National Association of State
Auditors, Comptrollers
and Treasurers

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March 23, 2020

Mr. Timothy Soltis, Deputy Controller
U.S. Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Re: 2019-OMB-0005 Guidance for Grants and Agreements

Dear Mr. Soltis:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we are pleased to provide the association's comments on the U.S. Office of Management and Budget's proposed revisions to Title 2 of the Code of Federal Regulations (CFR) Subtitle A - OMB Guidance for Grants and Agreements.

We are supportive of OMB's proposal to clarify existing requirements and language in the Uniform Guidance that may have been misinterpreted or problematic since it was finalized in December 2014. We believe the proposed changes and enhancements make great strides to streamline, standardize and provide greater uniformity to the overall grant process. We further anticipate that the impact of these changes will have a positive effect on the grant community and make the states' requirements and responsibilities as grant recipients a bit less onerous.

One particular item that we would like to bring to your attention is the capitalization threshold [200.1, 200.312(e)—Equipment]. We would recommend that OMB consider increasing the capitalization threshold. Currently, a recipient has to account for capitalization using two different methods – one for federal grant purposes and a second method for accounting purposes. We believe that $5,000 is too low in comparison to states' and many local governments' capitalization policies used in current practice for financial statement purposes. Additionally, the $5,000 threshold seems to be a bit outdated since it dates back to 1981 and does not appear to have been adjusted for inflation. Raising the threshold is not only necessary and prudent but would be in alignment with the President's Management Agenda CAP Goal #8, Results-Oriented Accountability for Grants, which was established to reduce burden on grant recipients.

While we recognize the requirements regarding performance measurements are being brought into the Uniform Guidance at the federal level, we do have concerns about how these requirements and testing procedures would be brought into the Compliance Supplement and be audited. Unless these performance measures are communicated in a clear manner, including conclusive criteria, it could result in inconsistencies in the interpretation of the requirements, testing the procedures or an inability to opine on the compliance requirement due to the subjective nature. We ask that any performance measurers be clear and include conclusive criteria to prevent confusion or inconsistencies in application by the auditees, as well as testing and reporting by the auditors.

We believe that the timing of the finalization of these changes could be precarious given the potential for a change in the current Administration. We suggest that OMB provide a clear timeline of effective dates to minimize confusion that could result if there is a change of Administration following upcoming elections and also consider the time needed for other federal agencies to incorporate any changes to Uniform Guidance into their own regulations.

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We would also ask that OMB explicitly address the authority of the FAQs not incorporated into the final regulations, as many of the FAQs have not been formally incorporated into the proposed changes. Would the FAQs not formally incorporated be null and void?

To provide OMB with the full extent of the feedback provided by our members, we are attaching a matrix of the detailed comments that we have received.

We commend OMB for presenting this opportunity to comment on these needed changes and look forward to an amended guidance document that is useful for all parties involved in the grants process. Should you have any questions about our comments, please feel free to contact NASACT's Washington Director Cornelia Chebinou at cchebinou@nasact.org or (202) 624-5451.

Sincerely,

Beth Pearce

Beth Pearce
President, NASACT
State Treasurer, Vermont

MATRIX OF COMMENTS
2019-OMB-0005 Guidance for Grants and Agreements

Please note, the page number reference is from the red-lined version.

Section	Page #	Comment
General		
		OMB has not consistently removed section or subpart titles when referenced throughout 2 CFR. Sometimes a subpart title is included and sometimes not. We suggest you consider a consistent approach of citing the CFR without the subpart title. Examples of sections within 2 CFR 200 are: 302, 306(a), 307(f), 308(c)(6), 308(e)(1), 312, 313, 315, 328(a), 323(c), 331, 339(c)(1)(i), 343, 400(g), 406, 407, 409, 413, 414, 418, 431(k)(1), 432, 433, 434, 439(b)(3), 441, 442, 443(d), 444, 447(b)(4), 448, 454, 457, 459, 463, 464, 521, etc.
		The UG changes and enhancements are positives for the grant making process at the federal level as they continue looking to streamline, standardize and provide greater uniformity to the overall process across all federal agencies and their sub recipients. We anticipate that the impact of these changes will trickle down and make the State's requirements and responsibilities as a grant recipient of the federal government a bit less onerous. The changes proposed to incorporate new statutory requirements at the federal level into the UG and the federal grant making process should always be done during periodic reviews or when new laws/requirements become effective. We are glad to see these areas included in the proposed guidance. Also, the proposed changes will be very helpful with regard to clarifying existing requirements and language in the UG that can be or has been misinterpreted since implementation back in December 2014. A lot of these proposed changes arise from the audit or CPA community as they must audit sub recipients in accordance with the UG requirements and they look to the federal government for clarification in these situations where requirements may currently be ambiguous.
		In general, we are in support of changes but have concerns with the timing of changes going through the due process, how some of the changes are categorized, and the impact the adoptions of certain FAQs will have on the remaining FAQs not incorporated into final regulations. We offer observation in the following areas: -Allowing states, as pass-through entities, access to enter information in FAPIIS to aid the federal government in managing the risks associated with awarding federal grants and ensuring performance. Items that may hinder the establishment of performance-based grants. – Allowing non-federal entities below the audit threshold to report expenditures centrally and elect to have a Single Audit performed. – Concerns about only allowing machine readable or paper versions without consideration of the currently used formats – Suggested edits to provide better clarity related to the timing of the governmentwide audit quality projects and other terms used throughout the proposed changes.
Preamble and Over Arching Comments		
		Unique identifying number

		25.110, 25.200(b)(3), 25.205, Appendix A to Part 25—Award Term The preamble section *III. Clarifying Requirements Regarding Areas of Misinterpretation, D. Applicability of Guidance to Federal Agencies* explains that revisions to Part 25 will phase out the data universal numbering system number, or DUNS number, as the primary identifier by 2020 and replace it with a new unique identifying number. Although Part 25 and Appendix A provide for and define the unique identifying number, it is not clear how the new unique identifying number will be assigned. For example, if the unique identifying number will be required at the federal agency and non-federal entity level or at a lower level, such as an office, department, or division within the federal agency or non-federal entity. In addition, Part 25 does not specify a timeline for the transition from the DUNS number to the unique identifying number. Therefore, we suggest that Part 25 address the level at which a federal agency's or non-federal entity's unique identifying number is to be assigned and the timeline for transitioning to this number from the DUNS number. Additionally, 25.110 may need to specify that Part 25 applies to federal agencies' and non-federal entities' offices, departments, and divisions, etc. in its subsections for general applicability and exemptions from using the unique identifying number, if the unique identifying number is to be assigned at a level lower than the federal agency or non-federal entity. *Definitions and terminology for time periods pertaining to federal awards* – The preamble section *I. Support Implementation of the President's Management Agenda and Other Administrative Priorities, E. Standardization of Terminology and Implementation of Standard Data Elements* explains the need to clarify the time periods pertaining to federal awards and provides language and examples to help facilitate their consistent use and application, especially in instances where federal agencies incrementally award funds. However, the new or revised definitions provided in §200.1 for budget period, renewal, and period of performance do not distinguish the time periods from each other or how they interrelate without the reader's referring back to the preamble's language and examples. Therefore, we suggest clarifying these definitions in a way that: 1) distinguishes the time periods from one another to clarify how they interrelate, and 2) incorporates the preamble's language and examples into the Uniform Guidance's Part 200 for better understandability. Finally, additional terms, such as initial budget period and final budget period, are used in 200.402(b), 200.458, and 200.461(b)(3) and have not been specifically defined in §200.1. Therefore, we suggest adding these terms' definitions to §200.1 to help ensure the time periods' consistent use and application.
		Categorization of Proposed Changes: In the preamble, OMB categorizes the changes into three broad topics summarized as: I. Administrative Priorities, II. Align with Statutory Requirements, or III. Clarify Existing Requirements. We are concerned with the risk of uncertainty regarding the potential change in administration and the effect it could have on the proposed changes that are not related to administrative priorities. To reduce this risk, we believe that before, or as a part of, the next step of due process, OMB should communicate that some of the

		changes would be better categorized under a different topic (I, II, or III) and therefore we recommend the following reclassification of objectives:
		• I. A. – Reclassify under II.
		  ○ *Changes to the Procurement Standards to Better Target Areas of Greater Risk and Conform to Statutory Requirements*
		• I. D. – Reclassified under II.
		  ○ *Promoting Free Speech*
		• I. E. – Reclassify under II.
		  ○ *Standardization of Terminology and Implementation of Standard Data Elements*
		• I. G. – Reclassify under III.
		  ○ *Eliminate References to Non-Authoritative Guidance*
		• I. H. – Reclassified under II.
		  ○ *Emphasis on Machine-Readable Information Format*
		We based the above recommendations for changing the categorization on whether the proposed change references an existing authoritative requirement (U.S. Constitution, law, or regulation).

