# CHAPTER 148-C

# MAINE UNIFORM ACCOUNTING AND AUDITING PRACTICES ACT FOR COMMUNITY AGENCIES

## §1660-C. Short title

This chapter may be known and cited as the "Maine Uniform Accounting and Auditing Practices Act for Community Agencies." [PL 1995, c. 402, Pt. C, §2 (NEW).]

SECTION HISTORY

PL 1995, c. 402, §C2 (NEW).

## §1660-D. Definitions

As used in this chapter, unless the context otherwise indicates, the following terms have the following meanings. [PL 1995, c. 402, Pt. C, §2 (NEW).]

**1. Agreement.** "Agreement" means a legally binding written document between 2 or more parties, including, but not limited to, a document commonly referred to as an accepted application, proposal, prospectus, contract, grant, joint or cooperative agreement, purchase of service or state aid.
[PL 1995, c. 402, Pt. C, §2 (NEW).]

**2. Agreement funds; agreement funding.** "Agreement funds" or "agreement funding" means all agreement funds received by a community agency from the department. It includes state and federal pass-through funds.
[PL 1995, c. 402, Pt. C, §2 (NEW).]

**3. Commissioner.** "Commissioner" means the Commissioner of Health and Human Services, who has responsibility for the administration of this chapter.
[PL 2005, c. 397, Pt. A, §6 (AMD).]

**4. Community agency.** "Community agency" means any public or private nonprofit organization, firm, individual, partnership or business corporation operated for profit that:

A. Operates a social service program at the community level; [PL 1995, c. 402, Pt. C, §2 (NEW).]

B. Receives public funds, either directly or indirectly, from one or more state departments or agencies; [PL 1995, c. 402, Pt. C, §2 (NEW).]

C. Is not an administrative unit of the Federal Government or State Government; and [PL 1995, c. 402, Pt. C, §2 (NEW).]

D. Is not exclusively a health care facility within the meaning of Title 22, former section 382, subsection 6. [PL 2017, c. 475, Pt. A, §3 (AMD).]

[PL 2017, c. 475, Pt. A, §3 (AMD).]

**5. Community agency fiscal year.** "Community agency fiscal year" means the fiscal year of a community agency commencing on or after July 1, 1995.
[PL 1995, c. 402, Pt. C, §2 (NEW).]

**6. Department.** "Department" means the 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.
[RR 2003, c. 2, §4 (COR).]

**7. Department examination.** "Department examination" means actions determined to be necessary by the department's audit division, including, but not limited to, analyses or testing of reported agreement balances and transactions, provision of internal control systems and compliance with rules. Examinations conducted by the department may be of a limited scope basis and need not be done in accordance with government auditing standards.
[PL 1995, c. 402, Pt. C, §2 (NEW).]

**8. Department review.** "Department review" means a review by the department of a community agency's submitted annual financial statement report. Review may include desk 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 agreements for the department.
[PL 1995, c. 402, Pt. C, §2 (NEW).]

**9. Dollar threshold.** "Dollar threshold" means a funding limit that is set to determine how a community agency will be held accountable for agreement receipts of state and federal funds from the department. This term governs the community agency's annual reporting requirements for agreement expenditures and it is measured on an entitywide basis based on the community agency fiscal year.
[PL 2005, c. 519, Pt. SS, §1 (AMD).]

**10. Entitywide financial reporting.** "Entitywide financial reporting" means financial statements and agreement supplemental schedules of a community agency prepared based on its fiscal year. At a minimum, the supplemental schedules of the agreements must identify revenues and expenditures for each agreement.
[PL 2005, c. 519, Pt. SS, §1 (AMD).]

**11. Federal audit.** "Federal audit" means an audit made pursuant to the federal Office of Management and Budget Circular A-133 or any subsequent revisions.
[PL 2005, c. 519, Pt. SS, §1 (AMD).]

**12. Federal funds.** "Federal funds" means all federal funds received by a community agency and not just those agreements received from the department. It includes federal direct, indirect and pass-through funds from all sources.
[PL 1995, c. 402, Pt. C, §2 (NEW).]

**13. Generally accepted accounting principles.** "Generally accepted accounting principles" means 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 American Institute of Certified Public Accountants and other recognized professional bodies.
[PL 1995, c. 402, Pt. C, §2 (NEW).]

**14. Government auditing standards.** "Government auditing standards" means auditing standards promulgated by the Comptroller General of the United States that are applicable to financial audits.
[PL 2005, c. 519, Pt. SS, §1 (AMD).]

**15. Independent public accountant.** "Independent public accountant" means a person who complies with 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 [PL 1995, c. 402, Pt. C, §2 (NEW).]

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. [PL 1995, c. 402, Pt. C, §2 (NEW).]
[PL 1995, c. 402, Pt. C, §2 (NEW).]

**16. Nonparticipating department.** "Nonparticipating department" means 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.

