

Accordingly, the Department is amending the certification to properly reflect this matter.

The intent of the Department's certification is to include all workers of Jencraft Manufacturing Company, Incorporated, who were adversely affected by increased imports.

The amended notice applicable to TA-W-30,001 is hereby issued as follows:

All workers of Jencraft Manufacturing Company, Incorporated, Elsa, Texas and McAllen, Texas engaged in employment related to the production of mini and vertical blinds who became totally or partially separated from employment on or after June 5, 1993 are eligible to apply for adjustment assistance under Section 223 of the Trade Act of 1974.

Signed at Washington, D.C. this 11th day of May 1995.

Victor J. Trunzo,
Program Manager, Policy and Reemployment Services, Office of Trade Adjustment Assistance.

[FR Doc. 95-12638 Filed 5-23-95; 8:45 am]

BILLING CODE 4510-30-M

[TA-W-30,768]

Kelley Oil Corporation Headquartered in Houston, Texas; Amended Certification Regarding Eligibility To Apply for Worker Adjustment Assistance

Operating at Various Locations in the Following States:

TA-W-30,768A New York
TA-W-30,768B Louisiana
TA-W-30,768C Texas (excluding Houston)

In accordance with Section 223 of the Trade Act of 1974 (19 U.S.C. 2273) The Department of Labor issued a Certification of Eligibility to Apply for Worker Adjustment Assistance on March 30, 1995, applicable to all workers of Kelley Oil Corporation, headquartered in Houston, Texas and operating at various locations in New York and Louisiana. The notice was published in the **Federal Register** on April 27, 1995 (60 FR 20764).

At the request of the State Agency, the Department reviewed the certification for workers of the subject firm. Findings show that in addition to the headquarters in Houston, Kelley Oil Corporation operated at various locations within the State of Texas. The Department is amending the certification to cover the Kelley Oil workers within the State of Texas.

The intent of the Department's certification is to include all workers of Kelly Oil Corporation who were adversely affected by increased imports.

The amended notice applicable to TA-W-30,768) is hereby issued as follows:

All workers of Kelley Oil Corporation, headquartered in Houston, Texas (TA-W-30,768) and operating at various locations in the following cited States who became totally or partially separated from employment on or after February 7, 1994 are eligible to apply for adjustment assistance under Section 223 of the Trade Act of 1974.

TA-W-30,768A New York

TA-W-30,768B Louisiana

TA-W-30,768C Texas (excluding Houston)

Signed at Washington, D.C. this 11th day of May 1995.

Victor J. Trunzo,
Program Manager, Policy and Reemployment Services, Office of Trade Adjustment Assistance.

[FR Doc. 95-12641 Filed 5-23-95; 8:45 am]

BILLING CODE 4510-30-M

[TA-W-30,688]

Union Camp Corp.; Retail Packaging of the Flexible Packaging Division Savannah, GA; Notice of Affirmative Determination Regarding Application for Reconsideration

On April 24, 1995, the union requested administrative reconsideration of the Department of Labor's Notice of Negative Determination Regarding Eligibility to Apply for Worker Adjustment Assistance for workers of the subject firm. The denial notice was signed on March 30, 1995 and published in the **Federal Register** on April 27, 1995 (60 FR 20763).

The issue is whether plastic bags are like and directly competitive with paper bags.

Conclusion

After careful review of the application, I conclude that the claim is of sufficient weight to justify reconsideration of the Department of Labor's prior decision. The application is, therefore, granted.

Signed at Washington, D.C., this 11th day of May, 1995.

Victor J. Trunzo,
Program Manager, Policy and Reemployment Services, Office of Trade Adjustment Assistance.

[FR Doc. 95-12640 Filed 5-23-95; 8:45 am]

BILLING CODE 4510-30-M

[NAFTA-00420]

ITT Automotive Body Systems Division, Roscommon, MI; Amended Certification Regarding Eligibility To Apply for NAFTA Transitional Adjustment Assistance

In accordance with Section 250(a), Subchapter D, Chapter 2, Title II, of the Trade Act of 1974, as amended (19 U.S.C. 2273), the Department of Labor issued a Certification for NAFTA Transitional Adjustment Assistance on May 1, 1995, applicable to all workers at the subject firm. The notice will soon be published in the **Federal Register**.

