

Grant

Audit

Regulations

RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE

RESOLUTION 86-18

A RESOLUTION OPPOSING THE PROPOSED  
GRANT ADMINISTRATION REGULATIONS BY THE  
ALASKA DEPARTMENT OF ADMINISTRATION 2 AAC 95.

WHEREAS, the State of Alaska is proposing regulations dealing with grant administration, and

WHEREAS, the proposed grant regulations would be applicable to all non-profit corporations, State agencies, political subdivisions, Regional Education Attendance Areas (REAA's), Coastal Resources Service Areas (CRSAs), traditional and IRA councils, and for-profit entities and individuals eligible for state grant funds, and

WHEREAS, the proposed grant regulations will impose meaningless, conflicting, costly and impractical regulations on the State government itself and all grant recipients, and

WHEREAS, the State has recently adopted regulations for single audit standards for all State grants, these audit standards require the grant recipients be responsible and accountable, and that the grant funds are expended for and consistent with the overall intent of the grant, and

WHEREAS, there are significant messages given by the State of Alaska by these proposed State grant regulations of major concern to the citizens of Alaska, to wit:

- a. State government would grow in order to effectively administer the details involved in these regulations.
- b. Traditional and IRA councils must offer a waiver of sovereign immunity in order to receive a grant.
- c. The State laws governing employee personnel rules and compensation should apply in all cases where State grant funds are used.
- d. The State would hold grantees liable for actions arising from the administration of State grant funds, even when those projects are administered on behalf of the State.

- e. The State's purchasing policies are to supercede the purchasing policies approved by ordinance by local governments.
- f. The State would retain title to and control all interest in any real property acquired by a grant.
- g. The State would receive the interest earnings on grant funds if these interest earnings are not used for specific project, even those projects for which a grantee has front-ended the cost of construction, thus, losing interest earnings on recipients funds, and

WHEREAS, it is not in the best interest of the citizens of the State of Alaska to increase the cost of administration through the imposition of these regulations, and it has been found by the Legislature that the best interests of Alaskans can be served by using grant funds to maximize the construction funds or program operating funds available;

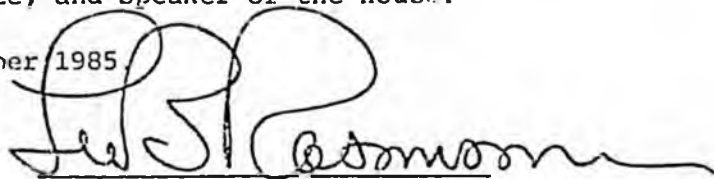
NOW, THEREFORE, BE IT RESOLVED by the Alaska Municipal League that:

Section 1. The Alaska Department of Administration withdraw the proposed grant administration regulations.


Section 2. The Department of Administration continue to use the newly adopted regulations for grant audits as the mechanism to see that the grant funds are expended for and consistent with the overall intent of the grants.

Section 3. Copies of this resolution are to be sent to the Governor of the State of Alaska, Commissioner of the Department of Administration, President of the Senate, and Speaker of the House.

Adopted this 16th day of November 1985

  
LEO B. RASMUSSEN, President

ATTEST:

  
SCOTT A. BURGESS, Executive Director

QUESTIONS AND ANSWERS RESPONDING TO  
THE HONORABLE SENATOR EDNA DeVRIES  
REQUEST OF DECEMBER 18, 1985

1. What requirements are made of local officials by the new regulations covering auditing criteria, and how do these regulations differ from those which were in effect previously?"

Answer: Essentially there are no new requirements imposed on local officials by the Single Audit regulation except that grantees must arrange for the audit with an independent auditor themselves.

In the past, the State (usually the grantor agency) arranged for the audit, either by contract with an independent auditor or with State auditors. Also, in the past, these State-arranged audits were limited only to the grant(s) from the State agency concerned. This often resulted in several different agency auditors auditing only their own agency's grant(s). At the same time, local officials continued to have their own independent auditors perform financial audits over their entire financial operation, including State grants.

2. "What assistance is provided local government officials in complying with the requirements of the new regulations?"

Answer: OMB has conducted presentations and held open question and answer forums on the Single Audit with the Alaska Jaycees, the Institute of Internal Auditors, the Alaska Municipal League, the Municipal Finance Officers Association, and the professional auditing community in Anchorage.

In addition, we have provided either a written or phone response to any and all questions received from governments, auditors, or grantors relating to Single Audit. Enclosed is one example for the Municipality of Anchorage.

OMB has also kept track of State funds awarded through the new Grants Information System (GIS) in order to notify local governments when the dollar thresholds have been reached and a Single Audit might be required. As this notification was sent, a copy of the regulation was included for the grantees' better understanding.

A copy of the regulation was also sent to over 250 grantees when the regulation was adopted in July 1985.

For your information, a copy of the cover letter sent is enclosed.

OMB is also working on an audit guide including a Compliance Supplement to be distributed to each grantee. This is intended to provide a complete information package of the Single Audit process for use by grantees, auditors, and State agencies. A draft copy is enclosed for your information. Although it appears a lengthy document, it is like a telephone directory; everything must be included because there is no way to know how much information will be needed by a particular grantee.

3. "What are the retroactive provisions of the new regulations?"

Answer: There are no retroactive provisions. We have requested that grantees voluntarily make it retroactive only to July 1, 1985 from the actual effective date of August 1, 1985, in order to cover the entire 1986 fiscal year. In most cases, the grantees have complied with this request--in a few cases, they have not. The advantage of the voluntary compliance of one month is that it does not leave a one month period that still

must be audited under the old system, while the remaining 11 months are audited under Single Audit.

The only other area that might be "gray" relates to State funds awarded prior to the Single Audit effective date. These funds will be subject only to financial audit, as they are now under the present system.

Enclosures

## ADMINISTRATION

2 AAC is amended by adding a new chapter to read:

## CHAPTER 45. GRANT ADMINISTRATION.

## Section

## 10. Audit requirements

02 AAC 45.010. AUDIT REQUIREMENTS. (a) As part of the financial information required under AS 37.05.030, a state agency that enters into a financial assistance agreement to provide financial assistance to an entity shall, in coordination with any other state agencies providing financial assistance to that entity, submit to the Department of Administration through the state coordinating agency an audit of the recipient entity if that entity is subject to audit under (b) of this section. The audit must be conducted and submitted as described in this section. In order to ensure compliance with this subsection, the audit requirements of this section must be contained in any financial assistance agreement entered into by a state agency.

(b) An entity that enters into a financial assistance agreement, or agreements, with a cumulative total of

(1) \$300,000 or more during a state fiscal year shall submit to the state coordinating agency, within one year after the end of the audit period, an annual audit report covering the audit period; or

(2) at least \$100,000 but less than \$300,000 during each of two consecutive state fiscal years shall submit to the state coordinating agency

(A) a biennial audit report covering the audit period, due within one year after the end of the audit period; or

(B) if the recipient entity chooses, or the state requests, an annual audit report covering the audit period, due within one year after the end of the audit period.

