

**10-144**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

**Chapter 30**

**MAINE UNIFORM ACCOUNTING AND AUDITING  
PRACTICES FOR COMMUNITY AGENCIES  
(MAAP)**

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## MAAP RULES

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**10 - 144 DEPARTMENT OF HEALTH AND HUMAN SERVICES****Chapter 30 MAINE UNIFORM ACCOUNTING AND AUDITING PRACTICES FOR  
COMMUNITY AGENCIES**

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**SECTION .01****APPLICABILITY AND DEFINITIONS****A. PURPOSE AND APPLICABILITY****EFFECTIVE DATE: July 1, 2012**

Pursuant to 5 M.R.S.A. Section 1660-H, this document presents implementing regulations for the Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP). The regulations establish accounting, audit and administrative requirements for community agencies receiving financial assistance in the form of agreements with the Department.

The **Accounting and Financial Management Standards for Community Agencies** (Section .02) provide a framework of standards of accountability over Department agreement funds received by community agencies. The rules prescribe internal control standards and financial reporting standards for every community agency receiving agreement funding from the Department. Total amounts of agreement expenditures will determine whether community agencies must submit entity-wide audited financial statements and a compliance audit or reviewed entity-wide financial statements and supplemental Schedule of Expenditures of Department Awards (SEDA). All community agencies with \$50,000 or more of annual agreement expenditures are responsible for a Schedule of Expenditures of Department Agreements.

The **Audit Requirements** (Section .03) provide rules to assist Independent Public Accountants (IPA) in auditing Department agreements with community agencies. The rules define those community agencies which must obtain audits of entity-wide financial statements and Schedule of Expenditures of Department Agreements and compliance with applicable laws and regulations. This document recognizes the federal audit requirements of Office of Management and Budget Circular A-133 as applicable to community agencies and builds upon those requirements.

1. These rules require all community agencies with total agreement expenditures of at least \$500,000 per year to have an entity-wide financial audit conducted by a qualified IPA and to have a compliance audit of the SEDA.
2. Community agencies with less than \$500,000 per year in total agreement expenses are not required to have an entity-wide financial audit or compliance audit of the SEDA conducted by a qualified IPA.

**Standard Administrative Requirements and Compliance for Department agreements** (Section .04) provide uniform rules for Department agreements with community agencies to include such areas as standard cost principles, and additional compliance requirements.

The **Department Responsibilities** (Section .05) define the duties of Department program and audit personnel in administering agreements under these rules.

The Commissioner of the Maine Department of Health and Human Services is responsible for the administration of these regulations.

## B. DEFINITIONS

Unless the context clearly requires otherwise, the following terms shall have the following meanings.

1. **Agreement** means a legally binding written document between two or more parties, including, but not limited to, a document commonly referred to as accepted application, proposal, prospectus, contract, grant, joint or cooperative agreement, purchase of service or state aid.
2. **Agreement amendment** is a legally binding change or modification of the existing agreement.
3. **Agreement funds** means all agreement funds received by the community agency from the Department that require a periodic financial or service claim to the Department for settlement purposes. It includes State and Federal pass-through funds.
4. **Agreement expenditures** means the amount of agreement funds earned based on financial and service claims submitted to the Department.
5. **Budget** is an estimate of expenditures of a program during a given time period and the means by which the expenditures will be financed.
6. **Budget revision** is an approved change or modification to the existing budget.
7. **Client fees (private)** are fees self-paid by clients or covered by third party insurance.
8. **Client fees (program)** are fees from agreement or MaineCare subsidized clients.
9. **Commissioner** means the Commissioner of the Maine Department of Health and Human Services, who has responsibility for the administration of this chapter.
10. **Commitment** means the amount of funding the community agency has pledged to the program.
11. **Community agency** (or Agency) means any public or private nonprofit organization, firm, individual, partnership or business corporation operated for profit, which:
  - (a) Operates a social service program at the community level; and
  - (b) Receives public funds, either directly or indirectly, from one or more state departments or agencies; and
  - (c) Is not an administrative unit of the Federal government or State government.
  - (d) Is not exclusively a general or psychiatric hospital within the meaning of Maine Administrative Procedures Act 10-144, Chapter 112.

12. **Continuation agreements** are agreements with an end date that does not coincide with Agency's fiscal year.
13. **Cost sharing or matching** means that portion of project or program costs not borne by the Federal and/or State government.
14. **Cost sharing settlement** is a cost sharing agreement where multiple funding sources share in the expense of a funded service.
15. **Department** means the Maine Department of Health and Human Services, as well as other Departments and agencies of State government approved for inclusion in this chapter by the Commissioner. As of July 1, 1996 the Maine Department of Transportation was approved for inclusion in this chapter by the Commissioner.
16. **Department examination** means actions determined to be necessary by the Department's Division of Audit, including, but not limited to, analyses and/or testing of reported agreement balances and transactions, provisions of internal control systems and compliance with rules. Examinations conducted by the Department may be of a limited scope and are not considered an audit under generally accepted auditing standards or generally accepted government auditing standards.
17. **Department review** means a review by the Department's Division of Audit of the community agency's submitted annual financial statements. A review may include desk and/or quality control reviews or such other reviews as the Department may establish by rule. Reviews are done for the purpose of accepting or rejecting the audit submission for Federal and State Department purposes or for the purpose of financially closing out the agreement(s) for the Department.
18. **Division of Audit** is the responsible audit group in the Maine Department of Health and Human Services and the Maine Department of Transportation.
19. **Federal funds** means all federal funds received by the community agency as defined by OMB Circular A-133 and MAAP and not just those agreements received from the Department. It includes Federal direct, indirect and pass-through funds from all sources.
20. **Federal pass-through funds** means those funds received by a community agency from the Department and identified in the agreement as federal funds.
21. **Financial/service claims** are periodic reports from a community agency that provide the financial and/or service activity of a "social service" agreement over a period of time.
22. **Generally Accepted Accounting Principles (GAAP)** are uniform minimum standards and guidelines for financial accounting and reporting ordinarily employed by skilled accountants and agreed upon by authoritative practitioners of recognized professional standing, such as the Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB) and other recognized professional bodies.
23. **Generally Accepted Auditing Standards (GAAS)** are auditing standards promulgated by the American Institute of Certified Public Accountants.

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24. **Government Auditing Standards** are auditing standards promulgated by the Comptroller General of the United States.
25. **Independent Public Accountant (IPA)** means a person who complies with generally accepted government auditing standards and who is one of the following:
- (a) A licensed certified public accountant or person working for a licensed certified public accounting firm; or
  - (b) A public accountant licensed on or before December 31, 1970, or a person working for a public accounting firm licensed on or before December 31, 1970.
26. **Indirect expenses** are costs that have been incurred for common or joint objectives that cannot be readily identified with a particular final cost objective.
27. **Known questioned costs** means a cost that is questioned by the auditor because of an audit finding:
- (a) Which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of Agreement funds, including funds used to match Agreement funds.
  - (b) Where the costs, at the time of the audit, are not supported by adequate documentation; or
  - (c) Where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.
28. **Likely questioned costs** are the IPA's estimate of the total costs questioned as a result of the specifically identified questioned costs.
29. **Major agreement** is an agreement or combination of agreements (continuation agreements) which purchase the same service with expenditures equal to or exceeding \$100,000 during the fiscal year of the agency.
30. **Nonparticipating department** is a department or division of State government other than one defined as a Department in this section that has not been approved for inclusion in this chapter by the Commissioner.
31. **Nonprofit organization** means any agency, institution or organization that consists of or is owned and operated by one or more corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.
32. **Program** is an activity or set of activities intended to help achieve a particular outcome for the public.
33. **Program income** means gross income earned by the community agency that is directly generated by a supported activity or earned as a result of the award. Program income includes, but is not limited to income from fees for services performed, the use or rental of real or personal property acquired under Department-funded projects, the sale of commodities or items fabricated under an agreement, license fees and royalties on patents and copyrights and interest on loans made with agreement funds. MaineCare revenue, whether fee for service, unit based or cost settled, is program income.

34. **Public** means a municipal, county or other governmental body that is a political subdivision within the state.
35. **Restricted revenue** is income from organizations or individuals that require the funds to be used for a specific purpose or program by the donor.
36. **Risk pool** means utilizing and assessing risk factors for determining the need for an examination of an agreement. Such risk factors may include the value of the agreement and prior and current community agency historical profile.
37. **Service area** means the name of the program or the type of service being funded through a Department agreement.
38. **Single audit** means an audit made pursuant to Federal OMB Circular A-133 or any subsequent revisions to that circular. The single audit must be conducted by a qualified independent public accountant.
39. **Social service** means any social services program funded in whole or in part through an agreement issued by the Department. MaineCare funding, whether cost-based or fee for service, is excluded unless MaineCare specifically is identified as a social service program in an agreement award. (Note 1)
40. **State funds** mean those State funds received by a community agency directly from a State department, bureau, office or agency that do not represent Federal pass-through funds.
41. **Sub-contract** means an award of financial assistance in the form of money, or property in lieu of money, made under an award by a recipient to an eligible subrecipient or by a subrecipient to a lower tier subrecipient.
42. **Subrecipient** means the legal entity to which a sub-contract is made and which is accountable to the recipient for the use of the funds provided. Guidance for distinguishing between a subrecipient and a vendor is provided in Federal Circular OMB A-133, §\_\_.210.
43. **Tier 1 agency** is a community agency with less than \$500,000 in total annual agreement expenditures of agreement funding from the Department.
44. **Tier 2 agency** is a community agency with \$500,000 or more in total annual agreement expenditures of agreement funding from the Department.
45. **Unrestricted revenue** is revenue from funding sources to a community agency that is not restricted for a specific purpose or program by the donor.
46. **Vendor** means a dealer, distributor, merchant, or other sellers providing goods or services that are required for the conduct of a State or Federal program. These goods or services may be for an organization's own use or for the use of beneficiaries of the State or Federal program. Guidance for distinguishing between a subrecipient and a vendor is provided in Federal Circular OMB A-133, §\_\_.210.

