

rules and regulations

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[6325-01-M]

Title 5—Administrative Personnel

CHAPTER I—CIVIL SERVICE COMMISSION

PART 213—EXCEPTED SERVICE

Cabinet Committee on Opportunities for Spanish-Speaking People, National Aeronautics and Space Council, and National Study Commission on Records and Documents of Federal Officials

AGENCY: Civil Service Commission.

ACTION: Final Rule.

SUMMARY: This amendment revokes the Schedule A authorities for the Cabinet Committee on Opportunities for Spanish-Speaking People, the National Aeronautics and Space Council, and the National Study Commission on Records and Documents of Federal Officials because these organizations no longer exist.

EFFECTIVE DATE: December 5, 1978.

FOR MORE INFORMATION CONTACT:

William Bohling, 202-632-4533.

Accordingly, 5 CFR 213.3123, 5 CFR 213.3162, and 5 CFR 213.3199(t) are revoked, as follows:

§ 213.3123 [Revoked]

* * *

§ 213.3162 [Revoked]

* * *

§ 213.3199 Temporary boards and commissions.

* * *

(t) [Revoked]

(5 U.S.C. 3301, 3302; EO 10577, 3 CFR 1954-1958 Comp., p. 218.)

UNITED STATES CIVIL SERVICE COMMISSION,
JAMES C. SPRY,

*Executive Assistant
to the Commissioners.*

[FR Doc. 78-35283 Filed 12-21-78; 8:45 am]

[6325-01-M]

PART 213—EXCEPTED SERVICE

National Foundation on the Arts and the Humanities

AGENCY: Civil Service Commission.

ACTION: Final rule.

SUMMARY: This amendment excepts under Schedule B until September 30, 1980, one position of Assistant Director in the Public Libraries Program, Division of Public Programs, National Endowment for the Humanities because competitive examination for this position is impracticable.

EFFECTIVE DATE: December 4, 1978.

FOR FURTHER INFORMATION CONTACT:

William Bohling, 202-632-4533.

Accordingly, 5 CFR 213.3282(b)(26) is added as follows:

§ 213.3282 National Foundation on the Arts and the Humanities.

* * *

(b) *National Endowment for the Humanities.* * * *

(26) Until September 30, 1980, one position of Assistant Director, Public Libraries Program, Division of Public Programs.

(5 U.S.C. 3301, 3302; EO 10577, 3 CFR 1954-1958 Comp., p. 218.)

UNITED STATES CIVIL SERVICE COMMISSION.

JAMES C. SPRY,
*Executive Assistant
to the Commissioners.*

[FR Doc 78-35450 Filed 12-21-78; 8:45 am]

[3410-30-M]

Title 7—Agriculture

CHAPTER II—FOOD AND NUTRITION SERVICE, DEPARTMENT OF AGRICULTURE

AUDITS OF CERTAIN FNS PROGRAMS

Interim Regulations

AGENCY: Food and Nutrition Service, USDA.

ACTION: Interim regulations.

SUMMARY: These interim regulations modify the regulatory audit coverage prescribed for the National School Lunch Program, the Special Milk Program for Children, the School Breakfast Program and the Food Service Equipment Assistance Program. Current regulations require that each of these programs be audited at both State and local levels not less frequently than once every two years. This requirement exceeds the audit coverage mandated for Federal grant programs by Office of Management and Budget Circulars A-102, Uniform Administrative Requirements For Grants-In-Aid To State and Local Governments, and A-110, Grants and Agreements With Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations. The interim regulations presented in this document are necessary to bring the regulations governing the programs named above into prompt compliance with the Circulars.

DATES: These regulations must take effect no later than July 1, 1979. Comments must be received on or before March 30, 1979 to be assured of consideration.

ADDRESS: Send comments to Margaret O'K Glavin, Acting Director, School Programs Division, Food and Nutrition Service, USDA, Washington, D.C. 20250.

FOR FURTHER INFORMATION CONTACT:

Margaret O'K Glavin, Acting Director, School Programs Division, Food and Nutrition Service, USDA, Washington, D.C. 20250 (202-447-8130).