(c) An audit required by this section must be conducted by an independent auditor, 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; or

(2) generally accepted auditing standards, as accepted by the American Institute of Certified Public Accountants on July 1, 1985, for the entity being audited.

## ADMINISTRATION

(d) The audit report required under (b) of this section must address the following:

(1) the systems of internal control, and whether the recipient entity has effective control over, and proper accounting for, revenues, expenditures, assets, and liabilities;

(2) the systems established to ensure compliance with state statutes and regulations, and applicable financial assistance agreements, affecting the expenditure of state money, and whether the recipient entity has complied with those statutes, regulations, and agreements;

(3) the recipient entity's financial transactions, financial statements, and accounts; whether those financial statements are presented fairly in accordance with generally accepted accounting principles; and whether the financial statements contain reliable financial data presented in accordance with applicable financial assistance agreements.

(e) An audit report required under (b) of this section need not evaluate the effectiveness of a program funded by state financial assistance. However, a program evaluation may be conducted or requested by the state agency which entered into the financial assistance agreement.

(f) An audit required by this section must cover either the entire operations of the recipient entity, or at the option of that entity, only the departments, agencies, or establishments of that entity which received, expended, or otherwise administered state financial assistance during the audit period. The state coordinating agency may consider a series of audits of a recipient entity's individual departments, agencies, or establishments for the same fiscal year as a single audit.

(g) A recipient entity shall provide the state coordinating agency with sufficient copies of each audit report to allow submission of a copy to each state agency providing financial assistance to the entity. The state coordinating agency shall determine if auditing standards have been met and will forward a copy of the audit to the Department of Administration and other appropriate state agencies. The state coordinating agency shall coordinate resolution of audit exceptions and further audit work in accordance with (h) of this section.

(h) Unless additional audit requirements are imposed by state or federal law, a state agency that provides financial assistance to an entity shall accept the audit required by this section in satisfaction of any other audit requirement. If additional audit work is necessary to meet the needs of a state agency, the audit work must 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 must be

## ADMINISTRATION

resolved by agreement between the recipient entity and the state agency responsible for the financial assistance award agreement involved.

(i) A third party that receives financial assistance through a recipient entity, in an amount described in (b) of this section, is subject to the applicable requirements of the section. A recipient entity that disburses \$100,000 or more in state financial assistance to a third party shall ensure that the third party complies with the requirements of this section. That recipient entity shall also ensure that appropriate corrective action is taken within six months after a third party's noncompliance with an applicable state statute or regulation, or financial assistance agreement, is disclosed.

(j) This section takes effect on August 1, 1985 for an entity subject to audit under (b)(1) of this section and whose fiscal year ends on or after June 30, 1986.

(k) This section takes effect on July 1, 1986 for an entity subject to audit under (b)(2) of this section and whose fiscal year ends on or after June 30, 1987.

(l) For purposes of this section if an entity has not identified its fiscal year, that entity's fiscal year is July 1 through June 30.

(m) For purposes of this section,

(1) "audit period" means

(A) for an annual audit under (b)(1) of this section, the recipient entity's fiscal year in which the entity entered into the financial assistance agreement or agreements;

(B) for a biennial audit under (b)(2)(A) of this section, the recipient entity's two consecutive fiscal years in which the entity entered into the financial assistance agreement or agreements;

(C) for an annual audit under (b)(2)(B) of this section, the recipient entity's fiscal year in which the entity entered into the financial assistance agreement or agreements;

(2) "entity" does not include the University of Alaska or any other state agency;

(3) "financial assistance" means state grants, contracts, provider agreements, cooperative agreements, and all forms of state financial assistance to an entity, and includes

## ADMINISTRATION

all forms of state financial assistance provided through an entity to a third party; "financial assistance" does not include public assistance provided under AS 47; nor does "financial assistance" include goods or services purchased for the direct administration or operation of state government; for a third party, "financial assistance" does not include goods purchased from the third party by a recipient entity for the direct administration or operation of the recipient entity;

(4) "state coordinating agency" means the Office of Management and Budget (OMB), Office of the Governor, or OMB's designee. (Eff. 08/01/85, Register 95 )

Authority: AS 37.05.020  
AS 37.05.030  
AS 37.05.190

BILL SHEFFIELD, GOVERNOR

**OFFICE OF THE GOVERNOR**

OFFICE OF MANAGEMENT AND BUDGET

DIVISION OF AUDIT & MANAGEMENT SERVICES

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

July 11, 1985


To All Interested Parties:

Enclosed for your information is a copy of the newly adopted state regulation on audits of state financial assistance (02 AAC 54.010). The State Coordinating Agency designated to administer the requirements of this grant is the Office of Management and Budget (OMB), Office of the Governor.

An audit guide will be issued in the next few months to help clarify and answer any questions you may have regarding this new regulation. We will be happy to send a copy of this audit guide if you request it.

If I can be of any further assistance please contact me in Juneau at 465-3568.

Sincerely,

  
David Zugsberger  
Project Manager

jj/583

Enclosure

Municipality  
of  
Anchorage



POUCH 6-650  
ANCHORAGE, ALASKA 99502-0650  
(907) 264-6610

TONY KNOWLES,  
MAYOR

DEPARTMENT OF FINANCE  
Fisca: Administration

October 29, 1985

David Zugsberger  
Project Manager  
Division of Management  
Office of Management & Budget  
Pouch AU  
Juneau, Alaska 99811

Dear Mr. Zugsberger:

We would like to incorporate the proposed audit of state financial assistance in our 1985 annual audit. Our annual audit for the period January 1 thru December 31, 1985 includes the Comprehensive Annual Financial Report, Federal Single Audit and Federal Revenue Sharing. We believe it would be beneficial to you and the Municipality of Anchorage to have an audit of state financial assistance at this time.

Our independent auditors, Peat, Marwick will begin preliminary audit work in November. Before we can progress on work on state financial assistance, we need your authorization to proceed, guidance on charging grant audit costs, and some questions answered. It would also be helpful to have the audit guide referenced in your July 11, 1985 letter.

Questions

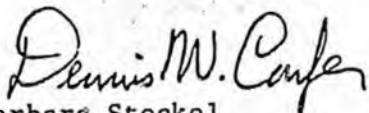
1. How is the audit work to be paid? We recommend distributing the cost of state grants audited as a pro-rated direct cost in the same way that costs are distributed for the Federal Single Audit. Request you authorize the charging of all active grants for audit costs.
2. The regulation requires recipients of \$300,000 or more in state funding during any state fiscal year from August 1, 1985 onward to have their state assistance audited for their fiscal years ending June 30, 1986 or thereafter. Our fiscal year spans the period of January 1 through December 31, therefore, the Municipal fiscal year ending December 31, 1986 is clearly subject to the effects of 2 AAC 45.010. Although the audit of state grants activity within our 1985 fiscal year is not required by the regulation, we would like FY85 to be the first year audited. Can we proceed with the audit of 1985 state grant activity? We believe all grant activity prior to 1985 should be audited if the grant was active in 1985 and not previously audited; do you agree.