Frequently Asked Questions, updated as of July 2017		
		If the final regulations do not incorporate an item contained within the FAQs, will the unincorporated item contained within the FAQs be null and void? Example: An existing FAQ (.414-11) explains that if all costs are charged directly to the Federal award, there is no indirect cost and the entity therefore cannot also charge the 10% de minimis rate. The proposed changes do not currently incorporate this FAQ into the regulations and therefore one could argue that this FAQ is no longer valid because OMB has decided not incorporate it into the regulations or addressed the authority of this and the remaining FAQs as part of the due process of evaluating the proposed changes to Uniform Guidance.
[25.100] Purpose		
	35	This is a positive change from a required proprietary-based DUNS Number (through Dun & Bradstreet) and an optional SAM.gov account to a single SAM.gov-generated Unique Entity Identification (EUI) number. Subrecipients will only need to maintain one account (SAM-generated EUI).
		The guidance has been changed from agencies to recipients; however, based upon the requirements listed in this section we feel these should remain the responsibility of the agency. We suggest this language be revisited and clarified.
		25 Subpart C – 85 FR 3768 proposes removing section numbers for each definition in 2 CFR 200 Subpart A. Should this same concept be applied in 2 CFR 25 Subpart C?
[25.200] Requirements for NOFO, Regulations, and Application Instructions		
	36	There appears to be an error with "either" before the suggested changes. Based on the suggested language changes, the word “either” or the (1) should be deleted since item (2) is being completely eliminated leaving only one item.

		(a) Should the "; or" at the end of the paragraph be removed since this paragraph states the Federal awarding agency must include the requirements in paragraph (b) of this section in the notice of funding opportunities, regulation, or application instructions?
[25.210] Authority to Modify Agency Application Forms		
	37	(b)(2) We recommend adding "or Federal agency" to the sentence: "may exempt a non-Federal entity **or Federal agency** are…"
[25.306] Federal Financial Assistance		
	38	Establishing the value of voluntary contributions seems open to easy manipulation that could be difficult to manage.
[25.330/25.331] Foreign Organization		
	39	We recommend a consistent approach regarding references made to part 200 throughout the proposed 2 CFR (ex: §200.1 vs. 2 CFR 200.1). For example, 25.330 used "§200.1" and 25.331 used "2 CFR 200.1."
Appendix A to Part 25 Award Term		
	41	"including information on a recipient's immediate and highest-level owner and subsidiaries, as well as on all predecessors that have been awarded a Federal contract or grant within the last three years" Perhaps States could have simplified rules for SAM accounts - would each department be considered a subsidiary?
		This is a positive change from a required proprietary-based DUNS Number (through Dun & Bradstreet) and an optional SAM.gov account to a single SAM.gov-generated Unique Entity Identification number. Subrecipients will only need to maintain one account (SAM-generated EUI).
[170.200] Federal Agency Reporting Requirements		
	43-44	Misspelling of "govertment wide"
		We recommend adding "(See Micro-purchase in §200.1 Definitions)" after "exceed the micro-purchase threshold"
[170.305] Federal Award		
	45	Federal award as defined in this section varies from how it is defined in 2 CFR 200.201. We believe this language could be confusing to auditees and auditors. We suggest this section just reference to the definition given in 2 CFR 200.201.
[170.310 (c)] Non-Federal Entity		
	45	Should "a domestic or foreign for-profit organization" be "a domestic for-profit organization" since foreign for-profit organizations appears to be covered under paragraph (a). Also, to be consistent with Appendix A to Part 25, paragraph C.3.c, which reads "A domestic for-profit organization."
[170.320] Federal Financial Assistance Subject to Transparency Act		

	45	The first sentence of this part says, "*Federal financial assistance subject to the Transparency Act* has the meaning given in 2 CFR 200.1". However, 200.1 does not have this specific term. Consider saying "... has the meaning given for *Federal financial assistance* given in 2 CFR 200.1"
Appendix A to Part 170		
	46	We recommend updating the language to include "financial obligation"
		b.1.i. In the first line “that should be removed between “award” and “equals”
Appendix A to Part 170 - I(a)(1) Applicability		
	46	The section indicates "subaward to a non-Federal entity or Federal agency (see definitions in paragraph e. of this award term)." However, "Federal agency" is not defined in paragraph e.
		In the second line, the words “of” should be added between $30,000 and Federal.
Appendix A to Part 170 - I(e)(1) Non-Federal Entity Definition		
	48	This section states the definition of Non-Federal entity is as defined in 2 CFR part 25; however, the list of entities in this section does not include Institutions of Higher Education (IHE's) which are included in the definition at 2 CFR 25. Should a clarification be made if IHE's are exempt from this requirement?
[183.10(b)] Applicability		
	50	This section states this section only applicable until 12-31-2019, which has already passed. If this is possibly extended as noted in 85 FR 3771, should this be revised?
[183.20] Reporting Responsibilities of Federal Awarding Agencies		
	51	We recommend reviewing all links throughout the proposed 2 CFR and removing any broken links from the proposed 2 CFR. For example, both links in 183.20 (d) and (e) do not work.
[183.30] Access to Records		
	54	This section is referring to itself. Should it be referring to the definition of covered grant or cooperative agreement in 183.35?
[183.35] Definitions		
	54	Should the term "*Covered grant, cooperative agreement*" be "*Covered grant or cooperative agreement*" to be consistent with wording throughout Part 183?
200.1 Definitions		
Advance Payment		
	59	We have encountered differences in interpretation of the definition of Advance payment. Revising the definition as proposed will not only clarify the intent but will also standardize interpretation. Proposed Definition: *Advance payment* means a payment that a Federal awarding agency or pass-through entity makes by any appropriate payment mechanism, including a predetermined payment schedule, after an allowable cost is incurred but before the non-Federal entity disburses the funds for program