Note 1 - "Social services" includes, but is not limited to social, correctional, legal, health, medical, mental health, developmental disability, rehabilitation, substance abuse, transportation services, programs for children, juveniles, teens and adults, families and the elderly.

## SECTION .02

### ACCOUNTING AND FINANCIAL MANAGEMENT STANDARDS FOR COMMUNITY AGENCIES

**SUMMARY:** To outline minimum standards for the presentation of financial statements and the Schedule of Expenditures of Department Agreements (SEDA), dollar thresholds for presentation of financial statements and the SEDA, record retention standards, internal control standards and timetables for reporting.

#### A. STANDARDS FOR PRESENTATION OF FINANCIAL STATEMENTS

Responsibility for financial statements - Community agencies will be required to submit audited entity-wide financial statements and compliance audit to each funding Department if annual agreement expenditures equal or exceed \$500,000. Community agencies with annual agreement expenditures of at least \$100,000 but less than \$500,000 will be required to submit entity-wide financial statements and the supplemental SEDA that have been reviewed by a qualified IPA. Agreement expenditures are the amount of agreement funds earned on the financial claims submitted to the Department.

##### 1. Federal Standards

If the community agency is required to have a single audit of financial statements in accordance with OMB Circular A-133, that audit should be conducted and reported in accordance with those standards and should include all Federal awards which pass through the Department. That audit will satisfy the entity-wide financial audit requirement of these rules.

If the community agency can satisfy its federal audit requirement through a program-specific audit as specified in OMB Circular A-133, §\_\_.235 and its Federal funds are the only amounts awarded within its State agreements, that audit will satisfy the audit requirement of these rules.

##### 2. Department Standards

###### (a) TIER 1- Less than \$100,000

If a community agency has less than \$100,000 in total annual agreement expenditures of agreement funding from the Department, no entity-wide financial statements are required.

###### (b) Tier 1 – Between \$100,000 and \$500,000

Community agencies with total annual agreement expenditures of \$100,000, but less than \$500,000, must have an entity-wide review of its financial statements and supplemental SEDA conducted by an a qualified IPA.

Tier 1 option - A community agency within Tier 1 may opt to follow the rules for audits and reporting under Tier 2.

**(c) TIER 2 - Audited Financial Statements**

If a community agency has \$500,000 or greater in total annual agreement expenditures of agreement funding from the Department, it must at a minimum have an entity-wide audit of its financial statements and a compliance audit of the supplemental SEDA conducted by a qualified IPA in accordance with Section .03 of these rules.

**B. STANDARDS FOR FINANCIAL STATEMENTS (Tier 2 and Tier 1 with Department Expenditures of \$100,000 or more)**

1. Responsibilities for financial statements: The financial statements are the representation of the community agency. It is the responsibility of the governing body of the community agency to ensure the statements are completed in accordance with these standards.
2. Submission of financial statements: The community agency must submit its financial statements and IPA's reports to the Department in accordance with these rules.
3. Presentation of financial statements: Financial statements must be prepared annually. The basic financial statements shall consist of those statements and disclosures required by Generally Accepted Accounting Principles for the community agency.
  - (a) For Tier 2 agencies, the financial statements of a community agency must be audited on an entity-wide basis in accordance with Generally Accepted Auditing Standards and *Government Auditing Standards*.

The audited financial statements must be accompanied by the audited SEDA.

- (b) For Tier 1 agencies with annual agreement expenditures of at least \$100,000 but less than \$500,000, the financial statements of a community agency must be reviewed in accordance with Statement on Standards and Review Services (SSARS) No. 19, *Compilation and Review Services*.

The reviewed financial statements must be accompanied by the reviewed SEDA.

**C. STANDARDS FOR SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS (SEDA)**

1. Purpose – The SEDA provides the Department with information identifying agreement expenditures based on the Agreement Close-out Report(s) (ACR) and interim quarterly reports submitted to the Department during the current fiscal year.

**(a) MAAP Tier 1:**

A community agency that annually expends at least \$50,000 but less than \$100,000 of agreement funds must prepare the SEDA and submit to the Division of Audit in accordance with these rules.

A community agency that annually expends at least \$100,000, but less than \$500,000 of agreement funds must prepare the SEDA. The Agency's IPA must review the SEDA and issue a report. This SEDA and IPA report must accompany the annual reviewed financial statements submitted to the Department.

(b) MAAP Tier 2:

The community agency must prepare the SEDA. The Agency's IPA must issue an audit report on the SEDA. This SEDA and IPA report must accompany the annual audited financial statements submitted to the Division of Audit.

2. Required format

- (a) Each agreement with expenditures during the current year must be identified by State department, division or office, agreement number, agreement amount, agreement term, service area, agreement status, and related Federal and State expenses.
- (b) The method of settlement referenced in the Agreement Compliance Section of the agreement will determine the basis of settlement. For example, fee-for-service would be based on the units delivered times the applicable rate.
- (c) The expenditures for each agreement are based on claims submitted to the Department for the current fiscal year. The SEDA must include both interim and final agreements, if applicable.
- (d) The expenditures on the SEDA must represent only the Department portion of the claimed expenses.
- (e) If financial claims submitted to the Department cross two or more fiscal years, the community agency should review the make-up of the claims to determine what portion of the claimed expenses belongs to the current year. For cost sharing agreements that are in interim status, the community agency must determine the Department expenditures based on the agreement pro forma adjustments and the actual Department cost sharing percentage.
- (f) The SEDA must contain notes that, at a minimum, identify agreements tested and the percentage of agreements tested.

3. SEDA supporting documentation - Financial records and/or worksheets must be available to support financial claims submitted to the Department. The financial claims that are the basis for the SEDA must be maintained to support SEDA amounts. All financial records and financial claims that support SEDA amounts must be supplied upon request to the Division of Audit.

**D. STANDARDS FOR RETENTION OF FINANCIAL AND ADMINISTRATIVE RECORDS**

1. Financial records for agreements and supporting documentation under these rules must be retained for a period of three (3) years from the date of submission of the final expenditure report with the following exceptions:

- (a) If any litigation, claim, audit, examination or appeal is started before the expiration of the 3-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved and final action taken.
- (b) Records for real property and equipment acquired with Federal funds shall be retained for 3 years after final disposition.

## E. INTERNAL CONTROL STANDARDS

Community agencies shall establish and maintain internal controls to achieve the organization's goals and objectives. Internal controls shall be designed to provide reasonable assurance about the achievement of the community agency's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable rules and regulations. Internal control standards shall consist of the following five interrelated components.

1. **Control environment:** The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include the integrity, ethical values, management's operating style, delegation of authority systems, as well as the processes for managing and developing people in the organization.
2. **Risk Assessment:** Risk assessment is the community agency's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed. A precondition for risk assessment is establishment of objectives, and thus risk assessment is the identification and analysis of relevant risks to achievement of assigned objectives. Risk assessment is a prerequisite for determining how the risks should be managed.
3. **Control activities:** Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the community agency's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.
4. **Information and communication:** Information and communication systems support the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities. Information and communication systems play a key role in internal control systems as they produce reports, including operational, financial and compliance-related information that make it possible to run and control the community agency.
5. **Monitoring:** Monitoring is a process that assesses the quality of internal control performance over time. This is accomplished through ongoing monitoring activities or separate evaluations. Internal control deficiencies detected through these monitoring activities should be reported upstream, and corrective actions should be taken to ensure continuous improvement of the system.

**F. REPORTING TIMETABLES**

Community agencies will submit reports and the SEDA as follows:

1. Tier 1 agencies with total annual agreement expenditures of at least \$50,000, but less than \$100,000, must submit the SEDA no later than four (4) months after their fiscal year end. The SEDA must be signed and dated by an appropriate manager or administrator certifying to its accuracy.
2. Tier 1 agencies with total annual agreement expenditures of at least \$100,000, but less than \$500,000, must submit the reviewed entity-wide financial statements and the reviewed supplemental SEDA no later than six months after the fiscal year end of the community agency.
3. Tier 2 agencies must submit the audited entity-wide financial statements and the audited SEDA no later than nine months after the fiscal year end of the community agency.
4. Tier 1 and Tier 2 agencies that fall under the audit requirements of OMB Circular A-133 must submit the entity-wide financial statements, the SEDA and the Federal OMB Circular A-133 reporting package no later than nine (9) months after the fiscal year end of the community agency.
5. Cost allocation plans due to the Maine Department of Transportation are due no later than four (4) months after the fiscal year end of the Tier 1 community agency, and nine (9) months after the fiscal year end of the Tier 2 community agency.
6. Electronic submission is recommended and should be sent to [dhhs.audit@maine.gov](mailto:dhhs.audit@maine.gov) for submission to the Maine Department of Health and Human Services. Electronic submissions to the Maine Department of Transportation should be sent to [OfficeofAudit.MaineDOT@maine.gov](mailto:OfficeofAudit.MaineDOT@maine.gov).
7. The Department may grant an extension of report submission for good cause.