David Zugsberger  
Page 2 of 2  
October 28, 1985

3. In many instances, the audits are to be performed after the expiration of grants so it is essential to allow a grantee to record the anticipated audit cost as an accrued liability against the grant fund to be audited. Is it necessary to seek amendments to the budget of each currently active state grant to allow for the audit effort? Many currently active state grants now contain audit requirements at completion. Will the audits performed according to the new regulation meet these audit requirements?
4. What constitutes a third party subject to 2 AAC 45.010? Are capital projects contracts included?
5. How to anticipate the need to have the audit performed should the \$100,000 to \$300,000 or more state funding be received.
6. What budgetary and accounting actions are appropriate to comply with this regulation?
7. How should Municipal contracts with sub-recipients address the new regulation?
8. May Municipal Internal Audit Office conduct all third party audits? This is now the practice with federal grants.
9. What is to be the distribution of third party audit reports?

We would appreciate your responses as soon as possible. If you have any questions, please contact Jouni A. Alatervo at 264-6581 or Dennis Confer at 264-6626.

Sincerely,

*for*   
Barbara Steckel  
Chief Fiscal Officer

DWC/JHA/acm  
G8/AAC45.0101

cc: Judith Slajer, Budget Director, OMB

November 7, 1985

Barbara Steckel  
Chief Fiscal Officer  
Municipality of Anchorage  
Pouch 6-650  
Anchorage, AK 99502-0650

Dear Ms. Steckel:

First, let me express my pleasure at your eagerness to voluntarily conduct your 1985 annual audit following the new State Single Audit regulation (2 AAC 45.010).

In response to your letter of October 29, I would like to take each point and answer.

1. Question: "How is the audit work to be paid? We recommend distributing the cost of state grants audited as a pro-rated direct cost in the same way that costs are distributed for the Federal Single Audit. Request you authorize the charging of all active grants for audit costs."

Response: Using the Federal pro-rated direct cost method is the preferred way; however, this may require changing many existing grant agreements and only the granting agencies have authority to make such changes. To facilitate such approval where necessary, I would first need a list of all grants by agency that you intended to charge for the audit costs. This would facilitate my contacting the agencies and requesting their immediate action. Unfortunately, contacts, agency review, and subsequent approvals, if granted, would be time-consuming.

For your convenience in compiling this list, I have included a list of all grants we have (to date) in the Grants Information System (GIS) for the Municipality of Anchorage in state fiscal years 1984 and 1985. I recognize your different fiscal year and, therefore, some information on the FY 1984 GIS will be outside the scope of your audit period. We do not have the ability to separate your FY 1984 information in the GIS for FY 1984. In future years, this will be possible.

Please advise me as soon as possible so that we can accommodate your needs.

You might consider not charging any of the pre-Single Audit regulation awards for the audit costs. This would eliminate the need for changes in the original award agreements and substantially speed up your moving forward on your first Single Audit.

2. Question: "The regulation requires recipients of \$300,000 or more in state funding during any state fiscal year from August 1, 1985 onward to have their state assistance audited for their fiscal years ending June 30, 1986 or thereafter. Our fiscal year spans the period of January 1 through December 31; therefore, the Municipal fiscal year ending December 31, 1986 is clearly subject to the effects of 2 AAC 45.010. Although the audit of state grants activity within our 1985 fiscal year is not required by the regulation, we would like FY85 to be the first year audited. Can we proceed with the audit of 1985 state grant activity? We believe all grant activity prior to 1985 should be audited if the grant was active in 1985 and not previously audited; do you agree?"

Response: Again, I agree with your approach. I would, however, caution you about two key items. First, your auditors will be faced with designing all compliance testing audit steps directly from the grant agreements. At present I have not completed the State Compliance Supplement and, when it is finished, it will not address grants awarded prior to the effective date of the State Single Audit regulation. This can, therefore, result in additional costs for you since the State will not be requiring compliance auditing on pre-FY 1985 State awards, even for grantees with the same fiscal year as the State.

Second, some State agencies may not consider the audit work conducted under your approach to meet their needs. This is because each agency is presently working with me to complete the State Compliance Supplement. When completed, this supplement is designed to encompass each agency's basic audit needs for awards and, therefore, audits conducted following it should be adequate. Without benefit of the supplement, agencies may continue to conduct audits on pre-1985 awards not previously audited.

I tend to believe in the ability of your auditors and you to foresee and overcome these problems, but I cannot guarantee they will not arise.

One further issue that could develop is the audit identification of compliance problems that would not otherwise

have been identified had you not voluntarily included yourself in the Single Audit. Unfortunately, in the past what the State didn't know wasn't a problem it had to resolve. Under Single Audit these compliance problems, if any, should be more readily identifiable simply from the additional audit coverage not possible under the present system. Additionally, first year compliance audits often disclose many deficiencies, which could be the case in your voluntary first year.

3. Question: "In many instances, the audits are to be performed after the expiration of grants so it is essential to allow a grantee to record the anticipated audit cost as an accrued liability against the grant fund to be audited. Is it necessary to seek amendments to the budget of each currently active state grant to allow for the audit effort? Many currently active state grants now contain audit requirements at completion. Will the audits performed according to the new regulations meet these audit requirements?"

Response: My response to Question #1 partly answers this question. That is, only the granting agency can amend the award agreement or budget. I emphasize we will need to move as soon as possible on the list if you still wish to pursue this course. For my part, I will support your position.

For those active or completed grants awarded on or after the effective date of the Single Audit regulations and requiring audits at completion, the new Single Audit will supplant individual audit requirements (unless the audits are federally mandated). For those grants, active or complete, and awarded before the effective date, we must consult with the granting agencies for their approval or change in the audit requirement. You could identify those awards on the list referred to in my first response.

4. Question: "What constitutes a third party subject to 2 AAC 45.010? Are capital projects contracts included?"

Response: Third parties, as used in 2 AAC 45.010, are entities to which you have awarded State provided financial assistance and to whom these regulations would have applied if the award was made directly from a State agency.

In essence, if the Municipality uses State financial assistance in an award to a non-state entity (not including purchase of goods), the entity awarded the funds is a "third party."

Capital projects can be included in this definition.

However, some confusion continues to be centered around third parties who perform contract work for the original grantee. For example, private construction companies building for you while you pay with some form of State financial assistance. In such cases the "third party" would not have been subject to Single Audit regulations and, therefore, would not be as a third party. You, as the original grantee, however, would still be responsible for complying with the original grant agreement terms. You also could expect the contractor to be responsible to you for proper completion of the project.

