



October 20, 2017

Mr. Gilbert Tran
Office of Federal Financial Management
White House Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Subject: 2 CFR Part 200.305
Subpart F--Audit Requirements
Appendix XI--Compliance Supplement--2017

Dear Mr. Tran:

On behalf of the 190 members of the Council on Governmental Relations (COGR), we request that the 2017 Compliance Supplement be amended, followed by an update to 2 CFR Part 200.305, to address policy inconsistencies between Part 3, Section C. Cash Management (2017 Compliance Supplement) and section 200.305 Payment (2 CFR Part 200).

At issue are questions raised during recent single audits suggesting that grants and cooperative agreements be subject to a new interpretation of what constitutes an invoice being “paid” and/or “disbursed” to a vendor. **These new interpretations are inconsistent with policy guidance in 2 CFR Part 200.305.** Specifically, a new auditor position being used at research institutions is that prior to billing a federal sponsor for reimbursement, the institution must have evidence/documentation that the institution’s payment to the vendor has been issued, and in some cases, that the payment has been cleared by the institution’s bank.

This is in conflict with existing policy per 2 CFR Part 200.305(b) -- ... *payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity* ... -- the new interpretation will make timely reimbursement unlikely, and in many cases, impossible. Furthermore, the new interpretation discards longstanding, effective, and common-sense disbursement practices typically employed at research institutions where reimbursement is requested after an invoice from a vendor has been approved, identified for payment in the accounts payable system, and posted in the institution’s official accounting records.

In order to minimize confusion and uncertainty as the 2017 single audits are being conducted, COGR recommends the following:

- 1) Provide instructional guidance to single auditors that disbursement practices used at research institutions be audited under historical standards; not under the new interpretation, which is inconsistent with 2 CFR Part 200.305(b).
- 2) Revise the 2017 Compliance Supplement (followed by an update to the 2018 Compliance Supplement) so that it is made consistent with 2 CFR Part 200.305(b).
- 3) Update 2 CFR Part 200.305 to codify and make consistent across all federal agencies the definitions of “paid” and/or “disbursed”, such that these definitions support longstanding, effective, and common-sense disbursement practices; and are consistent with the policy requirements in 2 CFR Part 200.305(b) that *payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity.*

As our understanding is that 2 CFR Part 200 will not be available for revisions in the near future, we request that the 2017 Compliance Supplement be updated, first. Experts from the audit community have suggested that a definition of “paid” be added to the Compliance Supplement. COGR supports this version of the definition:

Per Parts 3.1 and 3.2, Section C. Cash Management; “Paid” is defined as the placement of the costs into the nonfederal entity’s accounts payable system, which is [disbursed] in the normal course of business using the non-federal entity’s payment policies and procedures.

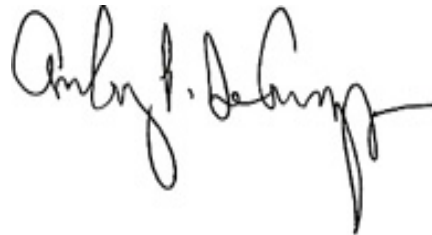
Implementation of this definition of “paid” will allow auditors to focus on internal controls and configuration of an institution’s general ledger, accounts payable and electronic billing systems. Consequently, it will dismiss any audit practice requiring documentation that the institution’s payment to the vendor has been issued or that the payment has been cleared by the institution’s bank.

In addition to being contrary to stated policy on timely payments, any expectation to regularly monitor the check clearance status or other cash-flow processes is unrealistic, unreasonable and entirely inconsistent with how any organization or business conducts cash-flow management. **Mandating an audit practice such as this would require institutions to reconfigure their existing (and efficient) electronic systems, supplement their systems with inefficient, manual processes to track check issuances and clearances, and ultimately, add unnecessary cost and administrative burden to a cash payment/reimbursement process that, frankly, is not broken.**

This is an important issue which has significant implications on how policy is implemented and how the research community is invited to engage in that process in an open and transparent forum.

We appreciate your willingness to work with the COGR membership on this issue. Please contact me or David Kennedy at (202) 289-6655, ext. 4, if you have questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Anthony P. DeCrappeo". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Anthony P. DeCrappeo
President
Council on Governmental Relations

Cc: Mark Reger, Deputy Controller, Office of Federal Financial Management
Tammie Brown, Department of Health and Human Services, OIG
Laura Rainey, National Science Foundation, OIG
Jean Feldman, National Science Foundation
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