may reduce the amount it has appor-
tioned or agreed to pay to any State
agency if FNS determines that:
  (i) The State agency is not admin-
istering the Food Distribution Pro-
gram in accordance with its plan of op-
eration approved by FNS and the provi-
sions of this part, or
  (ii) The amount of funds which the
State agency requested from FNS is in
excess of actual need, based on reports
of expenditures and current projections
of Program needs.
  (iii) Circumstances or conditions jus-
tify the return reallocation or transfer
of funds to accomplish the purpose of
this part.
(2) The State agency shall return to
FNS within 90 days following the close
of each Federal fiscal year any funds
received under this section which are
unobligated at that time.
(h) Records, reports, audits. (1) The
State agency shall:
  (i) Keep such accounts and records as
may be necessary to enable FNS to de-
termine whether there has been com-
pliance with this section, and
  (ii) Adhere to the retention and cus-
todial requirements for records set
forth in §277.4 of this chapter.
(2) The State agency receiving funds
either through a Treasury RDO Letter
of Credit system or Treasury check
shall submit quarterly reports to FNS
on Form SF–269, "Financial Status Re-
port," by the 30th day after close of the
reporting quarter and shall submit
such other reports as may be required
by FNS.
(3) The appropriate provisions of part
277 are adaptable to this section for ad-
tional guidance.

(Approved by the Office of Management and
Budget under control number 0584–0071)
(44 U.S.C. 3506)
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FR 746, Jan. 7, 1982. Designated and amend-
ed by Amdt. 1, 47 FR 14137, Apr. 2, 1982, as
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ated at 64 FR 73385, Dec. 30, 1999.]