

**§ 3015.311 Simplification, consolidation, or substitution of State plans.**

(a) As used in this section:

(1) *Simplify* means that a State may develop its own format, choose its own submission date, and select the planning period for a State plan.

(2) *Consolidate* means that a State may meet statutory and regulatory requirements by combining two or more plans into one document and that the State can select the format, submission date, the planning period for the consolidated plan.

(3) *Substitute* means that a State may use a plan or other document that it has developed for its own purposes to meet Federal requirements.

(b) If not inconsistent with law, a State may decide to try to simplify, consolidate, or substitute Federally required State plans without prior approval by the Secretary.

(c) The Secretary reviews each State plan a State has simplified, consolidated or substituted and accepts the plan only if its contents meet Federal requirements.

**§ 3015.312 Waivers.**

In an emergency, the Secretary may waive any provision of these regulations.

## APPENDIX A TO PART 3015—DEFINITIONS

## Section I “Grant” and “Cooperative Agreement”

(a) “Grant” unless qualified by “non-Federal” means an award by the Federal government of money, property instead of money, services, or anything of value, to the State or other recipient, with the following characteristics:

(1) The principal purpose of the award is to accomplish a public purpose of support or stimulation authorized by Federal statute, rather than acquisition, by purchase, lease, or barter, of property or services for the direct benefit or use of the Federal government; and

(2) At the time the award is made, no substantial involvement is anticipated between the executive agency, acting for the Federal government, and the State or local government or other recipient during performance of the contemplated activity.

(b) “Cooperative agreement” has the same meaning as “grant,” except that, at the time a cooperative agreement is awarded, substantial involvement is anticipated between the executive agency, acting for the Federal

government, and the State or local government or other recipient during performance of the contemplated activity.

(c) “Grants” and “cooperative agreements” do not include technical assistance, which provides services instead of money; revenue sharing; loans; loan guarantees; capital contributions to loan funds; interest subsidies; insurance; or direct appropriations. (See the definition of “Non-Federal grant” in Section II of this appendix.)

Section II *Other Definitions.*

“Acquisition” of property includes purchase, construction, or fabrication of property. It does not include rental of property or alterations and renovations of real property.

“Acquisition cost” of an item of purchased equipment means the net invoice price of the equipment. It includes the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment useable for the purpose for which it was acquired. Other charges, such as the cost of installation, transportation, taxes, duty, or protective in-transit insurance shall be included in or excluded from the unit acquisition cost in accordance with the regular accounting practices of the organization purchasing the equipment.

If an item of equipment is acquired by trading in another item and paying an additional amount, “acquisition cost” means the amount received for trade-in plus the additional outlay. (See the definition of “amount received for trade-in.”)

For purposes of the rules on equipment and supplies, “acquisition cost” of a copy of a work of authorship (such as a book, print of a motion picture, or tape of a television program) refers to the cost of fabricating or purchasing the individual copy, considered as a material object. It does not include the cost of developing, or acquiring rights to, the work embodied in the copy.

“Advance by Treasury check” is a payment made by a Treasury check to a recipient of a grant or cooperative agreement, before payments are made by the recipient of the grant or cooperative agreement. Advances by Treasury check are based on either a periodic request from the recipient or a predetermined payment schedule.

“Amount received for trade-in” of an item of equipment traded in for replacement equipment means the amount that would have been paid for the replacement equipment without a trade-in, minus the amount paid with the trade-in. The term refers to the actual difference, not necessarily the trade-in value, shown on an invoice. For example, suppose that a recipient can buy a new machine for \$5,000 in cash. The recipient actually buys this machine by trading in a used machine and paying \$3,000 in cash. In this case, the amount received for trade-in

would be \$2,000 (\$5,000 minus \$3,000) regardless of the trade-in allowance shown on the invoice.

“Approved budget” means a budget (including any revised budget) which has been approved in writing by the awarding agency. (See the definition of “budget.”)