SUPPLEMENTARY INFORMATION: The four amendments contained in

this document affect the audit coverage required for the National School Lunch Program (Part 210), the Special Milk Program for Children (Part 215), the School Breakfast Program (Part 220) and the Food Service Equipment Assistance Program (Part 230). All four programs are subject to the same audit requirement. Each respective Part is hereby amended to implement this requirement.

The regulatory amendments presented in this document affect the audit coverage required for the school nutrition programs (National School Lunch Program, Special Milk Program for Children, School Breakfast Program, and Food Service Equipment Assistance Program). The regulations governing these programs were expanded in 1975-76 to include the applicable provisions of Federal Management Circular 74-7. This Circular prescribed uniform administrative requirements for Federal grant programs, including a requirement that grantee financial management systems provide for biennial audits. Under the school nutrition programs, the grantees are the State agencies, and certain private School Food Authorities for whom the Food and Nutrition Service administers the programs directly. State administered School Food Authorities, both public and private, are subgrantees of the State agency. Pursuant to the Circular provision, the Food and Nutrition Service added to each applicable Part of the regulations the requirement that each respective program be audited at the State agency and School Food Authority level not less frequently than once every two years. Such audits were to be comprehensive, entailing coverage of each program's "funds and operations."

Since the promulgation of these amendments, there have been many objections to the imposed audit requirement. Many Federal, State and local officials have contended that USDA is requiring excessive audit coverage. Such coverage may be appropriate for State agencies, and for large city school districts that account for over eighty percent of USDA's program disbursements. However, it would impose a severe burden upon the many small School Food Authorities participating in the school nutrition programs, and biennial audit coverage of many such entities would not be cost-effective. Thus, a need was identified for a mechanism providing relief to small School Food Authorities without compromising the Government's interest.

On September 12, 1977, the Office of Management and Budget issued OMB Circular A-102. This document superceded Federal Management Circular 74-7 and clarified several of the issu-

ing Agency's intentions that had been ambiguously expressed in the latter. One such ambiguous area concerned required audit coverage. Attachment G to OMB Circular A-102 clarified the Office of Management and Budget's intention that every grantee and subgrantee organization, rather than every Federal grant program operated by such organization, must be audited biennially. The Office of Management and Budget envisioned that each audit would include a random sample of the Federal grant programs operated by each auditee, and cover the auditee's (1) financial management and (2) compliance with the terms and conditions of the Federal grants (i.e., those aspects of the regulations that affect the auditee's entitlement to Federal funds.) Consequently, the audit requirement set forth in our current regulations exceeds the intent of the Circular with respect to both audit frequency and audit scope. The amendments presented in this document would restrict the minimum audit coverage required for the school nutrition programs to that envisioned by the Office of Management and Budget, as well as provide relief from this requirement to certain small School Food Authorities. Due to the urgent need to achieve prompt compliance with the Circulars, it was considered necessary to issue these amendments as interim regulations rather than as proposed rules, it being found impracticable and contrary to the public interest to issue them as proposed rules.

All persons who desire to comment on these interim regulations are encouraged to do so. Comments are especially invited from State agency and School Food Authority personnel directly involved in administering and auditing the school nutrition programs. All written submissions received pursuant to this notice will be made available for public inspection at the School Programs Division, Food and Nutrition Service, during regular business hours (8:30 a.m. to 5:00 p.m.) (7 CFR 1.27(b)).

7 CFR Chapter II is amended as follows:

PART 210—NATIONAL SCHOOL LUNCH PROGRAM

1. In § 210.17, paragraph (a) is revised to read as follows:

§ 210.17 Management evaluations and audits.

(a)(1) In accordance with the plan submitted under § 210.4a(b)(6), the State agency shall ensure that all organizations within the State that administer or participate in the Program covered by this Part obtain audits as required by Office of Management and Budget Circulars A-102 or A-110, as applicable. The term "organization",

as used in this section, shall refer to the entity whose financial management system controls the receipt, custody and disbursement of the Federal grant funds made available for the Program. The audits shall ascertain the effectiveness of the financial management systems and internal procedures that have been established by the auditee organization to meet the terms and conditions of its Federal grants. It is not required that the Program covered by this Part be included in every audit. Rather, the audits shall be conducted on an organization-wide basis, and shall include an appropriate random sampling of Federal grant programs administered or operated by the auditee organization. The Program covered by this part shall be adequately represented in the universe from which each such sample is selected.

