AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

B. The majority of RUS Telecommunications borrowers will fall within the definition of nonpublic entities with exception of those held by publicly traded holding companies.

Multiemployer Plans

A. An RUS Telecommunications borrower shall disclose the amount of contributions to multiemployer plans during the period. The borrower may disclose total contributions to multiemployer plans without disaggregating the amounts attributable to pensions and other postretirement benefits. The disclosures shall include a description of the nature and effect of any changes affecting comparability, such as a change in the rate of employer contributions, a business combination, or a divestiture.

B. In some cases, withdrawal from a multiemployer plan results in an obligation to the plan for a portion of the plan's unfunded accumulated postretirement benefit obligation. If it is either probable or reasonably possible that (a) an employer would withdraw from the plan under circumstances that would give rise to an obligation or (b) an employer's contribution to the fund would be increased during the remainder of the contract period to make up a shortfall in the funds necessary to maintain the negotiated level of benefit coverage, the employer shall apply the provisions of SFAS No. 5, Accounting for Contingencies.

DISCLOSURE MATRIX

	Public entities	Nonpublic entities
Change in benefit obligation:		
Benefit obligation beginning of year	X	
Service Cost	X	
Interest Cost	X	
Actuarial Gain	X	
Plan Amendments	X	
Benefits Paid	X	
Benefit obligation at end of year	X	X
Change in plan assets:		
Fair value of plan assets beginning of year	X	
Actual return on plan assets	X	
Employer Contribution	X	X
Contributions by plan participants	X	X
Benefits Paid	X	X
Fair value of plan assets at end of year	X	X
Funded status:		
Unrecognized net actuarial loss (gain)	X	X
Unamortized prior service cost	X	X
Unrecognized transition obligation	X	X
Prepaid (Accrued) benefit cost	X	X
Weighted-average assumptions as of December 31:		
Discount rate	X	X
Expected return on plan assets	X	X
Rate of compensation increase	X	X
Components of net periodic benefit cost:		
Service cost	X	
Interest cost	X	
Expected return on plan assets	X	
Amortization of prior service cost	X	X
Amortization of transition obligation	X	X
Recognized net actuarial loss	X	X
Net periodic benefit cost	X	X

[61 FR 39847, July 31, 1996, as amended at 70 FR 25758, May 16, 2005]

PART 1773—POLICY ON AUDITS OF RUS AWARDEES

Subpart A—General Provisions

Sec.

1773.1 General.
1773.2 Definitions.

Subpart B—RUS Audit Requirements

1773.3 Annual audit.
1773.4 Auditee's responsibilities.
1773.5 Qualifications of an auditor.
1773.6 Auditor communication.
1773.7 Audit standards.
1773.8 Audit date.
1773.9 Disclosure of fraud and noncompliance with provisions of laws, regulations, contracts, and loan and grant agreements.
1773.10 Access to audit-documentation.
1773.11–1773.19 [Reserved]

Subpart C—RUS Requirements for the Submission and Review of the Reporting Package

1773.20 The auditor's submission of the reporting package.
1773.21 Auditee's review and submission of the reporting package.
1773.22–1773.29 [Reserved]

Subpart D—RUS Reporting Requirements

1773.30 [Reserved]
1773.31 Auditor's report on the financial statements.
1773.32 Reports on internal control; compliance with provisions of laws, regulations, contracts, and grant agreements; and instances of fraud.
1773.33 [Reserved]
1773.34 Schedule of findings and recommendations.
1773.35–1773.37 [Reserved]

Subpart E—RUS Audit Requirements and Documentation

1773.38 Scope of engagement.
1773.39 [Reserved]
1773.40 Regulatory assets.
1773.41—1773.44 [Reserved]
1773.45 Regulatory liabilities.
1773.46–1773.48 [Reserved]
1773.49 OMB Control Number.

AUTHORITY: 7 U.S.C. 901 *et seq.*, 7 U.S.C. 1921 *et seq.*, 7 U.S.C. 6941 *et seq.*

SOURCE: 83 FR 19907, May 7, 2018, unless otherwise noted.