“Audiovisual” means a product containing visual imagery or sound or both. Examples of audiovisuals are motion pictures, live or prerecorded radio or television programs, slide shows, filmstrips, audio recordings, and multimedia presentations.

“Awarding agency” means (1) for grants and cooperative agreements, the USDA agency making the award, and (2) for subgrants, the recipient.

“Bid guarantee” means a firm commitment such as a bid bond, certified check, or other negotiable instrument, accompanying a bid as assurance that the bidder will, if its bid is accepted, execute the required contractual documents within the time specified.

“Budget” means the recipient’s financial expenditure plan approved by the awarding agency to carry out the purposes of the Federally-supported project. The budget is comprised of both the Federal share and any non-Federal share of such plan and any subsequent authorized rebudgeting of funds.

For those programs that do not involve Federal approval of the non-Federal share of costs, such as research grants, the term “budget” means the financial expenditure plan approved by the awarding agency including any subsequent authorized rebudgeting of funds, for the use of Federal funds only. Any expenditures charged to an approved budget consisting of Federal and non-Federal shares are deemed to be supported by the grant in the same proportion as the percentage of Federal/non-Federal participation in the overall budget.

“Budget period” means the period specified in the grant or cooperative agreement during which Federal funds awarded are authorized to be expended, obligated, or firmly committed by the recipient for the purposes specified in the agreement.

“Closeout” of a grant or cooperative agreement means the process by which an awarding agency determines that all applicable administrative actions and all required work of the grant or cooperative agreement have been completed by the recipient and the awarding agency.

“Consultant” means a person who gives advice or services for a fee, but not as an employee. The term includes guest speakers when not acting as employees of the party that engages them. Note that in unusual cases it is possible for a person to be both an employee and a consultant at the same time. (See § 3015.201.)

“Contract” means a procurement contract awarded under a grant, cooperative agree-

ment, or subgrant; and “subcontract” means a procurement subcontract under such a contract. Procurement contracts and subcontracts are ones which place the parties in a buyer-seller relationship, regardless of the label used by the parties to describe the relationship (e.g., purchase-of-service agreement). The terms “contract” and “subcontract” do not include any agreements between organizational components of the same legal entity, even if one of the components provides property or services to or for the other. (See definitions of “subgrant,” “cost-type contract,” and “fixed price contract.”)

“Cost-sharing” and “matching” each mean the value of third party in-kind contributions plus that portion of the allowable costs of recipients not supported by the Federal Government. (The terms “cost-sharing” and “matching,” in this part, are synonymous.)

“Cost-type contract” means a contract or subcontract in which the contractor or subcontractor is paid on the basis of the costs it incurs. The term includes cost-plus-fixed-fee contracts and subcontracts. (However, the term does not include any subcontracts under a “fixed-price contract.”)

“Discretionary” grants and cooperative agreements are ones which a Federal statute authorizes but does not require USDA to award.

“Equipment” means an article of tangible personal property that has a useful life of more than two years and acquisition cost of \$500 or more. Any recipient may use its own definition of equipment if its definition would at least include all items of equipment as defined here.

“Expenditure report” means (1) for non-construction awards, the “Financial Status Report” (or other equivalent report); (2) for construction awards, the “Outlay Report and Request for Reimbursement for Construction Programs” (or other equivalent report).

“Federal funds authorized” means the total amount of Federal funds obligated by the Federal Government for use by the recipient. This amount is a limit on the total amount of money that the recipient is entitled to receive from the Federal Government as a result of the award. In addition to this limit, there are other limits. Refer to § 3015.202 for a summary of these.

“Federally recognized Indian Tribal government” means the governing body or a governmental agency of any Indian tribe, band, nation, or other organized group or community (including any Native village as defined in section 3 of the Alaska Native Claims Settlement Act, 85 Stat. 688) certified by the Secretary of the Interior as eligible for the special programs and services provided by him or her through the Bureau of Indian Affairs.

“Fidelity bond” means a bond indemnifying the recipient against losses resulting

from the fraud or lack of integrity, honesty or fidelity of one or more employees, officers or other persons holding a position of trust.