Nonparticipating departments may not impose audit requirements or agreement compliance and cost criteria to an agreement with a community agency that do not conform to the requirements of this subsection and its subsequent rules.
[PL 1995, c. 402, Pt. C, §2 (NEW).]

**17. Nonprofit organization.** "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.
[PL 1995, c. 402, Pt. C, §2 (NEW).]

**18. Public.** "Public" means a municipal, county or other governmental body that is a political subdivision within the State.
[PL 1995, c. 402, Pt. C, §2 (NEW).]

**19. Risk pool.** "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 the prior and current community agency historical profile.
[PL 1995, c. 402, Pt. C, §2 (NEW).]

**20. Social service.** "Social service" means any social services program funded in whole or in part through an agreement issued by the department. Medicaid funding is excluded unless specifically identified as a social service program in an agreement award.
[PL 1995, c. 402, Pt. C, §2 (NEW).]

SECTION HISTORY

RR 1995, c. 2, §5 (COR). PL 1995, c. 402, §C2 (NEW). PL 1997, c. 393, §A8 (AMD). PL 2001, c. 354, §3 (AMD). RR 2003, c. 2, §4 (COR). PL 2005, c. 397, §A6 (AMD). PL 2005, c. 519, §SS1 (AMD). PL 2017, c. 475, Pt. A, §3 (AMD).

**§1660-E. Report**

The commissioner shall report annually to the joint standing committee of the Legislature having jurisdiction over state and local government matters on the implementation of this chapter. [PL 1995, c. 402, Pt. C, §2 (NEW).]

SECTION HISTORY

PL 1995, c. 402, §C2 (NEW).

**§1660-F. Standard accounting practices**

The commissioner shall adopt rules no later than 180 days after July 3, 1995 that must contain the requirements for the state report for the department and, at a minimum, the following requirements. [RR 1997, c. 2, §9 (COR).]

**1. Accounting systems and reporting.** Community agencies shall maintain an accounting system in accordance with rules adopted by the commissioner. The rules must require annual financial reporting to the department. The annual reporting requirements and the related dollar thresholds of accountability are as follows.

A. If the community agency expends less than $500,000, the agency shall comply with the terms of financial reporting contained in the individual social service agreements with the department. [PL 2005, c. 519, Pt. SS, §2 (AMD).]

B. If the community agency expends $500,000 or more of agreement funding from the department, the agency must have an entitywide financial and compliance audit of the agency's financial statements and agreement supplemental schedules prepared by a qualified independent public accountant in accordance with the reporting requirements for the department and comply with the terms of financial reporting contained in the individual social service agreements with the department. [PL 2005, c. 519, Pt. SS, §2 (AMD).]

[PL 2005, c. 519, Pt. SS, §2 (AMD).]

**2. Internal control structures.** A community agency shall maintain and utilize internal control structures adequate to provide reasonable assurance that federal, state and other funds are managed and expended in compliance with applicable laws, rules and agreement terms.

[PL 1995, c. 402, Pt. C, §2 (NEW).]

**3. Access to records.** A community agency shall permit independent private and governmental auditors to have access to the agency's records and financial statements to ensure compliance with applicable laws, rules and agreement terms.

[PL 1995, c. 402, Pt. C, §2 (NEW).]

**4. Record retention.** A community agency shall retain accounting and operational records for at least 3 years after expiration of the agency's fiscal year or longer if required by circumstances such as appeals or litigation.

[PL 1995, c. 402, Pt. C, §2 (NEW).]

SECTION HISTORY

PL 1995, c. 402, §C2 (NEW). RR 1997, c. 2, §9 (COR). PL 2005, c. 519, §SS2 (AMD).

**§1660-G. Standard audit practices**

The commissioner shall adopt rules no later than 180 days after July 3, 1995 containing at least the following requirements for audit practices. [RR 1997, c. 2, §10 (COR).]

**1. Federal requirement.** All federal audits prepared for agencies to which section 1660-F, subsection 1, paragraphs A and B apply must be performed by qualified independent public accountants. Agencies to which section 1660-F, subsection 1, paragraphs A and B apply must obtain audits that satisfy the federal audit requirement. Department auditors shall oversee these federal audit report submissions.

[PL 1995, c. 402, Pt. C, §2 (NEW).]

**2. Department requirement.**

[PL 2005, c. 519, Pt. SS, §3 (RP).]

SECTION HISTORY

PL 1995, c. 402, §C2 (NEW). RR 1997, c. 2, §10 (COR). PL 2005, c. 519, §SS3 (AMD).

**§1660-H. Rulemaking**

The commissioner shall adopt rules, as necessary to comply with this section, establishing uniform standards when administering agreements with a community agency. These rules must address the following subjects: community agency accounting, reporting and auditing standards; department program responsibilities; program compliance requirements; standard administrative requirements and cost principles; agreement register; audit responsibilities; standards and procedures for departmental examinations; appeals and resolution process; and sanctions and timetables for accountability. [PL 2005, c. 519, Pt. SS, §4 (AMD).]