Subpart A—General Provisions

§ 1773.1 General.

(a) This part implements the standards for audits required by the loan contracts and grant agreements of Rural Utilities Service (RUS) electric and telecommunications awardees. The provisions in this part require auditees to prepare and furnish to RUS, at least once during each 12-month period, a full and complete report of its financial condition, operations, and cash flows, in form and substance satisfactory to RUS, audited by an independent auditor that meets the requirements of §1773.5, and performed in accordance with auditing standards issued by generally accepted Government auditing standards (GAGAS) and the requirements of §1773.7.

(b) This part is based on the requirements of GAGAS in effect at the time of the audit and applicable RUS regulations and subpart F (Audit Requirements) of 2 CFR part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) (2 CFR 200.500–200.521).

(c) This part further sets forth the criteria that an auditee should use to select an auditor and certain audit procedures and audit documentation that must be performed and prepared by the auditor.

(d) Failure of an auditee to provide audited financial statements in compliance with this part is a serious violation of the RUS security agreement. RUS relies on audited financial statements in order to assess and monitor the financial condition of its awardees and to fulfill its fiduciary responsibilities.

(e) RUS reserves the right to suspend its acceptance of audits performed by auditors who, in the opinion of RUS, are not meeting the requirements of this part or with unresolved disputes or issues until such time that the matter can be resolved to RUS' satisfaction.

[83 FR 19907, May 7, 2018, as amended at 88 FR 7562, Feb. 6, 2023; 89 FR 88634, Nov. 8, 2024]

§ 1773.2 Definitions.

As used in this part:

2 CFR part 200, subpart F means 2 CFR part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, subpart F, Audit Requirements, as adopted by USDA in 2 CFR part 400.

Administrator means the Administrator of RUS.

Affiliated company means a company that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the auditee.

Agency designated system means the electronic system designated by the Agency for awardees to upload audit documents.

AICPA means the American Institute of Certified Public Accountants.

ASC means the Accounting Standards Codification issued by the Financial Accounting Standards Board.

Audit means an examination of financial statements by an independent auditor or audit firm for the purpose of expressing an opinion on the fairness with which the financial statements present the financial position, results of operations, and changes in cash flows in accordance with U.S. generally accepted accounting principles (GAAP) and for determining whether the auditee has complied with provisions of laws, regulations, contracts, or grant agreements that could have a material effect on the financial statements.

Audit date means the ''as of'' date established by the auditee.

Audit documentation has the same meaning as defined in the AICPA's professional auditing standards.

Auditee means a RUS awardee that is required to submit an annual audit as a condition of the award.

Auditor means government auditors as well as certified public accounting

firms that perform audits using generally accepted government auditing standards (GAGAS).

Awardee means an entity that has an outstanding RUS or Federal Financing Bank (FFB) loan or loan guarantee and/or a continuing responsibility under a grant agreement with RUS.

CPA means a Certified Public Accountant.

FASB means Financial Accounting Standards Board.

FFB means the Federal Financing Bank, a body corporate and instrumentality of the United States of America under the general supervision of the Secretary of the Department of the Treasury.

Financial statements mean the comparative balance sheets, statements of revenue and patronage capital (or statement of operations customary to the type of entity reporting) and statements of cash flows.

Fraud has the same meaning as defined in the AICPA's professional auditing standards.

GAAP has the same meaning as defined in accounting standards issued by the Government Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).

GAGAS means generally accepted government auditing standards as set forth in Government Auditing Standards, issued by the Comptroller General of the United States, Government Accountability Office.

GAO means the United States Government Accountability Office.

GASB means Government Accounting Standards Board.

Governance board means the auditee's board of directors, managing members, or other official body charged with governance.

Illegal act has the same meaning as defined by the Public Company Accounting Oversight Board.

Material weakness has the same meaning as defined in the AICPA's professional auditing standards.

OIG means the Office of the Inspector General, United States Department of Agriculture.