“Fixed-price contract” means any contract except a cost-type contract. The term includes firm-fixed price contracts. It also includes contracts under which the contractor is paid at a fixed rate per unit of service or unit of labor time. (See the definitions of “contract” and “cost-type contract.”)

“General program income” means all program income except the special categories treated in §§ 3015.43 through 3015.46. The term “general program income” is limited to amounts that accrue to a recipient of grant or cooperative agreement during the period of Federally assisted support, or to a sub-recipient during the period of sub-award support.

“Local government” means a local unit of government including specifically, a county, municipality, city, town, township, local public authority, school district, special district, intra-state district, council of governments (whether or not incorporated as a non-profit corporation under State law), sponsor or sponsoring local organization of a watershed project (as defined in 7 CFR 620.2, 40 FR 12472, March 19, 1974), any other regional or interstate government entity, or any agency or instrumentality of a local government.

“Mandatory” or “formula” grants and cooperative agreements are ones which a Federal statute requires USDA to award if the applicant meets specified conditions.

“Non-Federal grant” means an award of financial assistance in the form of money which includes no Federal funds, and for which the recipient must account to the donor on an actual cost basis. The term does not include any award that would be excluded from the definitions of “grant” and “cooperative agreement” if it were made by the Federal government.

“Obligations” means the amounts of orders placed, contracts and subgrants awarded, services received, and similar transactions during a given period, which will require payment during the same or future period.

“O&F” means the Office of Operations and Finance, which is an organizational component in USDA reporting to the Assistant Secretary for Administration.

“OMB” means the Office of Management and Budget in the Executive Office of the President.

“Outlays” means charges made to the grant project or program. Outlays may be reported on a cash or accrual basis.

“Payment bond” means a bond executed in connection with a contract, to assure payment as required by law of all persons supplying labor and materials in the execution of the work provided in the contract.

“Percentage-of-completion method” refers to a system under which payments are made

for construction work according to the percentage of completion of the work, instead of the recipient’s rate of disbursements.

“Performance bond” means a bond executed in connection with a contract to secure fulfillment of all the contractor’s obligations under the contract.

“Personal property” means property of any kind except real property. It may be tangible—having physical existence, or intangible—having no physical existence, such as patents, inventions, and copyrights.

“Production of an audiovisual” means any of the steps that lead to a finished audiovisual, including design, layout, script-writing, filming, editing, fabrication, sound recording, or taping. The term does not include the placing of captions for the hearing impaired on films or videotapes not originally produced for use with the hearing impaired.

“Program income” means gross income earned by a recipient from activities supported by a grant or cooperative agreement. (See definition of “supported by a grant or cooperative agreement.”) It includes but is not limited to income in the form of fees for services performed during the life of the grant, cooperative agreement, or subgrant, proceeds from sale of tangible personal or real property, usage or rental fees, and patent or copyright royalties. If income meets this definition, it shall be considered program income regardless of the method used to calculate the amount paid to the recipient whether, for example, by a cost-reimbursement method or fixed price arrangement. Nor will the income’s classification as program income be affected by the fact that the recipient earns it from a procurement contract awarded to the recipient (1) by the Federal government or (2) by another recipient acting under another Federal grant, cooperative agreement, or subgrant.

The following are not considered program income:

- (1) “Revenues” raised by a government recipient under its governing powers, such as taxes, special assessments, levies, and fines. (However, the receipt and expenditure of these revenues shall be recorded as a part of the transactions of the Federally-assisted project or program when the revenues are specifically earmarked for the project in accordance with the terms of the grant, cooperative agreement, or subgrant.)
- (2) Tuition and related fees received by an institution of higher education for a regularly offered course taught by an employee performing under a grant, cooperative agreement, or subgrant.
- (3) Income earned by contractors or sub-contractors.
- (4) Internal reimbursements or transfers of funds between organizational components of the same legal entity (e.g., between agencies of the same government).
- (5) Third party in-kind contributions.