		purposes. Additionally, we recommend that definitions of the other funding methods, reimbursement method and working capital advance method, as described in Section 200.305 be added to the definitions in 200.1 Definitions. Proposed Definitions: Reimbursement method means a payment that a Federal awarding agency or pass-through entity makes by any appropriate payment mechanism, including a predetermined payment schedule, after an allowable cost is incurred and the non-Federal entity disburses the funds for program purposes. This is the preferred method when the requirements of the advance payment method cannot be met. Working capital advance method means a payment that a Federal awarding agency or pass-through entity makes by any appropriate payment mechanism, including a predetermined payment schedule, before an allowable cost is incurred and the non-Federal entity disburses the funds for program purposes.
Assistance Listing		
	60	We suggest revising the definition to read, as follows (see addition in bold font): "Assistance listing program title means the title that corresponds to the Federal Assistance **listing** number. Formerly known as the CFDA program title."
Audit Finding		
	60	**Audit finding.** Uniform Guidance defines "audit finding" as meaning deficiencies the auditor is required by § 200.516 Audit findings, paragraph (a) to report in the schedule of findings and questioned costs. However, § 200.516 (a) does not address findings required by Generally Accepted Government Auditing Standards (GAGAS). As a result, technically as defined by Uniform Guidance, "audit finding" is different than a GAGAS finding. Additionally, GAGAS uses the term "audit findings" within its standards for financial audits, which the auditor is also required to follow in conducting a Single Audit. As a result, to clarify this area of misinterpretation OMB should consider using the term "federal audit finding" for deficiencies the auditor is required by § 200.516 to report.
Budget Period		
	60	The introduction of the term "budget period" creates multiple layers of complication for grant applications, subawards and financial tracking. Any attempts at "streamlining" or creating administrative efficiencies would be thwarted. The proposed definition of budget period refers to "recipients;" the proposed definition of recipients is: "Recipient means a non-Federal entity that receives a Federal award directly from a Federal awarding agency. The term recipient does not include subrecipients or an individual that is a beneficiary of the award." Therefore, it does not appear that the term "budget period" would apply to Subrecipients. However, per the proposed changes in 200.331, the PTE must also set Budget periods in the sub-award. It is not clear how the "Recipient" and Subrecipient Budget Periods are coordinated. The timing of the match expenditures and the federal expenditures will need to be closely managed. Additionally, distinctions between budget periods specified in initial awards, and award "renewals" (i.e., amendments) may make the tracking of expenditures and match extremely complicated. The definition for "Budget Period" needs clarification. It states that this is the time interval during which recipients are authorized to expend the current funds awarded and must meet the matching or cost-sharing requirement, if any. The Federal Highway Administration (FHWA) has provided transportation agencies the option to use Advance Construction as a funding mechanism, which allows the recipient to incur costs at their

		own risk dependent on future funding reimbursements. Depending on the true meaning of "Budget Period" it will impact the way Advance Construction is being used. Additionally, it will greatly impact FHWA funded construction projects that span multiple fiscal budget years. FHWA funded construction projects should only have one budget period and should not be tied to the fiscal year.
		Budget period - added definition states this is when the "recipient" is authorized to "expend" funds. Two comments: 1. Should this say non-federal entity since pass-through entities will also need to establish budget periods for subrecipients? 2. Be specifying "expends", this definition does not appear to add the clarity OMB is intending related to when *financial obligations* can occur per 85 FR 3768. In addition, no tie to the "financial obligations" definition is made here; however, 2 CFR 200.343(b) states the non-federal entity must liquidate all financial obligations incurred under the federal awards within 120 days of the end of the period of performance.
Capital Assets		
	61	In (1), the word “FSAB” should instead be “FASB” and in (2), the word “lease’s” in the last sentence should instead be “lessee’s”.
		In the fourth line, “to” should be replaced with “of”. Starting with the sentence “For purpose of this part…”, this should be a separate, stand-alone paragraph not part 2.
Compliance Supplement		
	63	It appears that the wording for the newly added definition of the Compliance Supplement was derived from a portion of the Compliance Supplement’s Part 1 (see page 1-1, last sentence). However, this definition does not entirely or accurately characterize the Compliance Supplement’s authority because is not merely a source of information. Rather, Part 1 later specifies that it is a mandatory requirement that auditors use the Compliance Supplement, as stated in the Applicability section of Part 1 on page 1-3. Therefore, we suggest that the definition of the Compliance Supplement be revised to provide a more accurate definition of the Compliance Supplement and its authority as explained throughout the Compliance Supplement’s Part 1, as follows (see deletions in strike-out and additions in bold font): *“Compliance Supplement* means an annually updated ~~source of information~~ **set of guidance that is required** for auditors **to use in conjunction with the referenced laws, regulations, and OMB Circulars and Uniform Guidance** to understand the Federal program's objectives, procedures, and compliance requirements ~~relevant~~ **subject** to the audit, as well as audit objectives and suggested audit procedures for determining compliance ~~with~~ **for** the relevant Federal ~~program~~ assistance listing **program** title and number.” We made a similar comment during our review of the draft 2020 OMB Compliance Supplement, Part 1 for page 1-1.
		We recommend adding "lease" after "right-to-use" and before "assets." We further recommend adding Subscription-based information technology arrangements to the end of this section. For example, this could read: "This would include SBITA's" in the last sentence of Section (2).
Cost Allocation Plan		

	64	Because the definition references “central service” and “public assistance”, does this definition then only relate to Appendix V – For State and local governments and Appendix VI - Public assistance? This needs to be clarified in the regulation.
		The regulation is unclear about how the definition of “highest level owner” would apply to nonprofit agencies as subrecipients. A nonprofit has board governance, but not ownership.
Federal Financial Assistance		
	66	*Federal financial assistance* - Consider moving the "(1)" after "...means..."
Financial Obligation		
	67	*Financial Obligation* - 1. Is the addition of "or recipient's" necessary given that the definition of a non-Federal entity (NFE) identifies those parties as "a recipient or subrecipient."? 2. By removing "during a given period" and not specifying a period, will this imply that orders placed, contracts/subawards made, and transactions requiring payment can be made outside the period of performance, budget period, and/or renewal period?
		It does not appear that the proposed definition of *financial obligation* is effectively aligned with the requirements required by 2 CFR 200, DATA Act, OMB Compliance supplement and the FFATA for determining when an obligation has occurred or what is included in the definition of financial obligation. We recommend that OMB include a table of examples as illustrated in 34 CFR Section 76.707 and also, when referring to contracts and subawards, to specify those contracts and subawards that are in effect so as not to imply those written commitments that are merely signed but also may be included since most agreements are signed before becoming effective.Examples of inconsistencies that still exist with the proposed financial obligation definition and other guidance are listed below.1. Uniform grant guidance (proposed) 2 CFR 200.1–When used in connection with a non-Federal entity’s or recipient’s utilization of funds under a Federal award means orders placed for property and services, contracts and subawards made, and similar transactions that require payment. 2. Uniform grant guidance (proposed) 2 CFR 200.1–Unliquidated financial obligation and Unobligated balance appears to limit the obligation to only those where an expenditure is not recorded (accrual basis) but only those that have not been paid (cash basis). Both of these could be interpreted to mean any unpaid outstanding amounts on a contract whether services were performed or not.3. DATA Act CDER library–When used in connection with a non-Federal entity's utilization of funds under a Federal award, obligations means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period.4. FFATA–With respect to a subaward, an obligating action is a transaction that makes available to a subrecipient a known amount of funding for program purposes.5. 2019 Compliance Supplement, Part 3.1-H-1–An example used by a program to determine when an obligation occurs (is made) is found under Part 4, Department of Education, CFDA 84.000 (Cross-Cutting Section). This section goes on to define an obligation as– An obligation is not necessarily a liability in accordance with generally accepted accounting principle. When an obligation occurs (is made) depends on the type of property or services that the obligation is for (34 CFR section 76.707):6.