OMB means The Office of Management and Budget.

Peer review means an external review of one or more aspects of the accounting and auditing practice, not subject to Public Company Accounting Oversight Board permanent inspection, performed once every three years by a CPA firm that is not affiliated with the auditor.

Regulatory asset means an asset resulting from an action of a regulator as defined by FASB and GASB.

Regulatory liability means a liability imposed on a regulated enterprise when there is an enforceable present obligation to deduct an amount in determining the regulated rate to be charged to customers in future periods, as defined by FASB and GASB.

Related party has the same meaning as defined by FASB and GASB.

Reporting package means:

(1) The auditor's report on the financial statements;

(2) The reports on internal control; compliance with provisions of laws, regulations, contracts, and grant agreements; and instances of fraud;

(3) A complete set of financial statements;

(4) The schedule of findings and recommendations; and

(5) All supplemental schedules and information required by this part.

RUS means the Rural Utilities Service, an agency of the United States Department of Agriculture. Contact information for RUS can be found at RUS Program Accounting Services Division Rural Development (*usda.gov*).

RUS security agreement means a loan contract, grant agreement, mortgage, security agreement, or other form of agreement that governs the terms and conditions of, or provides security for, loan and/or grant funds provided by RUS to the auditee.

Significant deficiency has the same meaning as defined in the AICPA's professional auditing standards.

Single Audit Act means Single Audit Act of 1984 (31 U.S.C. 7501 *et seq.*) as implemented by 2 CFR part 200, subpart F.

State means any state or territory of the United States, or the District of Columbia.

Uniform System of Accounts means, for telecommunications awardees, as contained in 7 CFR part 1770, subpart B,

and for electric awardees, as contained in 7 CFR part 1767, subpart B.

[83 FR 19907, May 7, 2018, as amended at 88 FR 7562, Feb. 6, 2023; 89 FR 88634, Nov. 8, 2024]

Subpart B—RUS Audit Requirements

§ 1773.3 Annual audit.

(a) Each auditee must have its financial statements audited annually by an auditor selected by the auditee and approved by RUS as set forth in §1773.4. All auditees, except those subject to the Single Audit Act, must submit audited financial statements on a comparative basis covering at least two consecutive 12-month periods, unless the entity has not been in existence for two consecutive 12-month audit periods. Financial statements should be prepared in accordance with GAAP, or if prepared using a special purpose framework, reconciling schedules should be included. Audits of consolidated financial statements of the parent are not an acceptable replacement for an audit of the auditee.

(b) Each auditee must establish an annual audit date within 12 months of the date of the first advance and must prepare annual financial statements for the audit date established. Each auditee must notify RUS of the audit date at least 90 days prior to the selected audit date.

(c) Auditees not subject to 2 CFR part 200, subpart F, must furnish a reporting package to RUS within 120 days of the audit date. (See §1773.21) Until all loans made or guaranteed by RUS are repaid and unliquidated obligations rescinded, auditees must continue to provide annual audited financial statements. Auditees with grant funding only must furnish annual audited financial statements in the year of the first advance and until all funds have been advanced or rescinded, and all financial compliance requirements have been fully satisfied.

(d) An auditee that is identified as a non-Federal entity as defined in 2 CFR 200.1, which means a State, local government, Indian tribe, Institution of Higher Education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient, must meet the audit requirements outlined in 2 CFR 200.501 and 200.502 and the Single Audit Act, and not this part.

(1) For auditees expending less than the threshold for expenditure in Federal awards during the year, RUS reserves its right under 2 CFR 200.503(b) and (c) to arrange for an audit performed in accordance with this part.

(2) Within 30 days after the audit date, auditees subject to 2 CFR part 200, subpart F, must notify RUS, in writing via email, of the total Federal awards expended during the year and must state whether the audit will be performed in accordance with the Single Audit Act or this part.