(6) Gifts or financial assistance from another source, such as (i) a non-Federal grant, (ii) another Federal grant, and (iii) charitable contributions (whether or not for a restricted purpose), and

(7) Interest or other investment income earned from investing advances of Federal cash. (This kind of income is treated in §3015.46.)

“Project period” means the total time for which the recipient’s project or program is approved for support including any extensions. Project periods may consist of one or more budget periods.

“Publication” means a published book, periodical, pamphlet, brochure, flier, or similar item. It does not include any audiovisuals.

“Real property” means land, land improvements, structures, and things attached to them so as to become a part of them. Movable machinery and other kinds of equipment are not real property. If a question comes up about whether certain property should be classified as real property, the law of the State or foreign country in which the property is located governs.

“Recipient” means a State or local government, Federally recognized Indian Tribe, university, non-profit, for profit, or other organization that is a recipient of grants or cooperative agreements from a USDA agency.

“Replacement equipment” means property acquired to take the place of other equipment. To qualify as replacement equipment, it must serve the same function as the equipment replaced and must be of the same nature or character, although not necessarily the same model, grade, or quality.

“State” means any of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory, possession, or trust territory of the United States, or any agency or instrumentality of a State. The term does not include local governments.

“Subgrant” means an award of money, or property instead of money, which:

(1) Is made under a grant or cooperative agreement by the recipient of the grant or cooperative agreement; and

(2) Is made principally to accomplish a purpose of support of stimulation rather than to establish a buyer-seller relationship between the two parties.

Any award which meets that definition is a subgrant even if the parties to the award use some other label such as “grant,” “agreement,” “cooperative agreement,” “contract,” “allotment,” or “delegation agreement.” Also, if the award meets that definition, it is a subgrant whether or not the awarding agency is expected to be substantially involved in its performance. However, the term “subgrant” does not include any type of assistance which is excluded from the definitions of “grant” and “cooperative agreement” by Section I(c) of this Appendix.

“Supplies” means all tangible personal property other than equipment.

“Supported by a grant or cooperative agreement,” as applied to a cost or an activity, means that the cost or the cost of the activity is entirely or partly (1) treated as a direct cost under a grant, cooperative agreement, subgrant, or cost-type contract, and (2) either supported by Federal funds or counted towards a Federal cost-sharing or matching requirement.

“Suspension” of an award means temporary withdrawal of the recipient’s authority to obligate the funds awarded pending corrective action by the recipient or a decision to terminate the award.

“Termination” of an award means permanent withdrawal of the recipient’s authority to obligate previously awarded funds before that authority would otherwise expire. It also means the voluntary relinquishment of that authority by the recipient.

“Termination” does not include:

(a) Withdrawal of the unobligated balance upon expiration of award;

(b) Refusal by the awarding agency to extend an award or to award additional funds (such as refusal to make a competing or non-competing continuation, renewal, extension, or supplemental award);

(c) Annulment, i.e., voiding of an award upon determination that the award was obtained fraudulently or was otherwise illegal or invalid from inception;

(d) Withdrawal of surplus Federal funds from a discretionary grant or any analogous withdrawal of funds by a recipient from a subrecipient; or

(e) Withdrawal from a mandatory or formula grant of surplus Federal funds authorized which the recipient will not obligate during the fiscal year, or any analogous withdrawal of funds by a recipient from a subrecipient.

“Terms” of a grant, cooperative agreement, subgrant, or contract means all rights and duties created by the award, whether stated in statute, this part or other regulations, the award document itself, or any other document.

“Third party” means, with respect to a grant or cooperative agreement, any entity except (1) the Federal government, (2) the recipient of the cooperative agreement, and (3) subrecipients under that grant or cooperative agreement. Note that contractors of recipients are third parties under this definition, although subrecipients are not.

“Third party in-kind contributions” means property or services benefiting the federally assisted project or program which are contributed by third parties without charge. Note that the term does not include any costs incurred by the recipient or subrecipient.

