affected: General Government
 BRU, Program or Subprogram(s) Affected: General Services & Supply

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL	0	0	0	0	0	0
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary) This Bill recognizes that a grant is more often akin to a unilateral contract (in that there is no specific performance on the State's part other than the provision of funding) than it is to a bilateral contract (where there is an exchange of promises with specific performance on the part of both parties). This bill further recognizes that the difference warrants a separate set of procedures under which the grant will be expended.

Prepared By: Robert J. Link *Robert J. Link* Phone: 465-2250
 Division: General Services & Supply Date: December 27, 1984

Approved by Commissioner: Lisa Rudd *Lisa Rudd* Date: 1/11/85
 Agency: Department of Administration

Distribution (by Agency preparing fiscal note):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

HB 139



Alaska State Legislature

House of Representatives

Committee on
Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

LETTER OF INTENT
for
CSHB 139 (CR&A)

The House Committee on Community and Regional Affairs has considered House Bill 139 at length.

During committee discussion the following areas were considered appropriate for the focus of regulation.

1. Establishment of adequate accounting procedures to ensure proper documentation of financial activity;
2. Provision of an annual status report on ongoing projects;
3. Project completion within 7 years, with funds lapsing after that time subject to reappropriation;
4. Compliance with local and state laws required;
5. Prohibition of discrimination in hiring by contractors including all constitutional protections plus prohibition of discrimination based upon political affiliation or opinions;
6. Funds to be deposited in a federally insured interest bearing account or federally insured instrument;
7. Audit requirements; and
8. Encouragement of local hire.

A handwritten signature in cursive script, reading "Peter Goll".

Peter Goll
Chairman

CC
4/11

L SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

NA 139

January 28, 1985

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the administration of certain grants passed by the legislature.

The bill was requested by the Department of Administration to provide specific authority to establish a separate method of administering certain grants to municipalities under AS 37.05.315, named recipients under AS 37.05.316, and to unincorporated communities under AS 37.05.317. Under current procedures, all grants are administered by the Department of Administration in the same manner as professional services contracts. The nature of a grant is more often akin to a unilateral contract than a bilateral contract. This difference warrants the adoption of a body of administrative law that sets out the ground rules under which the grants will be expended. Certainly, this distinction between a grant and a contract can only be implemented if the department has the power to provide for adequate safeguards to assure that grantees and the state operate in the public interest.

This bill reverses the provisions of AS 37.05.318, to permit the creation of safeguards through the adoption of administrative regulations. Under existing law, the adoption of regulations to interpret and make specific the grant statutes is prohibited. I know that many members of the legislature are becoming increasingly alarmed at the

lack of responsiveness of grantees to expeditiously accomplish the intent of the legislature. This bill offers an opportunity for a change that will result in the speedy accomplishment of legislatively assigned purposes of grant appropriations.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill Sheffield".

Bill Sheffield
Governor

BILL SHEFFIELD, GOVERNOR

OFFICE OF THE GOVERNOR

POUCH AU
JUNEAU, ALASKA 99811
PHONE: (907) 465-3568

OFFICE OF MANAGEMENT AND BUDGET
DIVISION OF MANAGEMENT

April 8, 1985

TO ALL INTERESTED PARTIES:

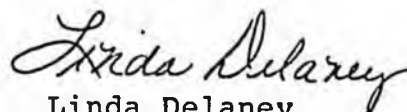
Enclosed is a Notice of Public Hearing and a Proposed Regulation to implement an audit process that would allow one audit to cover all State monies received by an entity. Also enclosed is an explanation of the single audit and the anticipated impact on the entities and State agencies involved.

The single audit concept is in response to directives issued by Governor Sheffield in February, 1984, to coordinate and improve various processes used by the State to administer grant programs. The directives from the Governor were based on recommendations from the Human Service Provider Meetings conducted throughout the State and recommendations from many local communities.