**G. SANCTIONS**

1. Failure to follow the reporting timetables in accordance with this part, may result in Department sanctions such as:
  - (a) Withholding a percentage of Department awards until the audit is completed satisfactorily.
  - (b) Withholding or disallowing indirect costs;
  - (c) Suspending Department agreements until the audit is conducted; or
  - (d) Terminating the Department award.

## SECTION .03

### AUDIT REQUIREMENTS

**SUMMARY:** This section presents requirements to community agencies and IPAs for audits of community agencies under these rules and to Department audit personnel for Department examinations of community agency agreements.

#### A. AUDIT RESPONSIBILITIES OF COMMUNITY AGENCIES

Community agencies and IPAs must understand the requirements of both Federal and Department audit requirements and they are as follows:

##### 1. Federal Audit Requirement

Community agencies are responsible for obtaining audits that satisfy Federal audit requirements in accordance with OMB Circular A-133. All Federal audits for community agencies will be performed by a qualified IPA. Department auditors will be responsible for providing the necessary oversight of these audits to assure adequate coverage of pass-through Federal awards to community agencies.

If the community agency can satisfy its Federal audit requirement through a program-specific audit as specified in OMB Circular A-133, §\_\_.235, and its Federal funds are the only agreement amounts awarded by the Department, that audit will satisfy the audit requirement of these rules.

##### 2. Department Audit Requirement

All community agencies within Tier 2 (or within Tier 1 but opting for a Tier 2 audit) are required to have a qualified IPA conduct an audit in accordance with these rules. The Department will be responsible for providing the oversight of the community agency report submission.

- (a) Financial statements: The IPA shall determine whether the financial statements of the community agency are presented fairly in all material respects in conformity with Generally Accepted Accounting Principles. The IPA shall also determine whether the SEDA is presented fairly in all material respects in relation to the community agency's financial statements taken as a whole.
- (b) All audits shall be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* (the Yellow Book) issued by the Comptroller General of the United States.
- (c) In addition to the requirements of the Yellow Book, the IPA shall perform procedures to obtain an understanding of internal controls over Department programs sufficient to plan the audit to support a low assessed level of control risk for all programs tested.
- (d) Except as provided in paragraph 2(e) of this section, the IPA shall plan and perform testing of internal controls over programs tested to support a low

assessed level of control risk for the assertions relevant to the compliance requirements for each program tested.

- (e) When the internal control over some or all the compliance requirements for a program is likely to be ineffective in preventing or detecting noncompliance, the planning and performing of testing described in 2(d) of this section are not required for those compliance requirements. However, the IPA shall report a significant deficiency (including whether any such condition is a material weakness), assess the related control risk at the maximum, and consider whether additional compliance tests are required because of ineffective internal control.
  - (f) In addition to the requirements of the Yellow Book, the IPA shall determine whether the community agency has complied with laws, regulations, and the provisions of contracts or grant agreements that may have a direct and material effect on any of its programs.
  - (g) The compliance testing shall include tests of transactions and such other auditing procedures necessary to provide the IPA sufficient evidence to support an opinion on compliance.
3. Upon request, the IPA shall send to the Department copies of audit working papers, reports, letters and correspondence. The IPA shall also cooperate with the Department in the conduct of quality control reviews of an audit made under these rules.

## B. DEPARTMENT AUDIT REPORTING STANDARDS

The IPA will issue the following reports as a result of audits of community agencies in accordance with these rules.

The IPA's reports may be in the form of either combined or separate reports and may be organized differently from the manner presented in this section. The IPA's report shall state that the audit was conducted in accordance with this part and include the following:

1. **Independent Auditors' Report** on the entity-wide financial statements of the community agency for the fiscal year. The audit should be conducted in accordance with Generally Accepted Auditing Standards and *Government Auditing Standards*. The report should also include an opinion (or disclaimer of opinion) as to whether the Schedule of Expenditures of Department Agreements is presented fairly in all material respects in relation to the financial statements taken as a whole.
2. **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*.** This report is required for all audits performed in accordance with *Government Auditing Standards*.
3. **Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with Maine Uniform Accounting and Auditing Practices for Community Agencies.** This report is modeled after the report required by Federal Circular OMB A-133.

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4. **Schedule of Findings and Questioned Costs** shall include the following four components:
- (a) A summary of the IPA's results which shall include:
    - (i) The type of report the IPA issued on the financial statements of the community agency (i.e., unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion).
    - (ii) Where applicable, a statement that significant deficiencies in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses.
    - (iii) A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the community agency.
    - (iv) Where applicable, a statement that significant deficiencies in internal control over programs tested were disclosed by the audit and whether any such conditions were material weaknesses.
    - (v) The type of report the IPA issued on compliance for programs tested (i.e., unqualified opinion, qualified opinion, adverse opinion, or disclaimer of opinion).
    - (vi) An identification of all programs tested.
  - (b) Findings relating to the financial statements, which are required to be reported in accordance with *Government Auditing Standards*.
  - (c) Findings and questioned costs for Department agreements which shall be presented in sufficient detail for the community agency to prepare a corrective action plan and take corrective action to allow the Department to issue a management decision regarding the corrective action. Findings shall include the following detail:
    - (i) **Name:** Department program name as identified on the contract and agreement number.
    - (ii) **Criteria:** The criteria or specific requirement upon which the audit finding is based, including statutory, regulatory, or other citation.
    - (iii) **Condition:** The condition found, including facts that support the deficiency identified in the audit finding.
    - (iv) **Known Questioned Costs:** Identification of all questioned costs equal to or exceeding \$1,000 and how they were computed.
    - (v) **Likely Questioned Costs:** Identification of all likely questioned costs equal to or exceeding \$1,000 and how they were computed.
    - (vi) **Context:** Information to provide proper perspective for judging the prevalence and consequences of the audit finding, such as whether the

audit finding represents an isolated instance or a systematic problem. Where appropriate, instances identified shall be related to the universe and the number of cases examined and be quantified in terms of dollar value.

- (vii) **Cause:** A brief explanation of what caused the finding should be detailed.
  - (viii) **Effect:** The possible asserted effect, to provide sufficient information to the community agency and the Department to permit them to determine the cause and effect to facilitate prompt and proper corrective action.
  - (ix) **Recommendation:** Recommendations to prevent future occurrences of the deficiency identified in the audit findings.
  - (x) **Management response/corrective action:** Views of responsible officials of the community agency detailing corrective action taken or planned by the community agency. Elements should include corrective action taken or planned, estimated dates the corrective action was taken or planned, and the official responsible for the corrective action.
- (d) Prior year items - The IPA will include a presentation of the status of findings and questioned costs from prior year. If there were no findings in the prior year, the schedule must state there were none.

## C. AUDIT COMPLIANCE TESTING STANDARDS

This standard applies to IPAs in the performance of audits of community agencies in Tier 2 and those in Tier 1 opting for audits under this rule.

### 1. Testing of Agreements and 50% Rule

- (a) All agreements selected for testing must be tested for compliance and internal control over compliance.
- (b) The determination of which agreements to test must be based on the expenses identified in the SEDA. The IPA, at a minimum, must perform compliance testing on agreements that make up 50% of the total expenditures claimed. The IPA shall use a risk-based approach to determine which Department agreements should be selected for testing. This risk-based approach shall include consideration of current and prior audit experience, oversight by Federal and State agencies, and the inherent risk to the Department agreements.
- (c) All major agreements must be tested at least once every three years. If the inclusion of these agreements significantly raises the percentage tested, the IPA and the Division of Audit can agree, in writing, on a plan of action.
- (d) For Department agreements that do not reconcile to the agency's fiscal year end (stub agreement) where there is a preceding or subsequent agreement that purchases the same service(s) (continuation agreement), the expenditures for these agreements must be combined and considered in the major agreement determination.

2. **Materiality** – Materiality for compliance testing is based at the agreement budget level.

For cost settled agreements, total expenses in the categories of personnel and all other should not exceed the budgeted amount for that category by 10% or \$10,000, whichever is greater (not including subcontracts or equipment).

For cost settled agreements, total expenses in the category of equipment should not exceed the budgeted amount by 10% or \$1,000, whichever is greater.

The subcontract category is considered restricted funding, and as such, no variance between budgeted and actual amount is allowed.

3. **Compliance Criteria** - The compliance criteria to be tested are those specified in the agreement compliance section and Section .04 of these rules.

4. **IPA's Reports** - The IPA's report on compliance must encompass each agreement tested in accordance with the standards of Section .03 C.

5. **IPA's Workpapers** - The IPA must, at a minimum, maintain workpapers that are available upon request by the Division of Audit that document testing of the community agency's administrative controls and compliance requirements in the following areas:

- (a) The community agency has knowledge of Federal and Department regulations and has procedures in place to safeguard Department funds (administrative controls).
- (b) Costs are in accordance with the applicable Federal circulars, MAAP regulations, and any exceptions identified in the agreement award.
- (c) The allocation of costs either directly or indirectly is equitable (if cost settled).
- (d) The final costs claimed by the community agency are within the thresholds related to budget revisions (if cost settled).
- (e) The community agency has a system in place to monitor agreement advances and ensure interest from advances is reimbursed to the Department.
- (f) All obligations due the Department are liquidated within 90 days after the termination of an agreement.
- (g) Costs are for the services identified in the agreement program (if cost settled).
- (h) Services are only provided to eligible clients (if applicable).
- (i) Match commitment meets the requirement of the federal circulars and the agreement award (if applicable).
- (j) Reports are submitted to the Department timely.
- (k) Subrecipient agreements are properly monitored (if applicable).

