

Rural Utilities Service, USDA**§ 1774.1**

§§ 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**

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AUTHORITY: 7 U.S.C. 1926(a)(2)(C).

SOURCE: 75 FR 35963, June 24, 2010, unless otherwise noted.

Subpart A—General Provisions**§ 1774.1 General.**

The purpose of the Special Evaluation Assistance for Rural Communities and Household (SEARCH) Grant program is to provide financial assistance to the neediest, eligible communities, who lack financial resources to pay for feasibility studies, design assistance and technical assistance. This subpart

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sets forth the general policies and procedures for making and processing predevelopment planning SEARCH grants for water and waste projects.

§ 1774.2 Definitions.

The following definitions apply to subparts A and B of this part.

Agency. The Rural Utilities Service of the United States Department of Agriculture (USDA) within the Rural Development mission area of the Under Secretary for Rural Development. The Processing Official will administer this water and waste program on behalf of the Rural Utilities Service.

Approval official. The Agency official at the State level who has been delegated the authority to approve grants.

ConAct. Consolidated Farm and Rural Development Act (7 U.S.C. 1926(a)(2)).

Design assistance. Preliminary design and engineering analysis necessary for an application for funding. Design assistance does not include financial assistance for development of plans, specifications, or bidding documents.

Eligible entity. Entity that meets eligibility requirements to obtain a loan, loan guarantee or grant under Paragraphs 1, 2 or 24 of Section 306(a) of the ConAct (codified at 7 U.S.C. Section 1926(a)(1)(2) and (24)).

Feasibility study. Documentation associated with an objective analysis of project-related technical engineering or environmental impact analyses required to support applications for funding water or waste disposal projects through USDA, Rural Utilities Service or other agencies.

Financially distressed area. An area is considered financially distressed if the median household income of the area to be served is either below the poverty line or below 80 percent of the statewide non-metropolitan median household income according to the 5-year income data from the American Community Survey (ACS) or, if needed, other Census Bureau data. If there is reason to believe that the ACS or other Census Bureau data does not accurately represent the median household income of the area to be served, the reasons will be documented and the borrower may furnish, or RD may obtain, additional information regarding such median household income data. Infor-

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mation must consist of reliable data from local, regional, State or Federal sources or from a survey conducted by a reliable impartial source.

Grantee. The applicant receiving financial assistance directly from the RUS to carry out the project or program under this program.

Poverty line. The level of income for a family of four, as defined in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)).

Processing Official. The Agency official designated by the approval official as having the authority to accept and process applications for water and waste disposal assistance.

Rural area. For the purposes of this SEARCH program, any communities in a city, town, or unincorporated area with populations of 2,500 or fewer inhabitants, according to the most recent decennial Census of the United States (decennial Census), and which excludes certain populations pursuant to 7 U.S.C. 1991(a)(13)(H) and (I).

State. Any of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, the Territory of Guam, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, the Republic of Palau, and the U.S. Virgin Islands.

Technical Assistance. Supervision, oversight, or training by an organization for the development of an application for financial assistance.

[75 FR 35963, June 24, 2010, as amended at 80 FR 9862, Feb. 24, 2015; 84 FR 3669, Feb. 13, 2019; 87 FR 38642, June 29, 2022; 89 FR 34958, May 1, 2024]

§ 1774.3 Availability of forms and regulations.

Information about the forms, instructions, regulations, bulletins, OMB Circulars, Treasury Circulars, standards, documents and publications cited in this part is available from any USDA/Rural Development Office or the United States Department of Agriculture, Washington, DC 20250-1500 and at <http://www.grants.gov>.

§ 1774.4 Allocation of funds.

The Secretary may use not more than four percent of the total amount of funds made available for a fiscal

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year for water and waste disposal activities for SEARCH grants.

§ 1774.5-1774.6 [Reserved]**§ 1774.7 Environmental requirements.**

Grants made under this part must comply with the environmental review requirements in accordance with 7 CFR part 1970.

§ 1774.8 Other Federal Statutes.

Other Federal statutes and regulations are applicable to grants awarded under this part. These include but are not limited to:

(a) 7 CFR part 1, subpart A—USDA implementation of Freedom of Information Act.

(b) 7 CFR part 3—USDA implementation of OMB Circular No. A-129 regarding debt collection.

(c) 7 CFR part 15, subpart A—USDA implementation of Title VI of the Civil Rights Act of 1964, as amended.

(d) 7 CFR part 1970.

(e) 7 CFR part 1901, subpart E—Civil Rights Compliance Requirements.

(f) 2 CFR part 200, as adopted by USDA through 2 CFR part 400, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal.

(g) 2 CFR part 415—General Program Administrative Requirements.

(h) 2 CFR part 180, as adopted by USDA through 2 CFR part 417, Non-procurement Debarment and Suspension, implementation of Executive Order 12549 on debarment and suspension.

(i) 2 CFR part 418, New Restrictions on Lobbying, prohibiting the use of appropriated funds to influence Congress or a Federal agency in connection with the making of any Federal grant and other Federal contracting and financial transactions.