A State agency committee composed of the Departments of Administration, Community and Regional Affairs, Education, Environmental Conservation, Health and Social Services, Public Safety, Transportation and Public Facilities, and the Office of Management and Budget have worked for the past year to meet Governor Sheffield's directives and develop methods to meet the concerns expressed by grantees.

The regulation will be adopted under the authority of the Department of Administration and will cover all financial assistance awarded by the State, regardless of which State agency negotiated the award agreement. I have acted as facilitator for the agency committee and will be available to answer questions at the Office of Management and Budget, Pouch AM, Juneau, AK 99811 (phone 465-3568) or at the public hearing.

Sincerely,



Linda Delaney
Project Manager

enclosures

NOTICE OF PROPOSED CHANGES IN THE
REGULATIONS OF THE DEPARTMENT OF ADMINISTRATION

Notice is hereby given that the Department of Administration, under the authority vested by AS 37.05.020 and AS 37.05.030, proposes to adopt regulations in Title 2 of the Alaska Administrative Code dealing with Grant Administration to implement the powers of the Department to safeguard and account for State money as follows:

Each entity that receives financial assistance from the State does so on the condition that the expenditures of the entity remain subject to audit. Each entity that is awarded more than \$300,000 in financial assistance during a fiscal year must prepare and submit to each grantor agency an annual single financial and compliance audit of all financial assistance awarded by the State. Each entity that is awarded at least \$100,000 but not more than \$300,000 in financial assistance during a fiscal year must prepare and submit at least a biennial single financial and compliance audit of all assistance awarded by the state. The audit may be requested annually by either the recipient party or the state.

Audits will be conducted by an independent auditor according to Standards for Audit of Governmental Organizations, Programs, Activities and Functions, 1981 revision adopted by the Comptroller General of the United States, compliance standards approved by a designated agent of the State of Alaska, and generally accepted auditing standards established by the American Institute of Certified Public Accountants.

Notice is also given that any person interested may present oral or written statements or arguments relevant to the proposed action at hearings to be held:

Fairbanks, Noel Wien Public Library Auditorium, 1215 Cowles Street, 2 p.m., Monday,
May 6, 1985.

Anchorage, Anchorage Public Schools Administration Building, School Board Meeting Room,
4600 DeBarr Road, 2 p.m., Tuesday, May 7, 1985.

Juneau, Centennial Hall, Hammond Room, 101 Egan Drive, Thursday, May 9, 1985.

Statewide Teleconference, all Legislative Teleconference Centers, 2 p.m., Friday,
May 10, 1985.

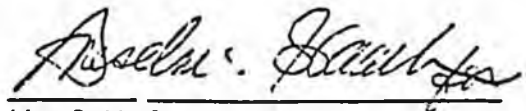
Written statements or arguments may also be sent to the Office of Management and Budget, Attn: Linda Delaney, Pouch AM, Juneau, AK 99811, to be received by the close of business on Tuesday, May 14, 1985.

This action is not expected to require an increased appropriation.

Copies of the proposed regulations may be obtained by writing to the Office of Management and Budget at the address listed above.

The Department of Administration, upon its own motion or at the instance of any interested person, may at the hearing or after them, adopt proposals within the scope of this notice without further notice or may decide to take no action.

DATE: 4-8-85



Lisa Rudd, Commissioner
Department of Administration
State of Alaska

CHAPTER 45. GRANT ADMINISTRATION.

02 AAC 45.010. AUDIT REQUIREMENTS. (a) Each entity that receives financial assistance from the state does so on the condition that the expenditures of the entity remains subject to audit. Each entity that is awarded more than \$300,000 in financial assistance during a fiscal year must prepare and submit to each grantor agency an annual single financial and compliance audit of all financial assistance awarded by the state. Each entity that is awarded at least \$100,000 but not more than \$300,000 in financial assistance during a fiscal year must prepare and submit at least a biennial single financial and compliance audit of all assistance awarded by the state. The audit may be requested annually by either the recipient party or the state.