“Unliquidated obligations,” means, for financial reports prepared on a cash basis, the

amount of obligations incurred by the recipient that has not been paid. For reports prepared on an accrued expenditure basis, they are the amount of obligations incurred by the recipient for which an outlay has not been recorded.

“Unobligated balance” is the portion of Federal funds authorized which has not been obligated by the recipient. It is calculated by subtracting the Federal share of the recipient’s cumulative obligations from the cumulative Federal funds authorized.

APPENDIX B TO PART 3015—OMB CIRCULAR A-128, “AUDITS OF STATE AND LOCAL GOVERNMENTS”

EXECUTIVE OFFICE OF THE PRESIDENT

*Office of Management and Budget*

Circular No. A-128

April 12, 1984

To the Heads of Executive Departments and Establishments.

Subject: Audits of State and Local Governments.

1. *Purpose.* This Circular is issued pursuant to the Single Audit Act of 1984, Pub. L. 98-502. It establishes audit requirements for State and local governments that receive Federal aid, and defines Federal responsibilities for implementing and monitoring those requirements.

2. *Supersession.* The Circular supersedes Attachment P, “Audit Requirements,” of Circular A-102, “Uniform requirements for grants to State and local governments.”

3. *Background.* The Single Audit Act builds upon earlier efforts to improve audits of Federal aid programs. The Act requires State or local governments that receive \$100,000 or more a year in Federal funds to have an audit made for that year. Section 7505 of the Act requires the Director of the Office of Management and Budget to prescribe policies, procedures and guidelines to implement the Act. It specifies that the Director shall designate “cognizant” Federal agencies, determine criteria for making appropriate charges to Federal programs for the cost of audits, and provide procedures to assure that small firms or firms owned and controlled by disadvantaged individuals have the opportunity to participate in contracts for single audits.

4. *Policy.* The Single Audit Act requires the following:

a. State or local governments that receive \$100,000 or more a year in Federal financial assistance shall have an audit made in accordance with this Circular.

b. State or local governments that receive between \$25,000 and \$100,000 a year shall have an audit made in accordance with this Circular, or in accordance with Federal laws

and regulations governing the programs they participate in.

c. State or local governments that receive less than \$25,000 a year shall be exempt from compliance with the Act and other Federal audit requirements. These State and local governments shall be governed by audit requirements prescribed by State or local law or regulation.

d. Nothing in this paragraph exempts State or local governments from maintaining records of Federal financial assistance or from providing access to such records to Federal agencies, as provided for in Federal law or in Circular A-102, “Uniform requirements for grants to State or local governments.”

5. *Definitions.* For the purposes of this Circular the following definitions from the Single Audit Act apply:

a. *Cognizant agency* means the Federal agency assigned by the Office of Management and Budget to carry out the responsibilities described in paragraph 11 of this Circular.

b. *Federal financial assistance* means assistance provided by a Federal agency in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations, but does not include direct Federal cash assistance to individuals. It includes awards received directly from Federal agencies, or indirectly through other units of State and local governments.

c. *Federal agency* has the same meaning as the term ‘agency’ in section 551(1) of Title 5, United States Code.

d. *Generally accepted accounting principles* has the meaning specified in the generally accepted government auditing standards.

e. *Generally accepted government auditing standards* means the *Standards For Audit of Government Organizations, Programs, Activities, and Functions*, developed by the Comptroller General, dated February 27, 1981.

f. *Independent auditor* means:

(1) A State or local government auditor who meets the independence standards specified in generally accepted government auditing standards; or

(2) A public accountant who meets such independence standards.

g. *Internal controls* means the plan of organization and methods and procedures adopted by management to ensure that:

(1) Resource use is consistent with laws, regulations, and policies;

(2) Resources are safeguarded against waste, loss, and misuse; and

(3) Reliable data are obtained, maintained, and fairly disclosed in reports.

h. *Indian tribe* means any Indian tribe, band, nations, or other organized group or community, including any Alaskan Native village or regional or village corporations (as defined in, or established under, the Alaskan