- (l) The community agency has adhered to any special conditions identified in the agreement.

**D. DEPARTMENT EXAMINATIONS**

The Department may require or perform Department examinations of community agencies under the following circumstances:

1. As a result of the risk pool process.
2. At the request of the community agency.
3. At the request of a State department as a result of an audit report or findings which indicate material weaknesses in internal controls, lack of compliance with agreement conditions, or other matters which indicate lack of controls over agreement funds or assets.
4. As a result of desk reviews or quality control reviews of audit reports that indicate substantial inadequacies exist with the audit. However, inadequacies in entity-wide audits are expected to be resolved by the community agency in conjunction with its IPA.
5. As a result of State recognition of potential irregularities or illegal acts.
6. At the request of a department for a limited-purpose review not covered in the scope of a financial and compliance audit.

Field visits shall be coordinated for community agencies funded by both DHHS and DOT.

**SECTION .04****STANDARD ADMINISTRATIVE REQUIREMENTS AND COMPLIANCE FOR  
DEPARTMENT AGREEMENTS**

**SUMMARY:** This section establishes the adoption of OMB Circulars and other Federal and Department guidance applicable to the agreements between Community Agencies and the Department. Compliance and administrative requirements are outlined, including the appeals procedure for the appeals and resolution of financial issues arising from audits and Department examinations.

**A. ADOPTION OF FEDERAL OMB CIRCULARS AND COMMON RULE**

Administrative requirements and cost principles applicable to Federal funds are adopted as being applicable to Department funded agreements.

**1. Applicability**

The Department will apply the following federal administrative requirements and cost principles to the following entities:

**(a) Nonprofit Entity**

- (i) Office of Management and Budget (OMB) Circular A-110, “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations”.

Office of Management and Budget (OMB) Circular A-122, “Cost Principles for Non- Profit Organizations”.

**(b) Educational Entity**

- (i) Office of Management and Budget (OMB) Circular A-110, “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations”.

- (ii) Office of Management and Budget (OMB) Circular A-21, “Cost Principles for Educational Institutions”.

**(c) Public Entity**

- (i) Office of Management and Budget (OMB) Circular A-102 (Common Rule), “Grants and Cooperative Agreements with State and Local Governments”

- (ii) Office of Management and Budget (OMB) Circular A-87, “Cost Principles for State and Local Governments”.

**(d) For-Profit Entity**

- (i) Office of Management and Budget (OMB) Circular A-102 (Common Rule), “Grants and Cooperative Agreements with State and Local Governments”.

Office of Management and Budget (OMB) Circular A-87, “Cost Principles for State and Local Governments”

**B. COMPLIANCE REQUIREMENTS**

Community agencies receiving agreement funding shall follow the more restrictive of the applicable program regulations, Federal circulars, MAAP, and the agreement award.

**1. Agreement Compliance**

(a) In addition to the administrative requirements and cost principles, the Department has identified in the “Agreement Compliance Section” of the agreement award specific compliance categories that reference specific agreement conditions that could lead to material non-compliance:

- Bonding Requirement
- Budget Compliance
- Activities Allowed or Unallowed
- Allowable Costs/Cost Principles
- Cash Management
- Davis-Bacon Act
- Eligibility
- Equipment and Real Property Management
- Matching Level of Effort , Earmarking
- Period of Availability of Federal and State Funds
- Procurement and Suspension and Debarment
- Program Income
- Real Property Acquisition/Relocation Assistance
- Reporting
- Subrecipient Monitoring
- Special Tests And Provisions

These areas of compliance, as applicable, must be specifically referenced in each agreement with the community agency.

## C. ADMINISTRATIVE REQUIREMENTS

### 1. Contractual Process

- (a) Community agencies enter into agreements with the Department to provide goods and/or services.
- (b) All agreements with the Department include the agreement number, the agreement terms, the scope of goods and/or services to be provided, compliance requirements, method of payment, agreement budget, method of settlement, pro forma settlement, the types of reports due to the Department and the due dates of any required reports.
- (c) All agreements are administered by a Department agreement administrator.
- (d) The Department agreement administrator is responsible for administering the agreement during the agreement period. This includes approval authority for all payments made to the community agency, approval authority to any budget or budget revisions submitted to the Department by the community agency, agreement settlements and liquidation of all outstanding balances due to or from the Department.
- (e) Review and approval of community agency submissions by the Department does not relieve the community agency from being audited according to MAAP and federal regulations in cases where this approval may be counter to MAAP and federal regulations.

### 2. Pro Forma

- (a) The agreement must include a pro forma that clearly identifies the steps necessary to reach an accurate settlement.
- (b) Community agencies entering into Department agreements must follow the cost sharing methodology described in the agreement and as reflected in the pro forma included in the agreement document except as detailed in (c) below.
- (c) Community agencies are required to follow applicable federal circulars, program regulations and MAAP restrictions, even if those restrictions are not expressly set forth in the pro forma. For example, bad debt will always be eliminated against expense as an unallowable expense, even if the pro forma did not show bad debt being eliminated. If during the settlement process the community agency notes that the pro forma did not accurately reflect the restrictions imposed by federal circulars, program regulations and MAAP restrictions, the final settlement to the Department must be based on the actual restrictions even though not consistent with the agreement pro forma.

### 3. Revisions of Budgets and Program Plans

The community agency shall request prior written approval for budget revisions whenever one or more of the following conditions occur:

- (a) The total expenses in personnel and all other category exceed the budgeted amount for that category by at least ten percent or \$10,000, whichever is greater,
- (b) The total expenses in the subcontract category vary from the budgeted amount,
- (c) The total expenses in the equipment category exceed the budgeted amount by at least 10% or \$1,000, whichever is greater,
- (d) The total agency commitment differs from the budgeted amount,

The community agency must request a budget revision at least thirty (30) days prior to the agreement termination date. If revision approval is not granted in writing prior to the date of the required final report, all costs that exceed the budget thresholds shall be deemed questioned costs. In addition, any variance, if any, between the actual agency commitment and the budgeted amount shall be adjusted on the agreement settlement form prior to cost sharing.

#### 4. **Cost Sharing Settlements (Multiple Funding Sources)**

The Department enters into agreements where the Department participates in programs with multiple funding sources. Below are Department cost sharing principles to be followed in the budgeting and settlement process:

- (a) Unrestricted revenues shall be specifically identified as such in the agreement budget. These amounts are comprised of revenues such as private client fees and the community agency's commitment to the program. The agency's stated commitment to the program shall be included in the final settlement whether or not the community agency transferred these funds to the program. All unrestricted revenues are to be cost shared in the final settlement with the Department.
- (b) Restricted revenue must be eliminated against program expenses dollar for dollar prior to cost sharing.
- (c) Revenue from other federal and state funding sources that are not considered agreement revenue must be eliminated against program expense dollar for dollar prior to cost sharing.
- (d) Program income such as client fees (program) must be eliminated against program expenses dollar for dollar prior to cost sharing. Client fees (private) must be made available for cost sharing, unless specifically restricted against identified expenses in the budgeting process.
- (e) All MaineCare revenue, whether fee for service, unit based or cost settled, must be eliminated dollar for dollar against expense prior to cost sharing.
- (f) An agency must eliminate all in-kind revenue and expenses prior to cost sharing. In-kind revenue and expenses are third party non-cash transactions that add benefits to a program.

- (g) An agency must eliminate all subcontract revenues and related expenses prior to cost sharing.
- (h) If an agreement award has multiple pro formas, a final settlement must be prepared consistent to the pro formas.
- (i) The final financial report (agreement closeout report) must include the total Department agreement amount less any subcontract amount as available revenue for settlement purposes.

#### 5. **Liquidation of Outstanding Balances**

Community agencies must liquidate any outstanding balance due the Department within ninety days after termination of an agreement (Note: The agreement can be more restrictive and require payment prior to the ninety days). If reimbursement is not made timely, the Department may charge interest based on the U.S. Treasury, Cash Management Improvement Act (CMIA).

#### 6. **Examination Process**

- (a) The Division of Audit may elect to perform a Department examination of Tier 1 community agencies' ACR(s) as submitted to the Department.
- (b) The Division of Audit will perform a desk review for Tier 1 A-133 and Tier 2 community agencies to determine compliance with the agreement, MAAP, and Federal Circular A-133 requirements, if applicable.
- (c) The Division of Audit shall prepare an examination report of community agencies selected for Department examination. The results will be communicated to the community agency and the Department.
- (d) Upon receipt of the Department examination report, the community agency has sixty (60) days to either accept or appeal. Acceptance shall include a corrective action plan responsive to all recommendations and full payment of any balances due. Failure to comply within the allotted time may result in sanctions being applied by the Department as described in Section .02 G.
- (e) Periodically, the Division of Audit may elect to perform a quality control review of IPA's workpapers

### D. **DEPARTMENT APPEALS, RESOLUTIONS AND SANCTIONS**

#### 1. **Appeals Procedures**

Step a - Director of Audit – Maine DHHS and Maine DOT

A community agency may appeal, in writing, the findings of a Department examination by submitting a letter of appeal in writing within sixty (60) days after receiving the report from the Department. The appeal letter must identify the issues being appealed and include the specific supporting documentation. It

must be addressed to the Director of the Division of Audit at the Maine DHHS or to the Director of the Office of Audit at the Maine DOT.