Third parties who actually provide some direct service to the public--such as medical care or transportation services--would also be subject to the Single Audit regulations.

If the third party should qualify for a Single Audit because of other State financial assistance provided directly from State agencies, the State Coordinating Agency will notify the third party. In this case the third party would actually be a grantee of the State while a third party or subgrantee through you.

Under the circumstances described above, the Single Audit report would be distributed first to the State Coordinating Agency and then to you. Resolution, if necessary, would be coordinated through the State Coordinating Agency similar to the resolution process between State agencies and the grantees.

One other possibility would be for a third party to become qualified for the Single Audit with State financial assistance provided through several non-state entities (for example, grants from several cities). Under these circumstances the grantee providing the most State financial assistance should act as the lead in notifying the third party. The third party receiving these "pass through" State funds is responsible for determining which grantor (city, etc.) is the lead and so notifying the lead of this determination. The role of "lead" is essentially the same as when a third party receives all its State funds from a single non-state agency.

5. Question: "How to anticipate the need to have the audit performed, should the \$100,000 to \$300,000 or more state funding be received."

Response: Although the final responsibility for arranging for the audit rests with the grantee, the State coordinating agency (OMB) will notify each grantee as soon as the \$100,000 threshold is reached.

To do this we will be relying on the newly-created Grants Information System (GIS) which was designed to record grant amounts provided from all sources in the State to each grantee. Since this system requires each granting agency to accurately record its grants, we are dependent on each agency to keep the system timely and hence some delays are inevitable. Some inaccuracies may also occur in the GIS, so notification could be missed. Finally, GIS will not be of much help to grantees who are awarded the \$10,000 or more during the last month of the fiscal year. In such cases, even the State wouldn't know if a grantee would be included until late year-end or after.

6. Question: "What budgetary and accounting actions are appropriate to comply with this regulation?"

Response: There are two issues covered in your question. The first deals with what is needed to meet the grant compliance requirements--the second is what other budgeting will be necessary.

Since the first will be addressed in the Compliance Supplement (not yet completed) and, even when completed, will not address pre-State FY 1986 grants, I can only refer you to existing State law, regulations, and specific award agreement for their specific compliance requirements.

The issue of other budgeting arrangements is contingent on State granting agencies' willingness to permit changes in existing agreements. This was further explained in my response to your Question #1.

7. Question: "How should Municipal contracts with sub-recipients address the new regulation?"

Response: My suggestion is to make the new Single Audit requirement a part of your award agreement with the sub-recipient. In this way, the sub-recipient will be aware of the Single Audit requirement and his/her responsibility under it. Including a copy of the Single Audit regulation in initial award agreements can supplement the process.

8. Question: "May Municipal Internal Audit Office conduct all third-party audits? This is now the practice with federal grants."

Response: Since my desire is to parallel the Federal Single Audit with ours as closely as possible, I believe your internal auditors could conduct the third-party audits. However, please remember these audits must follow the "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions; 1981 Revision", as

November 7, 1985

issued by the Comptroller General of the United States. Within these standards are the General Standards for: (1) Qualifications, (2) Independence, (3) Due Professional Care, and (4) Scope Impairments. If, after careful review of these standards, your internal auditors meet these standards, they may conduct the audits.

9. Question: "What is to be the distribution of third-party audit reports?"


Response: You should receive the audit report first since you are responsible for the award agreement and resolving any audit discrepancies. The State agency that originally provided the financial assistance to you also has an interest in both the audit and the resolution process and therefore should be provided a copy through the State Coordinating Agency (OMB). You can treat this distribution similar to the distribution you make for your Single Audit, i.e., copies for OMB and each State grantor agency.

In addition, a summary of the resolutions, if any, should be forwarded to OMB for a similar distribution. This schedule will be discussed further in later OMB pronouncements on the Single Audit.

The questions you raised were good ones. If you have no objection, I would like to share your letter and my responses with others having similar interests.

I hope my responses have sufficiently answered your questions. If I can be of further help, please call me at 465-3568.

Sincerely,

  
David Zugsberger  
Audit Manager

**OFFICE OF THE GOVERNOR**

OFFICE OF MANAGEMENT AND BUDGET  
DIVISION OF AUDIT & MANAGEMENT SERVICES

POUCH AM  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3552

December 3, 1985

TO: GRANT RECIPIENTS

According to our records, you have been awarded over \$100,000 in State financial assistance in FY 1986. This level of financial assistance is the first criteria in qualifying you for inclusion in the new State Single Audit under State Regulation 2 AAC 45.010. Please review the requirements of 2 AAC 45.010 (enclosed) to determine if you meet all the criteria to qualify you for the Single Audit this year.

If you do not meet all the criteria at this time, later State financial assistance may qualify you. If you have met all the criteria, it will be your responsibility to arrange for the required Single Audit and forward the completed audit report(s) to the State Coordinating Agency:

Office of Management and Budget  
Division of Audit and Management Services  
Pouch AM  
Juneau, AK 99811

Attention: Single Audit Coordinator

If you have any questions, please direct them to me at the above address.

Sincerely yours,

  
David Zugsberger  
Audit Manager

BILL SHEFFIELD, GOVERNOR

**OFFICE OF THE GOVERNOR**

OFFICE OF MANAGEMENT AND BUDGET  
DIVISION OF AUDIT & MANAGEMENT SERVICES

POUCH AM  
JUNEAU, ALASKA 99801  
PHONE: (907) 465-3568

December 4, 1985

Dear Practice Unit Director:

You are invited to attend a meeting on December 13, 1985 at 9:00 a.m. concerning the State's new Single Audit Regulation (2 AAC 45.010).

This meeting will be the first opportunity we have had to discuss the new State Single Audit process with the professional audit community, and your participation is encouraged. Because of our desire to include as many firms as possible, we request you send only one member of your firm as a representative. This will allow a better chance for each firm to be represented.

This meeting will be held at the offices of Ernst and Whinney, CPA's, 301 West Northern Lights Boulevard, Suite 601, Anchorage, and should end by noon.

Please excuse this short notice. However, we will be having more meetings in Anchorage and other locations in the future to accommodate those unable to attend this one.

Thank you for your time. If you have any questions, please call me in Juneau at 465-3568.

Sincerely,

  
David Zugsberger  
Audit Manager

# DRAFT

## QUESTION 1

What is the grantee's responsibility regarding single audits for subgrantees (third parties)?

## ANSWER 1

The grantee is responsible for having a working system to assure that the subgrantee knows when the grantee has awarded the subgrantee \$100,000 or more in any one grantee fiscal year. The grantee is not responsible for arranging for or conducting the subgrantee's audit.

In the event the subgrantee cannot, or will not, comply with the Single Audit requirement, the grantee must notify the State Coordinating Agency as soon as possible. A decision will then be made at the State level as to how to proceed.

The grantee is also responsible for resolving any audit exceptions disclosed in the subgrantee's audit within six months after the audit is released.

