



DEPARTMENT OF AUDITS AND ACCOUNTS
NONPROFIT AND LOCAL GOVERNMENT AUDITS

270 Washington Street, S.W., Room 1-156
Atlanta, Georgia 30334-8400
Telephone (404) 656-9145
Facsimile (404) 651-5608

RUSSELL W. HINTON
STATE AUDITOR

MEMORANDUM

TO: All Agency Heads

FROM: Russell W. Hinton, State Auditor 

DATE: December 8, 2010

RE: Local Government Eligibility for State Grants

Enclosed please find a listing of local governments that are not in compliance with audit report/grant certification form submission requirements, including information on the specific nature of the noncompliance noted on the date the listing was prepared. Noncompliance with these requirements could impact a local government's eligibility for state grant transmittals or could require return to the state of previously awarded grant funds. To facilitate access to this information by your staff, this memo and the enclosed listing of noncompliant local governments will be available on the Department of Audits and Accounts web page. The direct web address to access this information is:

http://www.audits.ga.gov/NALGAD/Local_Government_Audits.html (links in second paragraph)

The following Code sections affect a local government's eligibility for state grant funds based upon submission of documents to the State Auditor for review:

O.C.G.A. §36-81-7 requires that local governments forward a copy of their annual audit report to the State Auditor for review. This code section also requires local governments to correct deficiencies noted during this review. Subparagraph (d)(5) of this code section specifies that "no state agency shall make or transmit any state grant funds to any local government which has failed to provide all the audits required by law within the preceding five years".

O.C.G.A. §36-81-8.1 requires that local government recipients of grants from the Governor's emergency fund or from a special project appropriation annually submit a grant certification form to the State Auditor. Except under certain limited circumstances, certification is required by the local government and the local government auditor that the grant funds were used solely for the express purpose or purposes for which the grant was made. Paragraph (e) specifies that "the failure to comply with the requirements of this code section shall result in a forfeiture of a state grant and the return to the state of any such grant funds which have been received by the local government". An additional provision states that "a grant recipient ... shall be ineligible to receive funds from the Governor's emergency fund or from a special project appropriation until all unallowed expenditures are returned to the state...".

In cooperation with the Office of Treasury and Fiscal Services, the enclosed listing includes local governments that are not in compliance with O.C.G.A. §47-1-3 or §47-20-1, et. seq. In even numbered years, local governments that have established defined benefit retirement plans are required to report on the financial condition of their plan. For those governments not in compliance, the Department of Audits and Accounts is required to "notify the director of the Office of Treasury and Fiscal Services and it shall be the duty of the director to withhold any state funds payable to the applicable political subdivision or local board of education until the actuarial investigation and financial report are submitted to the state auditor." The same requirement applies to governments whose actuary opines that the government has not met the minimum funding standards for their defined benefit plan. Noncompliant governments have been added to the listing to ensure that agency officials are aware of the requirement to withhold state funds payable to these local governments.

Please note that O.C.G.A. §36-81-7 refers to "any **state grant funds**" (emphasis added). This provision does not apply to grants made or transmitted by state agencies to local governments that are not considered state grants. For example, federal grant awards that state agencies pass through to local governments should not be withheld from noncompliant governments, even if the grant has state matching requirements. Also, it is important to note that, for purposes of O.C.G.A. §36-81-7, a local government is defined as "a municipality, county, consolidated city-county government, or other political subdivision of the state." Although not included on the attached listing, the Department maintains information regarding the compliance status of other political subdivisions; if your agency is considering the award of a grant or transmittal of state grant funds to such an entity, we will provide compliance status information upon request.

If your agency is considering the award of a grant or transmittal of state grant funds to a local government, the agency should confirm whether the local government is in compliance with the applicable code section(s) identified above. The attached listing was accurate as of the date it was prepared; however, it is important to note that local government compliance with these code sections is subject to change. Therefore, I would encourage you to request updated information on the status of local government compliance by submitting an e-mail request for information to our office. My staff will research the compliance status of the potential local government grantees specified in the e-mail and notify you of the results. Please send the e-mail to locgov@audits.ga.gov to request information on compliance status and include the names of particular governments.

Please note that as a result of a cooperative effort between the Departments of Law, Community Affairs, and Audits and Accounts, revised Grant Certification Forms and instructions have been developed and are available on our Department's website: www.audits.ga.gov/NALGAD/Grant_Information.html. Local governments will be required to submit the revised version of the grant certification form to be in compliance with the provisions of O.C.G.A. §36-81-8.1.

If you have any questions regarding the provisions of the above referenced code sections or local government eligibility for state grants, please contact Ed Blaha, Director, Nonprofit and Local Government Audits Division by e-mail at blahaef@audits.ga.gov or by telephone at (404) 651-5115.