The Director or the Director's designee will initiate a review of the audit appeal and will, as needed, consult with program management responsible for the affected agreements, agreement administrators, and other applicable and appropriate staff.

The Director or the Director's designee will issue a written decision on the appeal and the full basis of the decision to the community agency no later than sixty (60) days following the receipt of the appeal letter, unless both parties agree to an extension. The letter may be co-signed by other DHHS staff as applicable.

#### Step b - Agency appeal of Director of Division/Office of Audit Decision

##### 1. Maine DHHS

If the community agency wishes to proceed further in its appeal, it may appeal to the DHHS Office of Administrative Hearings by submitting a notice of appeal in writing within sixty (60) days of receiving the decision from the Director of the Division of Audit. The issue(s) on appeal will be limited to what was raised at the Step a appeal. The hearing will be an Order of Reference appeal hearing. The hearing officer will issue a recommended decision to the Commissioner, who will issue a final decision.

#### Step b - Commissioner of the Maine DOT – Maine DOT

If the community agency wishes to proceed in its appeal, it may appeal to the Commissioner of Maine DOT within sixty (60) days of receiving the decision from the Director of the Office of Audit. The issue(s) on appeal will be limited to what was raised at the Step a appeal. The DOT Commissioner will issue the final decision.

#### Step c - Judicial appeal – Maine DHHS and Maine DOT

The community agency may appeal the DHHS or DOT Commissioner final decision by filing an appeal with the Maine Superior Court pursuant to the Maine Rules of Civil Procedure, Rule 80C and 5 M.R.S.A. §11001, et seq.

## 2. **Resolution of Appeals**

When the community agency chooses not to further pursue its appeal, or the appeal process has been exhausted, or the Department and community agency reach agreement, a letter will be sent by the Department confirming the terms of the settlement or clarifying the terms of the Commissioner's final decision.

The community agency must within thirty (30) days of receipt of the letter, as applicable;

- (a) Make full payment of any balance due;

- (b) If full payment cannot be made for good cause, the agency will make arrangement for a repayment plan acceptable to the Department.
- (c) The agency will also submit a corrective action plan acceptable to the Department regarding any findings noted in the examination report.

3. **Sanctions**

- (a) Failure to comply with Section .04 D. 2. above, may result in sanctions being applied by the Department as described in Section .02 G.
- (b) The Department may refer the matter over to the Attorney General or to a collection agency.

## SECTION .05

### DEPARTMENT RESPONSIBILITIES

**SUMMARY:** The Department shall establish procedures for administering agreements with Community Agencies in accordance with MAAP and federal regulations. Specific Department responsibilities shall, at a minimum, include the following:

#### A. ADMINISTRATIVE RESPONSIBILITIES

1. To prepare requests for proposals for agreements with community agencies.
2. To negotiate agreements with community agencies that contain applicable accounting and administrative requirements contained within these rules.
3. To ensure each agreement between the Department and the community agency includes an Agreement Compliance Section and a pro forma.
  - (a) Agreement Compliance Section

Each agreement shall contain a standard section which presents the related agreement compliance testing requirements. Each area of compliance indicated as applicable shall be cross-referenced to the agreement.
  - (b) Pro Forma Agreement Closeout Report

Each agreement shall contain a pro forma to illustrate the close-out method to be applied. Illustrative amounts should be filled in on the pro forma.
  - (c) Special Provisions

An agreement may present in the Agreement Compliance Section an applicable special compliance area in addition to the standard areas. Special compliance areas must have a measurable effect to the agreement. Any special compliance area must be identified and cross-referenced to the agreement. In addition, a separate page must be inserted in the agreement which specifies the compliance requirements.
4. To provide technical advice to community agencies and IPAs to assist them in understanding their responsibilities under the agreement.
5. To monitor agreement fiscal and program performance.
6. To resolve agreement balances resulting from audits and examinations.
7. To apply sanctions as described in Section .02 G when necessary.

**B. AUDIT OVERSIGHT AND EXAMINATION RESPONSIBILITIES**

Division of Audit personnel of the Department are responsible for the following:

1. To perform Department examinations of community agency records.
2. Ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133.
3. To conduct desk reviews of audits of community agencies performed by IPAs.
4. To conduct quality control reviews of selected IPAs' audits.
5. To review the community agency's SEDA.
6. To prepare examination reports for agreements administered by the Department.
7. To review agreement pro formas for conformity to achieve a fair and equitable settlement which complies with all applicable rules and regulations.
8. To assess risk for Department examinations associated with community agencies. At a minimum, such factors as frequency of audit, past history, level of agreement funding, etc. may be considered.
9. To provide the necessary training concerning the regulatory requirements of this Act.
10. To provide technical advice and act as a liaison between all interested parties.
11. To inform the community agency of any additional Departments approved for inclusion in this chapter by the Commissioner.
12. To respond to community agency non-compliance and corrective action plans.
13. To respond to community agency appeals in accordance with Section .04.
14. To advise Department management of community agencies materially not complying with the MAAP reporting requirements.

## **APPENDICES**

**Appendix A  
ABC, Inc.**

**Schedule of Expenditures of Department Agreements  
Fiscal Year Ended June 30, 2008**

<b>Department Office</b>	<b>Agreement Number</b>	<b>Agreement Amount</b>	<b>Agreement Period</b>	<b>Agreement Service</b>	<b>Agreement Status</b>	<b>Federal Expenses</b>	<b>State Expenses</b>	<b>Total Department Expenses</b>	<b>DOT Only Local Share Expenses</b>	<b>DOT Only Total Agreement/Match Expenses</b>
<b>DHHS:</b>										
DPS	CFS-08-1050	340,000	10/01/07-9/30/08	Child Care-Slots	Interim	185,000	75,000	<b>260,000</b>		
DPS	CFS-07-1050	330,000	10/01/06-9/30/07	Child Care-Slots	Final	80,000	56,500	<b>136,500</b>		
DPS	CFS-08-1055	425,000	10/01/07-9/30/08	Child Care-Vouchers	Interim	220,000	112,000	<b>332,000</b>		
DPS	CFS-07-1055	416,000	10/01/06-9/30/07	Child Care-Vouchers	Final	55,000	26,000	<b>81,000</b>		
CFS	CFS-08-1075	N/A	10/01/07-9/30/08	Food	Interim	37,500		<b>37,500</b>		
CFS	CFS-07-1075	N/A	10/01/06-9/30/07	Food	Final	11,200		<b>11,200</b>		
DPS	CFS-08-1090	85,000	10/01/07-9/30/08	Transportation	Interim	17,000	45,000	<b>62,000</b>		
DPS	CFS-07-1090	85,000	10/01/06-9/30/07	Transportation	Final	6,000	16,000	<b>22,000</b>		
Maine CDC	CFS-08-1040	180,000	7/01/07-6/30/08	Teen Health	Final	81,685	81,685	<b>163,370</b>		
DPS	CFS-08-1045	90,000	7/01/07-6/30/08	Substance Abuse	Final	36,000	50,500	<b>86,500</b>		
DPS	CFS-08-1047	110,000	7/01/07-6/30/08	Counseling	Final	80,000	30,000	<b>110,000</b>		
DPS	CFS-08-1065	245,000	7/01/07-6/30/08	Transportation	Final		236,000	<b>236,000</b>		
DPS	CFS-07-1066	180,000	7/01/06-6/30/09	Counseling	Interim		55,000	<b>55,000</b>		
<b>DHHS Indirect:</b>										
Agency B	CSC 4403	50,000	7/01/07-6/30/08	Transportation	Final	25,000	25,000	<b>50,000</b>		
Agency C	CSC 4425	70,000	7/01/07-6/30/08	Transportation	Final		65,000	<b>65,000</b>		
<b>Subtotal (DHHS)</b>						834,385	873,685	<b>1,708,070</b>		
<b>DOT:</b>										
OPT	U067G505219 ME-18-X038-11744.00 ME-18-X038-11744.01	265,723	7/01/07-6/30/09	Admin/operating/Capital	Interim	20,857	2,771	<b>23,628</b>	10,994	34,622
OPT	U066G604307 ME-18-X037-10740.00	254,938	7/01/06-6/30/08	Admin/operating/Capital	Final	215,648	21,878	<b>237,526</b>	59,424	296,950
<b>Subtotal (DOT)</b>						236,505	24,649	<b>261,154</b>	<b>70,418</b>	331,572
<b>TOTAL</b>						1,070,890	898,634	<b>1,969,224</b>		

**ABC, Inc.**  
**Schedule of Expenditures of Department Agreements**  
**Fiscal Year Ended June 30, 2008**

**NOTES:**

**Disclosures:**

Is your Agency required to have a federal A-133 Audit? YES \_\_\_\_\_ NO \_\_\_\_\_

**Tier 1 Agencies (under \$100,000)**

**I certify to the best of my knowledge that the Schedule includes all MAAP agreements. Additionally, the schedule accurately reflects the financial service claims submitted to the Department during this fiscal year...**

Signed \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

**Appendix B****INSTRUCTION FOR COMPLETION OF SCHEDULE OF EXPENDITURES OF DEPARTMENT AGREEMENTS**

The purpose of the SEDA is to summarize financial/service claims submitted by the agency to the Department and to determine if the agency qualifies as a MAAP Tier 1 or Tier 2. If Tier 2 the SEDA must identify which agreements and programs were tested for compliance.

**GENERAL INSTRUCTIONS:**

The SEDA will include the activity of both DHHS and DOT. If another State Department is included under MAAP, Community Agencies will be notified. The SEDA must include DHHS and DOT funding received indirectly from other entities.

