

**APPENDIX D
AUDIT REQUIREMENTS**

FEDERAL REQUIREMENTS

If you expend \$300,000 or more total Federal Financial Assistance in your fiscal year, you may be required to comply with conditions of the Single Audit Act of 1984, P.L. 98-502, as amended by the Single Audit Act Amendments of 1996, P.L. 104-156, and defined in OMB Circular A-133.

Information on compliance with the Federal Single Audit Act may be obtained from, and audits completed in compliance with the Act must be submitted to:

State Single Audit Coordinator
Office of the Governor
Office of Management and Budget
P.O. Box 110020
Juneau, AK 99811-0020
Telephone: (907) 465-4660

STATE REQUIREMENTS -- CHAPTER 045 GRANT ADMINISTRATION 2 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, require that entity to submit to the Department of Administration through the state coordinating agency an audit of the recipient entity if that entity is subject to an audit under this section. The audit must be conducted and submitted as described in this section. In order to ensure compliance with this subsection, a state agency must include the audit requirements of this section in any financial assistance agreement subject to this subsection.

(b) An entity that expends financial assistance with a cumulative total of \$300,000 or more during the entity's fiscal year shall submit an audit report for the audit period to the state coordinating agency, by

- (1) the earlier of
 - (A) 30 days after the entity receives its audit report for the audit period; or
 - (B) nine months after the end of the audit period; or
- (2) a later date than the date calculated under (1) of this subsection, if
 - (A) the state agency that provides the financial assistance agrees to the change of date; and
 - (B) the agreement under (A) of this paragraph is made in
 - (i) writing; and
 - (ii) advance of the date calculated under (1) of this subsection.

(c) An audit required by this section must be conducted by an independent auditor, according to the following audit standards effective at the time of review for the audit period:

- (1) Government Auditing Standards, 1994 revision adopted by the comptroller general of the United States;
- (2) generally accepted auditing standards, as accepted by the American Institute of Certified Public Accountants in effect as of January 1, 1998 for the type of entity being audited;
- (3) State of Alaska Audit Guide and Compliance Supplement for State Single Audits, May 1998 revision, prepared by the state coordinating agency.

(d) The audit required under this section must report on the following:

- (1) the system of internal controls of the entity and the auditor's identification of reportable conditions and material weaknesses of the entity, using the applicable standards set out in (c) of this section;
- (2) the entity's compliance with applicable state statutes and regulations and applicable financial assistance agreements affecting the expenditure of the financial assistance; the report must identify findings and known questioned costs that exceed \$1,000 in the aggregate for all transactions of expenditures tested for the financial assistance being audited;
- (2) the entity's financial statements;
- (3) the schedule of state financial assistance.

- (e) As part of the audit report required under this section, the entity must provide
- (1) written comments on any
 - (A) findings;
 - (B) known questioned costs;
 - (C) reportable conditions, including material weaknesses; and
 - (D) recommendations contained in the audit report;
 - (2) the entity's plan for corrective action, if any findings are identified or any recommendations are made in the audit report;
 - (3) the status of the entity's implementation of any plans for corrective actions related to
 - (A) the audit reports required under this section for the fiscal year before the audit period; and
 - (B) unresolved findings of audit reports required by this section for audit periods before those specified in (A) of this paragraph; and
 - (4) a written explanation of the reasons why corrective action will not be taken if the entity does not intend to take corrective action on the findings and recommendations in any audit report required by this section.
- (f) An audit report required under this section need not evaluate the effectiveness of a program funded by financial assistance. However, a program evaluation or financial monitoring may be conducted by the state agency or requested of the entity by the state agency that entered into the financial assistance agreement.
- (g) An audit required by this section must cover either
- (1) the entire operations of the entity; or
 - (2) the program of the entity for which financial assistance was expended, if
 - (A) the entity receives financial assistance from only one state program of a state agency; and
 - (B) the entity does not expend the financial assistance being audited, for indirect costs, including allocations of indirect costs.
- (h) An 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 shall forward a copy of the audit to the Department of Administration, upon request, and other appropriate state agencies. The state coordinating agency shall coordinate the assignment of the resolution to one state agency, if the exceptions concern more than one state agency. The applicable state agency providing financial assistance to the entity must meet its responsibilities under other law for ensuring compliance with the audit report.
- (i) 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. Nothing in this subsection authorizes a state agency to seek payment from the entity for the additional audit work.
- (j) A third party that receives financial assistance through an entity, in an amount described in this section, is subject to the applicable requirements of this section. An entity that disburses \$300,000 or more in state financial assistance to a third party shall ensure that the third party complies with the requirements of this section. That 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.
- (k) Repealed 7/1/98.
- (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) Financial assistance in the following form is not included when calculating whether an entity meets the threshold monetary requirement under (b) of this section:
- (1) state revenue sharing and municipal assistance money provided under AS 29.60.010 - 29.60.375;
 - (2) amusement and gaming tax money provided under AS 43.35.050 ;
 - (3) aviation fuel tax money provided under AS 43.40.010 ;
 - (4) electric and telephone cooperative gross revenue tax refunds provided under AS 10.25.570 ;
 - (5) alcoholic beverage license fee refunds provided under AS 04.11.610 ;
 - (6) fisheries tax refunds provided under AS 43.75.130 .
- (n) Financial assistance in a form listed in (m) of this section is not exempt from compliance testing if the entity meets the threshold monetary requirement under (b) of this section.
- (o) Repealed 7/1/98.