SECTION HISTORY

PL 1995, c. 402, §C2 (NEW). RR 1997, c. 2, §11 (COR). PL 2005, c. 519, §SS4 (AMD).

**§1660-I. Responsibilities of parties**

The responsibilities of the parties under this chapter are as follows. [PL 1995, c. 402, Pt. C, §2 (NEW).]

**1. Community agency.** A community agency shall:

A. Design and operate an internal control system reasonably sufficient to ensure that the community agency meets acceptable standards in the areas of financial reporting reliability, operating efficiency and effectiveness and compliance with applicable laws and regulations. [PL 2005, c. 519, Pt. SS, §5 (RPR).]

B. Prepare and submit financial reports as required by the department's social services agreements and, if applicable, annual entity financial statements and agreement supplemental schedules in accordance with department rules; and [PL 2005, c. 519, Pt. SS, §6 (AMD).]

C. Meet the federal and department audit requirement. [PL 1995, c. 402, Pt. C, §2 (NEW).]
[PL 2005, c. 519, Pt. SS, §§5, 6 (AMD).]

**2. Department.** The department shall:

A. Adopt rules consistent with the provisions of Title 22, section 41-B establishing accounting and auditing practices for community agencies, including, but not limited to, agreement reporting as part of the annual entitywide financial statement presentation; standards of accountability for community agencies; and audit requirements and standards for the department; [PL 2005, c. 588, §1 (AMD).]

B. Provide community agencies the necessary training concerning the requirements of this chapter; [PL 1995, c. 402, Pt. C, §2 (NEW).]

C. Review federal audits done by qualified independent public accountants in accordance with the applicable and prevailing federal Office of Management and Budget circulars. These reviews must be desk reviews of audit report submissions and quality control reviews of independent public accountant workpapers when necessary; [PL 1995, c. 402, Pt. C, §2 (NEW).]

D. Review state audit reports performed for the department by qualified independent public accountants; [PL 1995, c. 402, Pt. C, §2 (NEW).]

E. Review community agency financial reports required by the department's social services agreements and determine the need for department examination; and [PL 2005, c. 519, Pt. SS, §7 (AMD).]

F. [PL 2005, c. 519, Pt. SS, §8 (RP).]

G. Provide technical advice and act as a liaison between all interested parties. [PL 1995, c. 402, Pt. C, §2 (NEW).]
[PL 2005, c. 519, Pt. SS, §§7, 8 (AMD); PL 2005, c. 588, §1 (AMD).]

**3. Other.**

[PL 2005, c. 519, Pt. SS, §9 (RP).]

SECTION HISTORY

PL 1995, c. 402, §C2 (NEW). PL 2005, c. 519, §§SS5-9 (AMD). PL 2005, c. 588, §1 (AMD).

**§1660-J. Nonparticipating department**

A nonparticipating department may not authorize agreement compliance and cost principles to be administered or conduct audits of community agencies unless the department has informed the commissioner that the department will adopt all provisions of this chapter and the department demonstrates the ability to do so. All audits performed in accordance with the provisions of this chapter

and rules adopted pursuant to it must satisfy all department requirements. [PL 1995, c. 402, Pt. C, §2 (NEW).]

SECTION HISTORY

PL 1995, c. 402, §C2 (NEW).

**§1660-K. Emergency provision**

**(REPEALED)**

SECTION HISTORY

PL 1995, c. 402, §C2 (NEW). RR 1997, c. 2, §11 (COR). PL 2005, c. 519, §SS10 (RP).

**§1660-L. Advisory Committee to the Commissioner**

There is established the Advisory Committee to the Commissioner, referred to in this section as the "advisory committee." The advisory committee must be appointed by the commissioner and consists of 7 members. Three members must represent the Department of Health and Human Services. Three members must represent community agencies. One member must represent the independent audit community. The chair must be elected by the committee from its members. All members of the advisory committee serve without compensation or reimbursement for expenses. The advisory committee must prepare an annual written report to the Legislature on the experience of the department with this chapter. [RR 2003, c. 2, §5 (COR).]

SECTION HISTORY

PL 1995, c. 402, §C2 (NEW). PL 1997, c. 393, §A9 (AMD). PL 2001, c. 354, §3 (AMD). RR 2003, c. 2, §5 (COR).

**§1660-M. Appeals**

Any person aggrieved under this chapter is entitled to judicial review, as provided in the Maine Administrative Procedure Act. The commissioner shall consult with the Advisory Committee to the Commissioner about additional appeal procedures and may adopt rules providing for such procedures. [PL 1995, c. 402, Pt. C, §2 (NEW).]

SECTION HISTORY

PL 1995, c. 402, §C2 (NEW).

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