

a grantee's system of financial management and control as well as such other information as will assist in establishing audit requirements and the scope of audit.

c. *Arrangements for conduct of audits.* In order to conserve manpower, promote efficiency, and minimize the impact of required audits on the operations of grantee organizations, the audit of all grant programs administered under the jurisdiction of a single Federal department should be coordinated in all cases where related authorities and responsibilities are delegated to constituent organizations.

In addition, each grantor agency will give full consideration to establishing cross-servicing arrangements under which one Federal agency would conduct audits for another—whenever such arrangements are in the best interests of the Federal Government and the grantee. This is particularly applicable where two or more Federal agencies are auditing programs in the same State agency or local unit, or in offices located within the same geographical area. Under such circumstances, it will be the responsibility of the Federal agencies involved to collaborate in determining the feasibility of one of the agencies conducting audits for others, and to work out mutually agreeable arrangements for carrying out the required audits on the most efficient basis. To the extent that problems are encountered which cannot be resolved through such collaboration, the Bureau of the Budget will lend assistance as required.

d. *Coordination of Federal, State, and local audits.* Federal agencies responsible for conducting audits of grant operations will foster close cooperation and coordination among the auditors of the respective jurisdictions. Continuous liaison, including the exchange of audit standards and objectives, should be maintained among the Federal, State, and local audit groups involved. As a minimum, these groups will collaborate in the development of audit schedules to minimize the amount of effort required, as well as the impact on operations of the grantee offices. While the Federal Government cannot automatically accept audits performed by a representative of the grantee, maximum use should be made of audits performed by the grantee's internal or independent auditors, so as to avoid unnecessary duplication by Federal auditors.

4. *Implementation action.* Federal agencies administering grants to State and local governments are requested to make a critical review of policies and practices currently followed in the audit of grant programs, and to take such action as is necessary to comply with the policies set forth in this Circular. For this purpose, the head of each agency should designate a central point in the agency to be responsible for seeing that this is done expeditiously.

Each Federal agency subject to this Circular will submit a report (original and one copy) to the Bureau of the Budget by March 31, 1966, as to the actions taken and progress made toward: (a) establishing and publishing statements of audit requirements; (b) coordination of audits within the agency; (c) establishing cross-servicing arrangements; and (d) coordinating Federal audit work with that of the State and local governments concerned.

CHARLES L. SCHULTZE,
Director.

Mr. HUGHES. Thank you, Mr. Chairman. I can, if you wish, comment on the joint funding bill or I will be pleased to stop.

Senator MUSKIE. Why don't you go ahead.

Mr. HUGHES. All right, sir.

The August 11 letter points out that the proposal was drafted in response to the President's request, in his March 17 message on the quality of American Government, for legislation that would make it possible "for Federal agencies to combine related grants into a single financial package, thus simplifying the financial and administrative procedures without disturbing, however, the separate authorizations, appropriations and substantive requirements for each grant-in-aid program."

Under the bill a number of Federal assistance programs which finance different activities can be brought together in a single project to support similar or directly related purposes. Such combinations of related programs would enable States and local governments and other