(j) 2 CFR part 421, Requirements for Drug-Free Workplace (Financial Assistance), implementing the Drug-Free Workplace Act of 1988 (41 U.S.C 8102).

(k) 7 CFR part 15b, USDA implementation of section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), as amended, prohibiting discrimination on the basis of physical or mental

handicap in Federally assisted programs.

[75 FR 35963, June 24, 2010, as amended at 79 FR 76005, Dec. 19, 2014; 81 FR 7696, Feb. 16, 2016; 81 FR 11028, Mar. 2, 2016]

§ 1774.9 [Reserved]**Subpart B—Grant Application Processing****§ 1774.10 Applications.**

(a) To file an application, an organization must provide their Unique Entity Identifier (UEI) in accordance with 2 CFR part 25. Instructions for obtaining the UEI are available at <https://sam.gov/>. To file a complete application, the following should be submitted:

(1) Standard Form 424, “Application for Federal Assistance (For Non-Construction).”

(2) Standard Form 424A & B, “Budget Information—Non-Construction Programs.”

(3) Supporting documentation necessary to make an eligibility determination such as financial statements, audits, organizational documents, or existing debt instruments. The Processing Official will advise applicants regarding the required documents. Applicants that are indebted to RUS will not need to submit documents already on file with the Processing Official as long as such documents are current and valid.

(4) Project narrative detailing the project to be financed with the SEARCH grant funds. The narrative will also provide details on the activities or tasks to be accomplished, objectives, timetables for task completion, and anticipated results.

(5) The applicant’s Internal Revenue Service Taxpayer Identification Number (TIN).

(6) Other Forms and certifications. Applicants will be required to submit the following items to the Processing Official, upon notification from the Processing Official to proceed with further development of the full application:

(i) Form RD 442-7, “Operating Budget”;

(ii) Form RD 400-1, “Equal Opportunity Agreement”;

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- (iii) Form RD 400-4, "Assurance Agreement";
- (iv) Form AD-1047, "Certification Regarding Debarment, Suspension and other Responsibility Matters";
- (v) Form AD-1049, Certification regarding Drug-Free Workplace Requirements (Grants) Alternative I For Grantees Other Than Individuals;
- (vi) Certifications for Contracts, Grants, and Loans (Regarding Lobbying); and
- (vii) Certification regarding prohibited tying arrangements. Applicants that provide electric service must provide the Agency a certification that they will not require users of a water or waste facility financed under this part to accept electric service as a condition of receiving assistance.

(b) Applicants are encouraged to contact the State Office or the Processing Official to find out how to file electronically. The application and supporting documentation must be sent or delivered to the Processing Official, unless it is filed electronically.

[75 FR 35963, June 24, 2010, as amended at 89 FR 34958, May 1, 2024]

§ 1774.11 [Reserved]

§ 1774.12 Eligibility.

The following eligibility requirements must be met:

- (a) The applicant must be:
 - (1) A public body, such as a municipality, county, district, authority, or other political subdivision or a State, territory or commonwealth, or
 - (2) An organization operated on a not-for-profit basis, such as an association, cooperative, or private corporation. The organization must be an association controlled by a local public body or bodies, or have a broadly based ownership by or membership of people of the local community, or
 - (3) Indian Tribes on Federal and State reservations and other Federally recognized Indian Tribes.
- (b) The area to be served must be financially distressed and rural as defined in § 1774.2 of this part.

§ 1774.13 Limitations.

Grant funds may not be used to:

- (a) Fund political or lobbying activities.

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- (b) Pay for work already completed.
- (c) Purchase real estate or vehicles, improve or renovate office space, or repair and maintain privately owned property.
- (d) Construct or furnish a building.
- (e) Intervene in the Federal regulatory or adjudicatory proceedings.
- (f) Sue the Federal Government or any other government entities.
- (g) Pay for any other costs that are not allowable under 2 CFR part 200, as adopted by USDA through 2 CFR part 400.
- (h) Make contributions or donations to others.
- (i) Fund projects that duplicate technical assistance given to implement action plans under the National Forest-Dependent Rural Communities Economic Diversification Act of 1990 (7 U.S.C. 6613). Applicants cannot receive both grants made under this part and grants that the Forest Service makes to implement the action plans for five continuous years from the date of grant approval by the Forest Service.

(j) To pay an outstanding judgment obtained by the United States in a Federal Court (other than in the United States Tax Court), which has been recorded. An applicant will be ineligible to receive a loan or grant until the judgment is paid in full or otherwise satisfied.

[75 FR 35963, June 24, 2010, as amended at 79 FR 76005, Dec. 19, 2014]

§ 1774.14 Eligible grant purposes.

(a) Eligible predevelopment planning costs are feasibility studies, preliminary design assistance, and technical assistance as each is defined in § 1774.2. The eligible predevelopment activities funded with these grant funds must be agreed to and accepted by the Agency prior to the disbursement of the SEARCH grant. The predevelopment planning costs must be related to a proposed project that meets the following requirements:

- (1) To construct, enlarge, extend, or otherwise improve rural water, sanitary sewage, solid waste disposal, and storm wastewater disposal facilities.
- (2) To construct or relocate public buildings, roads, bridges, fences, or

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utilities, and to make other public improvements necessary for the successful operation or protection of facilities authorized in paragraph (a)(1) of this section.