<table>
<tr><td></td><td></td><td>
<table>
<tr><th>IF AN OBLIGATION IS FOR --</th><th>THE OBLIGATION IS MADE –</th></tr>
<tr><td>(a) Acquisition of real or personal property.</td><td>On the date on which the State or subgrantee makes a binding written commitment to acquire the property.</td></tr>
<tr><td>(b) Personal services by an employee of the State or subgrantee.</td><td>When the services are performed.</td></tr>
<tr><td>(c) Personal services by a contractor who is not an employee of the State or subgrantee.</td><td>On the date on which the State or subgrantee makes a binding written commitment to obtain the services.</td></tr>
<tr><td>(d) Performance of work other than personal services.</td><td>On the date on which the State or subgrantee makes a binding written commitment to obtain the work.</td></tr>
<tr><td>(e) Public utility services.</td><td>When the State or subgrantee receives the services.</td></tr>
<tr><td>(f) Travel.</td><td>When the travel is taken.</td></tr>
<tr><td>(g) Rental of real or personal property.</td><td>When the State or subgrantee uses the property.</td></tr>
<tr><td>(h) A pre-award cost that was properly approved by the State under the cost principles.</td><td>On the first day of the subgrant period.</td></tr>
</table>
6. In addition, Appendix A to Part 170(I)(a)(2) still refers to only obligation. It is not clear if the intent of using this term without including the word financial is to equate the meaning to financial obligation as referred to in 2 CFR 200.1.
</td></tr>
<tr><td colspan="3">Recommended Addition: Formula Grant</td></tr>
<tr><td></td><td>68</td><td>We recommend including the Formula Grant definition after the Foreign organization definition: "Allocations of money to States or their subdivisions in accordance with distribution formulas prescribed by law or administrative regulation, for activities of a continuing nature not confined to a specific project. See Assistance Listings."</td></tr>
<tr><td colspan="3">Highest Level Learner</td></tr>
<tr><td></td><td>69</td><td>The regulation is unclear about how the definition of “highest level owner” would apply to nonprofit agencies as subrecipients. A nonprofit has board governance, but not ownership.</td></tr>
<tr><td colspan="3">Improper Payment</td></tr>
<tr><td></td><td>69</td><td>Clarifies that questioned costs are not an improper payment until reviewed and confirmed to be improper by a federal awarding agency. In addition to retaining this clarification within the final regulations, we believe it should also state that not all “improper payments would be considered a questioned cost at the time of the audit”. Improper payments and both known and likely questioned costs are often confused for each other; however, each one has a fundamentally different definition established by law or regulations. Anything that OMB can do to provide clarity to these terms would aid in reducing the misinterpretation and misuse of these reported amounts.</td></tr>
<tr><td></td><td></td><td>Improper payment - Should "Part 1 A (2)" be "Part 1 A (1)? Per M-18-20, effective June 26, 2018.</td></tr>
<tr><td colspan="3">Internal Controls</td></tr>
<tr><td></td><td>71</td><td>(4) does not seem to fit the list. Therefore, we suggest making this a separate sentence following the numbered list.</td></tr>
</table>

		Number 4 listed under this section seems to be in the wrong section as this definition is referring to non-federal entities, but this requirement is discussing the internal controls required for awarding agencies.
Internal Control over compliance requirements for federal awards		
	71	It appears that this definition should still apply to both federal agencies and non-federal entities; however, the proposed changes appear to apply it only to federal agencies. Therefore, it is not clear why the proposed revisions remove the extant definition and simply reference off to OMB Circular A-123, which applies only to federal agencies. We suggest keeping the extant definition of this term while adding the reference to OMB Circular A-123 as it applies to federal agencies' internal controls
Micro-purchase and simplified acquisition threshold; §200.319		
	72-73	The definitions and requirements for micro-purchases and the simplified acquisition method reference 48 CFR Subpart 2.1 and 48 CFR §2.101 throughout and do not specify the most current thresholds provided by the National Defense Authorization Act (NDAA) for 2017 and 2018. However, NDAA 2017 and 2018 changes to the micro-purchase and simplified acquisition thresholds have not been codified into the electronic CFRs. As such, referencing the CFRs make the thresholds difficult to locate. Unless the timing of the effective date of the revised Uniform Guidance provides for the regulations to be codified, we suggest that OMB either specify the thresholds within the Uniform Guidance's Part 200 or reference the finalized regulation's federal register, 84 FR 52420 2019-20796, instead of 48 CFR Subpart 2.1 and 48 CFR §2.101.
Non-profit Organization		
	73	We recommend adding "(not intended to limit the eligibility of IHE's for funding opportunities which are available to nonprofit organizations)" after "not including IHEs."
Oversight Agency		
	74	We suggest that the second sentence read, as follows (see deletion in strike-out and addition in bold font): "When the direct funding represents less than 25 percent of the total funding received ~~form~~ **by** the non-Federal entity (as prime and subawards), then the Federal agency with the predominant amount of funding is the designated oversight agency for award."
		Oversight Agency for Audit – What is the rationale for adding the second sentence regarding direct funding less than 25%? Note that this language is repeated in 200.513 Federal Agency Responsibilities. a. Why wouldn't a federal cognizant agency have been assigned if they receive direct federal funding? b. Isn't it the same determination methodology regardless of percent? c. When a pass-through agency provides a non-federal entity that also receives direct federal funding, would the PTE be required to work with the federal awarding agency prior to issuing a Management Decision Letter?
Period of Performance		
	74	*Period of Performance* - This definition revision does not appear to add the clarity OMB is intending related to when *financial obligations* can occur per 85 FR 3768. In addition, no tie to the "financial obligations" definition is made here; however, 2 CFR 200.343(b) states the non-federal entity must liquidate all financial obligations incurred under the federal awards within 120 days of the end of the period of performance.

		We believe including the term “anticipated” without further clarification may cause unintended confusion. For example, this may imply pre-award costs could automatically be included within the scope of this definition.
Questioned Costs		
	76	(4) does not seem to fit the list; therefore, we suggest making this a separate sentence following the numbered list.
Renewal		
	76	*Renewal* means a subsequent Federal award to a current Federal award; each renewal must have a distinct period of performance.” How is a renewal different from another grant award? “The intent is to clarify that the recipient may not incur obligations during the entire period of performance in instances where a Federal awarding agency incrementally funds the Federal award and funding has not been received for a subsequent budget period within the period of performance.” Would this apply when funding is awarded in portions as is possible when funding is provided via Continuing Resolutions?
		Renewal - This definition revision does not appear to add the clarity OMB is intending related to when *financial obligations* can occur per 85 FR 3768. In addition, no tie to the "financial obligations" definition is made here; however, 2 CFR 200.343(b) states the non-federal entity must liquidate all financial obligations incurred under the federal awards within 120 days of the end of the period of performance.
Simplified Acquisition Threshold		
	76-77	In the paragraph starting with "Thresholds differ from the FAR..." clarification is needed on whether state thresholds can be imposed on the subrecipients if they are stricter.
		The language used in the definition is confusing and misleading. It states that thresholds differ from the Federal Acquisition Regulation (FAR) and the non-Federal entity is responsible for determining an appropriate simplified acquisition threshold. However, the language used in 2 CFR 200.319(a)(2)(ii) discusses when simplified acquisition thresholds differ from the FAR and while entities can establish their threshold, it must not exceed the threshold established in the FAR. We suggest the definition be updated to reflect the language in 2 CFR 200.319(a)(2)(ii) to accurately explain what is required.
Sub Award		
	77	We recommend adding at the end of the definition: "and must comply with the provisions of this part/Uniform Guidance.
Sub Recipient		
	77	We recommend adding language to clarify that transfers within the single audit reporting entity do not create a pass-through entity/subrecipient relationship. See OMB Instructions for Form SF-SAC Part II Federal Awards, Item 1, (k).
Student Financial Aid		
	77	We suggest using the term “Assistance”, instead of “Aid”, to be consistent with the Compliance Supplement’s terminology.