At the request of the State Agency, the Department reviewed the certification for workers of the subject firm. Findings show workers of ITT Automotive, Body Systems Division, produced tire winches (spare tire holders) and other automotive components. The workers are separately identifiable. Only those workers of ITT's Body Systems Division producing tire winches were adversely affected by the shift in production to a company affiliate facility in Mexico. Accordingly, the Department is amending the certification to properly reflect the correct worker group.

The amended notice applicable to NAFTA-00420 is hereby issued as follows:

All workers of ITT Automotive, Body Systems Division, Roscommon, Michigan engaged in the production of tire winches who became totally or partially separated from employment on or after March 23, 1994 are eligible to apply for NAFTA-TAA Section 250 of the Trade Act of 1974.

Signed at Washington, DC this 11th day of May 1995.

Victor J. Trunzo,
Program Manager, Policy and Reemployment Services, Office of Trade Adjustment Assistance.

[FR Doc. 95-12642 Filed 5-23-95; 8:45 am]

BILLING CODE 4510-30-M

LEGAL SERVICES CORPORATION

Audit Guide for LSC Recipients and Auditors

AGENCY: Legal Services Corporation.

ACTION: Proposed guideline.

SUMMARY: The Legal Services Corporation (LSC or Corporation) hereby publishes for comment by interested parties a proposed Audit Guide for Legal Services Corporation Recipients and Auditors (Audit Guide). The Audit Guide will replace the audit portions of both editions of the current Audit and Accounting Guide for Recipients and Auditors (Audit and

Accounting Guide). The Audit Guide will be maintained as a separate document, under the authority of the LSC Office of Inspector General. The accounting and financial reporting requirements of the Audit and Accounting Guide will remain in effect until amended in the future.

The proposed Audit Guide prescribes the use of Government Auditing Standards (GAS or GAGAS), with guidance under Office of Management and Budget (OMB) Circular A-133. The Audit Guide establishes a uniform standard under which recipient audits will be conducted; it simplifies audit requirements by adopting standards that are widely recognized in the federal and nonprofit audit communities; it provides for the effective implementation of recommendations designed to streamline the monitoring of recipients for compliance; and it eliminates the obsolescence of LSC audit requirements that date from the 1980's.

There will be five appendices to the new Audit Guide, which in themselves establish no new rules, regulations or guidelines for recipients.

DATES: Comments should be received in writing on or before June 23, 1995. Late comments will be considered to the extent practicable. Where possible comments should reference applicable paragraph numbers in the proposed revision. To facilitate conversion of the comments in computer format for analysis, respondents are asked to send a copy of the comments on either a 3.5 or 5.25 inch diskette in ASCII format.

ADDRESSES: Comments should be submitted to the Office of Inspector General, Legal Services Corporation, 750 First St., NE., 10th Floor, Washington, DC 20002-4250.

FOR FURTHER INFORMATION CONTACT: Karen M. Voellm, Chief of Audits (202) 336-8830.

SUPPLEMENTARY INFORMATION: The Legal Services Corporation Act, Sec. 1009(c)(1) requires that the Corporation either directly "conduct, or require each grantee, contractor, or person or entity receiving financial assistance" from the Corporation to provide for an annual financial audit. Historically, the Corporation has chosen to require recipients to provide the audit pursuant to Corporation audit guidance provided in the Audit and Accounting Guide.

On Tuesday, July 30, 1976, the Legal Services Corporation published in the **Federal Register** its Audit and Accounting Guide for Recipients and Auditors (41 FR 29951-29979).

Pursuant to section 1008(e) of the Legal Services Corporation Act (42 U.S.C.

2996(g)(c)), the Corporation thereafter requested (41 FR 32794) and received comments from interested persons. The Audit and Accounting Guide became effective on October 4, 1976.

On July 19, 1977, the Corporation published a notice instructing recipients to use the revised Audit and Accounting Guide that had been distributed in June of 1977. (42 FR 37077). The instruction was effective immediately upon publication. There were additional unpublished revisions in September 1979 and 1981 and a separate Fundamental Criteria of an Accounting and Financial Reporting System; each was issued directly to grant recipients.