(3) To relocate private buildings, roads, bridges, fences, or utilities, and other private improvements necessary for the successful operation or protection of facilities authorized in paragraph (a)(1) of this section.

(b) The Secretary, subject to the limitation in § 1774.4 of this part, may fund up to 100 percent of the eligible grant costs, not to exceed \$30,000.

§ 1774.15 Selection Criteria.

Projects will be selected based primarily on the funding priorities in 7 CFR 1780.17. The Program Official discretionary points stated in 7 CFR 1780.17 (e) can also include consideration of the following criteria:

(a) Systems with limited resources.
(b) Smallest systems with lowest incomes.
(c) Funds availability.

§ 1774.16 Grant application processing and approval.

(a) Before starting to assemble the full application, the applicant should arrange through the Processing Official an application conference to provide a basis for orderly application assembly. The processing office will explain program requirements, public information requirements and provide guidance on preparation of items necessary for final determination.

(b) The Processing Official will determine if the application is properly assembled. If not, the applicant will be notified within fifteen Federal working days as to what additional submittal items are needed.

(c) The Processing Official and Approval Official will coordinate their reviews to ensure that the applicant is advised about eligibility and anticipated fund availability within 45 days of the receipt of a completed application.

(d) The Processing Official will submit the following to the Approval Official:

(1) "Water and Waste Project Information Summary";

(2) Form RD 442-3, "Balance Sheet" or a financial statement or audit that includes a balance sheet;

(3) Letter of Conditions;

(4) Form RD 1942-46, "Letter of Intent to Meet Conditions";

(5) Form RD 1940-1, "Request for Obligation of Funds";

§ 1774.17 Grant closing and disbursement.

(a) *Grant closing.* RUS Bulletin 1780-12 "Water or Waste System Grant Agreement" will be completed and executed in accordance with the requirements of grant approval. The grant will be considered closed when RUS Bulletin 1780-12 has been properly executed. Processing officials or Approval officials are authorized to sign the grant agreement on behalf of RUS.

(b) *Grant disbursements.* Agency policy is not to disburse grant funds from the Treasury until they are actually needed by the applicant. If an approved grant includes applicant or other contributions, then these funds will be disbursed before the disbursal of any Agency grant funds.

(c) *Payment for project costs.* Project costs will be monitored by the RUS processing office. Invoices will be approved by the borrower and submitted to the Processing Official for concurrence. The review and acceptance of project costs by the Agency does not attest to the correctness of the amounts, the quantities shown or that the work has been performed under the terms of the agreements or contracts.

(d) *Use of remaining funds.* Funds remaining after all costs incident to the basic project have been paid or provided for will not include applicant contributions if SEARCH grants funds are financing less than 100 percent of the project. Funds remaining may be considered in direct proportion to the amounts obtained from each source. Remaining funds will be handled as follows:

(1) Remaining funds may be used for eligible grant purposes as described in 1774.14 of this subpart, or

(2) Grant funds not expended will be canceled. Prior to the actual cancellation, the borrower, its attorney and its engineer will be notified of RUS' intent to cancel the remaining funds.

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§ 1774.18 Reporting requirements, accounting methods and audits.

All Agency grantees will follow the reporting requirements as outlined in 7 CFR 1780.47.

§ 1774.19 Applications determined ineligible.

If at any time an application is determined ineligible, the processing office will notify the applicant in writing of the reasons. The notification to the applicant will state that an appeal of this decision may be made by the applicant under 7 CFR part 11.

§ 1774.20 Conflict of Interest.

Any processing or servicing activity conducted pursuant to this part involving authorized assistance to Rural Development employees with Water and Environmental Programs responsibility, members of their families, known close relatives, or business or close personal associates, is subject to the provisions of subpart D of part 1900 of this title. Applicants of this assistance are required to identify any known relationship or association with an RUS employee.

§§ 1774.21-1774.23 [Reserved]

§ 1774.24 Exception authority.

The Administrator may, in individual cases, make an exception to any requirement or provision of this part which is not inconsistent with the authorizing statute or other applicable law and is determined to be in the Government's interest. Requests for exceptions must be made in writing by the State Director and supported with documentation to explain the adverse effect on the Government's interest, propose alternative course(s) of action, and show how the adverse affect will be eliminated or minimized if the exception is granted. The exception decision will be documented in writing, signed by the Administrator, and retained in the files.

§§ 1774.25-1774.99 [Reserved]

§ 1774.100 OMB Control Number.

The information collection requirements in this part will not be effective until approved by the Office of Manage-

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ment and Budget (OMB), subject to the submission of a paperwork package to OMB and assigned an OMB Control Number.

PART 1775—TECHNICAL ASSISTANCE GRANTS

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AUTHORITY: 5 U.S.C. 301; 7 U.S.C. 1989; 16 U.S.C. 1005.