

# Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

## DEPARTMENT OF AGRICULTURE

### 7 CFR Parts 3015, 3019 and 3020

#### Office of the Chief Financial Officer; General Program Administration Regulations

**AGENCY:** Office of the Chief Financial Officer, USDA.

**ACTION:** Proposed rule.

**SUMMARY:** The U.S. Department of Agriculture (USDA) proposes to amend the administrative requirements for all USDA grants and cooperative agreements that are used to document Federal assistance transactions. USDA also proposes to remove the outdated regulations and replace them with streamlined regulations that are applicable to non-profit and for-profit Federal financial assistance recipients. USDA further proposes to implement several additional administrative policies and new requirements.

**DATES:** Submit comments on or before August 15, 2003.

**ADDRESSES:** Questions and comments may be addressed to: Ava Lee, Director, Planning and Accountability Division, Office of the Chief Financial Officer, USDA, Stop 9020, 1400 Independence Avenue, SW., Washington DC 20250; FAX (202) 690-3561; telephone (202) 720-1179; E-mail [alee@cfo.usda.gov](mailto:alee@cfo.usda.gov).

**FOR FURTHER INFORMATION CONTACT:** Ava Lee, (202) 720-1179.

#### SUPPLEMENTARY INFORMATION:

##### Background

Prior to 1981, departmental regulations required USDA agencies to issue individual, program-specific regulations and directives to implement USDA, Office of Management and Budget (OMB), and other applicable guidance and policies related to Federal program administrative requirements. This was practiced throughout the Federal government and frequently resulted in complaints from program participants about the confusion and duplication in the administration and management of Federal programs.

Public Law No. 95-224, the "Federal Grant and Cooperative Agreement Act of 1977," (FGCA) and the related OMB guidance (43 FR 36860, Aug. 18, 1978), emphasized the need for a uniform policy and the standardization of common administrative requirements for all Federal assistance programs. Consequently, in November 1981, USDA published 7 CFR part 3015, "Uniform Federal Assistance Regulations" (46 FR 55636, Nov. 10, 1981). The original purpose for part 3015 was to set out in a single "uniform" regulation all requirements that applied to recipients and subrecipients of USDA Federal assistance. In terms of agreement coverage, part 3015 was limited to grants and cooperative agreements as defined by the FGCA.

Experience with this approach soon demonstrated a definite need for specific regulations that recognized the differences between types of recipients, especially as between State and local governments and the various kinds of nonprofit organizations, including universities. Therefore, USDA subsequently participated in a series of government-wide initiatives establishing more specific rules applicable based on the type of recipient. These initiatives simultaneously reduced the scope and effect of part 3015.

In March 1988, USDA joined with other Federal agencies in simultaneously publishing a common rule applicable to State and local government recipients. The USDA rule was codified in 7 CFR part 3016, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments." (53 FR 8034, Mar. 11, 1988). In November 1993, OMB revised OMB Circular A-110 (58 FR 62992, Nov. 29, 1993). In August 1995, USDA published 7 CFR part 3019, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Nonprofit Organizations," to implement the revised A-110 (60 FR 44122, Aug. 24, 1995). The definition of "recipient" in section 3019.2 authorizes agencies at their discretion to apply part 3019 to for-profit organizations as well. In August 1997, USDA published 7 CFR part 3052, "Audits of States, Local Governments and Non-Profit

Organizations" (62 FR 45947, Aug. 29, 1997) to implement the requirements of the Single Audit Act Amendments of 1996 and the related revision to OMB Circular A-133. In August 2000, USDA published a final rule to include USDA's entitlement programs within the scope of part 3016 and part 3019 as appropriate (65 FR 49474, Aug. 14, 2000).

As the result of these actions, a substantial portion of the original purpose and scope of part 3015 was transferred to other rules. Currently, part 3015 may be used by USDA agencies as an option to using part 3019 for one remaining type of recipient, for-profit organizations. Part 3015 also includes certain requirements that: (1) Are not included in one or more of the other parts identified above; and (2) are generally applicable to any assistance transactions between USDA and any type of recipient.

In the period since the enactment of the FGCA, and concurrent with all of the regulatory changes set out above, Congress passed a number of acts which included language excluding certain USDA authorities from the FGCA. At a later date and as a separate action, USDA plans to develop a uniform rule for the agreements not covered by this rule such as those that are issued under sections 1472(b) and 1473A of the National Agricultural Research, Extension, and Teaching Policy Act of 1977, as amended, 7 U.S.C. 3318 and 3319a, and similar authorities.

Congress has recently taken actions both to improve the general financial management of the Federal government and to specifically improve the effectiveness and performance of Federal assistance programs. Congress enacted the Chief Financial Officers Act of 1990 (CFO Act) for various reasons, including bringing " \* \* \* more effective general and financial management practices to the Federal Government through statutory provisions which would \* \* \* designate a Chief Financial Officer (CFO) in each executive department and in each major executive agency in the Federal Government" (31 U.S.C. 501 note, CFO Act sec.102(b)). The CFO Act specifies that the agency CFO "shall \* \* \* oversee all financial management activities relating to the programs and operations of the agency; \* \* \*" (31 U.S.C. 902(a)). The Federal Financial