

**ATTACHMENT D: ALASKA ADMINISTRATIVE CODE TITLE 2 ADMINISTRATION
CHAPTER 45 GRANT ADMINISTRATION**

Section

- 10. Audit Requirements
- 60. (Repealed)
- 70. Applicability
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2 AAC 45.010 AUDIT REQUIREMENTS

(a) 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 an audit of the recipient entity if that entity is submit 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 \$500,000 or more during the entity's fiscal year shall submit an audit report for the audit period to the department, 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 (2) of this subsection, if
 - (A) the state agency that provides the financial assistance aggress 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 or the audit period:

- (1) *Government Auditing Standards*, July 2007 Revision adopted by the comptroller general of the United States, and adopted by reference;
- (2) generally accepted auditing standards, as accepted by the American Institute of Certified Public Accountants in the *Codification of Statements on Auditing Standards* in effect as of January 1, 2008 for the type of entity being audited, adopted by reference;
- (3) *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, May 2008 revision, prepared by the department, adopted by reference.

(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 significant deficiencies 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 \$5,000 in the aggregate of all transactions of expenditures tested for the financial assistance being audited;
- (3) the entity's financial statements;

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- (4) the schedule of state financial assistance;
 - (5) the schedule of findings and questioned costs.
- (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) significant deficiencies, 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 the entire operations of the entity.
- (h) An entity shall provide the department with sufficient copies of each audit report to allow submission of a copy to each state agency providing financial assistance to the entity. The department will determine if auditing standards have been met and will forward a copy of the audit to the appropriate state agencies. The department will 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 \$500,000 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 07/01/98.

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(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) community revenue sharing money provided under AS 29.60.850 – 29.60.879;
- (2) repealed 3/31/2008;
- (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 29.60.450, AS 43.75.130, and AS 43.77.060;
- (7) PERS/TRS relief funding under money appropriated to pay employer unfunded liability attributable to the entity under AS 14.25 and AS 39.35.

(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. (Eff. 8/1/85, Register 95; am 6/29/90, Register 114; am 7/1/98, Register 146; am 3/31/2008; Register 185; am 8/1/2008, Register 187)

Authority: AS 37.05.020 AS 37.05.190

2 AAC 45.060. EXTERNAL QUALITY REVIEW OF AUDIT ORGANIZATION.

Repealed. (Eff. 7/1/98, Register 146; repealed 3/31/2008, Register 185)

2 AAC 45.070. APPLICABILITY.

(a) The amended version of this chapter, effective August 1, 2008, applies to an audit for an audit period that begins or continues after August 1, 2008.

(b) An entity may agree to be subject to the provisions of the amended version of this chapter, effective August 1, 2008, for an audit period beginning on or after July 1, 2007 and ending on or before July 31, 2008, by voluntarily submitting

- (1) an audit that complies with those provisions; or
- (2) a statement that an audit is not required under the provisions of 2 AAC 45.010(b). (Eff. 7/1/98, Register 146; am 3/31/2008, Register 185; am 8/1/2008, Register 187)

Authority: AS 37.05.020 AS 37.05.190

2 AAC 45.080. EXEMPTIONS FROM FINANCIAL ASSISTANCE.

(a) For purposes of this chapter, "financial assistance" does not include the following:

- (1) public assistance provided under AS 47;
- (2) goods or services purchased for the direct administration or operation of state government;
- (3) moneys advanced to an entity under one or more state loan programs;
- (4) power cost equalization payments made to an electric cooperative on behalf of its customers;
- (5) scholarships, loans, or other tuition aid provided to students, but paid to an education institution on their behalf.

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(b) In addition to the exemptions set out in (a) of this section, for a third party, “financial assistance” does not include goods purchased from the third party for direct administration or operation of the entity that received financial assistance. (Eff. 7/1/98, Register 146)

Authority: AS 37.05.020 AS 37.05.190

2 AAC 45.090. DEFINITIONS.

For purposes of this chapter, unless the context otherwise requires,

- (1) “audit period” means the entity’s fiscal year in which the entity expended financial assistance;
- (2) “entity” does not include
 - (a) the University of Alaska or any other state agency;
 - (b) a for-profit entity; and
 - (c) a non United States based entity;
- (3) “financial assistance” means state grants, contracts, provider agreements, cooperative agreements, and all forms of state financial assistance to an entity; “financial assistance” includes all forms of state financial assistance provided through an entity to a third party;
- (4) “known questioned costs” means those questioned costs specifically identified by the auditor in the audit conducted under this chapter;
- (5) repealed 3/31/2008;
- (6) “department” means the Department of Administration;
- (7) “significant deficiencies” has the meaning given in Section 5.11a. of the *Government Auditing Standards* adopted by reference in 2 AAC 45.010(c). (Eff. 7/1/98, Register 146; am 3/31/2008, Register 185)

Authority: AS 37.05 .020 AS 37.05.190