



919 East Main Street, Suite 1100
Richmond, VA 23219
Phone: (804) 249-4525
vgfoa@valocalfinance.org
www.vgfoa.org

April 30, 2012

Mr. Daniel I. Werfel, Controller
Office of Management and Budget
725 17th St, NW
Washington, DC 20025

Attention: Office of Federal Financial Management "Grant Reform"

Re: OMB Advance Notice of Proposed Guidance, *Reform of Federal Policies Relating to Grants and Cooperative Agreements: Cost Principles and Administrative Requirements (Including Single Audit Act)*

Dear Mr. Werfel:

The Virginia Government Finance Officers' Association (VGFOA) appreciates the opportunity to comment on the Advanced Notice of Proposed Guidance on *Reform of Federal Policies Relating to Grants and Cooperative Agreements; Cost Principles and Administrative Requirements (including Single Audit Act)*.

We applaud the OMB's efforts to streamline the grant process. As an Association that represents the small and large localities in the Commonwealth of Virginia, we recognize that this is not an easy task and unfortunately, there is not a "one size fits all" outcome to this reform. However, we provide information below that may help in understanding the impacts and concerns of Virginia's towns, cities, and counties.

The smaller towns, cities and counties within the Commonwealth agree with the tier audit approach that is being proposed in the grants reform. This approach would eliminate the need for a single audit, reducing administrative burden and decreasing the audit costs. However, the larger cities and counties in the Commonwealth disagree with the tiered approach. These entities will see the cost of the single audit increase and do not believe they should subsidize the cost because smaller entities are now not required to have a single audit.

While concentrating federal resources on the oversight and follow-up resolution on higher dollar and higher risk programs would make the process more efficient and effective, this may not necessarily be the best way to target improper payments, waste fraud and abuse. Many times, the improper payments, waste, fraud and abuse occurs at the smaller, pass-through entities that receive federal funds. Eliminating entities that expend less than \$1 million from the single audit requirements may have a reverse effect. Knowing they are not receiving audits and oversight of the federal awards may actually increase improper payments, fraud, waste and abuse.

Another concern of the larger localities in VA is that many of the entities in which they pass through funds will no longer be required to have a Single Audit. This is a valuable tool used in monitoring subrecipients.



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Taking away this valuable tool from entities will result in more staff resources to ensure the pass-through entities have proper internal controls in place and are expending funds in accordance to the grant requirements. This clearly does not meet the President's objectives.

Streamlining the universal compliance requirements in the Circular A-133 Compliance Supplement is noteworthy. However, allowing federal agencies to "add back specific requirements under program specific tests and provisions" may limit the cost savings that the President envisioned with this reform process. We also believe that if federal agencies are allowed to determine the "specific requirements in special tests and provisions", that this information needs to be communicated to the audit community in a timely fashion so that planning and testwork can be completed. Auditors cannot achieve efficiencies and reduced costs if their testwork is completed before the updated Compliance Supplement is issued.

The VGFOA is also concerned about OMB's statement that "a subset of compliance requirements would be targeted for increased testing, larger sample sizes, or lower levels of materiality". If OMB's intention is to set materiality levels and acceptable sample sizes, this will only increase costs and removes auditor judgment from the audit process.

We appreciate the efforts of OMB to reform the grant process. Further, we are grateful for the opportunity to comment on the grant reform ideas and to work with the OMB for improving audit requirements, cost principles and administrative requirements surrounding grants and cooperative agreements. Thank you for your consideration.

A handwritten signature in black ink, appearing to read 'Patricia A. Weiler', is written above the typed name.

Patricia A. Weiler
VGFOA President