Although compliance with the Single Audit regulations is primarily the subgrantee's responsibility, cooperation between the grantee and subgrantee can help in several areas. For example:

- Grantees can arrange for the subgrantees audit if both parties agree; or

# DRAFT

- Grantees can have their own auditors audit the subgrantee, if the grantee's auditors can meet the requirement of the GAO "Yellow Book" (Standards for Audit of Governmental Organizations, Programs, Accounting and Functions, 1981 Revision).

## QUESTION 2

Are private firms who build or construct things or provide direct services to grantees considered third party subgrantees subject to the Single Audit regulation?

## ANSWER 2

No. The grantee and the subgrantee (third party) may agree to the subgrantee's audit arrangements, but this is at their mutual agreement and is not covered by the Single Audit. The grantee, however, is responsible to the State for compliance with any requirements in the grant agreement or State law which may affect the grantee/ subgrantee relationship. These can include vendor selection, minimum wage or safety standards, and any other reporting requirements in the grant agreement.

## QUESTION 3

What will the role of existing State audit staff be after implementation of the Single Audit?

# DRAFT

## ANSWER 3

State auditors will continue to be involved in auditing grantees not subject to the Single Audit. In addition, State auditors will have an especially important role in the follow-up on single audits. This follow-up, if necessary, will build upon the audit conducted under the Single Audit, not duplicate it.

State auditors should also have more opportunity to assist grantees that have experienced problems in past audits or who are new and have not yet become familiar with State requirements. This will not mean duplicative audits but rather a type of audit problem prevention service. As a general rule, these services should be the exception--as grantee compliance problems diminish, so should the State auditors' role in this area.

State auditors will also be involved in the audit resolution process, as necessary. This can involve discussions with the grantee, independent auditor, and/or other interested parties.

In all cases of State auditor involvement described above, the State Coordinating Agency (OMB) will assist as the coordinator

# DRAFT

for follow-up, audit problem prevention, and audit resolution services.

## QUESTION 4

How can small villages or other grantees with limited administrative staff keep the kind of accounting and other records necessary to comply with the requirements under Single Audit?

## ANSWER 4

In most cases, the accounting and administrative records required to meet the Single Audit requirements are not substantially different than those required before Single Audit. The biggest change will be in the compliance area. Here, OMB is suggesting grantees have adequate internal financial and administrative control systems to permit the auditor to audit for compliance. For example, if a grant specified that a grantee provide a service to residents of only Village "X", the grantee should have documentation to show that an administrative control to assure this was being used. In this example, a requirement might be for service recipients to show their voter registration cards, and that the grantee record or photocopy the information on the card.

# DRAFT

The Compliance Supplement and the Grant/Contract agreement can provide more specifics.

## QUESTION 5

Are contracts or agreements negotiated between the State and local governments, such as Transfer of Responsibility Agreements, included under Single Audit?

## ANSWER 5

Yes, provided the local government has met the dollar threshold in the regulations (\$100,000 or \$300,000).

## QUESTION 6

Will State agencies withhold funds from each grant for the Single Audit, or should the grantees do this?

## ANSWER 6

State agencies will not be responsible for withholding grant funds for the Single Audit.

Entities receiving State grants will have to plan for the cost of the audit once they qualify to be included in the Single

# DRAFT

Audit. The cost of the audit can be a direct or an indirect cost, depending on the grant agreement or policies established by the grantor agencies. In either case, the cost of the audit is considered a legitimate administrative cost of the grant(s).

## QUESTION 7

How will grantees know if they should plan for the cost of the Single Audit before the end of the fiscal year?

## ANSWER 7

Since inclusion in the Single Audit is contingent upon being awarded either \$300,000 in one State fiscal year or \$100,000 to \$299,999 in two consecutive fiscal years, some grantees will not know if the Single Audit will be necessary before all funds are awarded.

There are, however, some methods that can help make this determination before the end of each fiscal year. First, the grantee can review its funding requests to the State and decide if they are likely to be awarded in the fiscal year involved. Similarly, a review of past State awards can show if the grantee would have been covered by Single Audit had it been in effect in these prior periods and if this trend can be expected to continue.

# DRAFT

Under both of these approaches, a grantee could plan for the funds necessary for the audit. If it became clear that the audit would not be necessary, these funds could then be used as allowed in the grant agreement(s).

We believe these are viable approaches for the vast majority of grantees for two reasons. First, those entities that have traditionally received sufficient funds to be included will probably continue to, even if at a different level. In addition, the majority of State grants are awarded early in the fiscal year and, therefore, sufficient time would be available to make any necessary budget revisions.

## QUESTION 8

Can funds from future State awards be used to pay for Single Audits in prior years?

## ANSWER 8

No. However, in cases where future State awards are available for the unrestricted legal use by the grantee or are awarded specifically by the State for the Single Audit, these future awards may be used to pay for Single Audits of prior periods.

# DRAFT

## QUESTION 9

How will grantees that have not budgeted for the Single Audit and do not have access to the necessary funds through future State awards pay for the Single Audit?

## ANSWER 9

Under these circumstances, the grantee will have to absorb the ~~costs~~ <sup>costs</sup> payment from ~~restricted~~ <sup>unrestricted</sup> funds.

## QUESTION 10

How can entities pay for or budget for audit costs after the end of the grant, i.e., the funds have been spent?

## ANSWER 10

Since audit costs are a legitimate cost of grants, there is no problem charging the grant(s) for its pro rata share. For awards made before the effective date of the Single Audit regulation, the awards are not subject to the Single Audit and, therefore, no pro rata share can be charged. Granting agencies, however, can permit such charges if both you and the granting agency agree to it. This essentially would be a retroactive amendment to cover such charges.

DRAFT

The actual cash expenditure for the audit will probably have to come from other non-restricted grantee funds.

QUESTION 11

Are reappropriations awarded after the effective date of the Single Audit to be considered a part of the original award if the original award was prior to Single Audit; or are they considered new awards subject to Single Audit?

ANSWER 11

Generally, these "new" reappropriations are to be considered subject to Single Audit while the original "old" appropriation is not.

Because this can result in compliance testing and reporting for only a small portion of the total award (old and new), we are going to require that these "new" awards only be included in the Single Audit if the additional appropriations equal or exceed 25% of the original award. Thus, if an award of \$1,000,000 was made in FY 85 and an additional award of \$50,000 was made in FY 87, the \$50,000 portion would not be subject to Single Audit. However, if the additional award was \$250,000, the \$250,000 would be subject to Single Audit. Eventually, such situations should phase themselves out.

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QUESTION 12

How are old (pre-Single Audit effective date) awards to be treated during the audit?

ANSWER 12

These awards are to be treated as any other financial asset in a standard financial audit. No compliance testing or compliance reporting is required. You may, however, with the auditee's consent, treat all State awards as under Single Audit and test and report on the compliance of these awards.