(b) An audit required by this section shall be conducted by an independent auditor and must be conducted according to the following audit standards:

- (1) Standards for Audit of Governmental Organizations, Programs, Activities and Functions, 1981 revision adopted by the comptroller general of the United States;
- (2) compliance standards approved by a designated agent of the State of Alaska; and
- (3) generally accepted auditing standards established by the American Institute of Certified Public Accountants.

(c) An audit must examine and prepare and report concerning the systems of internal control, systems established to ensure compliance with laws and regulations affecting the expenditure of state money, financial transactions and accounts, and an opinion on financial statements. The examination must determine if:

- (1) there is effective control over, and proper accounting for, revenues, expenditures, assets, and liabilities;
- (2) the financial statement is presented fairly in accordance with generally accepted accounting principles;
- (3) the financial statement contains reliable financial data and is presented in accordance with the applicable agreements made with the state; and

(4) management is using its resources economically and efficiently.

(d) An audit required by this section need not evaluate the performance of the grant program. A program evaluation may be conducted or requested by the state agency who agreed to finance the grant program.

(e) All state agencies who provide financial assistance to an entity must receive the audit in satisfaction of any audit required by law or regulation if the audit meets the standards imposed by this section. If an additional audit is necessary to meet the needs of a state agency, the audit work shall be based on the audit required by this section and be paid for by the state agency. Audit exceptions noted during an audit required by this section will be resolved by agreement between the entity and the grantor state agency.

(f) For the purposes of this section, "financial assistance" means grants, contracts, provider agreements, cooperative agreements, and all forms of financial assistance to a third party or to a local government including assistance provided by the state to a third party through a local government. "Financial assistance" does not include direct payments to individuals in need of public assistance or the purchase of goods or services for the direct benefit of government. (Eff.

/ / , 85, Register)

Authority: AS 37.05.020
AS 37.05.030

Auditing of Financial Assistance
Awarded by the State of Alaska

Summary

Beginning with FY 86 (July 1, 1985), all entities which receive financial assistance from the State for the provision of services to the public will be subject to a single audit. The single audit concept means that entities which receive financial assistance including grant/contract money will be subject to one audit that covers all recipient financial records during the time period covered by the audit. All State agencies which have acted as the grantor/ contractor during the specified time period will be represented in the audit and will receive the audit report.

This procedure is in response to requests from grantees to eliminate the duplicative effort and overlap in audits performed by various State and federal agencies. Such a system will also provide a more comprehensive accounting and monitoring of state monies issued as grants and contracts and other types of financial assistance.

Audits will be performed by independent auditors hired by the entity. Financial and compliance guidelines will be issued by the State to ensure the quality and scope of the audits. These guidelines are not yet completed but will conform to Standards For Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the Comptroller General of the United States. The State requirements will take into account the needs of the various State agencies.

The single audit process will not limit the authority of the agencies to perform audits or other reviews of recipient entities. However, if audits arranged for by the entities meet the requirements of the State standards, all State agencies will accept that audit. If any additional financial and compliance audit work is required, it should build upon the work already completed by the single audit process.

Following is an explanation of the single audit concept, the anticipated impact on State agencies and grantees/contractors, and an outline of the implementation of the audit process.

Single Audit

A single audit means that all entities awarded State monies will be required to have those grants/contracts and other types of financial assistance awards audited when the total of the awards reaches a specified dollar amount within a given fiscal year. One audit, arranged by the entity, will cover a representative sample of all State dollars awarded and will be conducted under audit guidelines established by the State.

Beginning with FY 86 awards, all entities awarded \$300,000 or more in State financial assistance to provide a service to the public will be subject to annual audit. All entities awarded \$100,000 to \$3000,000 will be subject to audit on at least a biennial basis. The Grant Information Data System will be operational by July 1, 1985, and will allow easy identification of entities who meet the award limits.

This process is modeled after the federal single audit process, commonly called the "Attachment P" audit. The federal government has implemented this type of process through federal Office of Management and Budget Circular 101, Attachment P, for the past four years. The process became law in late 1984.