(2) The State agency, or FNSRO where applicable, shall establish procedures to ensure that it obtains the following information pertaining to each School Food Authority organization under its jurisdiction: (i) the names of the Federal grant programs included in each audit obtained by the School Food Authority pursuant to the requirements of this Part, regardless of whether such programs include the Program covered by this Part; and (ii) the nature of any deficiencies intrinsic to the auditee's grants management system as revealed by audit. When system deficiencies, as discussed in the preceding sentence, are reported in audits that did not specifically test the program covered by this Part, the State agency, or FNSRO where applicable, should make, or cause to be made, follow-up audits to determine the impact of such deficiencies upon the program covered by this Part. The State agency, or FNSRO where applicable, shall establish procedures to assure timely and appropriate resolution of audit findings and recommendations, including findings relating to deficiencies such as those cited in paragraph (a)(2)(ii), above, which may impact upon the Program covered by this Part.

(3) Audits shall be made in accordance with generally accepted auditing standards, including the standards published by the General Accounting Office, Standards for Audit of Governmental Organizations, Programs, Activities and Functions. Audits may be made by any of the following audit groups: (i) School Food Authority and State agency staff auditors who are totally independent of the auditee; (ii) State Auditors General; (iii) State Comptrollers; (iv) other comparable independent State audit groups; (v) Certified Public Accountants or (vi) State licensed public accountants.

(4) Except as provided for in this section, each organization at the State

agency and School Food Authority level shall obtain audits, meeting the conditions discussed in this section, on a continuing basis or at scheduled intervals, usually annually, but not less frequently than once every two years. The State agency, or FNSRO where applicable, may elect not to require this audit frequency of School Food Authority organizations to which *Both* of the following conditions apply: (i) the only Federal grant program or programs operated by the School Food Authority organization are the Program covered by this part, the Special Milk Program for Children, the School Breakfast Program, the Food Service Equipment Assistance Program, or any combination of such programs; and (ii) the level of Federal grant funds disbursed to the School Food Authority organization in any fiscal year does not exceed \$10,000; *provided, however*, that the State agency, or FNSRO where applicable, shall make or require an audit of such a School Food Authority when conditions indicate a need for such an audit.

(Catalogue of Federal Domestic Assistance No. 10.555)

PART 215—SPECIAL MILK PROGRAM FOR CHILDREN

2. In § 215.13, paragraph (a) is revised to read as follows:

§ 215.13 Management evaluations and audits.

(a)(1) In accordance with the plan submitted under § 210.4a, § 225.8 or § 226.7 of this chapter, the State agency shall ensure that all organizations within the State that administer or participate in the Program covered by this part obtain audits as required by Office of Management and Budget Circulars A-102 or A-110, as applicable. The term "organization", as used in this section, shall refer to the entity whose financial management system controls the receipt, custody and disbursement of the Federal grant funds made available for the Program. The audits shall ascertain the effectiveness of the financial management systems and internal procedures that have been established by the auditee organization to meet the terms and conditions of its Federal grants. It is not required that the Program covered by this part be included in every audit. Rather, the audits shall be conducted on an organization-wide basis, and shall include an appropriate random sampling of Federal grant programs administered or operated by the auditee organization. The Program covered by this part shall be adequately represented in the universe from which each such sample is selected.

(2) The State agency, or FNSRO where applicable, shall establish procedures to ensure that it obtains the following information pertaining to each School Food Authority or child-care institution organization under its jurisdiction: (i) the names of the Federal grant programs included in each audit obtained by the School Food Authority or child-care institution pursuant to the requirements of this part, regardless of whether such programs include the Program covered by this part; and (ii) the nature of any deficiencies intrinsic to the auditee's grants management system as revealed by audit. When system deficiencies, as discussed in the preceding sentence, are reported in audits that did not specifically test the Program covered by this Part, the State agency, or FNSRO where applicable, should make, or cause to be made, follow-up audits to determine the impact of such deficiencies upon the Program covered by this part. The State agency, or FNSRO where applicable, shall establish procedures to assure timely and appropriate resolution of audit findings and recommendations, including findings relating to deficiencies such as those cited in paragraph (a)(2)(ii), above, which may impact upon the Program covered by this part.