The main problem associated with including "old" awards is that problems may be identified that would not otherwise have come to light, and the auditee may end up owing refunds or having to correct deficiencies.

Another potential problem is that the Coordinating Agency does not plan on issuing any Compliance Supplement on award programs in effect prior to the effective date of Single Audit unless these awards continue to be made after the effective date.

In addition, unless these "old" awards have audit costs authorized in their budgets, the auditee may not be permitted to charge any of the audit costs to these awards.

DRAFT

Finally, the present practice of having State auditors audit these "old" awards may, in fact, continue. This could result in the auditee being audited for compliance twice on the "old" awards. This is possible since Single Audit is only effective for awards made on or after the effective date and prior awards continue to be covered under whatever arrangement the granting agency and the grantee (auditee) agreed to in the original grant agreement.

QUESTION 13

What is the penalty for non-compliance or not conducting the Single Audit?

ANSWER 13

Aside from penalties already established in law, regulation, or specifically in the award agreement(s), Single Audit does not establish any additional penalties. As a policy, however, State agencies will view such non-compliance as potential evidence that the grantee may not be able to properly administer awards. This would undoubtedly affect the awarding of future grants and controls imposed on such awards.

QUESTION 14

# DRAFT

How will the State Coordinating Agency's determine if the audit meets the standards?

## ANSWER 14

We are developing a desk review and a workpaper/audit firm review system. Essentially, we will have two phases of review, as follows:

### I. Desk Review

A. The State Coordinating Agency will receive all copies of audit reports and review to assure:

1. Timely completion;
2. Inclusion of required schedules/reports and opinions;
3. Sufficient copies were included; and
4. All State awards were included.

B. The grantor agency will review the audit reports forwarded from the Coordinating Agency to assure:

# DRAFT

1. Each award was included;
2. The Compliance Supplement was used (where applicable); and
3. Findings are clear and understandable.

[NOTE] Both the Coordinating Agency and the Grantor Agency will review for inclusion of all awards in order to compensate for any deficiencies in each information database.

## II. Workpaper/Audit Firm Review

In this phase, the Coordinating Agency will select a random sample of audit reports for further review. This review will consist of a workpaper review and interviews of audit firm personnel and auditees. It can be completed at the auditor's office or at the Coordinating Agency's office.

In addition, if a consistent pattern of audit report deficiencies by one auditor or firm appears, this auditor or firm may be selected for review of the Single Audit projects involved.

### QUESTION 15

# DRAFT

If the audit report is found deficient, what procedures will be used to notify the parties involved; and who will resolve the issues?

## ANSWER 15

Notification of the problem will be sent to the auditor within three weeks after receipt of the audit by the Coordinating Agency.

The delivery of the original report (even with deficiencies) will constitute the date for compliance with the timeliness requirement of Single Audit. Delays involved with resolution of the adequacy of the audit report will not be considered as delays in delivery of the audit.

The State Coordinating Agency will act as the focal point of interactions between the State grantor agencies, the auditor, and the auditee in disagreements.

## QUESTION 16

Why is the award date so significant in Single Audit?

## ANSWER 16

DRAFT

The award date is the date used to determine if State funds are:

(a) Included in the Single Audit (on or after effective date); and

(b) Included in the year-end cut-offs.

This date is the same date as the grant/contract or other agreement has final signatures (i.e., the last date all parties have signed the agreement). It is not when the funds were appropriated, received by the Grantee, or expended.

We recognize that some funds could be awarded on one fiscal year and expended in future fiscal years. In this event, Single Audits conducted in the year of award would be first audited and probably noted as received and in the bank or invested, etc. It is expected that the actual expenditures in the later year would then be audited (under Single Audit) when the Single Audit for that later year was conducted.

If the later Single Audit was not required because of decreased State funding, the present regulation does not require a later Single Audit. State agencies may, under these circumstances, seek to have other audit procedures such as a contracted audit or State agency audit of the expenditures. Again, this would be coordinated through the Coordinating Agency.

BACKGROUND MATERIAL  
ON  
THE GENESIS OF THE PROPOSED GRANT REGULATIONS  
AND THE  
STATUTORY AUTHORITY TO ADOPT REGULATIONS

Genesis

- 1) March 9, 1984, memo to Governor Sheffield from Lieutenant Governor McAlinne (3 pages).
- 2) Appendix to above memo (5 pages).
- 3) March 15, 1984, memo to Lieutenant Governor McAlpine from Governor Sheffield (1 page).
- 4) March 15, 1984, memo to Peter McDowell from Governor Sheffield (1 page).
- 5) April 12, 1984, memo to Governor Sheffield from Peter McDowell (1 page).

Statutory Authority

- 6) November 8, 1985, memo to David Zugberger, OMB, from Attorney General Harold Brown (1 page).

BILL SHEFFIELD  
GOVERNOR

STEPHEN A. McALPINE  
LIEUTENANT GOVERNOR

STATE OF ALASKA  
LIEUTENANT GOVERNOR  
JUNEAU

The Honorable Bill Sheffield  
Governor  
State of Alaska

March 9, 1984

465-3520

Stephen McAlpine  
Lieutenant Governor  
State of Alaska  
(Chairman, Human Services Mini-Cabinet)

Human Services  
Provider Project

RECEIVED  
JAN 15 12 M.  
OFFICE OF THE LIEUTENANT GOVERNOR

MEMORANDUM

On behalf of the Human Services Mini-Cabinet, I am pleased to forward to you the attached final products from the Human Services Provider Project. These products are the Human Services Providers Directory and the The Human Service Provider Regional Meetings Report. The directory contains grantee/contractor information on 1,054 agreements totalling \$132,857,651. The regional meeting report contains the minimally edited comments of over 380 people who attended the 6 regional meetings around the State this fall.

The Mini-Cabinet urges strong action be taken to follow up on this work. Our recommendations for such follow-up are summarized below.

Recommended Actions

1. The Governor direct that uniform grant regulations and processes be established among all State agencies providing human services which would include: uniform application forms and instructions; un-duplicative auditing and evaluation procedures; uniform financial reporting and, where legally possible, uniform definition of allowable expenditures including in-direct costs and allowances for multi-year grant awards; consistent policies on fees for services and other non-State revenue.

Implementation: OMB be designated to coordinate inter-agency work. Work to be complete prior to FY 86 grant cycle (12/1/84).

2. The Governor regularly emphasize the importance of human services to the State.

Implementation:

- a. The Human Services Mini-Cabinet be formally established as a permanent entity.

Bill Sheffield

3

March 9, 1984

TOTAL COSTS TO DATE

\$60,000 in re-directed agency allocations

600 staff days by human service agency staff

Recommended Actions (Cont'd)

- b. Regular reference be made to the importance of human services in public speeches, interviews, press releases and Cabinet meetings.
  
3. The Governor direct that State procedures be developed that will promote more local and regional control in human service provision.  
  