Scope of Audit

The audits should determine whether the financial statements of the entity present fairly the financial position and the results of financial operations in accordance with generally accepted accounting principles. The audit will also determine whether the entity has complied with laws and regulations that may have a material effect on the financial statements.

The audit should consider whether the entity is managing and utilizing its resources economically and efficiently, the causes of inefficiencies or uneconomical practices, and whether the entity has complied with laws and regulations concerning matters of economy and efficiency.

Analyzing program results achieved through the use of State and other funds and determining whether the desired results or benefits established by the legislature are being achieved will be the responsibility of the State agency issuing the financial assistance, and will not be a required part of the audit scope.

Impact on Entities Receiving Financial Assistance

Under the current system, entities may be subject to audit for each individual grant/contract or other type of financial assistance awarded. The single audit process should have a very positive effect both in dollars saved and administrative time spent preparing for an audit.

Many entities which receive monies from the State are already subject to the federal single audit requirements because they receive federal funds. The State audit procedures will be designed to merge with federal procedures so entities will be able to meet all requirements with a single audit activity.

Entities will obtain their own audit services so they would be able to merge any of their own audit needs with State and federal requirements. It is difficult to determine at this time

the exact impact the single audit process will have on grant/contract budgets. Audits are normally an allowable cost of grant/contract budgets and have been included in previous budgets, even though the State has not received a copy of the audits. Audit firms currently performing the federal single audits have estimated the addition of State financial/compliance requirements will increase the total audit cost by ten to twenty percent the first year and five to ten percent in future years. Many of the entities already have a yearly audit performed for their own purposes so any increase in cost should be negligible.

Impact on State Agencies

The single audit process should increase the amount of information available to State agencies regarding the use of funds distributed. Current audit coverage is limited due to the availability of State personnel to perform audits. This system should increase the audit coverage of State monies distributed by approximately 80 percent.

All program audit/evaluation responsibilities will remain with the State agencies. Resolution of audit exceptions will also remain the responsibility of the agency which negotiated the agreement covering the exception.

The single audit process does not prevent other auditors from performing financial and compliance audit work. However, any such efforts should be based on exceptional need and should build on the work performed in the single audit. The cost of additional audit work is the responsibility of the agency requesting or performing the work.

Implementation of a Single Audit

In order to initiate a single audit process, a centralized implementation process will be designed by the State. Initially, the Office of Management and Budget will serve as the representative of the appropriate agencies. At a federal level, this is referred to as cognizant agency responsibility.

The key responsibilities of this oversight role will include:

- ° Coordinating with State agencies to ensure the audit needs of each are addressed in the scope of work to be performed.
- ° Notifying entities of the need for audit, audit requirements, and time table for submission of audits.
- ° Acting as a liaison between agencies and the entities and the auditor.
- ° Acting as a liaison between the State agencies involved

and the federal cognizant agency.

- Providing technical advice and assistance to the entity and the auditor.
- Reviewing submitted audit reports and distributing such audit reports to State agencies.
- Performing quality control reviews of audits to assure that State standards are being met.

The single audit will apply to all FY 86 financial assistance awards, meaning all monies issued after July 1, 1985. No audits will actually take place under this process until after June 30, 1986; however, State agencies may wish to make use of the guidelines with any audits performed in the interim.

Illustration

Illustration I shows the steps necessary to initiate the audit process. Compliance requirements that are program specific will need to be supplied by the State agencies. Any such requirements will be part of the original agreement signed by the State and the entity receiving the funds.