The SEDA must isolate the activity of DHHS and DOT. Agreement activity subtotals must be included for each Department.

DHHS and DOT require the same information, except DOT requires "Local Share Expenses" and "Total Agreement Expenses".

**INSTRUCTIONS:****Department/Office**

Enter applicable Department and Office

**Agreement Number**

Enter agreement number. Additionally, DOT requires the PIN number be identified.

**Agreement Amount**

Enter agreement amount. If agency elects to identify agreement activity based on separate pro formas or settlement restrictions contained in the agreement, the agreement amount should only include the portion of the agreement amount restricted to that activity/settlement. However, the sum of the individual settlements must equal the agreement amount (see instructions for Total Federal/State Expenses). The preparer should use the Notes to the SEDA for clarification, if necessary.

**Agreement Period**

Enter the beginning and end dates of the agreement.

**Agreement status**

Enter all agreements (interim and final) with financial activity during the current period for both Departments.

### Total Department Expenses

The SEDA is a summary of financial claims submitted to the Department. Expenses included on the SEDA must reconcile to these claims.

If a claim to the Department does not reconcile to the agency's fiscal year end, and the current year expenses cannot be readily determined, the preparer can pro rate expenses between accounting periods. However, the expenses included in the SEDA over the life of the agreement must equal the total expenses claimed.

The Agency may elect to identify agreements with separate pro formas or settlement restrictions as one merged settlement or separate settlements under separate lines on the SEDA. The preparer should use the Notes to the SEDA for clarification, if necessary.

If separate settlements, the format should be similar to the following:

Office	Agreement Number	Agreement Amount	Agreement Period	Agreement Service	Agreement Status	Federal Expenses	State Payments	Total Agreement Expenses
DPS	CFS-07-1050	250,000	10/01/06-9/30/07	Child Care-Slots	Final	41,000	20,500	61,500
DPS	CFS-07-1050	9,900	10/01/06-9/30/07	CC-Eligibility	Final	4,000	5,900	9,900
DPS	CFS-07-1050	10,100	10/01/06-9/30/07	Program Improve.	Final	0	10,100	10,100
DPS	CFS-07-1050	40,000	10/01/06-9/30/07	Family Network	Final	20,000	20,000	40,000
DPS	CFS-07-1050	<u>20,000</u>	10/01/06-9/30/07	Certification	Final	<u>15,000</u>	<u>0</u>	<u>15,000</u>
		<b>330,000</b>				<b>80,000</b>	<b>56,500</b>	<b>136,500</b>

### Federal Expenses

Enter the amount of Total Department Expenses that was borne by Federal funds. The Agency must review the agreement award and Department payments to determine the make-up of the expenses between Federal and State funds. If the actual payments versus expenses claimed do not clearly identify the Federal amount, the allocation of Federal to State funds can be pro-rated.

### State Expenses

Enter the amount of Total Department Expenses that was borne by State funds. The Agency must review the agreement award and Department payments to determine the make-up of the expenses between Federal and State funds. If the actual payments versus expenses claimed do not clearly identify the State amount, the allocation of Federal and State funds can be pro-rated.

### Local Share Expenses

DOT only: identify the expenses associated with the local match

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**Total Agreement Expenses**

DOT only: add "Total Department Expenses" and "Local Share match"

**NOTES:****Tier 2 Agencies:**

The SEDA or the Notes to the SEDA must specifically identify programs tested.

The Notes to the SEDA must identify the percentage of major agreements tested in relation to total Department expenses. The SEDA must identify the percentages applicable to DOT and DHHS.

**DISCLOSURES:**

The Agency must disclose if they are required to have a Federal Circular A-133 Audit. If required, the Federal Circular A-133 Reporting package must be forwarded to the DHHS and/or DOT Office of Audit based on the submission requirements of Circular A-133.

**Tier 1 Agencies with expenditures under \$100,000:**

The SEDA must be signed and dated by a responsible Official of the Agency. The Official must certify as to the accuracy of the SEDA.

**Tier 1 Agencies with expenditures of \$100,000 but less than \$500,000:**

The SEDA does not need to be signed. The SEDA will be included as part of the reviewed entity-wide financial statements. The IPA will issue a report on the SEDA.

**Tier 2 Agencies:**

The SEDA does not need to be signed. The SEDA will be included as part of MAAP Compliance Audit. The IPA will issue a report on the SEDA.

## Appendix C

### Illustrative Auditor's Report

#### **Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with Maine Uniform Accounting and Auditing Practices for Community Agencies.**

*(Unqualified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)*

#### Independent Auditor's Report

*(Addressee)*

#### **Compliance**

We have audited Sample Community Agency's compliance with the types of compliance requirements described in the *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP), and with the requirements in the Contract Compliance Rider(s) of the Agency's agreement(s) with the Maine Department of Health and Human Services and the Maine Department of Transportation (the Department) that could have a direct and material effect on each of Sample Community Agency's major Department agreements for the year ended June 30, 20XX. Sample Community Agency's major Department programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major Department programs is the responsibility of Sample Community agency's management. Our responsibility is to express an opinion on Sample Community Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the MAAP. Those standards and the MAAP require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Department agreement occurred. An audit includes examining, on a test basis, evidence about Sample Community Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Our audit does not provide a legal determination of Sample Community Agency's compliance with those requirements.

In our opinion, Sample Community Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Department agreements for the year ended June 30, 20XX. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the MAAP and which are described in the accompanying schedule of findings and questioned costs as items *(list the reference numbers of the related findings, for example, 20X1-2 and 20X1-4; if there are no such instances, this sentence should be omitted)*.

## Internal Control Over Compliance

Management of Sample Community Agency is responsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulations, contracts, and grant applicable to Department agreements. In planning and performing our audit, we considered Sample Community Agency's internal control over compliance with the requirements that could have a direct and material effect on a major Department agreement to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with MAAP, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sample Community Agency's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Department agreement on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Department agreement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal over compliance that we consider to be *material weaknesses*, as defined above.

Sample Community Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Sample Community Agency's responses and we express no opinion on the responses (*If there are no findings, this paragraph should be omitted*).

This report is intended solely for the information and use of management, (*identify the body or individuals charged with governance*), others within the entity, (*identify the legislative or regulatory body*), Department awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

(Signature)

(Date)

**Appendix D**  
 AGENCY NAME  
 Schedule of Findings and Questioned Costs  
 DATE

**Section I - Summary of Auditor's Results****Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified not considered  
to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

**State Agreements**

Internal Control over programs tested:

Material weaknesses identified? No

Significant deficiencies identified not considered  
to be material weaknesses? None reported

Type of auditor's report issued on compliance for  
programs tested Unqualified

Any audit findings disclosed that are required to be  
reported in accordance with MAAP regulations? Yes

Identification of programs tested:

Name of Program:

---

**Appendix D**  
AGENCY NAME  
Schedule of Findings and Questioned Costs  
DATE

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**Section II - Findings Required to be Reported under *Government Auditing Standards***

Criteria -

Condition –

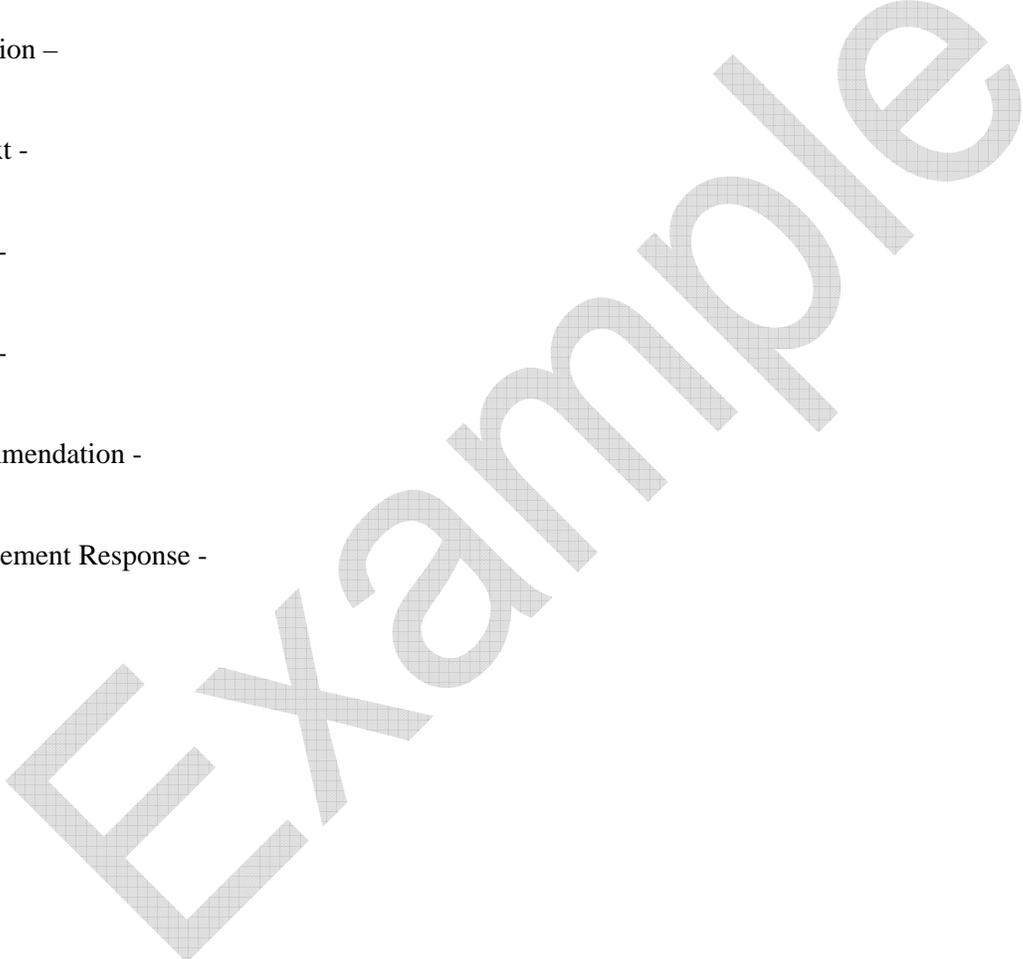
Context -

Cause -

Effect -

Recommendation -

Management Response -



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**Appendix D**  
AGENCY NAME  
Schedule of Findings and Questioned Costs  
DATE

