

host agency, it may not make providing the funds a condition of becoming a subgrantee or host agency.

What Is the Period of Availability of SCSEP Funds? (§ 641.812)

Proposed § 641.812 details the period of availability of SCSEP funds. According to section 515(b), SCSEP funds are available for obligation on a Program Year basis (July 1–June 30). Under no circumstances, however, is an SCSEP recipient permitted to obligate SCSEP funds before July 1. Also, the Department may extend the period of availability of SCSEP funds beyond June 30 as discussed in proposed § 641.815.

May the Period of Availability Be Extended? (§ 641.815)

Proposed § 641.815 permits SCSEP recipients to receive an extension beyond June 30 to expend funds. The Department will provide instructions each year on how and when SCSEP recipients must request an extension. In general, however, SCSEP recipients must justify the necessity of the extension either by submitting a letter to the Department with the request and the justification, or by submitting a proposed SF–424 to the Department. The Department will process the request and notify the SCSEP recipients in writing of the Department's approval or disapproval. Any approval of a grant extension will be accomplished through a modification to the grant. However, SCSEP recipients are strongly encouraged to spend funds throughout the Program Year to minimize the need for an extension.

The former authorization to extend funds for one year and two months (through August 31st) no longer applies. This provision was replaced by section 515(b), which authorizes the Secretary to extend the period of the grant as necessary to assure the effective obligation expenditure of the funds. Thus, grant extensions may be made for a longer period, if justified.

What Happens to Funds That Are Unexpended at the End of the Program Year? (§ 641.818)

Section 515(c) of the OAA gives the Department the authority to recapture unexpended funds from SCSEP recipients at the end of the Program Year and reobligate those funds within the 2 succeeding Program Years to be used for incentive grants, technical assistance, or grants or contracts for any other SCSEP program. The Department intends to issue administrative guidance to provide SCSEP recipients with additional details.

What Audit Requirements Apply to the Use of SCSEP Funds? (§ 641.821)

Proposed § 641.821 details the general audit requirements that apply to all recipients of Federal funds. This section provides that recipients and subrecipients, including entities receiving Federal awards of SCSEP funds under cost-reimbursement contracts, must follow the Department's uniform audit requirements. The Department is responsible for audits of commercial organizations that are recipients for SCSEP funds as well. Commercial organizations that are subrecipients must either have an organization-wide audit or a program specific financial and compliance audit that meets OMB Circular A–133 standards, if they expend \$300,000 or more (as of July 1, 2001).

What Lobbying Requirements Apply to the Use of SCSEP Funds? (§ 641.824)

This proposed rule continues the Department's policy in the former regulations concerning lobbying. There are two provisions relating to lobbying. The proposed rule requires recipients to report on their lobbying activities, under the uniform administrative rule on lobbying codified at 29 CFR part 93. Proposed § 641.850(c) prohibits the use of grant funds for lobbying State or Federal legislators.

What General Nondiscrimination Requirements Apply to the Use of SCSEP Funds? (§ 641.827)

Recipients, subrecipients, and host agencies must comply with the Department's generally applicable nondiscrimination requirements for recipients at 29 CFR parts 31 and 32. The WIA nondiscrimination requirements at 29 CFR part 37 apply to SCSEP activities that are administered in conjunction with the One-Stop Delivery System.

What Nondiscrimination Protections Apply Specifically To Participants in SCSEP Programs? (§ 641.830)

The proposed rule establishes nondiscrimination protections to participants in SCSEP programs. Specifically, the proposed rule lists the Federal programs on nondiscrimination that apply to SCSEP, such as, the Age Discrimination Act of 1975, section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, and title VI of the Civil Rights Act of 1964. The proposed rule also provides information to participants about how and where to file a complaint alleging discrimination or to whom they may address questions.

What Policies Govern Political Patronage? (§ 641.833)

The proposed rule provides the Department's policy on political patronage. This provision existed in the former regulations. Generally, recipients and subrecipients are prohibited from selecting, rejecting, promoting, or terminating an individual based on political services provided by the individual, or based on the individual's political affiliations or beliefs. Further, recipients and subrecipients are prohibited from providing funds to any entity based on political affiliation.

What Policies Govern Political Activities? (§ 641.836)

Proposed § 641.836 outlines the Department's policies governing political activities. In general, recipients are prohibited from using SCSEP funds for political activities. The proposed rule also requires SCSEP recipients to provide participants with a written explanation about allowable and unallowable political activities under the Hatch Act (5 U.S.C. 1501 *et seq.*), and to post this explanation in every workplace where SCSEP activities are conducted. Also, all such notices must be approved by the Department and must contain the address and telephone number of the Department of Labor Inspector General, as required by section 502(b)(1)(P) of the OAA. Further, it is prohibited for any participant or staff person to engage in political activities during hours paid with by SCSEP funds. The regulation also prohibits the placement of participants in certain offices and positions that might involve political activities. It prohibits placement of SCSEP participants in the offices of elected legislators. It also prohibits placements in the offices of other elected officials unless the grantee provides safeguards to assure that such position performs no political activities.

What Policies Govern Union Organizing Activities? (§ 641.839)

The proposed rule emphasizes the Department's policy that no Federal funds may be used to assist, promote, or deter union organizing. This provision existed in the former regulations and is aligned with the WIA regulations.

What Policies Govern Nepotism? (§ 641.841)

This proposed rule outlines the Department's policy on nepotism. Specifically, the Department's policy prohibits recipients from hiring and participants from working in an SCSEP position if the participant is a member of the decision-maker's immediate