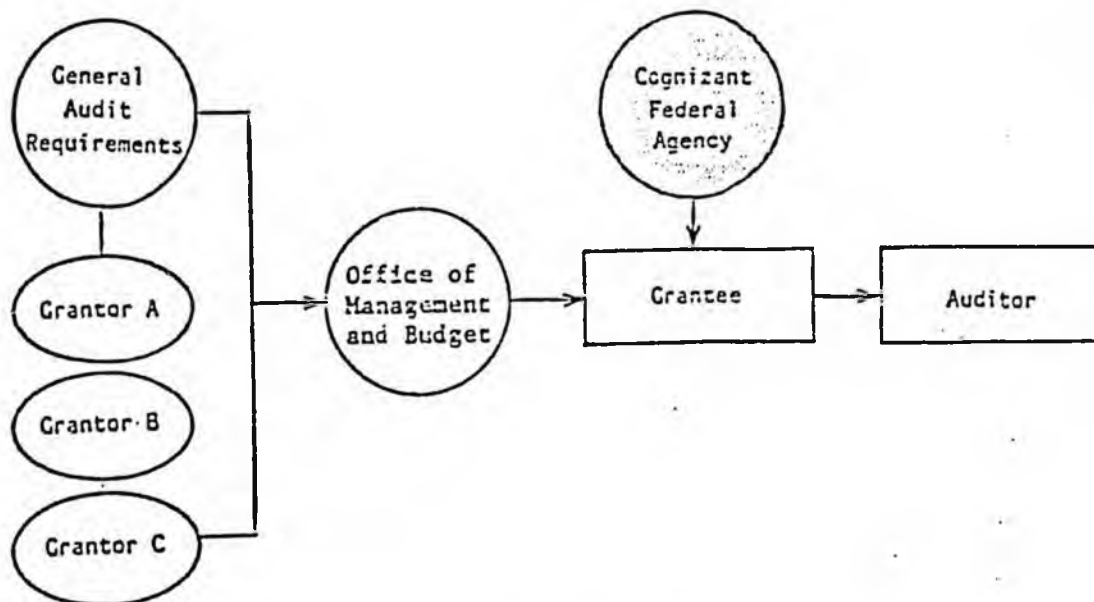


ILLUSTRATION I

Illustration II shows the process for distributing the audit results to State grantor/contractor agencies. Any audit exceptions should be resolved between the entity and the State agency issuing the grant/contract.

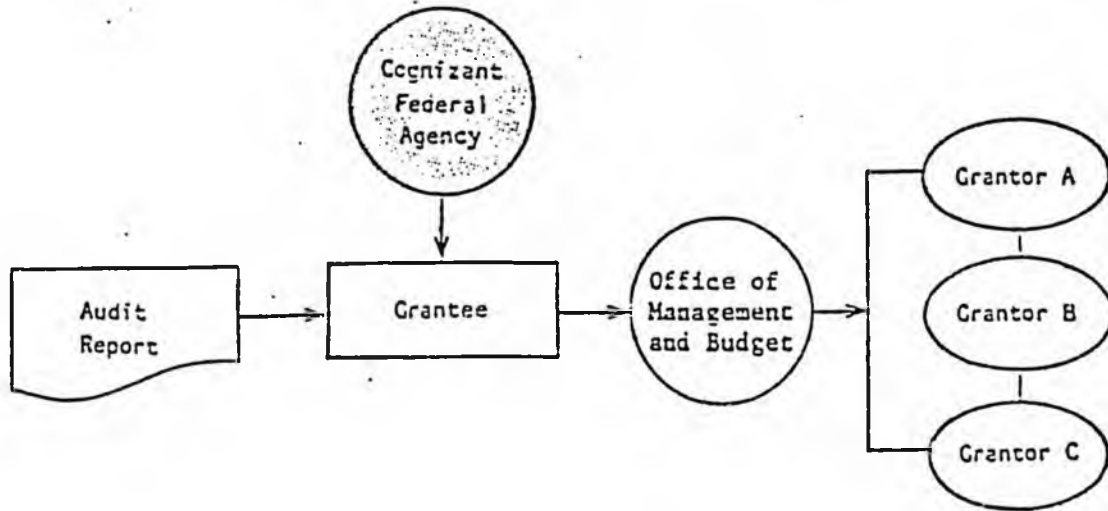


ILLUSTRATION II

Sec. 37.05.300. Interpretation of chapter. This chapter shall be construed as supplemental to all other state laws not in conflict with it. If a section or part of a section of this chapter is in conflict with federal requirements for a program for which federal grant-in-aid funds are available, the section or part to the extent of the conflict is inoperative. (§ 1 art VI ch 82 SLA 1955; am § 18 ch 186 SLA 1957)

Editor's notes. — For applicability of the chapter to the University of Alaska, see notes following chapter heading.