[200.110(b)] Effective Date		
	86	Existing negotiated indirect cost rates will remain in place until they are re-negotiated. The effective date of changes to indirect cost rates must be based upon the date that a newly renegotiated rate goes into effect for a specific non-Federal entity's fiscal year. Therefore, for indirect cost rates and cost allocation plans, Federal awarding and indirect cost rate negotiating agencies will use the Uniform Guidance both in generating proposals for and negotiating a new rate (when the rate is re-negotiated) for non-Federal entities. a. If the newly negotiated rate based on the non-federal entity FY falls in the middle of the award period, is the federal or PTE required to honor the new rate in the middle of the period of performance? For example, the entire amount of the award has been obligated and no funds available to honor the rate.
		The revised language assumes that the organization will renegotiate their rate. The regulation needs to clarify whether there a specific amount of time that the old rate will remain in effect or a cap on the amount of time the old rate will remain in effect.
200.113, 200.200		
		We recommend a consistent approach regarding some sections containing a title reference and others that don't throughout the proposed 2 CFR. For example, in 200.113 (Mandatory disclosures), the reference "§200.338 Remedies for noncompliance, including suspension or debarment." is with title and in 200.200 (Purpose), the reference "200.201" is without title.
200.113, 200.206, 200.343		
		We recommend a consistent approach regarding references made to SAM and FAPIIS throughout 2 CFR. For example, 200.113 (Mandatory disclosures) references SAM. However, 200.206 (Federal awarding agency review of risk posed by applicants) references both SAM and FAPIIS. Additionally, 200.343 (Closeout (h)) only references FAPIIS.
[200.200(b)] Purpose		
	87	This states sections 204, 205, 206, and 208 is required only for "competitive" awards, but sections 204 and 205 were updated to replace "competitive" wording with "discretionary". Should the first part of this sentence be revised for consistency?
[200.203(b)] Requirement to provide public notice of Federal financial assistance programs		
	89	Consider changing "updated" to "update"?
[200.206(b)] Federal awarding agency review of risk posed by applicants		
	92	Should this section replace "competitive" with "discretionary" to be consistent with sections 204 and 205?
		We recommend changing (d) to (c)
[200.208] Specific Conditions		

	93	Preamble on pages 11 & 12, state that "proposed changes to 200.207 Specific Conditions allow federal awarding agencies to apply less restrictive conditions based on risk and require federal awarding agencies to ensure that specific federal award conditions are consistent with program design and include clear performance expectations of the recipients." a. The federal government has been working on a risk assessment for the Federal Agencies to use – will these be available to the PTEs?
[200.211] Information Contained		
	95	Federal Awarding agency charged with identifying performance goals in the award, indicators, targets, baseline data, and data collection plan - This may result in additional administrative time for prime recipients, such as data collection and measuring performance outcomes.
		(a) Should "of" be deleted in the first sentence? (e) Does this addition mean non-federal entities don't have to follow Federal agency guidance (policy announcements, policy instructions, informational memorandums, etc.) and won't be sanctioned if they don't follow? Some federal agencies put these types of documents out all of the time. Are those currently referenced in the compliance supplement for clarity to the regulations those that have gone through appropriate public notice and comment per 85 FR 3769? (For example, WIOA Cluster 2019 Compliance Supplement references to TEGL 02-16 for specific and clarifying instructions about the ETA 9130 financial report. TEGL=Training & Employment Guidance Letter from USDOL.)
[200.216] Prohibition on certain telecommunications and video surveillance services or equipment		
	98	We suggest that OMB provide specific clarification for "covered technology" directly within this section instead of referencing to a separate Public Law.
		Does this addition include subcontracts? How would the non-Federal entity know the subsidiaries or affiliates for those entitles indicated in Section 889 of Pub. L. 115-232? How would the non-Federal entity know the entities identified by the Secretary of Defense "reasonably believes to be an entity owned or controlled by, or otherwise connected to, the government of a covered foreign county" as indicated in Section 889 of Pub. l 115-232?
[200.301] Performance Measurement		
	98	The first sentence notes a "must measure" but then the next sentence has a "should provide." This seems to be contradictory. It would seem that performance cannot be meaningfully and effectively measured if goals, indicators and milestones are not required.
[200.305(b)(6)(2)] Federal Payment		
	101	Should "OMB Guidance A-129" be "OMB Circular A-129"?
[200.308] Revision of Budget and Program Plans		

	108	(e)(2) Should "outlined in paragraphs (d)(2)(i) through (iii) of this section" be "outlined in paragraph (e)(2)(i) through (iii) of this section"? (e)(4) Should "in paragraph (d) are automatically waived" be "in paragraph (e) are automatically waived"? Should "one of the conditions included in paragraph (d)(2) applies" be "one of the conditions included in paragraph (e)(2) applies"?
		Budget periods as defined limit flexibility and may require more frequent budget revisions.
[200.316] Procurement by States		
	115	If 2 *CFR* 200.321 is applicable to all non-Federal entities, should this section reference to these procurement requirements?
[200.319(a)(1)(i)] Methods of Procurement – Micro purchase		
	118	"Supplies" has been replaced with "Property" in 200.319(a)(1)(i), however the definition of "Micro Purchase" includes the word "supplies." "Supplies" and "Property" do not seem synonymous; clarification is needed.
[200.319(a)(1)(ii)] Methods of Procurement – Micro purchase		
	118	Should "an entity is low risk" be "a non-federal entity is low risk"? 200.319(a)(1) iv - Should "review of the entity's audit findings" be "review of the non-federal entity audit findings"?
[200.319(b)(1)] Formal Procurement		
		Should "in paragraph (c)(1) of this section" be "in paragraph (b)(1)(i)"?
		We recommend the sentence read "and can include the use of purchase cards if documented and approved through the non-Federal entity's internal process".
		While no longer requiring formal procurement requirements to be used for purchased under the simplified acquisition threshold may reduce burden, there is a concern of if this will lead to circumventing proper procurement by making sure contracts are initially under the threshold. Additionally, when would this guidance be applicable? Would it apply to procurements that may have multi-year contracts?
[200.321] Domestic Preferences for Procurement		
	121	It is not clear if this new provision only applies to construction projects or for all procurements. It is written as if it applies to construction projects, However, if this is only for construction procurement then there are already Buy America Requirements in place for construction, acquisition of goods or rolling stock valued at more than $100,000. For construction projects, the Buy America requirements flow down from FTA recipients and subrecipients to first tier contractors, who are responsible for ensuring that lower tier contractors and subcontractors are also in compliance. We make sure all Third-Party Solicitations/Contracts contain the Buy America Clause, and that the certification document is signed and returned with the bid/proposal. We do not support this provision as it is currently written because it is very vague in its application. The wording "to the extent practicable" is vague and it is not clear how this would be documented and if documentation would even be required or if this is just a best practice.

[200.327] Financial Reporting		
	123-124	Suggest collect of information no more frequently than semiannually to reduce administrative burden. In addition, it is suggested that the reporting deadline be extended from 30 to 45 days. See comments under 200.343.
		The two Executive Orders referenced in 85 FR 3767 (E.O. 13788 and E.O. 13858) do not specify that this is not applicable to States. Should this section be referenced in 200.316? The E.O. 13858 states that the "Buy America" preferences are applicable for "covered programs" (programs for infrastructure projects) but E.O. 13788 states all federal financial assistance awards. Is clarification needed of what specifically is covered or is the "As appropriate and to the extent consistent with law" intended to reference the reader to where it should be clarified in the federal award documents if the program is covered?
[200.328(b)] Monitoring and Reporting Program Performance		
	124	Should "OMB-approved data elements" be "OMB-approved governmentwide data elements" to be consistent with Section 200.327 and the rest section 200.328? b (1) This section says the NFE has to submit final performance reports 120 days after the period of performance end date but 200.343 clarifies the subrecipient has to submit these within 90 days. Should this be clarified to be consistent with 200.343 and 85 FR 3769-3770 or is the first sentence of this section intended to link to the 90 days for subrecipients ("The NFE must submit performance reports at the interval required by the PTE...")?
[200.331] Requirements for PTEs		
	127	2 CFR 200.321(a) states that the domestic preference terms must be in all subawards under this award; however, this is not specifically included in subaward information in 2 CFR 331(a). Should this requirement in 200.321(a) be added to 200.331(a)? 2 CFR 183.25 states that all covered subawards must include two clauses located in the Appendix to Part 183; however, this is not specifically included in subaward information in 2 CFR 331(a). Should this requirement in 183.25 be added to 200.331(a)?
		If a subrecipient is claiming all joint costs can be allocated as direct costs through a Cost Allocation Plan, the regulation is unclear about whether the cost allocation plan would need to be approved by the PTE before entering into an agreement.
		We recommend adding "If a non-Federal entity receives a direct Federal award or a subrecipient voluntarily chooses to waive indirect costs or charge less than the full indirect cost rate, the Federal awarding agencies and pass-through entities can allow this. The decision must be made solely by the non-Federal entity or subrecipient that is eligible for IDC reimbursement, and must not be encouraged or coerced in any way by