(e) Subpart F of 2 CFR part 200 does not apply to audits of RUS electric and telecommunications cooperatives and for-profit telecommunications awardees unless the awardee has contractually agreed with another Federal agency (*e.g.*, Federal Emergency Management Agency) to provide a financial audit performed in accordance with 2 CFR part 200, subpart F. In no circumstance will an auditee be required to submit separate audits performed in accordance with this part and 2 CFR part 200, subpart F.

[88 FR 7563, Feb. 6, 2023, as amended at 89 FR 88634, Nov. 8, 2024]

§ 1773.4 Auditee's responsibilities.

(a) *Selection of a qualified auditor*. The auditee's governance board is responsible for the selection of a qualified auditor that meets the requirements set forth in §1773.5. When selecting an auditor, the auditee should consider, among other matters:

(1) The qualifications of auditors available to do the work;

(2) The auditor's experience in performing audits of utilities, related industries, or in the case of grantees, experience in auditing entities comparable to the grantee; and

(3) The auditor's ability to complete the audit and submit the reporting package to the auditee within 90 days of the audit date.

(b) *Board approval of selection*. The board's approval of an auditor must be recorded by a board resolution that states:

(1) The auditor represents that it meets RUS qualifications to perform an audit; and

(2) The auditee and auditor will enter into an audit engagement in accordance with §1773.6.

(c) *Notification of selection.* When the initial selection or subsequent change of an auditor has been made, the auditee must notify RUS, in writing via email, at least 90 days prior to the audit date. Changes in the name of an auditor are considered to be a change in the auditor.

(1) Within 30 days of the date of receipt of such notice, RUS or its designated representative will notify the auditee, in writing via email, if the selection or change in auditor is not satisfactory based on criteria described in §1773.5.

(2) Notification that the same auditor has been selected for succeeding audits of the auditee's financial statements is not required; however, the procedures outlined in this part must be followed for each new auditor selected, even though such auditor may previously have been approved by RUS to audit records of other RUS auditees.

(d) *Audit engagement letter.* The auditee must enter into an audit agreement with the auditor that complies with §1773.6 prior to the initiation of the audit.

(e) *Debarment certification.* The auditee must obtain, from the selected auditor, a lower tier covered transaction certification or other method in accordance with 2 CFR 180.300 or 2 CFR part 417, as required by Executive Orders 12549 and 12689 and any rules or regulations in this chapter issued thereunder.

(f) *Peer review report.* The auditee must obtain, from the selected auditor, a copy of the auditor's most recently accepted peer review report, which should be dated within 36 months of the engagement letter.

(g) *Preparation of schedules.* The auditee must prepare any schedules that are required by the auditor to perform the audit, including a complete set of financial statements, a schedule of deferred debits and deferred credits and a detailed schedule of investments in subsidiary and affiliated companies accounted for on the cost, equity, or consolidated basis. The detailed schedule of investments can be included in the notes to the financial statements or as a separate schedule as long as all information required is adequately disclosed. If the auditee uses a method other than GAAP, reconciliation schedules should be included with the reporting package.

(1) The schedule of deferred debits and deferred credits must include a description of the deferral and a notation as to whether the deferral has received written approval from RUS. If a determination is made that prior written approval is not required, cite the specific authority for the deferral.

(2) The schedule of investments must include investments in subsidiary and affiliated companies, corporations, limited liability corporations and partnerships, joint ventures, etc. accounted for on either the cost, equity or on a consolidated basis. For all investments, the auditee must list the name of the entity, ownership percentage, and the principal business in which the entity is engaged. For investments recorded on the cost basis, the auditee must include the original investment, advances, dividends declared or paid in the current and prior years and the net investment. For investments recorded on the equity or consolidated basis, the auditee must include the ownership percentage, original investment, advances, dividends declared or paid in the current and prior years, and current and prior years' earnings and losses, including accumulated losses in excess of the original investment.

(h) *Scope limitations.* The auditee will not limit the scope of the audit to the extent that the auditor is unable to provide an unmodified opinion that the financial statements are presented fairly in conformity with GAAP due to the scope limitation.