Sec. 37.05.305. Applicability to University of Alaska. The commissioner of administration may delegate the performance of the functions under this chapter as they relate to the university to the Board of Regents of the University of Alaska and set out the criteria and guidelines which shall be followed. The commissioner shall direct necessary stipulations and exercise monitoring responsibility for conformance through the Board of Regents of the University of Alaska. (§ 5 ch 46 SLA 1977)

Legislative history reports. — For (HCSSB 261), see 1977 House Journal, p. letter of intent on ch. 46, SLA 1977 1019.

Sec. 37.05.310. Fiscal year. The fiscal year of the state begins on July 1 of each year and ends at midnight on the following June 30. The accounts of the Department of Administration, the Department of Revenue, and all other state officers whose accounts are in any way connected with the treasury shall be kept, and all duties performed with reference to the beginning and ending of the fiscal year. (§ 12-4-1 ACLA 1949; am § 2 art VI ch 82 SLA 1955)

Revisor's notes. — Section 12-4-1 and § 2, ch. 24, SLA 1953 re-enacted ACLA 1949 was repealed and re-enacted § 12-4-1 ACLA 1949 as it appeared in by § 30, ch. 133, SLA 1951. Section 1, ch. ACLA 1949.
24, SLA 1953 repealed ch. 133, SLA 1951

Sec. 37.05.315. Grants to municipalities. (a) When an amount is appropriated or allocated as a grant to a municipality, the Department of Administration shall promptly notify the municipality of the availability of the grant. When the Department of Administration receives an agreement executed by the municipality which provides that the municipality (1) will spend the grant for the purposes specified in the appropriation or allocation; (2) will allow, on request, an audit by the state of the uses made of the grant; and (3) assures that, to the extent consistent with the purpose of the appropriation or allocation, the facilities and services provided with the grant will be available for the use of the general public, the Department of Administration shall pay the grant directly to the municipality. The agreement executed by a

municipality under this section shall be on a form prescribed by the Department of Administration and shall be executed by the municipality after the effective date of the appropriation or allocation.

(b) An appropriation or allocation for a grant to a municipality for the construction of a public facility lapses if substantial construction of the project has not begun within five years after the effective date of the appropriation or allocation.

(c) In accepting a grant of money for construction of a public facility a municipality covenants with the state that it will operate and maintain the facility for the practical life of the facility and that the municipality will not look to the state to operate or maintain the facility or pay for its operation or maintenance. This requirement does not apply to a grant of money for repair or improvement of an existing facility operated or maintained by the state at the time the grant is accepted if the repair or improvement for which the grant is made will not substantially increase the operating or maintenance costs to the state.

(d) Not less than 20 percent of a grant shall be paid to a municipality within 10 days of the effective date of the agreement under this section. The remainder of the grant shall be paid either in monthly installments equal to the amount of grant money the municipality expended in the previous month or in a lump sum as determined by the Department of Administration. (§ 1 ch 156 SLA 1980 and 1 ch 4 SLA 1982)

Effect of amendments. — The 1982 amendment in subsection (a), substituted "amount is appropriated or allocated" for "appropriation is made" in the first sentence, inserted "or allocation" in items (1) and (3) in the second sentence, and added "and shall be executed within 60 days after the effective date of the appropriation or allocation" to the end of the third sentence; redesignated the former fourth and fifth sentences of subsection (a) as subsection (d); inserted "or allocation" in two places in subsection (b); substituted "a" for "each" preceding "municipality covenants" and "the practical life of the facility and that the municipality" for "its maintenance and operation that it" in subsection (c); and added the first sentence of subsection (c) to the second sentence of subsection (c) and the provisions of former subsection (c) and (g), which may now be found at 37.05.316, 37.05.317, and 37.05.318, respectively; and in present subsection (c) added "under (a) of this section" to the end of the first sentence. The substance of the provisions of former subsection (c) may now be found at the end of the third sentence of subsection (a).