		the Federal awarding agency or pass-through entity" to 200.331(a)(4)(iv) and 200.414(c)(1).
[200.331] Pass- through entities		
	128	(d) We suggest that the second sentence read, as follows (see additions in bold): "If a subrecipient has a current Single Audit report posted in the Federal Audit Clearinghouse and has not otherwise been excluded from receipt of Federal funding (e.g., has been debarred or suspended), the pass-through entity may rely on the subrecipient's auditor**'s** and cognizant agency**'s reports and communications issued to the subrecipient** for the routine audit follow-up and management decisions."
		(a)(4)(ii) What information is the PTE who negotiated the rate with the non-federal entity required to provide to a different PTE? i. In order for a PTE to rely on a rate negotiated by a different PTE, would a SOC II report be required to determine that the requirements under this part were followed? (d)(4) PTE is only responsible for findings related to subaward. Concern with this approach – systemic issues directly impact subaward (internal controls and financial system). What is the rationale behind this added language?
		The second sentence appears to contradict 200.331(d)(3). Can OMB clarify if they are trying to say the PTE can rely on the federal agencies issuance of management decisions and audit follow-up for findings not specific to the PTE subaward (i.e. systemic)? Also, given that CFDA (Assistance Listing) number has to be given for each finding, if a finding at a subrecipient is applicable to multiple CFDA numbers, including the PTE's subaward, is OMB considering this "non-systemic" or "systemic" for purposes of this paragraph. For example, a cash management internal control weakness may impact multiple CFDAs and result in noncompliance for the PTE's subaward. In this situation would OMB not expect the PTE to follow-up on the finding because it is "systemic"? In addition, no clarifications were made to 200.521, which also allows (at the PTE option) to issue management decisions on GAGAS findings.
		Does this set-up a situation where a grantee could place two pass-through entities against each other? For example, if the grantee does not like the rate approved by PTE A, it could request approval of a different rate from PTE B and then require PTE A to accept that rate? Clarification is needed on this change and how this would be monitored consistently. This appears to mandate an indirect cost rate. It is unclear who makes the determination of which rate the PTE must accept. Does the requirement impose the options (i) (ii) or (iii) in order?
		(3) Pass-through entity monitoring of the subrecipient must include issuing a management decision for applicable audit findings pertaining only to the Federal award provided to the subrecipient from the PTE as required…

		(4) The pass-through entity is only responsible for resolving audit findings specifically related to the subaward (i.e., non-systemic) and not applicable to the entire subrecipient (i.e., systemic). If a subrecipient has a current Single Audit report posted in the Federal Audit Clearinghouse and has not otherwise been excluded from receipt of Federal funding (e.g., has been debarred or suspended), **the pass-through entity may rely on the subrecipient's auditors and cognizant agency for** routine audit follow-up and **management decisions**. Such reliance does not eliminate the responsibility of the pass-through entity to issue subawards that conform to agency and award-specific requirements, to manage risk through ongoing subaward monitoring, and to monitor the status of the findings that are specifically related to the subaward issued by the pass-through entity.
[200.335] Methods for Collection		
	130	The way that 200.335 is currently written, it appears to only allow the use of "machine-readable formats" or, if requested by a non-federal entity, "paper" versions. Our concern is this section is silent on if PDFs will continue be an acceptable substitution for "paper" version of documents in the future. Without the explicit ability to use PDFs as a bridge between "paper" and "machine readable formats," this section, as written, could cause uncertainty on whether the current practice of using PDFs will continue to be acceptable in the near future. Currently the Federal Audit Clearinghouse (FAC) has and posts to its website information entered into the Data Collection Forms (DCF) from 1997 to present. Over the years, the FAC has expanded the amount of information it collects on Single Audit through the use of the DCF. Most recently for 2019, the FAC now requires auditor and auditees to enter the text of the audit findings and corrective actions plans, respectively. As proof of concept, OMB should require the FAC to convert the information it currently has available in a machine-readable format that can be easily processed by a computer without human intervention while ensuring no semantic meaning is lost (44 U.S.C. 3502(18)). By converting and transmitting the information already provided to the FAC, the federal government will be able to unlock decades of valuable information that can used to support the Foundations of Evidence-Based Policymaking Act of 2018 (Pub. L. 115–435) and the Leveraging Data as a Strategic Asset Cross-Agency Priority Goal (CAP Goal #2) and efforts under the Grants CAP Goal to Build Shared IT Infrastructure. Additionally, if the FAC develops a process for converting information it already receives through the DCF, then all 35,000 auditees plus their auditors would not need to procure their own methods for producing their information in a machine-readable format. Under this approach, auditees and their auditors could enter their information into the DCF as they do today and then the FAC could convert it into a machine-readable format that meets all of the federal government's requirements. Furthermore, this approach does not create an additional burden for auditees and their auditors. However, if the FAC does develop and deploy a single approach for auditees and auditors to use, it should not prevent sophisticated entities that have the financial resources to upgrade their current processes from submitting their information in a machine-readable format to the FAC in the future.

[200.339] Termination		
	131	Propose that federal agencies provide at least 30 days for pass through entities to wrap up or re-negotiate before federal termination due to the award no longer effectuating program goals or agency priorities
		With the language permitting pass-through entities to rely on the subrecipient's auditors and the cognizant agency for routine audit follow-up, we believe this language could be misconstrued by pass-through entities as to what their responsibilities would be regarding subrecipient monitoring. We would recommend that language be added to clarify the responsibilities and also to state that the single audit could only be relied upon when the program has been audited as major vs. relying on the single audit as a whole.
		200.339 (b)&(c) While there are requirements throughout the current regulations and the proposed revisions for pass-through entities to award and manage grants using the same requirements that federal awarding agencies are required to follow, including evaluating each subrecipient's risk of noncompliance with federal requirements (200.331), the proposed revisions do not address pass-through entities utilizing FAPIIS to mitigate risk. With the federal government adopting an Entity Risk Management approach, we believe that there should be discussions related to the proposed changes that are silent on allowing pass-through entities to use the tools available to federal awarding agencies for ensuring compliance and reducing the risk of non-performance by non-federal entities receiving tax payer funds. Collectively as a group, pass-through entities award and monitor more individual grants than the entire federal government. From an analysis of direct vs. indirect funding as recorded in the Federal Audit Clearinghouse for 2018 we estimate that for every four grants awarded and monitored by federal awarding agencies, pass-through entities as a group award and monitor seven grants.
200.339(c)(1)		
		Should "under paragraph (b) of this section" be "under paragraph (c) of this section"?
[200.343] Closeout		
	134	"OMB proposes to increase the number of days for recipients to submit closeout reports and liquidate all financial obligations from 90 days to 120 days." Agree with this proposal as sub-recipients will have more time to submit their information. I would favor a more consistent close-out process. The documents required for close-out are not consistent from grant to grant.
		(h) -Should "accessible through SAM" be included between "system (currently FAPIIS)" to be consistent with other sections of the FR, e.g., 200.339(c), 200.340(b)(1)?
		In relatively unusual and/or rare circumstances, a vendor may fail to submit an invoice in a timely manner, or the non-federal entity may simply fail to review and approve such invoice in a timely manner. Extending the liquidation period to 120 days would enable an additional period in which the non-federal entity could discharge the liability.