On February 20, 1985, the Corporation published a notice of availability of a revised Audit and Accounting Guide that had been distributed February 11, 1985. (50 FR 7150). The notice established a ninety-day period for the submission of comments. On November 29, 1985, after adoption by the Corporation's Board of Directors, the final publication of the revised Audit and Accounting Guide appeared in the **Federal Register**. (50 FR 49276). This version of the Audit and Accounting Guide became effective January 1, 1986. Shortly thereafter, however, the Corporation gave recipients the option of using either the September 1981 or the January 1986 version of the Audit and Accounting Guide. Today, recipients are still permitted to follow either Audit and Accounting Guide.

The proposed Audit Guide makes one major change in current standards. All financial statement audits for periods ending on or after December 31, 1995, will be conducted pursuant to GAGAS rather than just the less comprehensive Generally Accepted Audit Standards (GAAS). As a result of the change to GAGAS, much of the detail of the audit portions of the current Audit and Accounting Guides is replaced by reference to the well-established and documented GAGAS.

GAGAS requires auditors, in the conduct of an audit of an entity's financial statements, to plan and design audit procedures to assess compliance with laws and regulations that have a material effect on the financial statements, and to assess the related internal controls. GAGAS also contains requirements relating to the auditor's professional qualifications, the quality of the audit effort, and the contents of meaningful audit reports. GAGAS is widely recognized as audit requirements that provide audit coverage that is broad enough to help fulfill the reasonable needs of potential users of the audit report, and is more comprehensive than

the current GAAS requirements of the Corporation's Audit and Accounting Guides. GAGAS standards are the ones that nonprofit organizations receiving federal assistance are required to follow pursuant to the requirements of OMB Circular A-133. Currently, LSC recipients receiving significant amounts of federal funds are already required to arrange for audits conducted under GAGAS, and at least 45% of LSC recipient audits for FY1993 were conducted under GAGAS.

For LSC, for its grant recipients and for Congress, a switch to GAGAS produces a number of benefits.

First, as already noted, the most obvious benefit of GAGAS audits is that a more thorough examination of the recipient's financial activities is made and a more comprehensive report on compliance with laws and regulations and on the maintenance of internal controls is provided to the Corporation and the public. In addition, auditors qualified to perform GAGAS audits are more likely to provide a high quality service than auditors not so qualified. As a result, the recipients' boards of directors and the Corporation will be provided higher quality and more extensive oversight information regarding the activities of local recipients and their staffs. For reasons such as these, GAGAS are the standards deemed by Congress to provide the appropriate level of accountability for audits involving taxpayer funds. Adopting GAGAS demonstrates the Corporation's and recipients' commitment to ensuring high levels of such accountability.

Second, a requirement that recipient annual financial statement audits be done in accordance with GAGAS simplifies the content of the Audit Guide and reduces the resources needed to develop it and keep it up-to-date. With audit requirements defined by the American Institute of Certified Public Accountants (AICPA) (GAAS) and the Comptroller General of the United States (GAGAS), the Corporation needs only to identify for the auditor supplemental, Corporation-specific requirements imposed by the Corporation's Act, appropriations laws or regulations. Along with these savings to the Corporation, recipients will also benefit from simplification; the potential for conflicting audit requirements among varied grant sources will be reduced.

Third, with the advent and development of the Corporation's Office of Inspector General and its special responsibility for and expertise in areas of audit policy, it has become advantageous and prudent to separate

the audit and accounting guidance into two separate Guides and to place authority over the Audit Guide in the OIG. Consistent with the Inspector General Act of 1978, as amended, and with practice throughout the federal government, the OIG will develop Corporation audit policy, establish audit requirements, maintain the Audit Guide and its appendices and review recipient audited financial statements to assure that they meet the standards of the Audit Guide. The Corporation, its recipients and the Congress will all benefit by having expert and centralized audit guidance to refer to.