(i) *Submission of reporting package.* The auditee must submit to RUS, via the Agency designated system, the required reporting package as set forth in §1773.21.

(1) A reporting package that fails to meet the requirements detailed in this part will be returned to the auditee via email with a written explanation of noncompliance.

(2) The auditee must, within 30 days of the date of the email detailing the noncompliance, submit a corrected reporting package to RUS via the Agency designated system.

(3) If a corrected reporting package is not received within 30 days of the date of the email detailing the noncompliance, RUS will take appropriate action, depending on the severity of the noncompliance. Per §1773.1(d), failure to provide an audit in compliance with this part is a serious violation of the RUS security agreement. RUS relies on audited financial statements to assess and monitor the financial condition of its awardees and to fulfill its fiduciary responsibilities.

(j) *Submission of a plan of corrective action.* If the auditor's report contains findings and recommendations but does not include the auditee's response, the auditee must submit written responses via email to RUS within 180 days of the audit date. The written responses must address:

(1) The corrective action already taken or planned, or the reason the auditee believes no action is necessary; and

(2) The status of corrective action taken on previously reported findings and recommendations.

[83 FR 19907, May 7, 2018, as amended at 88 FR 7563, Feb. 6, 2023; 89 FR 88634, Nov. 8, 2024]

§1773.5 Qualifications of the auditor.

Auditors must meet the qualifications criteria of this section and enter into an audit engagement with the auditee that complies with §1773.6 to be considered satisfactory to RUS.

(a) *Licensing.* Auditors that audit the financial statements of an RUS auditee must be licensed to perform attestation engagements in the United States of America. Auditors do not have to be licensed by the state in which the auditee is located; however, auditors must abide by the rules and regulations of professional conduct promulgated by the accountancy board of the state in which the auditee is located.

(b) *Independence.* Auditors must be independent as determined by the standards for independence in the AICPA Code of Professional Conduct and in GAGAS in effect at the time of the audit.

(c) *Peer review requirement.* Auditors must be enrolled in and comply with the requirements of an approved peer review program and must have undergone a satisfactory peer review of their accounting and audit practice. The peer review must be in effect at the date of the audit report opinion.

(d) *Peer review reports.* RUS or its designated representative reserves the right to request peer review reports from selected auditors, including evidence indicating actions taken to correct deficiencies identified in the peer review report, if applicable.

[83 FR 19907, May 7, 2018, as amended at 88 FR 7564, Feb. 6, 2023]

§1773.6 Auditor communication.

(a) Under GAGAS and AICPA professional auditing standards, the auditor should agree upon the terms of the engagement with management or those charged with governance, as appropriate. The agreed-upon terms of the engagement should be documented in an audit engagement letter or other suitable form of written agreement. RUS requires the auditor's communication to take the form of an audit engagement letter prepared by the auditor and that it be formally accepted by the auditee's governance board or an audit committee representing the governance board. In addition to the requirements of the AICPA's professional auditing standards and GAGAS, the engagement letter must also include the following:

(1) The nature of planned work and level of assurance to be provided related to internal control over financial reporting and compliance with laws, regulation, and provision of contracts or grant agreements;

(2) That the auditee and auditor acknowledge that the audit is being performed and that the reporting package is being issued to enable the auditee to comply with the provisions of RUS's security instrument which requires compliance with this part;

(3) That the auditor acknowledges the mandatory reporting requirements for fraud, illegal acts, or noncompliance with provisions of laws, regulations, contracts, and grant agreements in §1773.9. Acceptance of the engagement letter by the auditee is required,

thus granting the auditor permission to directly notify the appropriate officials which may include but is not limited to the governance board, RUS, and OIG;

(4) That the auditor acknowledges that it is required under §1773.7 to contact RUS if the auditor is unable to resolve scope limitations imposed by the auditee, or if such limitations in scope violate this part. Acceptance of the engagement letter by the auditee is required, thus granting the auditor permission to directly notify RUS as needed;