		In many cases the non-federal entity would need to identify unliquidated obligations on the day after the end of the period of performance in order to accurately report this. It would be more logical to extend any quarterly or semiannual reporting requirement to 45 days rather than the current 30 days because some expenses may have been incurred and invoiced but are not yet paid. Federal Highway Administration (FHWA) funded construction projects are complex in nature. Allowance for the flexibility in the construction grants to start the close out period at the time of substantial completion of the project is necessary for those types of projects.
[200.402] Composition and Timing of costs		
	137	(e)This comment is related to our comment above for the definitions and terminology for time periods pertaining to federal awards. We suggest that OMB remove (b) here and, instead, clarify the definition of budget period in §200.1 to incorporate the timing of costs and to more clearly define when costs should be incurred for a federal program.
		Costs must be charged to the approved budget period in which they were incurred except where noted in the specific cost principle." "The recipient may only incur costs during the first-year budget period until subsequent budget periods are funded" Incurring costs could be different than incurring an obligation, would a State be allowed to encumber a contract?
		It is stated that costs must be charged to the approved budget period in which they were incurred except where noted in the specific cost principle. The regulation needs to clarify what "cost principle" and "budget period" mean. Federal Highway Administration (FHWA) funded construction projects can span multiple budget (fiscal) years and to estimate exactly when and which fiscal year costs will be incurred is impossible. Many projects obligate the entire federal amount for the project at the time of federal authorization even though the project spans multiple fiscal years. It will be challenging to only obligate the federal funds needed based on the amount of expenditures that will occur that fiscal year.
[200.414] Indirect F&A Costs		
	144	200.414(f) "when a non-Federal entity is using the de minimus rate for its federal grants, it is not required to provide proof of costs that are covered under that rate." 100% agree. If the rate is de minimus, then the applicate costs are de minimus as well and immaterial. 200.414(h) "proposed revision adds a new subsection to 200.414(h) to require that all grantees' negotiated agreements for indirect cost rates are collected and displayed on public website." What would be the advantage of this posting? The application and the close-out process provide opportunities to verify that the correct indirect rate was used.

		Even small entities should be able to supply minimal information that demonstrates indirect costs, such as a spreadsheet that outlines total indirect costs for their fiscal year and total direct costs. The non-federal entity should have a basic understanding of the meaning and application of direct and indirect costs. If the non-federal entity does not possess such knowledge or capability, how shall the federal entity have assurance that indirect costs are being properly charged as direct expenses or direct as indirect? Who is responsible for submitting/posting rate agreements from non-federal entities to the website? The regulation needs to be clarified. What is the purpose for posting these rate agreements? Other than transparency, the benefit provided to the general public is unclear. Is the federal agency using the web site to review any rates negotiated by a pass-through organization to determine reasonableness?
[200.417] Interagency Service		
	145-146	We recommend removing "and Indian tribe-" from "Appendix V to Part200—State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans" from both 200.417 and Appendix VII, A. General 2. Indian tribes are not required to prepare and submit tribe-wide cost allocation plans for reimbursement of indirect costs.
[200.425] Audit Services		
	149	(a) We recommend providing examples such as internal audit functions and the related costs, annual single audit, financial statement audit, etc. (2) We recommend providing examples that are not allowable costs such as performance audit, legislative audit costs, etc.).
[200.441] Fines, penalties, damages and other settlements		
	166	We recommend adding "Penalties would also include other types of commerce related charges such as cancellation or late fees" after "Federal awarding agency." and before "See also §200.435 Defense and prosecution"
[200.449(c)(4)] Interest		
	171	Pages 146, 248. We suggest that OMB provide a different example here because lease contracts that transfer ownership are essentially debt financing. Therefore, the example is in effect comparing debt financing to debt financing. If this example is retained, we suggest revising “leasing” in the last sentence of this paragraph to instead be “a lease contract that transfers ownership”.
[200.465(e)] Rental Cost of Real Property and Equipment		
	179-180	We suggest that OMB also address short-term leases for which an intangible right-to-use asset is not recognized; that is, unless extant (a) of this section is intended to cover them.
		Consider saying "...with GAAP." instead of "...to GAAP."
[200.504] Frequency of Audits		
	188	We recommend adding an additional sentence in order to clarify the frequency of the audit: "The Federal awarding agency has the discretion to determine the due date for collecting audited financial statements that is most effective for monitoring award outcomes"

[200.511(b)] Summary Schedule of Prior Audit Findings		
	192-193	Given that management decisions are being received from grantor agencies for audit reports that are over 2 years old consider increasing the 2-year time period noted in 200.511 (b) (3). A risk exists that the auditee discloses finding as "not warranting further action" and discontinues corrective action procedures. Then when the program is subsequently selected for review, the finding is again reported because the auditee discontinued corrective action procedures because grantor agencies did not review within 2 years of the finding being submitted.
		(a) We recommend adding an additional sentence after "for current year audit findings" that states: "Additionally, submit a summary schedule of prior audit findings and a corrective action plan on auditee's letterhead. If an auditee does not have a letterhead, a transmittal letter can be attached with the corrective action plan and summary schedule of prior audit findings."
[200.512] Report Submission		
	193	(b) (c) We recommend clarifying/consolidating the requirements of (b) and (c) since the Data Collection Form now includes Part IV (Corrective Action Plan). The Corrective Action Plan requirement in 200.512 (Report Submission (C4)) requires the same Corrective Action Plan that is already included on the Data Collection Form. This appears to be a duplicative effort.
[200.513] Governmentwide Project to Determine the Quality of Single Audits		
	195	As currently proposed, the section states, “This governmentwide audit quality project must be performed once every 6 years beginning with audits submitted in 2021 or at such other interval as determined by OMB, and the results must be public.” From reading this passage, we are unsure if the “or at such other interval as determined by OMB” applies to the “once every 6 years,” “audits submitted in 2021,” or both. If it only applies to “once every 6 years” consider rewriting to say: “This governmentwide audit quality project must be performed once every 6 years, or at such other interval as determined by OMB, beginning with audits submitted in 2021, and the results must be public.” Additionally, OMB should consider changing (bolding added) “audits submitted **in** 2021” to “audits submitted **for** 2021.” As it is currently written, the estimated 4,400 Single Audits that are accepted by the FAC in the month of January could avoid being selected as part of the governmentwide audit quality project if their submission is completed one month sooner, December of 2020, for one year and returns to their normal schedule for submitting the following year, January 2022.
[200.516(a)] Audit Findings		
	200	Should this section be updated to reflect the "Pick 6 mandate?" For example, should (a) (2) read…"for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the compliance supplement as "subject to audit”?

Appendix IV to 200		
	238	Appendix IV, Section 4 allows nonprofit organizations to treat all costs as direct costs except general administration and general expenses. Section 4 further lays out that joint costs may be prorated individually as direct costs. The examples of joint costs (such as depreciation and telephones expenses) could be categorized as general administration and general expenses, which Section 4 has already stated are not direct costs. Section 4 goes on to state that "indirect costs consist exclusively of general administration and general expenses." These indirect costs would require a computed indirect cost rate, according to Section 4. Based on the wording of Section 4, it is unclear whether all joint costs can simply be categorized as a direct cost or would require further evaluation to determine if they should be categorized as a general administration and general expense, requiring an indirect cost rate. Cost allocation plans are cited universally within 2CFR200. When referencing cost allocation plans, the regulation requires clarification regarding when cost allocations can be used and who can use them because it seems as though local units of governments can use them but also nonprofits within the multiple allocation methodology.
Appendix IV to 200 (c) (2)(a) Negotiation and Approval of Indirect Cost Rates		
	239	If a PTE subgrants to nonprofits and local government agencies who receive federal funds directly, is the PTE required to negotiate an indirect cost rate with the subrecipients or is that the responsibility of their federal cognizant agency? This requires clarification in the regulation. If the nonprofit does not receive any *DIRECT* funding from any federal agency . . . – added one word for clarity.
[Subtitle A, Chapter 1]		
		" DUNS numbers will be phased out as the primary key to identify every entity record by 2020 in place of a non-proprietary, SAM-generated, Unique Entity ID (UEI) number." Please provide clarity when a separate UEI number will be required. Our state has two grants (same CFDA number) issued by the same federal agency to the same state department which are each required to have a separate DUNS number.
Throughout 2 CFR 200		
		"A common form is an information collection that can be used by two or more agencies," I think this will lead to a proliferation of forms rather than consolidation of forms.
[200.202 & 200.301]		
		Establishing and Supporting Performance Based Grants: While the new sections 200.202 and 200.301, program planning and design and performance measurement, address federal awarding agencies establishing program goals, objectives, and performance indicators in support of performance-based grants, the proposed changes do not address how these grants would be established in law or be supported by Single Audits. Specifically, it is unclear whether non-federal entities awarded performance-based grants will legally be allowed not to adhere to traditional compliance requirements. However, we will provide the following observation about the nature of Single Audits, which are compliance based, that may need to change to support performance-based grants.