Implementation: OMB, in cooperation with each human service agency, be directed to develop a specific procedures which would include reference to human service planning, public input into agency decision making with emphasis on agency decisions being made at the most decentralized level possible.
  
4. The Governor direct that OMB be directed to investigate the feasibility of the development of a single human services plan to guide the actions of the Administration.
  
5. The Governor direct the allocation of the necessary additional resources to investigate the feasibility and the cost of development and implementation of a centralized human services provider grant and contract information system.  
  
Implementation: The Governor direct all agencies involved in Human Services to participate in an investigation of the feasibility and cost of development and implementation of a centralized grant and contract information system. OMB will coordinate the study.
  
6. The Governor direct OMB to submit an analysis in the near future to determine costs of analyzing problems, proposing solutions and continuation of the project.
  
7. The Governor direct the Lt. Governor to coordinate the work among agencies on all remaining issues which would include:
  - a. investigating the feasibility of each issue;
  - b. exploring alternatives and impacts;
  - c. proposing specific steps to implement recommended solutions and stating exactly what is expected to be accomplished within 30, 60, 90, 365, and 730 day timeframes;
  - d. solutions be subjected to public review;
  - e. initial information on short term solutions/issues be submitted to Lt. Governor by 4/1/84 to be finalized by 5/1/84; with long range issues to be submitted by 9/1/84.

APPENDIX - MEMO TO GOVERNOR FROM LT. GOVERNOR, RE: HUMAN SERVICES PROVIDER PROJECT

I. HUMAN SERVICES PROVIDERS DIRECTORY

A. Background

The Human Services Provider Directory identifies 1,054 human service providers under contract, grant or provider agreement with the State as of October 1, 1983 involving \$132,857,651 in State funds. The data in the directory has been collected, coded and maintained in each agency using different methodologies. Consequently, caution should be used in employing the data contained in the directory. Time and resources available precluded analysis which would provide for a basis for Mini-Cabinet concurrence with or challenge of data validity.

Comment

Development of a centralized human services provider data base is a fundamental requirement of an effective system of grant and contract management, service coordination and program evaluation. In addition, human service providers have requested such a data base be created to help them with respect to service coordination and communication.

B. Recommended Action

The Governor direct the allocation of the necessary additional resources to investigate the feasibility, and the cost of development and implementation of a centralized human services provider grant and contract data base.

C. Resources Required

This investigation will require the efforts of one consultant under contract at an estimated cost of \$100,000 in addition to 150 staff days by existing State employees involved in human services programs.

Personnel Services (100)	-0-
Travel (200)	-0-
Contractual (300)	\$100,000.00

II. REPORT FROM HUMAN SERVICE PROVIDER REGIONAL MEETINGS

A. Background

The Human Service Provider Regional Meeting Report presents the views of the human services providers with minimal editorialization by State agencies in order to convey the provider's message to you.

B. Comment

This project has been received in a positive light throughout the State by providers, legislators, State agencies and the public. The project has a high level of visibility statewide. In the preface of your report, 15 statewide issues are presented.

C. Recommended Action

The members of the Mini-Cabinet recommend:

1. The Governor direct that uniform grant regulations and processes be established among all State agencies providing human service which would include:
  - a. uniform application forms and instructions;
  - b. unduplicative auditing and evaluation procedures;
  - c. uniform financial reporting and, where legally possible, uniform definition of allowable expenditures including in-direct costs.

Implementation: A lead agency be designated to coordinate inter-agency work. Work to be complete prior to FY 86 grant cycle (12/1/84). (Work to be coordinated with current OMB efforts.)

2. The Governor direct that all State agencies providing human services initiate, as legally permissible, multi-year grant awards.

Implementation: All State human service agencies be directed.

3. The Governor regularly emphasize the importance of human services to the State.

Implementation:

- a. The Human Services Mini-Cabinet be formally established as a permanent entity.
- b. Regular reference be made to the importance of human services in public speeches, interviews, press releases and Cabinet meetings.

4. The Governor direct that State policy be developed that will promote more local and regional control in human service provision.

Implementation: The designated lead agency be directed to develop a specific policy statement which would include reference to human service planning, public input into agency decision making and greater emphasis on agency decisions being made at the most decentralized level possible.

5. The Governor direct that the issue of a single uniform State Human Services Plan be addressed.

Implementation: The designated lead agency be directed to investigate the feasibility of the development of a single plan to guide the actions of the Administration and the Legislature

6. The Governor direct the allocation to the several agencies within the Mini-Cabinet the needed resources to address the remaining issues highlighted in the report.

Implementation: Upon allocation, the lead agency be directed to coordinate the work among agencies which would include:

- a. investigating the feasibility of each issue;
- b. exploring alternatives and impacts;
- c. proposing specific steps to implement recommended solutions stating exactly what is expected to be accomplished within 30, 60, 90, 365, and 730 day timeframes;
- d. solutions be subjected to public review;
- e. this information being submitted to you by 6/1/84.

7. The Governor direct that positions be created for a journeyman planner and a secretary, and associated costs be funded to help coordinate the implementation, monitoring and development of the recommendations contained herein.

Implementation: Lead agency be allocated a total of \$226,000 to fund: \$75,000 in recurring personnel costs; \$30,000 in recurring travel costs; \$16,000 in recurring contractual and commodities costs; \$105,000 in one time contractual/commodities costs for investigating the centralized data base. ( An estimated 825 staff days beyond the planner and clerical position time will also be required to complete the initial work described above.)

TOTAL COSTS TO IMPLEMENT

\$226,000 in new allocations

875 staff days by human service agency staff

TOTAL COSTS TO DATE

\$60,000 in re-directed agency allocations

600 staff days by human service agency staff

D. Resources Required - Follow-up to Human Services Conference Report

Personnel Services (100)	\$ 75,000
Travel (200)	30,000
Contractual (300)	11,000
Commodities (400)	5,000
TOTAL	<u>\$121,000</u>

In addition, approximately 675 staff days by State employees within program divisions under the Mini-Cabinet, are required to provide the needed inter-agency representation and involvement.

III. SUMMARY STATEMENT

A. Background

Project coordination to date has been assigned to staff of the Department of Health and Social Services who have been redirected from other regularly assigned functions. Consequently, crucial DHSS activities, such as ongoing program evaluation and creation of the DHSS Five Year Management Plan have been delayed by about five months. Staff days expended to date: 600. Direct cost: \$60,000.

B. Comment

Any actions to analyze the issues and opportunities contained in both reports or to monitor actual implementation or to continue the project will require additional resources be allocated to the lead agency designated by the Governor for continuation of the project.

C. Recommended Action

Positions be created for a journeyman planner, a secretary and associated costs and consultant expenses and associated other contractual/commodity costs be funded in the lead agency by the Governor.

The Mini-Cabinet recommends that the Department of Community & Regional Affairs be designated the lead agency for the next phase of the project.