(3) Audits shall be made in accordance with generally accepted auditing standards, including the standards published by the General Accounting Office, Standards for Audit of Governmental Organizations, Programs, Activities and Functions. Audits may be made by any of the following audit groups: (i) School Food Authority and State agency staff auditors who are totally independent of the auditee; (ii) State Auditors General; (iii) State Comptrollers; (iv) other comparable independent State audit groups; (v) Certified Public Accountants or (vi) State licensed public accountants.

(4) Except as provided for in this section, each organization at the State agency, School Food Authority and child-care institution level shall obtain audits, meeting the conditions discussed in this section, on a continuing basis or at scheduled intervals, usually annually, but not less frequently than once every 2 years. The State agency, or FNSRO where applicable, may elect not to require this audit frequency of School Food Authority organizations to which *both* of the following conditions apply: (i) The only Federal grant program or programs operated by the School Food Authority organization are the Program covered by this part, the National School Lunch Program, the School Breakfast Program, the Food Service Equipment Assistance Program, or any combination of such

programs; and (ii) the level of Federal grant funds disbursed to the School Food Authority organization in any fiscal year does not exceed \$10,000; *provided, however*, that the State agency, or FNSRO where applicable, shall make or require an audit of such a School Food Authority when conditions indicate a need for such an audit. The provision of the preceding sentence does not apply to child-care institutions as defined in § 215.2(c) of this part.

(Catalogue of Federal Domestic Assistance No. 10.556.)

PART 220—SCHOOL BREAKFAST PROGRAM

3. In § 220.15, paragraph (a) is revised to read as follows:

§ 220.15 Management evaluations and audits.

(a)(1) In accordance with the plan submitted under § 210.4a(b)(6), the State agency shall ensure that all organizations within the State that administer or participate in the Program covered by this Part obtain audits as required by Office of Management and Budget Circulars A-102 or A-110, as applicable. The term "organization", as used in this section, shall refer to the entity whose financial management system controls the receipt, custody and disbursement of the Federal grant funds made available for the Program. The audits shall ascertain the effectiveness of the financial management systems and internal procedures that have been established by the auditee organization to meet the terms and conditions of its Federal grants. It is not required that the Program covered by this Part be included in every audit. Rather, the audits shall be conducted on an organization-wide basis, and shall include an appropriate random sampling of Federal grant programs administered or operated by the auditee organization. The Program covered by this Part shall be adequately represented in the universe from which each such sample is selected.

(2) The State agency, or FNSRO where applicable, shall establish procedures to insure that it obtains the following information pertaining to each School Food Authority organization under its jurisdiction: (i) The names of the Federal grant programs included in each audit obtained by the School Food Authority pursuant to the requirements of this Part, regardless of whether such programs include the Program covered by this Part; and (ii) the nature of any deficiencies intrinsic to the auditee's grants management system as revealed by audit.

When system deficiencies, as discussed in the preceding sentence, are reported in audits that did not specifically test the Program covered by this Part, the State agency, or FNSRO where applicable, should make, or cause to be made, follow-up audits to determine the impact of such deficiencies upon the Program covered by this Part. The State agency, or FNSRO where applicable, shall establish procedures to assure timely and appropriate resolution of audit findings and recommendations including findings relating to deficiencies such as those cited in paragraph (a)(2)(ii) above, which may impact upon the Program covered by this Part.

(3) Audits shall be made in accordance with generally accepted auditing standards, including the standards published by the General Accounting Office, Standards for Audit of Governmental Organizations, Programs, Activities and Functions. Audits may be made by any of the following audit groups: (i) School Food Authority and State agency staff auditors who are totally independent of the auditee; (ii) State Auditors General; (iii) State Comptrollers; (iv) other comparable independent State audit groups; (v) Certified Public Accountants or (vi) State licensed public accountants.