Sec. 37.05.316. Grants to named recipients. When an appropriation or allocation is made to a department as a grant to a named recipient which is not a municipality, the department to which the appropriation or allocation is made shall promptly notify the named recipient of the availability of the grant and request the named recipient to submit a proposal to provide the goods or services specified in the appropriation act, or both, for which the appropriation or allocation is made. At the same time, the department may issue a request for proposals from other qualified persons to provide the same goods or services, or both, in the same area. The department shall contract with

and Improvements

Public Finance

the named recipient unless the Office of the Governor, with due regard for any local expertise or experience among those making proposals, determines that an award of the contract to a different party would better serve the public interest. If the contract is awarded to another party than that named by the legislature, the basis of that action shall be stated in writing at the time the grant is issued and a copy of the written statement shall be sent to the Legislative Budget and Audit Committee. A contract shall be executed within 60 days after the effective date of the appropriation or allocation. The purchase of the goods or services, or both, shall be in accordance with AS 37.05.230(1)(C). (§ 2 ch 4 SLA 1982)

Sec. 37.05.317. Grants to unincorporated communities. When an amount is appropriated or allocated as a grant under this section to an unincorporated community, it shall be disbursed as follows:

(1) Within 45 days after the effective date of the appropriation or allocation, the Department of Community and Regional Affairs shall notify the governing body of the unincorporated community, if any, that a grant is available.

(2) The Department of Community and Regional Affairs shall determine if there is a qualified incorporated entity in the community area that will agree to receive the grant and administer it, subject to terms generally applicable to private grantees. If there is more than one such entity, the Department of Community and Regional Affairs shall select the most qualified and the grant shall be awarded to that incorporated entity for the purposes specified in the appropriation act. However, the Department of Community and Regional Affairs shall give preference to a nonprofit corporation organized by a community for receipt of the grant.

(3) If there is no incorporated entity qualified to receive the grant, the Department of Community and Regional Affairs shall administer the program as specified in the appropriation act directly or through agents or contractors with whom it may contract in the community area. (§ 2 ch 4 SLA 1982)

Sec. 37.05.318. Further regulations prohibited. Notwithstanding the Administrative Procedure Act (AS 44.62), the Fiscal Procedures Act (AS 37.05), and the Executive Budget Act (AS 37.07), a state agency may not adopt regulations or impose additional requirements or procedures to implement, interpret, make specific, or otherwise carry out the provisions of AS 37.05.315 — 37.05.317 unless required by the federal government for participation in federal programs. (§ 2 ch 4 SLA 1982)

Sec. 37.05.325. Definitions for AS 37.05.315 — 37.05.317. In AS 37.05.315 — 37.05.317, "allocation" and "appropriation" have the meanings given in AS 37.07.120(2) and (3). (§ 2 ch 4 SLA 1982)

Offered: 4/11/85
Referred: Finance

Original sponsor: Rules/Governor

1 IN THE HOUSE BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE
2 CS FOR HOUSE BILL NO. 139 (C&RA)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - FIRST SESSION
5 A BILL
6 For an Act entitled: "An Act relating to the administration of certain
7 grants passed by the legislature; and providing for
8 an effective date."
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:
10 * Section 1. AS 37.05.316 is amended to read:
11 Sec. 37.05.316. GRANTS TO NAMED RECIPIENTS. When an amount is
12 appropriated or allocated to a department as a grant for a named
13 recipient that [WHICH] is not a municipality, the department to which
14 the appropriation or allocation is made shall promptly notify the
15 named recipient of the availability of the grant and request the named
16 recipient to submit a proposal to provide the goods or services speci-
17 fied in the appropriation act [, OR BOTH,] for which the appropriation
18 or allocation is made. At the same time, the department may issue a
19 request for proposals from other qualified persons to provide the same
20 goods or services [, OR BOTH,] in the same area. The department shall
21 award the grant to [CONTRACT WITH] the named recipient unless the
22 Office of the Governor, with due regard for the [ANY] local expertise
23 or experience of [AMONG] those making proposals, determines that an
24 award [OF THE CONTRACT] to a different party would better serve the
25 public interest. If the grant [CONTRACT] is awarded to a [ANOTHER]
26 party other than that named by the legislature, the basis of that
27 action shall be stated in writing at the time the grant is issued and
28 a copy of the written statement shall be sent to the Legislative
29 Budget and Audit Committee. A grant agreement must [CONTRACT SHALL]

