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
Subpart F--Audit Requirements
Appendix XI--Compliance Supplement--2019

Dear Mr. Tran:

On behalf of the 188 members of the Council on Governmental Relations (COGR), thank you for the work your team has completed to release the 2019 Compliance Supplement. A movement toward a more risk-based approach has the potential to reduce non-productive audit burden – and at the same time, can emphasize the shift in narrative to “performance-based” metrics, which is an important OMB priority.

The comments below are consistent with the risk-based approach OMB has taken with the 2019 Compliance Supplement, and if acted upon, could further enhance the final version of the 2019 Compliance Supplement.

Part 3 - Compliance Requirements, C. Cash Management.

As we wrote to you in 2017 (October 20, 2017), better language around what is meant by “paid” will be helpful to auditors and grantees and, importantly, will not place federal dollars at risk. We recommend this definition be incorporated into the 2019 Compliance Supplement:

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 then disburses cash in the normal course of business using the non-federal entity’s payment policies and procedures.

Publishing this definition of “Paid” will add audit clarity and provide consistency with 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. Without this clarity in definition, timeliness is negatively impacted. Furthermore,
clarity in definition will support OMB’s goals of reducing audit burden while still ensuring compliance and accountability for federal funds.

**Part 3 - Compliance Requirements, I. Procurement and Suspension and Debarment.**

As we wrote to you on April 23, 2019, we still believe it would be beneficial to use simple, clarifying language to confirm the allowability of research institutions using the $10,000 micropurchase threshold (MPT) and the $250,000 simplified acquisition threshold (SAT). We were disappointed that OMB did not include any of our suggested language in the final version.

While it is relatively clear in the 2019 Compliance Supplement that these thresholds are allowable, some of the nuance you have incorporated makes this section unnecessarily confusing. In short, an authoritative reference to OMB Memo M-18-18 seems to be all that is needed, which would then take away any ambiguity in using the $10,000 MPT and the $250,000 SAT.

**Part 5 - Research and Development Cluster.**

We would appreciate an explanation for why 8 compliance requirements, rather than 6, have been included. Most disappointing is that Special Tests and Provisions, which was notated as “N” in the draft version of the Compliance Supplement, was changed to “Y” in the final version. If it is determined, for example, that “Key Personnel” (included under Special Tests and Provisions) is an important area to test, then we can understand why Special Tests and Provisions was changed from “N” to “Y.” However, in the spirit of implementing a risk-based approach and reducing audit burden, it seems that another compliance area should have been changed from “Y” to “N.” Again, we would appreciate an explanation as to how this unfolded.

Thank you for your willingness to work with COGR and we look forward to engaging further. Please contact me or David Kennedy at (202) 289-6655, ext. 4.

Sincerely,

Wendy D. Streitz
President, Council on Governmental Relations

Cc: Timothy F. Soltis, Deputy Controller, Office of Federal Financial Management