(5) That the auditee and auditor acknowledge that RUS will consider the auditee to be in violation of its RUS Security Agreement and this part if the auditee fails to have an audit performed and documented in compliance with GAGAS and this part;

(6) That the auditor represents that it meets the requirements under this part to perform the audit;

(7) That the auditor will perform the audit and will issue the required reports and the auditee will prepare and submit the reporting package in accordance with the requirements of this part;

(8) That the auditor will document the audit work performed in accordance with GAGAS, and the requirements of this part; and

(9) That the auditor will make all audit documentation available to RUS or its representatives (including but not limited to OIG and GAO), upon request, and will permit the photocopying or imaging of all such audit documentation.

(b) A copy of the audit engagement letter must be retained by both the auditee and auditor. The engagement letter must be available at the auditee's office for inspection by RUS personnel or its designated representatives.

[83 FR 19907, May 7, 2018, as amended at 88 FR 7564, Feb. 6, 2023]

§ 1773.7 Audit standards.

(a) The audit of the financial statements must be performed in accordance with GAGAS and this part in effect at the audit date unless the auditee is directed otherwise, in writing, via email by RUS.

(b) The audit of the financial statements must include such tests of the accounting records and such other auditing procedures that are sufficient to enable the auditor to express an opinion on the financial statements.

(c) Audit scope limitations are as follows:

(1) As noted under §1773.4(h), the auditee will not limit the scope of the audit to the extent that the auditor is unable to meet RUS audit requirements without prior written approval of RUS.

(2) If the auditor determines during the audit that an unmodified opinion cannot be issued due to a scope limitation imposed by the auditee, the auditor should use professional judgment to determine what levels of the auditee's management and/or those charged with governance should be informed.

(3) After informing the auditee's management and/or those charged with governance, if the scope limitation is not adequately resolved, the auditor should immediately contact RUS.

[88 FR 7564, Feb. 6, 2023]

§ 1773.8 Audit date.

The annual audit must be performed as of the end of the same calendar month each year unless prior approval to change the audit date is obtained, in writing via email, from RUS or its designated representative.

(a) An auditee may request a change in the audit date by writing via email to RUS at least 60 days prior to the currently approved audit date, providing justification for the change.

(b) The time period between the prior audit date and the newly requested audit date must be no longer than twenty-three months.

(c) Comparative financial statements must be prepared and audited for the 12 months ending as of the new audit date and for the 12 months immediately preceding that period.

[88 FR 7564, Feb. 6, 2023]

§ 1773.9 Disclosure of fraud, and noncompliance with provisions of law, regulations, contracts, and grant agreements.

(a) In accordance with GAGAS, the auditor is responsible for planning and

performing the audit to provide reasonable assurance about whether the financial statements are free of material misstatement due to error or fraud. The auditor must also plan the audit to provide reasonable assurance of detecting material misstatements resulting from violations of provisions of laws, regulations, contracts, or grant agreements that could have a direct and material effect on the financial statements.

(b) If specific information comes to the auditor's attention that provides evidence concerning the existence of possible violations of provisions of laws, regulations, contracts, or grant agreements that could have a material indirect effect on the financial statements, the auditor should apply audit procedures specifically directed to obtain sufficient, appropriate audit evidence regarding those possible violations of provisions of laws, regulations, contracts, or grant agreements.

(c) Pursuant to the terms of its audit engagement letter with the auditee, the auditor must, as soon as practical, report through the methods indicated below, all instances of fraud, illegal acts, and all indications or instances of noncompliance with laws, whether material or not, to:

(1) The president of the auditee's governance board via the auditor's preferred method;

(2) RUS via email;

(3) OC–ECD via email; and

(4) OIG, as follows:

(i) For all audits performed in accordance with §1773.3(d) (audits conducted in accordance with 2 CFR part 200), report to the USDA–OIG–Audit, National Single Audit Coordinator for USDA, 1400 Independence Ave. SW, Ste. 419, Washington, DC 20250, email: *OIG-USDAsingleaudit@oig.usda.gov*, or online at: *http://usdaoig.oversight.gov*.