D. Resources Required

Personnel Services (100):

Human Service Directory/Data Base Project	-0-
Statewide and Regional Issues from Provider Conferences	\$ 75,000.00

Travel (200):

Human Services Directory/Data Base Project	-0-
Statewide and Regional Issues from Provider Conferences	\$ 30,000.00

Contractual (300):

Human Services Directory/Data Base Project	\$100,000.00
Statewide and Regional Issues from Provider Conferences	\$ 11,000.00

Commodities (400):

Human Services Directory/Data Base Project	\$ 5,000.00
Statewide and Regional Issues from Provider Conferences	\$ 5,000.00

TOTAL PROJECT COST: \$226,000.00

Total Staff days by State Employees:

Human Services Directory/Data Base Project	150
Statewide and Regional Issues from Provider Conferences	<u>675</u>

TOTAL STAFF DAYS 825

# MEMORANDUM

# State of Alaska

TO: The Honorable Stephen McAlpine  
Lieutenant Governor

DATE: March 15, 1984

FILE NO:

TELEPHONE NO:

FROM: Bill Sheffield  
Governor

SUBJECT: Human Services  
Provider Project

This is to acknowledge receipt of your memorandum of March 9, 1984 and to express my appreciation to you and the members of the Human Services Mini-Cabinet.

The recommendations will be implemented as follows:

- No. 1. Assigned to OMB (see attached memo).
- No. 2A. The Human Services Mini-Cabinet is to remain in existence subject to your call for review and comment on the progress and products implemented through the other recommendations.
- No. 2B. I will make regular reference to the importance of human services.
- No. 3. Assigned to OMB (see attached memo).
- No. 4. Assigned to OMB (see attached memo).
- No. 5. Assigned to OMB (see attached memo).
- No. 6. The recommendation is not clear, but will be addressed when OMB completes other assignments.
- No. 7. The Human Services Mini-Cabinet, chaired by the Lt. Governor, will implement the recommendations as they see fit.

Attachment

BS/MAH/jrb/krb

bcc: Marsha Hubbard  
Peter McDowell

# MEMORANDUM

# State of Alaska

TO: Peter McDowell  
Director

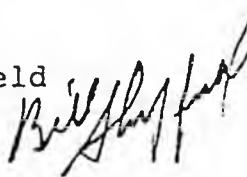
DATE: March 15, 1984

Office of Management and Budget FILE NO.

DIRECTOR

TELEPHONE NO.

FROM: Bill Sheffield  
Governor



SUBJECT: Human Services  
Provider Projects

The attached document represents the recommendation of the Human Services Mini-Cabinet and the culmination of the Human Services Provider Project.

The Mini-Cabinet has recommended that your organization be directed to pursue the following recommendations:

- No. 1. Develop uniform grant regulations and procedures.
- No. 3. Develop procedures which will promote local and regional control in human services.
- No. 4. Investigate the feasibility of the development of a single human services plan. ) DSP
- No. 5. Investigate the feasibility of establishing a centralized human services provider grant and contract information system.

Please review these recommendations and provide me with a work plan including time frames, costs, and products to be produced by April 1, 1984.

cc: Stephen McAlpine, Lieutenant Governor  
Dep. Comm. Roger Endell, Adult Corrections Agency  
Comm. Rudd, Administration  
Comm. Robison, Labor  
Comm. Notti, Community & Regional Affairs  
Comm. Smith, Health & Social Services  
Comm. Reynolds, Education  
Comm. Sundberg, Public Safety

Attachment

# MEMORANDUM


# State of Alaska

TO: The Honorable Bill Sheffield  
Governor

DATE: April 12, 1984

FILE NO: 184

TELEPHONE NO: 465-3568

  
FROM: Peter B. McDowell, Director  
Office of Management and Budget

SUBJECT: Human Services Provider  
Projects

The Office of Management and Budget (OMB) has reviewed the recommendations of the Human Services Mini-Cabinet and the specific tasks assigned to our office. A work plan which responds to each assignment is outlined below. Recommendation numbers are as in the Mini-Cabinet report.

Recommendation 1: Develop uniform grant regulations and procedures.

A project to standardize internal control procedures for all grants was begun in December 1983. The project is being coordinated by a steering committee from the following agencies: OMB, and the Departments of Administration, Community and Regional Affairs, Education, Environmental Conservation, Health and Social Services, Labor, Law, Public Safety, and Transportation and Public Facilities.

A final draft of these internal control procedures should be ready for submission to the agencies and the Administrative Code review process by May 15, 1984.

These procedures will serve as a foundation for developing uniform grant regulations as directed by the Mini-Cabinet. The requirements for auditing, financial management, reporting, and multi-year grant awards will be included in the internal control procedures.

The remaining recommendations (i.e., a uniform application process and allowable expenditures), should be completed in draft form by July 1, 1984. This will allow adequate time for review and comment by the agencies and the providers.

Timeframe and products:

	<u>DRAFT</u>	<u>FINAL</u>
A. Uniform grant internal control procedures	5/15/84	9/1/84
B. Human services grant application	7/1/84	12/1/84

# MEMORANDUM

State of Alaska

TO: David Zugsberger  
Office of Management & Budget

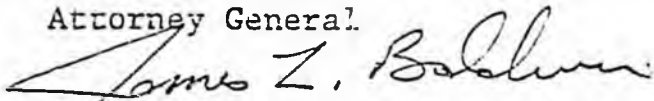
DATE: November 2, 1985

FILE NO.

TELEPHONE NO: 465-3600

FROM: Harold M. Brown  
Attorney General

SUBJECT: Grant regulations

  
By: James L. Baldwin  
Assistant Attorney General  
Governmental Affairs-Juneau

This memo confirms our oral advice to you concerning the statutory authority for the Department of Administration (DCA) to adopt regulations for custody, accounting, and safekeeping of state grant money. We believe that AS 37.05.030 authorizes DCA to prescribe uniform "financial reports and statements" whenever state money is expended. In addition, AS 37.05.020 grants broad authority to DOA to adopt "regulations for the performance of its powers or duties, the execution of its business, and its relations to and business with other state agencies."

Some municipalities may claim that the proposed grant regulations are in conflict with AS 37.05.318, which purports to prohibit a state agency from "imposing additional requirements or procedures to implement, interpret, make specific, or otherwise carry out the provisions of AS 37.05.315 -- 37.05.317." We have consistently advised DOA that the conditions imposed by AS 37.05.318 transcend the bounds of legislative control over the power of executive branch agencies to interpret the law and enforce it through the use of administrative regulations. The proposed grant regulations implement not only the fiscal procedures Act, but also article IX, section 6 of the Alaska Constitution which provides: "no ... appropriation of public money [shall be] made ..., except for a public purpose."

These regulations will provide a grantor agency with the power and ability to ascertain whether state grants are spent for a public purpose.

JLB/pjg