

Chapter 20 – Internal Control & Audit Tracking

20.60 Protocols for Federal Audits, Resolution, Department Initiated Audit Activity

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Protocols for Federal Audits, Resolution, Department Initiated Audit Activity

20.60.10 Protocol to be Used by State Agencies

The purpose of this section is to clarify the protocol to be used by state departments when contacted by federal audit authorities regarding the Statewide Single Audit (SSA) or other audits or program reviews. This document also includes policy for department-initiated audit activity. Three general types of audit activities are discussed in this section. Two types of activities are federally initiated and one type is department-initiated activity, as follows:

- Notification to a department by federal authorities of the intent to perform an audit.
- A request from federal audit authorities for additional information on an existing audit finding.
- Department-initiated audit activity.

20.60.20 Federal Audit Activity

20.60.20a

The first type of federal audit activity involves notification to a department by federal authorities of the intent to perform an audit. Federal regulations (Office of Management and Budget (OMB) Uniform Guidance, 2 CFR 200.503) provide that federal auditors must build upon any work already done in the SSA. Therefore, the steps to be taken are as follows:

1. The department must notify the Office of the State Controller (OSC) in accordance with Title 5, Section 1541, MRSA, while the federal auditors must notify the federal cognizant agency (Department of Health and Human Services) of audit intent.
2. OSC will coordinate with the State Auditor so the federal authority may review the single audit work papers.
3. The OSC will be present at the entrance conference to gain an understanding of the scope and focus of the audit.

20.60.20b The second type of federal activity involves a request from the federal audit authorities for additional information on an existing finding, such as documentation of the current status of an agency's corrective action plan as presented in the SSA Report. The action to be taken in this case are as follows:

1. If the request is made directly to the department, the department should respond to the request, and send a copy of any written documentation to the OSC's Internal Audit Division.

or

2. If the request is made directly to the OSC, the Controller's Office will research the inquiry with the involved agency. A copy of the OSC's response will be forwarded to the agency involved.

20.60.20.c OSC encourages responsible financial management. OSC has no desire to deter state agencies from arranging for any additional audits that they believe necessary. However, these audits must be coordinated in advance with the agency's liaison in the OSC's Financial Reporting Division. Departments planning to hire outside auditors must contact OSC to arrange for a meeting as early in the process as possible. Until the OSC understands the purpose of the engagement, the OSC will withhold its approval of the contract. In addition, agencies that plan to engage independent auditors to perform audits or program reviews should be aware that state and federal regulations require that OSC coordinate the protocol used by auditors at any state department, agency, or institution. OSC ensures that departmentally procured audits are consistent with other state government audits, and that the results will be available for incorporation into the Statewide Single Audit, if appropriate.