		For those grants where federal awarding agencies are permitted by law to focus more on performance and not on compliance, would OMB allow federal awarding agencies to make, with the exception of "Performance Reporting" all other types of compliance requirements "not subject to audit" using the annual Compliance Supplement? If not, there is the risk that the efforts to transition from compliance-based grants to performance-based grants will be undermined by the current accountability mechanisms (Single Audits, OIGs, etc.). The current accountability mechanisms were developed on the foundation of providing transparency focused on compliance with specific compliance requirements and not necessarily on providing an evaluation of a program's general performance on meeting the goals and objectives of the program. Under the current accountability mechanisms, it is assumed that a program with well-designed compliance requirements would be aligned with the Congressional intent and meet the goals and objectives of the program.
Appendix II to 200		
		2 CFR 200.321(a) states that the domestic preference terms must be in all contracts and purchase orders for work or products under an award; however, this is not included in the list of provisions to include in applicable procurements in Appendix II - Part 200.
Pension Plan Costs		
		The financial pressure on states and their political subdivisions related to funding defined benefit pension plans for their employees has led to the enactment of pension reserve accounts in several states. Such reserve accounts may become even more prevalent in the coming years. We recognize that OMB's proposed regulations do not address reserve funds. However, as questions arise with respect to the treatment of these reserve accounts under federal regulation, it is in the best interests of the federal government to provide guidance to stakeholders. Issue I Is an expense method used by a state or political subdivision that results in the Federal government, and the state and political subdivisions, as employers, each paying the same actuarially determined employer contribution, even if a portion of the state or political subdivision contribution is paid by a pension reserve account (funded only with state and political subdivision monies), in compliance with Federal regulation? We believe it complies. Code of Federal Regulations §200.431(g)(6)(iii) states that, "Amounts funded by the non-Federal entity in excess of the actuarially determined amount for a fiscal year may be used as the non-Federal entity's contribution in future periods." Under the facts of the question, the Federal government, and the state and political subdivisions, as employers, would each be paying the same actuarially determined contribution (ADC). Issue II State pension stabilization reserve funds that are financed entirely by the state and any associated earnings thereon should not be included in plan assets which are considered in the actuarial valuation process to determine the ADC. The monies in pension reserve accounts are derived from a separate stream of state and political subdivision monies that were in excess of the ADC amounts. These reserve account monies are not assets of

		the pension system. The monies are akin to a special appropriation of funds for a rainy-day account.
31 CFR 205.13 How do you determine when State or Federal interest liability accrues?		
		We recommend updating 31 CFR 205 to reference the Uniform Guidance 200.305, instead of the outdated circular A-87.
31 CFR 205.33 How are funds transfers processed?		
		We recommend updating 31 CFR 205 to reference the Uniform Guidance 200.305, instead of the outdated circular A-102.
Other		
		Non-Federal Entities Expending Less than the Audit Threshold: Currently, a non-federal entity that expends less than $750,000 in federal funds during their fiscal year does not have a single mechanism for reporting their federal expenditures to federal awarding agencies and pass-through entities. Both federal awarding agencies and pass-through entities are required to ensure that non-federal entities that expend more than $750,000 receive a Single Audit. Because non-federal entities can receive federal funding from multiple entities, which individually could award less than $750,000, there is a risk that certain non-federal entities are not receiving the required Single Audit. To mitigate this risk, federal awarding agencies and pass-through entities are each individually conducting their own due diligence to ensure that these non-federal entities expended less than $750,000 in federal funds or received the required Single Audit. This collective burden could be reduced if the Federal Audit Clearinghouse (FAC) would allow non-federal entities that expended less than $750,000 to submit their Schedule of Expenditures of Federal Awards (SEFA) and self-certify to its accuracy. If the FAC would post these SEFAs to its publicly available website, federal awarding agencies and pass-through entities will not have to make additional requests to these non-federal for their total federal expenditures. Currently, there is uncertainty of whether a non-federal entity which has federal expenditures below $750,000 is able to engage a Certified Public Accountant (CPA) to conduct a Single Audit. Additionally, even if the non-federal entity with federal expenditures less than $750,000 was able to obtain a Single Audit, the FAC would not accept it nor would the non-federal entity "receive credit" for having a Single Audit. As a result, even with an unmodified report with zero audit findings that was completed on-time, the non-federal entity would still be considered a "high risk auditee" should their federal expenditures increase to $750,000 or above. Given that in 2018, 1,246 non-federal entities were within 10% above the $750,000 threshold, one can only assume that an equal or greater number of non-federal entities within 10% of going over the $750,000 threshold. With just a 10% fluctuation in federal spending (up or down) there are approximately 2,400 non-federal entities that are susceptible of not being able to obtain a Single Audit and take advantage of the low risk auditee designation. To address questions about being able to engage an auditor and maintaining the low risk auditee designation, OMB should consider allowing entities under $750,000 to voluntarily elect to have a Single Audit performed. If the non-federal entity elects to engage a CPA to

		conduct a Single Audit, it should be considered "required" and the auditor must complete and follow all the applicable requirements for a Single Audit. Note: The questions related to if the non-federal entity can engage a CPA to conduct a Single Audit are a result of Statement on Auditing Standard AU-C 935 Compliance Audit only applies when there is a governmental audit requirement that requires an auditor to express an opinion on compliance plus two other requirements. Also, there are questions regarding how the auditor would apply the rules for identifying Type A and Type B programs, which currently do not address when federal expenditures are less than $750,000.
		We recommend increasing the capitalization threshold from $5,000 to $25,000. Our suggested change to the capitalization threshold is driven by our desire (in alignment with the President's Management Agenda, Grants CAP Goal) to reduce burden on grant recipients. Currently, a recipient has to account for capitalization using two different methods - one for federal grant purposes and a second method for accounting purposes. Also, the $5,000 threshold seems to be a bit outdated since it dates back to 1981 and doesn't appear to have been adjusted for inflation. Additionally, the questioned cost threshold is $25,000 as outlined within 2 CFR 200.516(a)(3). We recommend adding "This definition encompasses purchased software that comes with the hardware with a unit cost that equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or $5,000. It does not include internally developed software projects which are to capitalize in accordance with GAAP for financial statement purposes." after the end of the paragraph.
Technical Comments Throughout the Proposed Changes		
		• "Student Financial *Aid*" should be updated to "Student Financial *Assistance*" to be consistent with other federal regulations. • What is the difference in the wording of "documented" vs. "written"? If they are both intended to mean same thing, consider choosing and using just one of the terms to limit confusion. • In 22 cases, the proposed changes use "calendar days" and in 2 cases uses "business days." There are 8 cases where only "days" is used without a qualifier. In cases where only the term "days" is used, OMB should specify the type of day to eliminate future questions.