1 be executed within 60 days after the effective date of the appropria-
2 tion or allocation. [THE PURCHASE OF THE GOODS OR SERVICES, OR BOTH,
3 SHALL BE IN ACCORDANCE WITH AS 37.05.230(1)(B).]

4 * Sec. 2. AS 37.05.318 is repealed and reenacted to read:

5 Sec. 37.05.318. REGULATIONS. The commissioner of administration
6 shall adopt regulations to implement the provisions of AS 37.05.315 -
7 37.05.316. The commissioner of community and regional affairs shall
8 adopt regulations to implement the provisions of AS 37.05.317. These
9 regulations must include provisions that establish procedures for the
10 safekeeping and investment of grant money, the management and disposi-
11 tion of property acquired by grant money, and the post audit of grant
12 transactions. An audit required by these regulations is a cost of the
13 grant. The regulations adopted under this section may not interfere
14 with the implementation of the grant, but shall be designed to prevent
15 the mismanagement of the grant and the misuse of grant funds.

16 * Sec. 3. This Act takes effect July 1, 1985.

Introduced: 1/28/85
Referred: Community & Regional
Affairs and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2

HOUSE BILL NO. 139

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the administration of certain
7 grants passed by the legislature; and providing for
8 an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 37.05.316 is amended to read:

11 Sec. 37.05.316. GRANTS TO NAMED RECIPIENTS. When an amount is
12 appropriated or allocated to a department as a grant for a named
13 recipient which is not a municipality, the department to which the
14 appropriation or allocation is made shall promptly notify the named
15 recipient of the availability of the grant and request the named
16 recipient to submit a proposal to provide the goods or services speci-
17 fied in the appropriation Act [ACT, OR BOTH], for which the appropria-
18 tion or allocation is made. At the same time, the department may
19 issue a request for proposals from other qualified persons to provide
20 the same goods or services[, OR BOTH,] in the same area. The depart-
21 ment shall award the grant to [CONTRACT WITH] the named recipient
22 unless the Office of the Governor, with due regard for any local
23 expertise or experience among those making proposals, determines that
24 an award [OF THE CONTRACT] to a different party would better serve the
25 public interest. If the grant [CONTRACT] is awarded to another party
26 than that named by the legislature, the basis of that action must
27 [SHALL] be stated in writing at the time the grant is issued and a
28 copy of the written statement must [SHALL] be sent to the Legislative
29 Budget and Audit Committee. A grant agreement must [CONTRACT SHALL]

1 be executed within 60 days after the effective date of the appropria-
2 tion or allocation. [THE PURCHASE OF THE GOODS OR SERVICES, OR BOTH,
3 SHALL BE IN ACCORDANCE WITH AS 37.05.230(1)(B).]

4 * Sec. 2. AS 37.05.318 is repealed and reenacted to read:

5 Sec. 37.05.318. REGULATIONS. The commissioner of administration
6 shall adopt regulations to implement the provisions of AS 37.05.315 --
7 37.05.317 These regulations must include provisions that establish
8 procedures for safekeeping and investment of grant money, management
9 and disposition of property acquired by grant money, and post audit of
10 grant transactions.

11 * Sec. 3. This Act takes effect July 1, 1985.