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**Section III - Findings and Questioned Costs for State Agreements**

Department Program Name and Agreement Number -

Criteria -

Condition -

Known Questioned Costs -

Likely Questioned Costs -

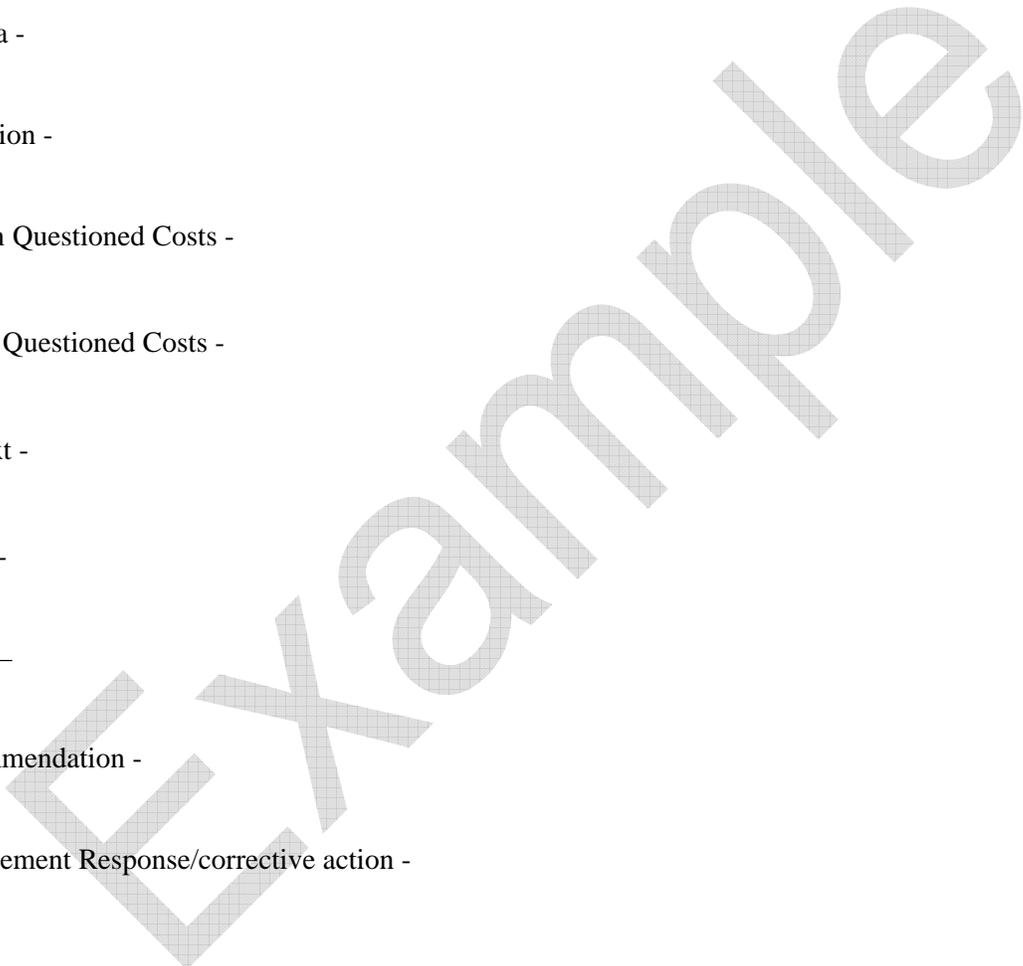
Context -

Cause -

Effect -

Recommendation -

Management Response/corrective action -



**Appendix D**  
AGENCY NAME  
Schedule of Findings and Questioned Costs  
DATE

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**Section IV - Status of Prior Year Findings**

Example

APPENDIX E  
AGREEMENT COMPLIANCE FORM

This section identifies compliance requirements that must be considered in audits of agreements between the Department and a Community Agency. Below is a summary of required compliance tests as well as sections within the agreement award relevant to such testing. Failure to comply with any of these areas could lead to material deficiencies.

<b>X</b>	Review the <b>Federal</b> compliance requirements specific to the following CFDA identifiers:			
	CFDA #	93.710	CFDA #	CFDA #
	OMB A-133 Compliance Supplement located at <a href="http://www.whitehouse.gov/omb/circulars">www.whitehouse.gov/omb/circulars</a>			
	and review all the State compliance requirements listed below that apply to Federal Funds.			
<b>X</b>	Review the <b>State</b> compliance requirements in applicable areas specified below:			
<b>X</b>	1.) <b>INTERNAL CONTROL</b>			
<b>X</b>	2.) <b>STANDARD ADMINISTRATIVE PRACTICES</b>			
	A.	OMB A-110/Common Rule	B.	Department Additions
		General		
		Pre-award Requirements		
		Financial and Program Management		Standards for Bonding
		Property Standards		Program Budget
		Procurement Standards		
		Reports and Records		
		Termination and Enforcement		
		After the Award Requirements		
<b>X</b>	3.) <b>ACTIVITIES ALLOWED OR UNALLOWED</b>			<i>Contract</i>
<b>X</b>	4.) <b>ALLOWABLE COSTS/COST PRINCIPLES</b>			
	<b>X</b>	OMB A-122	OMB A-87	OMB A-21
<b>X</b>	5.) <b>CASH MANAGEMENT</b>			<i>OMB Circular A-110, § __.22</i>
<b>X</b>	6.) <b>ELIGIBILITY</b>			<i>Contract</i>
<b>X</b>	7.) <b>EQUIPMENT AND REAL PROPERTY MANAGEMENT</b>			<i>OMB Circular A-110, § __.34</i>
<b>X</b>	8.) <b>MATCHING, LEVEL OF EFFORT, EARMARKING</b>			<i>Contract</i>
<b>X</b>	9.) <b>PERIOD OF AVAILABILITY OF FUNDS</b>			<i>OMB Circular A-110, § __.28</i>
<b>X</b>	10.) <b>PROCUREMENT AND SUSPENSION AND DEBARMENT</b>			<i>OMB Circular A-110, § __.40-48</i>
<b>X</b>	11.) <b>PROGRAM INCOME</b>			<i>OMB Circular A-110, § __.24</i>
<b>X</b>	12.) <b>REPORTING</b>			<i>Contract</i>
<b>X</b>	13.) <b>SUBRECIPIENT MONITORING</b>			<i>OMB Circular A-110, § __.51 and OMB Circular A-133, § __.400(d)</i>
<b>X</b>	14.) <b>SPECIAL TESTS AND PROVISIONS</b>			<i>Contract</i>
<b>X</b>	15.) <b>AGREEMENT SETTLEMENT:</b>		<b>COST SHARING</b>	<b>X</b>
	(Check all that are applicable)		<b>FEE FOR SERVICE</b>	
			<b>UNIT COST</b>	
			<b>LINE ITEM EXPENSE</b>	
			<b>OTHER (specify):</b>	

## Appendix F

### Pro Forma

**Community Agency:** ABC Agency, Inc.  
**Fiscal Year End:** 9/30/2008  
**Funding Department:** Department of Health and Human Services  
**Agreement Number:** CFS-08-1040  
**Agreement Period:** 7/1/07-6/30/08  
**Agreement Amount:** \$180,000

#### Part I Agreement Totals

		<u>Revenue</u>	<u>Expense</u>	<u>Balance</u>
1.	Per Agreement Budget	293,500	293,500	0
	<u>Agreement Adjustments</u>			
2.	MaineCare/Program Expenses	(45,000)	(45,000)	0
3.	Restricted United Way/Equipment	(5,000)	(5,000)	0
4.	In-Kind Revenue/Expenses	(3,500)	(3,500)	0
				0
5.	Total Adjustments	<u>(53,500)</u>	<u>(53,500)</u>	<u>0</u>
6.	Totals Available for Cost Sharing	<u>240,000</u>	<u>240,000</u>	<u>0</u>

#### Part II Agreement Cost Sharing

	<u>Funding Source</u>	<u>Budget %</u>	<u>Revenue</u>	<u>Expense</u>	<u>Balance</u>
7.	Agreement # (state funds)	37.50	90,000	90,000	0
8.	Agreement # (federal funds)	37.50	90,000	90,000	0
9.	All Other	25.00	60,000	60,000	0
10.	Totals		<u>100.00</u>	<u>240,000</u>	<u>240,000</u>

	<u>Settlement</u>	<u>Department Payments</u>	<u>Allocated Expenses</u>	<u>Due Dept. (Agency)</u>
11.	Settlement			

Notes to adjustments:

**Appendix G**  
**Agreement Closeout Report (ACR)**  
**Actual**

**Community Agency:** ABC Agency, Inc.  
**Fiscal Year End:** 9/30/2008  
**Funding Department:** Department of Health and Human Services  
**Agreement Number:** CFS-08-1040  
**Agreement Period:** 7/1/07-6/30/08  
**Agreement Amount:** \$180,000  
**Program/Service:** Teen Health

Part I	<u>Agreement Totals</u>	<u>Revenue</u>	<u>Expense</u>	<u>Balance</u>
1.	Per Financial Claim	293,750	281,250	12,500
	<u>Agreement Adjustments</u>			
2.	MaineCare/Program Expenses	(52,000)	(52,000)	0
3.	Restricted United Way/Equipment	(4,500)	(4,500)	0
4.	In-Kind Revenue/Expenses	(3,500)	(3,500)	0
5.	Available CFS-08-1040	10,000		
6.	Total Adjustments	<u>(50,000)</u>	<u>(60,000)</u>	<u>10,000</u>
7.	Totals Available for Cost Sharing	<u>243,750</u>	<u>221,250</u>	<u>22,500</u>

Part II	<u>Agreement Cost Sharing</u>				
<u>Funding Source</u>	<u>Actual%</u>	<u>Revenue</u>	<u>Expense</u>	<u>Balance</u>	
8.	Agreement # (state funds)	36.92	90,000	81,685	8,315
9.	Agreement # (federal funds)	36.92	90,000	81,685	8,315
10.	All Other	26.16	63,750	57,880	5,870
11.	Totals	<u>100.00</u>	<u>243,750</u>	<u>221,250</u>	<u>22,500</u>

Part III	<u>Settlement</u>	<u>Department Payments</u>	<u>Allocated Expenses</u>	<u>Due Dept. (Agency)</u>
12.	Settlement	170,000	163,370	6,630

Notes to adjustments:

Line #5 To adjust CFS 08-1040 revenue per agency, \$170,000 to agreement amount, \$180,000 for cost sharing purposes.



Paul R. LePage, Governor Mary C. Mayhew, Commissioner

Community Agency:	Sample Community Agency
Fiscal Year End:	6/30/20XX
Funding Department:	Department of Health and Human Services
Program/Service:	Community Outreach
Agreement Number:	CDC-XX-XXXX
Agreement Period:	7/1/20XX- 6/30/20XX
Agreement Amount:	\$145,000.00

## FEE FOR SERVICE AGREEMENT CLOSEOUT REPORT

### PART I - INVOICES SUBMITTED

#### INVOICES SUBMITTED BY AGENCY

List all invoice dates and amounts:

INVOICE DATE	INVOICE AMOUNT	INVOICE DATE	INVOICE AMOUNT
	\$ -	Jan. 20XX	\$ 10,183.00
	\$ -	Feb. 20XX	\$ 13,564.00
	\$ -	March 20XX	\$ 19,548.00
	\$ -	April 20XX	\$ 9,584.00
	\$ -	May 20XX	\$ 11,520.00
	\$ -	June 20XX	\$ 13,564.00
	\$ -	July 20XX	\$ 10,265.00
	\$ -	Aug. 20XX	\$ 12,365.00
	\$ -	Sept. 20XX	\$ 10,458.00
	\$ -	Oct. 20XX	\$ 11,456.00
	\$ -	Nov. 20XX	\$ 9,568.00
	\$ -	Dec. 20XX	\$ 10,252.00
<b>TOTAL INVOICED AMOUNT</b>			<b>\$ 142,327.00</b>

### PART II - AGREEMENT SETTLEMENT

<b>TOTAL AMOUNT RECEIVED FROM DHHS</b>	<b>\$ 143,000.00</b>
<b>AMOUNT INVOICED MINUS AMOUNT RECEIVED</b>	<b>\$ (673.00)</b>

If Amount is positive, Amount is due Agency **OR** If Amount is negative, Amount is due DHHS

**Checks:** If an amount is owed DHHS, submit a check payable to "Treasurer, State of Maine" to: Attn: Team #2, DHHS Service Center, 221 State Street, Augusta, ME 04333. Attach a copy of this report to the check. Include a separate check for interest due from funds paid under the agreement.

**Report Completed by:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Reviewed by DHHS:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**APPENDIX H**  
**AGREEMENT SETTLEMENT FORM**  
**DOT/Passenger Transportation**  
**D.O.T. SECTION 9**  
**URBAN TRANSPORTATION PROGRAM**  
**DEFICIT FUNDING**  
**Sample Community Agency**  
**Fiscal Year Ending:**

**CFDA#:**

**Project Name/No:**

**PIN#**

**Agreement Period:**

<b>Total Operating Costs</b>	\$
Less:	
Fares	_____
<b>Net Operating Deficit</b>	<u>\$</u>

<b>Revenue:</b>	
Federal	\$
State	\$
Local	\$
<b>Total Revenues</b>	<u>\$</u>
<b>Surplus/Deficit</b>	<u>\$</u>

**Federal Participating Share**

<b>1. Amount of Non-Federal Funds Contributed:</b>	
State	\$
Local	\$
Total Non-Fed	<u>\$</u>
<b>2. 50% of the net Project Costs:</b>	
Federal Share @ 50%	\$
<b>3. Operating Deficit After Adding Local Funds</b>	
<b>But Before Adding UMTA Funds</b>	
Operating Costs	\$
Less:	
Fares	\$
State	\$
Local	\$
Deficit Before UMTA	\$
<b>4. Maximum Amount of Grant</b>	
Federal Share Paid	\$
Participating Share (Steps 1-4)	<u>\$</u>
Federal Over (Under) Paid	<u>\$</u>

**State Participation Share**

Max Authorized Amount	\$
State Share @ 50%	\$
State Share Paid	_____
<b>State Over (Under) Paid</b>	<u>\$</u>

Conclusion:

**Purpose:**

To determine whether the federal share of operating costs complies with federal requirements.

Participating shares paid can be no greater than the smallest of the following:

1. The amount of non-federal funds contributed;
2. 50% of the net project costs;
3. The operating deficit after adding local funds but before adding UMTA funds, or;
4. The maximum amount of the grant.

State Funds from MDOT cannot exceed the amount authorized, and in no event exceed 50% of the

**AGREEMENT SETTLEMENT FORM**  
**DOT/Passenger Transportation**  
**D.O.T. SECTION #**  
**RURAL TRANSPORTATION PROGRAM**  
**DEFICIT FUNDING**

**Sample Community Agency**  
**Fiscal year Ending:**

**CFDA#:**  
**Project Name/No:**  
**PIN#**  
**Agreement Period:**

	Operating	Admin	Capital	Total
<b>Gross Expenditures</b>	\$ _____	\$ _____	\$ _____	\$ _____
Less:				
Contra-Expenditures	\$ _____	\$ _____	\$ _____	\$ _____
Operating Revenue	\$ _____	\$ _____	\$ _____	\$ _____
Excess Unrestricted	\$ _____	\$ _____	\$ _____	\$ _____
Fed	\$ _____	\$ _____	\$ _____	\$ _____
<b>Total Deductions</b>	\$ _____	\$ _____	\$ _____	\$ _____
<b>Net Expenditures/Deficit</b>	_____ %	_____ %	_____ %	
<b><u>Federal Share</u></b>				
Maximum %	\$ _____	\$ _____	\$ _____	\$ _____
Amount Paid	\$ _____	\$ _____	\$ _____	\$ _____
Maximum Amount	\$ _____	\$ _____	\$ _____	\$ _____
<b>Over (Under) Maximum</b>	_____ %	_____ %	_____ %	
<b><u>State Share</u></b>				
Maximum %	\$ _____	\$ _____	\$ _____	\$ _____
Amount Paid	\$ _____	\$ _____	\$ _____	\$ _____
Maximum Amount	\$ _____	\$ _____	\$ _____	\$ _____
<b>Over (Under) Maximum</b>	_____ %	_____ %	_____ %	
<b><u>Summary:</u></b>				
Federal Over Paid	\$ _____	\$ _____	\$ _____	\$ _____
State Over Paid	\$ _____	\$ _____	\$ _____	\$ _____
Total Over Paid	\$ _____	\$ _____	\$ _____	\$ _____

Note: This form is used for all funds other than Section 9 - Urban Transportation Program Deficit Funding. Including, but not limited to: Section 3, 16, or 18 funds; JARC, Reverse Commute...

**AGREEMENT SETTLEMENT FORM  
DOT/Passenger Transportation  
LEASE AGREEMENTS**

**Sample Community Agency  
Fiscal Year Ending:**

**CFDA#:**  
**Project Name/No:**  
**PIN#**  
**Agreement Period:**

	CAPITAL	TOTAL
<b>Gross Expenditure</b>	\$	\$
Less:		
Local Share	\$	\$
	_____	_____
<b>Net Expenditures/Deficit</b>	\$	\$
 <b><u>Federal Participating Share</u></b>		
Maximum %		
Amount Paid	\$	\$
Maximum Amount	\$	\$
Over(Under) Maximum	\$	\$
	_____	_____
 <b><u>State Participating Share</u></b>		
Maximum %		
Amount Paid	\$	\$
Maximum Amount	\$	\$
Over(Under) Maximum	\$	\$
	_____	_____
 <b><u>Summary</u></b>		
Federal Over(Under) Paid	\$	\$
State Over(Under) Paid	\$	\$
Total Over(Under) Paid	\$	\$
	_____	_____

**Notes**

STATUTORY AUTHORITY: 5 M.R.S.A. c.148-C, sub-c. 1660-H