Fourth, it is arguable that the Corporation is required by the Inspector General Act of 1978, as amended, to adopt GAGAS. Under Section 4 of that Act, the Inspector General is to provide policy direction for Corporation audits and to assure that audits conducted by non-Federal auditors complies with standards established by the Comptroller General, of which GAGAS is a prime example. Moreover, GAGAS are now the standards for audits of substantial amounts of federal funds distributed to nonprofit service providers either directly by federal agencies, or through state and local government intermediaries. The Corporation's special status as a DC private nonprofit corporation distributing funds that are federal in origin may not be a sufficient practical or legal reason to distinguish Corporation audits from other federal audits.

Fifth, the two current Audit and Accounting Guides have both become out of date. Both accounting principles and auditing standards have evolved significantly during the past decade. In addition, the persistence of two versions of the Audit and Accounting Guide, as the result of an unresolved controversy dating to 1986, causes continuing confusion regarding applicable standards and inconsistency in financial reporting by recipients. A new, single Audit Guide will bring the Corporation's audit guidance up to date and eliminate the confusion.

Sixth, in May of 1994, the OIG published its *Audit Report of Grantee Monitoring*. The audit reviewed LSC's performance of its on-site monitoring function. It disclosed, in part, that the former monitoring system duplicated to a large degree the work of the independent public accountants. The audit disclosed that about half of the recommendations made as a result of LSC monitoring dealt with accounting, financial management systems, and internal controls—areas covered in annual audits by the grantees'

independent public accountants (IPAs). This duplication was costly and unnecessary. In addition the report noted that monitoring activities were believed to be overly invasive by LSC grantees.

The findings and recommendations of the *Audit Report of Grantee Monitoring*, as well as the obsolescence of LSC's audit guidance, signaled a need to adopt auditing standards that would permit the effective assessment of certain fiscal areas by the IPA as part of the annual audit, as well as promote uniformity in the audits of LSC recipients. Adoption of GAGAS facilitates the implementation of an expanded role in testing and reporting on compliance requirements by recipients' IPAs. For this reason, one of the major recommendations of the performance audit of monitoring—that the Corporation expand its use of IPAs in monitoring—is workable and efficient only if GAGAS are applied to the audits.

There will be five appendices to the proposed Audit Guide. One of the appendices to the Audit Guide will be a new Compliance Supplement which will identify the financial-related regulations that auditors should examine in the course of the recipients' annual audit and will contain suggested audit procedures for the auditor to assess compliance with applicable laws and regulations. The other appendices will include a sample audit agreement, a model format for audited financial statements, the Corporation's pre-existing Fundamental Criteria for an Accounting and Financial Reporting System for LSC Recipients and a Guide for Procurement of Audit Services. Because the appendices themselves establish no new rules, regulations, or guidelines for recipients, they are not published for comment and will be promulgated without formal adoption by the Corporation's Board of Directors.

For the reasons set forth above, LSC proposes the Audit Guide read as follows:

Legal Services Corporation Audit Guide for Recipients and Auditors

Foreword

Under the Legal Services Corporation (LSC) Act, LSC provides financial support to organizations that furnish legal assistance to eligible clients. The Act requires that LSC either conduct or require each recipient of LSC funds to provide for an annual financial statement audit.

In 1976, LSC adopted an Audit and Accounting Guide for Recipients and Auditors of LSC funds. The Audit and Accounting Guide was amended several

times through 1981. Then, effective January 1, 1986, a fully revised Audit and Accounting Guide was published, but LSC subsequently declared the 1986 Audit and Accounting Guide to be just an alternative to rather than a binding replacement of the amended original Audit and Accounting Guide.

In 1995, LSC promulgated the following Audit Guide to replace the audit portions of both the original and the 1986 Audit and Accounting Guide. In addition, LSC will attach five appendices to this Audit Guide for use by recipients and auditors.

Appendix A. A Sample Audit Agreement which contains provisions LSC recommends recipients consider incorporating in their audit agreements.

Appendix B. Model Format for Audited Financial Statements and Footnotes.

Appendix C. The Compliance Supplement provides notice to both recipients and their auditors of the general federal requirements and the specific LSC regulations which are to be tested for compliance. The Compliance Supplement will change as LSC rules, regulations and guidelines are adopted, amended or revoked, but it establishes no new rules, regulations or guidelines itself.