(4) Except as provided for in this section, each organization at the State agency and School Food Authority level shall obtain audits, meeting the conditions discussed in this section, on a continuing basis or at scheduled intervals, usually annually, but not less frequently than once every 2 years. The State agency, or FNSRO where applicable, may elect not to require this audit frequency of School Food Authority organizations to which both of the following conditions apply: (i) The only Federal grant program or programs operated by the School Food Authority organization are the Program covered by this Part, the National School Lunch Program, the Special Milk Program for Children, the Food Service Equipment Assistance Program, or any combination of such programs; and (ii) the level of Federal grant funds disbursed to the School Food Authority organization in any fiscal year does not exceed \$10,000; *provided, however*, that the State agency, or FNSRO where applicable, shall make or require an audit of such a School Food Authority when conditions indicate a need for such an audit.

(Catalogue of Federal Domestic Assistance No. 10.553)

PART 230—NONFOOD ASSISTANCE PROGRAM

4. In § 230.14, paragraph (a) is revised to read as follows:

§ 230.14 Management evaluations and audits.

(a)(1) Each State agency shall ensure that all organizations within the State that administer or participate in the Program covered by this part obtain audits as required by Office of Management and Budget Circulars A-102 or A-110, as applicable. The term "organization", as used in this section, shall refer to the entity whose financial management system controls the receipt, custody and disbursement of the Federal grant funds made available for the Program. The audits shall ascertain the effectiveness of the financial management systems and internal procedures that have been established by the auditee organization to meet the terms and conditions of its Federal grants. It is not required that the Program covered by this part be included in every audit. Rather, the audits shall be conducted on an organization-wide basis, and shall include an appropriate random sampling of Federal grant programs administered or operated by the auditee organization. The Program covered by this part shall be adequately represented in the universe from which each such sample is selected.

(2) The State agency, or FNSRO where applicable, shall establish procedures to ensure that it obtains the following information pertaining to each School Food Authority organization under its jurisdiction: (i) The names of the Federal grant programs included in each audit obtained by the School Food Authority pursuant to the requirements of this part, regardless of whether such Programs include the Program covered by this part; and (ii) the nature of any deficiencies intrinsic to the auditee's grants management system as revealed by audit. When system deficiencies, as discussed in the preceding sentence, are reported in audits that did not specifically test the Program covered by this part, the State agency, or FNSRO where applicable, should make, or cause to be made, follow-up audits to determine the impact of such deficiencies upon the Program covered by this part. The State agency, or FNSRO where applicable, shall establish procedures to assure timely and appropriate resolution of audit findings and recommendations, including findings relating to deficiencies such as those cited in paragraph (a)(2)(ii), above, which may impact upon the Program covered by this part.

(3) Audits shall be made in accordance with generally accepted auditing standards, including the standards published by the General Accounting Office, Standards for Audit of Governmental Organizations, Programs, Activities and Functions. Audits may be made by any of the following audit groups: (i) School Food authority and State agency staff auditors who are totally independent of the auditee; (ii) State Auditors General; (iii) State Comptrollers; (iv) other comparable independent State audit groups; (v) Certified Public Accountants or (vi) State licensed public accountants.

(4) Except as provided for in this section, each organization at the State agency and School Food Authority level shall obtain audits, meeting the conditions discussed in this section, on a continuing basis or at scheduled intervals, usually annually, but not less frequently than one every two years. The State agency, or FNSRO where applicable, may elect not to require this audit frequency of School Food Authority organizations to which both of the following conditions apply: (i) The only Federal grant program or programs operated by the School Food Authority organization are the Program covered by this part, the National School Lunch Program, the Special Milk Program for Children, the School Breakfast Program, or any combination of such programs; and (ii) the level of Federal grant funds disbursed to the School Food Authority organization in any fiscal year does not exceed \$10,000; *provided, however*, that the State agency, or FNSRO where applicable, shall make or require an audit of such a School Food Authority when conditions indicate a need for such an audit.

(Catalogue of Federal domestic Assistance No. 10.554)

NOTE.—The Food and Nutrition Service has determined that this document does not contain a major proposal requiring preparation of an Economic Impact statement under Executive Order 11821 and OMB Circular A-107.

(Pub. L. 89-642, 80 Stat. 885-890, as amended by the Child Nutrition Act of 1966)

Dated: December 19, 1978.

CAROL TUCKER FOREMAN,
Assistant Secretary.

[FR Doc. 78-35841 Filed 12-21-78; 8:45 am]