(ii) For all other audits conducted in accordance with §1773.3 report to the USDA Office of Inspector General online at: *https://usdaoig.oversight.gov*.

[88 FR 7564, Feb. 6, 2023, as amended at 89 FR 88634, Nov. 8, 2024]

§ 1773.10 Access to audit documentation.

Pursuant to the terms of this part and the audit engagement letter, the auditor must make all audit documentation available to RUS, or its designated representative, upon request and must permit RUS, or its designated representative, to photocopy or image all audit documentation.

[88 FR 7565, Feb. 6, 2023]

§§ 1773.11–1773.19 [Reserved]

Subpart C—RUS Requirements for the Submission and Review of the Reporting Package

§ 1773.20 The auditor's submission of the reporting package.

(a) *Time limit.* Within 90 days of the audit date, the auditor must deliver the reporting package to the auditee's governance board. At a minimum, copies should be provided for each member of the governance board and the manager. The auditor must also provide an electronic copy of the audit which meets the requirements of §1773.21 for subsequent transmittal to RUS.

(b) *Matters to be communicated.* Matters communicated to those charged with governance must include, but are not limited to the matters to be communicated as prescribed in the AICPA's professional standards AU–C Section 260, ''The Auditor's Communication with Those Charged with Governance''.

[83 FR 19907, May 7, 2018, as amended at 88 FR 7565, Feb. 6, 2023]

§ 1773.21 Auditee's review and submission of the reporting package.

(a) The auditee's governance board should note and record receipt of the reporting package and any action taken in response to the reporting package in the minutes of the board meeting at which such reporting package is presented.

(b) The auditee must furnish RUS with an electronic copy of the reporting package, as described in paragraph (e) of this section, within 120 days of the audit date as provided for in §1773.3.

(c) The auditee must furnish RUS with a copy of its plan for corrective action, if any, within 180 days of the audit date.

(d) The auditee must include a complete reporting package as defined in §1773.2.

(e) All required submissions to RUS described in paragraphs (b) through (d) of this section should be furnished electronically. The electronic copy must be provided in an unlocked or unencrypted Portable Document Format (PDF). All RUS electric and telecommunications auditees shall upload the reporting package to the Agency designated system.

[83 FR 19907, May 7, 2018, as amended at 88 FR 7565, Feb. 6, 2023; 89 FR 88635, Nov. 8, 2024]

§§ 1773.22–1773.29 [Reserved]

Subpart D—RUS Reporting Requirements

§ 1773.30 [Reserved]

§ 1773.31 Auditor's report on the financial statements.

The auditor should form an opinion on whether the comparative financial statements as a whole are presented fairly, in all material respects, in accordance with GAAP, and issue a written report that meets AICPA professional auditing standards and GAGAS requirements. The report must include the manual, printed, or digital signature of the audit firm.

[88 FR 7565, Feb. 6, 2023]

§ 1773.32 Reports on internal control; compliance with provisions of laws, regulations, contracts, and grant agreements; and instances of fraud.

(a) As required by GAGAS, the auditor must prepare a written report describing the scope of the auditor's testing of internal control over financial reporting and of compliance with provisions of laws, regulations, contracts, and grant agreements, and state whether the tests provided sufficient, appropriate evidence to support opinions on the effectiveness of internal control and on compliance with provisions of laws, regulations, contracts, and grant agreements. This report must include the manual or printed signature of the audit firm and must include the following items as appropriate:

(1) Significant deficiencies and material weaknesses in internal control;

(2) Identified or suspected instances of noncompliance with provisions of laws, regulations, contracts and grant agreements that have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance;

(3) Identified or suspected instances of fraud that have a material effect, either quantitatively or qualitatively, to the financial statements or other financial data significant to the audit objectives; and

(4) Identified or suspected instances of abuse that have a material effect, either quantitatively or qualitatively, to the financial statements or other financial data significant to the audit objectives.