Appendix D. The Fundamental Criteria of an Accounting and Financial Reporting System, previously promulgated by LSC. It establishes minimum standards for the elements of an adequate accounting and financial reporting system.

Appendix E. A Guide for Procurement of Audit Services, prepared by the LSC Office of Inspector General (OIG) in the spring of 1994 and revised in 1995. This Guide is intended to assist recipients in planning and procuring audit services.

It is anticipated that the accounting portions of both the original and the 1986 Audit and Accounting Guide will also be replaced in the future.

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 Appendix D Fundamental Criteria of an Accounting and Financial Reporting System for LSC Recipients
 Appendix E Guide for Procurement of Audit Services by Legal Services Corporation Recipients

Authorities: The Legal Services Corporation Act of 1974, as amended, sec. 1008(a) and (b), (42 U.S.C. 2996g(a) and (b)); sec. 1009(c)(1), (42 U.S.C. 2996h(c)(1)); and sec. 1010(c), (42 U.S.C. 2996i(c)); The Inspector General Act of 1978, as amended, 5 U.S.C. App. 3, sec. 4(a)(1); and sec. 4(b)(1).

Introduction

The Office of Inspector General (OIG) of the Legal Services Corporation (LSC) is responsible for establishing and interpreting LSC audit policy pursuant to a resolution adopted by the LSC Board of Directors on May 13, 1995. The OIG will periodically revise the Audit Guide and related audit policies and will review audit reports to ensure compliance with appropriate auditing standards and the policies prescribed by the Audit Guide. The OIG will examine the audits to identify reported control deficiencies, questioned costs and financial-related instances of noncompliance. Program-related findings and issues identified in the review of the audit reports will be forwarded to management for action.

I-1. Purpose

This Audit Guide provides a uniform approach for audits of LSC recipients and describes recipients' financial responsibilities with respect to the audit. The Audit Guide is to be used in conjunction with the Compliance Supplement (Appendix C). The Audit Guide and the Compliance Supplement provide the auditor flexibility in planning and performing the audit, encourage professional judgement in determining the audit steps necessary to accomplish audit objectives, and do not supplant the auditor's judgement of the audit work required in particular situations. The suggested procedures included in the Compliance Supplement do not cover all the circumstances or conditions likely to be encountered during the course of an audit.

I-2. Required Standards and Guidance

Audits of recipients, contractors, persons or entities receiving financial assistance from LSC (all hereinafter referred to as "recipients") are to be performed in accordance with Generally Accepted Auditing Standards (GAAS); Government Auditing Standards (GAS or GAGAS) issued by the United States

General Accounting Office (GAO); Office of Management and Budget (OMB) Circular A-133, Audits of Institutions of Higher Education and Other Not-for-Profit Organizations; and this Audit Guide.

For purposes of OMB Circular A-133, LSC is to be considered a major program. The Compliance Supplement (Appendix C) is to be followed for LSC funds. Accordingly, the OMB Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions does not apply to LSC programs.

The requirements of the Audit Guide apply to all recipients and subrecipients of LSC funds, except where specific provisions have been otherwise made through grant or subgrant agreements. This Audit Guide is not intended to apply to grants to law schools, universities or other special grants, which are covered by special provisions. Exceptions to these requirements will be determined by the OIG in conjunction with LSC management.

I-3. Authority

This Audit Guide has been prepared under the authority provided by the following sections of the LSC Act and the IG Act:

Records and Reports—LSC Act sec. 1008:

(a) The Corporation is authorized to require such reports as it deems necessary from any recipient, contractor, or person or entity receiving financial assistance under this title regarding activities carried out pursuant to this title.

(b) The Corporation is authorized to prescribe the keeping of records with respect to funds provided by grant or contract and shall have access to such records at all reasonable times for the purpose of insuring compliance with the grant or contract or terms and conditions upon which financial assistance was provided.

Audit—LSC Act sec. 1009(c)(1):

The corporation shall conduct or require each recipient, contractor, or person or entity receiving financial assistance under this title to provide for an annual financial audit.

