

(b) Within 30 days of the submission of the recipient's annual audit, the recipient may apply to the Corporation for approval of the expenses associated with the liquidation of the deficit balance in the LSC fund.

(c) In the absence of approval by the Corporation, expenditures of current year LSC grant funds to liquidate a deficit from a prior year shall be identified as questioned costs under 45 CFR part 1630.

(d) The recipient's request must specify the same information relative to the deficit LSC fund balance as that set forth in §1628.4(a)(1) and (2). Additionally, the recipient must develop and submit a plan approved by its governing body describing the measures which will be implemented to prevent a recurrence of a deficit balance in the LSC fund. The Corporation reserves the right to require changes in the submitted plan.

(e) The decision of the Corporation regarding acceptance of these deficit-related costs shall be guided by the statutory mandate requiring the recipient to provide high quality legal services performed in an effective and economical manner. Special consideration will be given for emergencies, unusual occurrences, or other special circumstances giving rise to a deficit balance.

PART 1629—BONDING REQUIREMENTS FOR RECIPIENTS

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AUTHORITY: 42 U.S.C. 2996e(1)(A) and 2996f(3).

SOURCE: 82 FR 37180, Aug. 9, 2017, unless otherwise noted.

§ 1629.1 Purpose.

This part is intended to protect LSC funds by requiring that recipients be bonded or have similar insurance coverage to indemnify recipients against

losses resulting from fraudulent or dishonest acts committed by one or more employees, officers, directors, agents, volunteers, and third-party contractors who handle LSC funds.

§ 1629.2 Definitions.

Annualized funding level means the amount of:

(1) Basic Field Grant funds (including Agricultural Worker and Native American) and (2) Special grants of LSC funds, including Technology Initiative Grants, Pro Bono Innovation Fund grants, and emergency relief grants, awarded by LSC to the recipient for the fiscal year included in the recipient's annual audited financial statements.

§ 1629.3 Who must be bonded?

(a) A recipient must supply fidelity bond coverage for all employees, officers, directors, agents, and volunteers.

(b) If a recipient uses a third party for payroll, billing, or collection services, the recipient must either supply coverage covering the third party or ensure that the third party has a fidelity bond or similar insurance coverage.

(c) For recipients with subgrants:

(1) The recipient must extend its fidelity bond coverage to supply identical coverage to the subrecipient and the subrecipient's directors, officers, employees, agents, and volunteers to the extent required to comply with this Part; or

(2) The subrecipient must supply proof of its own fidelity bond coverage that meets the requirements of this Part for the subrecipient's directors, officers, employees, agents, and volunteers.

§ 1629.4 What forms of bonds can recipients use?

(a) A recipient may use any form of bond, such as individual, name schedule, position schedule, blanket, or any combination of such forms of bonds, as long as the type or combination of bonds secured adequately protects LSC funds.

(b) A recipient may use similar forms of insurance that essentially fulfill the same purpose as a fidelity bond.

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§ 1629.5 What losses must the bond cover?

The bond must provide recovery for loss caused by such acts as fraud, dishonesty, larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction, wrongful conversion, willful misapplication, or any other fraudulent or dishonest act committed by an employee, officer, director, agent, or volunteer.

§ 1629.6 What is the required minimum level of coverage?

(a) A recipient must carry fidelity bond coverage or similar coverage at a minimum level of at least ten percent of its annualized funding level for the previous fiscal year.

(b) If a recipient is a new recipient, the coverage must be at a minimum level of at least ten percent of the initial grant.

(c) Notwithstanding paragraphs (a) and (b) of this section, recipients must not carry coverage under this part at a level less than \$100,000.

§ 1629.7 Can LSC funds be used to cover bonding costs?

Costs of bonding required by this part are allowable if expended consistent with 45 CFR part 1630. Costs of bonding such as rates, deductibles, single loss retention, and premiums, are allowable as an indirect cost if such bonding is in accordance with sound business practice and is reasonable.

PART 1630—COST STANDARDS AND PROCEDURES

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AUTHORITY: 42 U.S.C. 2996g(e).

SOURCE: 82 FR 37337, Aug. 10, 2017, unless otherwise noted.

Subpart A—General Provisions

§ 1630.1 Purpose.

This part is intended to provide uniform standards for allowability of costs and to provide a comprehensive, fair, timely, and flexible process for the resolution of questioned costs.

§ 1630.2 Definitions.

As used in this part:

(a) *Corrective action* means action taken by a recipient that:

(1) Corrects identified deficiencies;

(2) Produces recommended improvements; or

(3) Demonstrates that audit or other findings are either invalid or do not warrant recipient action.

(b) *Derivative income* means income earned by a recipient from LSC-supported activities during the term of an LSC grant or contract, and includes, but is not limited to, income from fees for services (including attorney fee awards and reimbursed costs), sales and rentals of real or personal property, and interest earned on LSC grant or contract advances.

(c) *Disallowed cost* means those charges to an LSC award that LSC determines to be unallowable, in accordance with the applicable statutes, regulations, or terms and conditions of the grant award.