(b) When the auditor detects instances of noncompliance or abuse that have an effect on the financial statements that are less than material but warrant the attention of those charged with governance, they should communicate those findings in writing to those charged with governance in a separate communication. If the auditor has issued a separate communication detailing immaterial instances of noncompliance or abuse, the reports on internal control; compliance with provisions of laws, regulations, contracts, and grant agreements; and instances of fraud must be modified to include a statement such as:

''We noted certain immaterial instances of noncompliance [and/or abuse], which we have reported to the management of (auditee's name) in a separate letter dated (month, day, 20XX).''

(c) If the auditor has issued a separate letter to management to communicate other matters involving the design and operation of the internal control over financial reporting, the reports on internal control; compliance with provisions of laws, regulations, contracts, and grant agreements; and instances of fraud must be modified to include a statement such as:

''However, we noted other matters involving the internal control over financial reporting that we have reported to the management of (auditee's name) in a separate letter dated (month, day, 20XX).''

[83 FR 19907, May 7, 2018, as amended at 88 FR 7565, Feb. 6, 2023; 89 FR 88635, Nov. 8, 2024]

§ 1773.33 [Reserved]

§ 1773.34 Schedule of findings and recommendations.

The auditor must prepare a schedule of findings and recommendations to be included with the reports on internal control; compliance with laws, regulations, contracts, and grant agreements; and instances of fraud. The report must contain the status of known but uncorrected deficiencies from prior audits that affect the current audit objective. The schedule of findings and recommendations shall be developed and presented utilizing the elements of a finding discussed in GAGAS and shall include recommendations for remediation. If the schedule does not include responses from management, as well as any planned corrective actions, those items must be submitted directly to RUS by management in accordance with §1773.4(j).

[89 FR 88635, Nov. 8, 2024]

§§ 1773.35–1773.37 [Reserved]

Subpart E—RUS Audit Requirements and Documentation

§ 1773.38 Scope of engagement.

The audit requirements set forth in this part should be met annually by the auditor during the audit of the RUS auditee's financial statements. The auditor must exercise professional judgment in determining whether any auditing procedures in addition to those mandated by GAGAS or this part should be performed on the auditee's financial records in order to afford a reasonable basis for rendering the auditor's opinion on the financial statements and the reports on internal control; compliance with provisions of laws, regulations, contracts, and grant agreements; and instances of fraud; and schedule of findings and recommendations.

[88 FR 7565, Feb. 6, 2023]

§ 1773.39 [Reserved]

§ 1773.40 Regulatory assets.

The auditor's audit documentation shall support that the auditor tested whether all regulatory assets comply with the requirements of FASB Accounting Standards Codification (ASC) 980 or GASB Statement (GASBS) 62, as appropriate. For Electric auditees only, the auditor's audit documentation shall support that all regulatory assets have received RUS approval.

[89 FR 88635, Nov. 8, 2024]

§§ 1773.41—1773.44 [Reserved]

§ 1773.45 Regulatory liabilities.

The auditor's audit documentation shall support that all regulatory liabilities comply with the requirements of FASB Accounting Standards Codification (ASC) 980 or GASB Statement (GASBS) 62, as appropriate. For electric auditees only, the auditor's audit documentation shall document whether all regulatory liabilities have received RUS approval.

[89 FR 88635, Nov. 8, 2024]

§§ 1773.46–1773.48 [Reserved]

§ 1773.49 OMB Control Number.

The information collection requirements in this part are approved by the Office of Management and Budget (OMB) and assigned the OMB Control Number 0572–0095.

PART 1774—SPECIAL EVALUATION ASSISTANCE FOR RURAL COMMUNITIES AND HOUSEHOLDS PROGRAM (SEARCH)

Subpart A—General Provisions

Sec.

1774.1 General.
1774.2 Definitions.
1774.3 Availability of forms and regulations.
1774.4 Allocation of funds.
1774.5–1774.6 [Reserved]
1774.6 Equal opportunity requirements.
1774.7 Environmental requirements.
1774.8 Other Federal Statutes.