Recipients' Non-LSC Funds—LSC Act sec. 1010(c):

Non-Federal funds received by the Corporation, and funds received by any recipient from a source other than the Corporation, shall be accounted for and reported as receipts and disbursements separate and distinct from Federal funds. * * *

Duties and Responsibilities * * *—IG
 Act sec. 4(a)(1) and 4(b)(1):

4(a) It shall be the duty and responsibility of each Inspector General, with respect to the establishment within which his Office is established—(1) to provide policy direction for and to conduct, supervise, and coordinate audits * * * relating to the programs and operations of such establishment. * * *

4(b)(1) In carrying out the responsibilities specified in subsection (a)(1), each Inspector General shall * * * (C) take appropriate steps to assure that any work performed by non-Federal auditors complies with the standards established by the Comptroller General. * * *

I-4. Effective Date

This Audit Guide is effective for audits of LSC programs for periods ending on or after December 31, 1995.

I-5. Revisions and Supplements to the Guide

The OIG will periodically revise the Audit Guide and its appendices through bulletins or replacement sections. Revisions may reflect changes to corporate regulations, auditing standards, funding requirements, or other published guidelines. Revisions should be incorporated into the recipient's copy of the Audit Guide, and furnished to the IPAs by the recipients. If there are any questions regarding the content of any revisions or supplements, please contact the OIG prior to the audit.

I-6. Cumulative Status of Revisions

Effective date	Description
August 1976	Original Edition of "Audit and Accounting Guide for Recipients and Auditors" Issued.
June 1977	Revised Original Edition of Audit and Accounting Guide Issued.
September 1979	Revision to Pages 4-1 and 6-6.
September 1981	Revision to Pages ii, 4-1, 6-6, VIII-3, and addition of Page 4-2.
January 1, 1986	Revised 1986 Edition of Audit and Accounting Guide Effective.

Effective date	Description
August 13, 1986	Regulation 1630 replaces Chapter 4 of both the Original and 1986 Edition of the Audit and Accounting Guide.
December 31, 1995.	Chapter 6 of both Original and 1986 Audit and Accounting Guide replaced by "Audit Guide."

I-7. Financial Responsibilities of Recipients

A. Maintain Adequate Accounting System

Recipients, under the direction of their boards of directors, are required to establish and maintain adequate accounting records and internal control procedures. Until revised, guidance with regard to these responsibilities is found in both LSC's Original and 1986 Edition of the "Audit and Accounting Guide for Recipients and Auditors," referred to in I-6, above. An effective financial system should accomplish the following objectives:

1. Resources are safeguarded against waste, loss and misuse;
2. Resources are used consistent with LSC regulations and grant conditions;
3. Management is provided with timely, accurate financial information sufficient to manage the resources of the recipient; and
4. Reporting is reliable and in sufficient detail to demonstrate to funding sources and the general public the recipient's commitment to accountability for the resources with which it has been entrusted.

B. Provide Audited Financial Statements

Recipients are responsible for preparing annual financial statements and arranging for an audit of those statements to be completed within ninety days of the recipient's fiscal year end. The recipients' boards of directors have the final responsibility for the appointment of the auditor. However, consistent with the authority granted in the LSC Act sec. 1009(c)(1), LSC reserves the right to preclude the appointment of an auditor if experience has shown the auditor's work to be unsatisfactory or if a conflict of interest exists.

A written agreement between the recipient and the IPA must be executed and, at a minimum, is to specifically include all matters described in Section II-1 of this Audit Guide (Subsections A through F).

Appendix A is a sample audit agreement that includes the required

matters described in Section II-1, and additional provisions that can be used to document the understanding between the recipient and the IPA. Recipients should consider incorporating these additional provisions in their audit.

In connection with the procurement of audit services, recipients should refer to the Guide for Procurement of Audit Services (Appendix E).

II. Audit Performance Requirements

II-1. Audit Requirements

A. Objectives

The primary audit objectives are to determine whether:

1. The financial statements present fairly the financial position and the results of operations in accordance with Generally Accepted Accounting Principles (GAAP);
2. The internal control structure provides reasonable assurance that the institution is managing Corporation funds in compliance with applicable laws and regulations, and controls ensure compliance with the laws and regulations that could have a material impact on the financial statements; and
3. The recipient has complied with applicable provisions of federal law, Corporation regulations and the grant agreement that may have a direct and material effect on its financial statement amounts.

