DEQ
Michigan's Nonpoint Source Program

POLICY AND PROCEDURE

SUBJECT: Grant Administration – Grantee Organization Audits	**NUMBER: GA 01**
DATE: November 3, 2008	**Page 1 of 2**

Issue:

Part 196, Clean Michigan Initiative Implementation, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended, states: "The administering state department shall not make a grant or a loan with money from the fund unless all of the following conditions are met:"

> "Within the last 24 months, the **applicant** has successfully undergone an audit conducted in accordance with generally accepted auditing standards (324.19610)."

In addition, 40 CFR 31.20, Standards for Financial Management Systems, dictates that the state must expend and account for grant funds in accordance with State laws and procedures.

This procedure helps assure that the Department of Environmental Quality (DEQ) Nonpoint Source (NPS) Program meets these legal requirements and conducts business with financially sound entities.

Definitions:

"NPS Grants" includes any grant funded by the DEQ NPS Program.

"Applicant" is an entity applying for a grant administered by the DEQ NPS Program.

"Grantee" is a successful applicant, awarded a grant.

"Federal fiscal year" begins October 1 and ends the following September 30.

Policy:

NPS Grant **applicants** must submit, as part of their application, proof of a successful audit.

- Such proof must be in the form of an Independent Auditor's Report/letter showing that the applicant has undergone an audit in accordance with generally accepted auditing standards or government auditing standards.
- The report must be signed by a Certified Public Accountant and include the date the audit was conducted and the period audited.
- A financial statement will not be accepted as proof of an audit.
- Michigan Department of Agriculture's "Financial Statement: Independent Account's Report" will not be considered as proof of an audit.

Applicants that fail to submit proof of a successful audit will be given one opportunity to submit, and said audit must be dated within two (2) years of the Request for Proposal's (RFP's) due date, but not after the RFP's due date. Applicants will be given two weeks to respond. Applicants that cannot provide an audit will be ineligible. No fiduciary arrangements will be accepted.

The NPS Program will allow audits in the budget as part of the **grantee**'s indirect only, unless the grantees receive $500,000 or more in federal funding in one federal fiscal year from the NPS Program and/or other federally funded sources. Such grantees must have a single audit conducted and may charge the prorated amount to the NPS Grant or count such as match.

Exceptions/Variances:

Exceptions or variances to the procedure may be approved only by the Division Chief.

Effective Date: November 3, 2008

Approved: Amy A. Butler Date: Nov 3, 2008

Amy A. Butler, Chief
Environmental Science and Services Division