



Council On Governmental Relations

An Association of Research Institutions

June 30, 2022

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—2022***

Dear Mr. Tran:

On behalf of the 200 members of the Council on Governmental Relations (COGR), thank you for the work your team has completed to release the 2022 Compliance Supplement. We recognize that this annual project is a significant undertaking and COGR appreciates the efforts of your team.

However, we are concerned that over the past six years, OMB has been non-responsive to an ongoing issue that we regularly have brought to your attention. ***At issue is Part 3 - Compliance Requirements, C. Cash Management—and we request that the Compliance Supplement be clarified to recognize standard accounting and stewardship practices applicable to the timing for requesting reimbursement from the federal agencies.***

It is common practice that institutions request federal reimbursement after a transaction (e.g., payment to vendor) has been posted to their general ledger. However, some auditors have issued opinions that the reimbursement request can be made only after the vendor processes the payment made by the institution. This is problematic and inconsistent with standard business practices. Although the institution has issued payment (“paid”) to the vendor, some auditors have interpreted the language in the Compliance Supplement (see below) to mean that request for reimbursement must be made after the vendor deposits a payment. We believe this is a misinterpretation of the Compliance Supplement and needs clarification. Note, this has not been identified as a universal audit concern, but it has been raised by selected auditors, impacting multiple institutions. ***Addressing this issue in the Compliance Supplement will alleviate this longstanding, unresolved concern.***

The problematic requirement is found on page 3-C-3 (PDF page 85) in the [2022 Compliance Supplement](#) . Audit objective number 4. states:

4. For grants and cooperative agreements to non-federal entities that are paid on a reimbursement basis, supporting documentation shows that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.

A restriction to request reimbursement for an expenditure incurred only after a vendor has processed a payment is problematic for the following reasons:

1. Accounting and technology systems at institutions (both for private and public sectors) are configured to recognize the expenditure after the transaction is fully approved and scheduled for payment to the vendor, which then triggers the subsequent request for reimbursement from the federal agency.
2. Hinging a compliance requirement on the term “paid” rather than when the expenditure is recognized adds little value to the stewardship of federal funds—in fact, if the vendor never processes the payment, internal controls already are in place at institutions to recognize this situation and to issue a credit to the federal award.
3. Delaying a request for reimbursement—due to a compliance requirement that says the request can be made only after the vendor deposits payment—can affect the allowability of costs within the approved project period, as well as the accuracy of final financial reporting. This can be especially problematic for final financial reporting deadlines.
4. From a cost and burden standpoint, requiring institutions to change their accounting and technology systems to accommodate a low (and in fact, non-existent) compliance risk is incongruent with the OMB mandate to federal agencies to reduce administrative burden.
5. Audit Objective 4. does not align with the definition of “Expenditures” contained in [2 CFR Part 200.1](#): *Expenditures means charges made by a non-Federal entity to a project or program for which a Federal award was received.* The action of reimbursement always has been grounded in the definition of an expenditure, not in the acknowledgement of a “paid” cost. Consequently, a correction is needed to the Compliance Supplement to better align with 2 CFR Part 200.1.
6. Audit Objective 4. also is inconsistent 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*—and in the case of timely payments to subrecipients, Audit Objective 4. absolutely delays timely payment to a subrecipient.

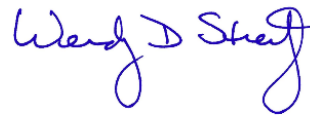
Consequently, we urge OMB to update Audit Objective 4. as follows (underlined text):

4. For grants and cooperative agreements to non-federal entities that are ~~paid~~ funded on a reimbursement basis, supporting documentation shows that reimbursement requests submitted to the federal agency are premised on accepted accounting principles (e.g., the expense has been recognized in the institution’s general ledger) and appropriate stewardship of federal funds ~~that the costs for which reimbursement was requested were paid prior to the date of the reimbursement request.~~

Striking the term “paid” and replacing it with “funded” immediately eliminates the confusion associated with the ambiguous meaning as to what constitutes “paid.” Further, directing the Audit Objective 4. to “accepted accounting principles” and “appropriate stewardship”—rather than the equally ambiguous concept of a specific date that determines when an expense is “paid”—should once-and-for-all clarify this ongoing concern.

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

Sincerely,

A handwritten signature in blue ink that reads "Wendy D. Streit". The signature is fluid and cursive, with the first and last names being more prominent.

Wendy D. Streit
President

Cc: Debbie Rafi – Director, Contracts, Grants, and Acquisitions, Office of Naval Research
Jean Feldman – Head, Policy Office, National Science Foundation
Michelle Bulls – Director, Office of Policy for Extramural Research Administration,
National Institutes of Health