B. Reports

The IPA will prepare the following audit reports:

1. Opinion (or disclaimer of opinion) that the financial statements have been prepared in accordance with GAAP;
2. Report on the Internal Control Structure;
3. Report on Compliance with Laws and Regulations; and
4. A Management Letter, if appropriate.

C. Qualifications of the IPA

The comprehensive nature of auditing performed in accordance with GAS places on the IPA the responsibility for ensuring that: (1) the audit is conducted by personnel who collectively have the necessary skills; (2) independence is maintained; (3) applicable standards are followed in planning and conducting audits and reporting the results; (4) the IPA has an appropriate internal quality control system in place; and (5) the IPA undergoes an external quality control review. IPAs must meet the qualifications stated in Government Auditing Standards.

D. Audit Working Papers

The audit working papers will be prepared in accordance with GAS, and will be retained by the IPA for at least eight¹ years from the date of the final audit report.

E. Access to Audit Working Papers

The audit working papers will be available for examination upon request by representatives of LSC and the Comptroller General of the United States. The audit working papers will be subject to Quality Assurance Review conducted by the LSC OIG.

F. Disclosure of Irregularities, Illegal Acts and Other Non-Compliance

If, during an audit, matters are uncovered relative to actual, potential, or suspected defalcations, or other similar irregularities, the IPA will comply with SAS Numbers 53 and 54. In addition, the IPA shall notify immediately the Office of Inspector General at (202) 336-8830.

G. Privileged or Confidential Information

GAS paragraphs 5.30 and 5.31 state: Certain information may be prohibited from general disclosure by federal, state, or local laws or regulations. Such information may be provided on a need-to-know basis only by persons authorized by law or regulation to receive it. If such requirements prohibit auditors from including pertinent data in the report, they should state the nature of the information omitted, and the requirement that makes the omission necessary. The auditors should obtain assurance that a valid requirement for the omission exists and, when appropriate, consult with legal counsel.

II-2. Review of Internal Controls

In accepting LSC funds, recipient management asserts that its accounting system is adequate to comply with LSC requirements. As part of the review of internal controls the auditor is required to evaluate the effectiveness of the recipient's accounting system and internal controls. The primary objectives of this evaluation are to ensure that resources are safeguarded against waste, loss and misuse and that resources are used consistent with LSC regulations and grant conditions.

Appendix D is the Fundamental Criteria of an Accounting and Financial Reporting System (Fundamental Criteria). It establishes minimum standards for the elements of an

¹ See GSA General Records Schedule 22, Transmittal No. 3, February 22, 1991.

adequate accounting and financial reporting system. The criteria contained in the Fundamental Criteria should be considered in an auditor's assessment of the recipient's internal control structure. The Fundamental Criteria is in addition to, rather than a substitute for, standard internal control checklists, and does not preclude the exercise of appropriate auditor's judgement in assessing internal controls.

II-3. Assessing Compliance With Laws and Regulations

The requirements set out in the Compliance Supplement (Appendix C) are those that could have a material impact on an organization's financial statements. Accordingly, examination of these compliance requirements are to be included as part of the audit.

The Compliance Supplement specifies the objectives and provides suggested procedures to be considered in the auditor's assessment of a recipient's compliance with laws and regulations. The suggested procedures can be used to test for compliance with laws and regulations, as well as to evaluate the related controls. Auditors should use professional judgement to decide which procedures to apply, and the extent to which reviews and tests should be performed. Some procedures require a review and evaluation of internal controls. If the reviews and evaluations were performed as part of the internal control structure review, audit procedures can be modified to avoid duplication. Auditors should also refer to the grant agreements for additional requirements.

In certain cases non-compliance may result in questioned costs. Auditors are to ensure that sufficient information is obtained to support the amounts questioned. Working papers should adequately document the basis for any questioned costs and the amounts reported.

II-4. Audit Follow-up

Consistent with GAS paragraph 4.10, the auditor is required to follow-up on known material findings and recommendations from previous audits that could affect the financial statement audit. The objective is to determine whether timely and appropriate corrective action has been taken. Auditors are required to report the status of uncorrected material findings and recommendations from prior audits. In addition, these requirements are also applicable to findings and recommendations issued in a management letter.

III. Audit Reporting Requirements

III-1. Audit Reports

The IPAs are to issue the reports called for in Paragraph II-1(C) and should follow the requirements of *GAS* and Statement on Auditing Standards (SAS) 74 (and any revisions thereto) for the content and format of the reports.

III-2. Views of Responsible Officials

Consistent with *GAS* paragraph 7.38, auditors should report the views of responsible program officials concerning the auditors' findings, conclusions, and recommendations, as well as corrections planned.

III-3. Report Distribution

Four copies of the audit reports are to be submitted to the LSC OIG within ninety days of the recipient's year end. Under extenuating circumstances, an extension of the ninety-day requirement may be granted. Requests for extensions should be in writing, and directed to the Chief for Audits of the OIG.

IV. Reference Materials

- A. Title X—Legal Services Corporation Act of 1974, 42 USC 2996; Pub. L. 93-355, amended by Pub. L. 95-222 and 98-166.
- B. 45 CFR Part 1600, *et seq.*
- C. *Government Auditing Standards*, issued by the Comptroller General of the United States, 1994 Revision.
- D. OMB Circular A-133, Audits of Institutions of Higher Education and Other Non-Profit Institutions.
- E. AICPA Professional Standards, Volume I.
- F. AICPA Integrated Practice System, Not-For-Profit Organizations Audit Manual.
- G. Practitioners Publishing Company *Guide to Audits of Nonprofit Organizations*, Seventh Edition (June 1994).
- H. AICPA Statement of Position (SOP) 92-9, *Audits of Not-for-Profit Organizations Receiving Federal Awards*, December 28, 1992.
- I. Pursuant to LSC Regulations, 45 CFR 1630.4(g):

The Circulars of the Office of Management and Budget shall provide guidance for all allowable cost questions arising under this part when relevant policies or criteria therein are not inconsistent with the provisions of the Act, applicable appropriations acts, this part, the Audit and Accounting Guide for Recipients and Auditors, and Corporation rules, regulations, guidelines, and instructions. Among the OMB Circulars which might be referred to if LSC policies are not dispositive:

1. Office of Management and Budget (OMB) Circular A-50 (Revised), *Audit Follow-up*.

2. OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*.

3. OMB Circular A-122, *Cost Principles for Nonprofit Organizations*.

4. OMB Circular A-123, *Internal Control Systems*.

5. OMB Circular A-127, *Financial Management Systems*.

Dated: May 19, 1995.

Victor M. Fortuno,
General Counsel.

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NATIONAL FOUNDATION FOR THE ARTS AND THE HUMANITIES

Media Arts Advisory Panel; Meeting

Pursuant to Section 10(a)(2) of the Federal Advisory Committee Act (Public Law 92-463), as amended, notice is hereby given that a meeting of the Advisory Panel (Arts on Radio Section) to the National Council on the Arts will be held on June 6, 1995 from 9 a.m. to 6:30 p.m. on June 6, 1995. This meeting will be held in Room 716 at the Nancy Hanks Center, 1100 Pennsylvania Avenue, NW., Washington, DC 20506.

Portions of this meeting will be open to the public from 9 a.m. to 9:15 a.m. for introductory remarks and from 5:30 p.m. to 6:30 p.m. for a guideline and policy discussion.

The remaining portion of this meeting, from 9:15 a.m. to 5:30 p.m. is for the purpose of Panel review, discussion, evaluation, and recommendation on applications for financial assistance under the National Foundation on the Arts and the Humanities Act of 1965, as amended, including information given in confidence to the agency by grant applicants. In accordance with the determination of the Chairman of February 8, 1994 this session will be closed to the public pursuant to subsection (c) (4), (6) and (9)(B) of section 552b of Title 5, United States Code.

Any person may observe meetings, or portions thereof, of advisory panels which are open to the public, and may be permitted to participate in the panel's discussions at the discretion of the panel chairman and with the approval of the full-time Federal employee in attendance.