Mr. Norman Dong  
Controller, Office of Federal Financial Management  
Office of Management and Budget  
725 17th Street NW  
Washington, DC 20025

Subject: Reform of Federal Policies Relating to Grants and Cooperative Agreements; Cost Principles and Administrative Requirements (including Single Audit Act)

Proposed Guidance  
Federal Register, Vol. 78, No. 22 - February 1, 2013

Dear Mr. Dong:

I have been watching with interest and appreciate the hard work you and many others have contributed to the Office of Management and Budget (OMB) effort to reform policies relating to federal grants and related cost principles. This effort to increase government efficiency and streamline our Federal financial assistance framework is a monumental undertaking by OMB and the Council on Financial Assistance Reform (COFAR). I am grateful for this effort to ensure that Federal taxpayer dollars are well spent. I also appreciate that in the proposed guidance issued on February 13, 2013, you addressed many of the issues previously raised by the scientific and academic research community.

There are three areas, however, that are of particular concern to me and to which I encourage you to provide future examination and specific regulatory relief as you prepare final guidance. These three areas are:

1) **Documentation of Payroll Charges to Federal Awards.** My understanding is that research institutions maintain sophisticated payroll systems that produce the output and reports, in various formats and levels of detail, documenting payroll charges to Federal awards. Layering additional systems to certify more specific and detailed information concerning the time and effort devoted to specific Federal research awards (i.e., effort reporting systems) on top of an institution’s official payroll system creates unnecessary administrative and cost burden. However, my reading of the proposed guidance suggests that such certification reports (i.e., effort reports) would still be necessary, compelling institutions to continue the burdensome activity of effort reporting.

I recommend that the final guidance exclude references to certification reports, and instead concentrate on sound accounting principles and practices. OMB should require principles and practices that have been established by recipients of Federal funds, and are premised on: a)
official records of the institution’s payroll system; b) institutional controls to ensure appropriate payroll charges to Federal awards; and c) an after-the-fact process that confirms the reasonableness of the payroll charges to Federal awards, but does not require an effort report or similarly prescriptive instrument. This approach will provide an appropriate amount of accountability while eliminating the unnecessary burden associated with effort reporting.

2) Subrecipient Monitoring. To encourage scientific collaboration across institutions all over the country, Federal regulations governing these partnerships must incentivize institutions to pursue them. However, my reading of the proposed guidance indicates that the new regulations, in fact, could discourage such partnerships. Overly prescriptive subrecipient monitoring requirements – and in some cases, requirements that would turn the prime recipient of Federal funds into a de-facto audit agency for its subrecipients – are troubling.

I recommend that the final guidance: a) eliminate those subrecipient monitoring requirements that create additional burden without enhancing accountability; b) minimize and/or eliminate selected subrecipient monitoring requirements when the subrecipient is an established low-risk entity with a clean audit record for at least the past two years; and c) establish that the Federal cognizant audit agency has sole audit responsibility and that in no case should the prime recipient act as an audit agency, except as it may relate to the direct performance of the subaward.

3) OMB Role and Responsibilities. Recipients of Federal funds are currently subject to unique agency interpretation and implementation of OMB circulars and guidance. In the case of research institutions, Federally-funded research may be provided by more than twenty different funding agencies. Just as the recipients of Federal funds are required to follow OMB circulars and related guidance, so should the funding agencies. And while in most cases, agencies do follow OMB guidance, there have been instances where individual agencies have had interpretations of these circulars and guidance that differ from those of grant recipients. These differences have led to the implementation of a patchwork of exceptions to OMB guidance with little review from OMB.

I therefore recommend that OMB establish a formalized process to resolve disputes between Federal agencies and the recipients of Federal funds when such differences of interpretation arise. A transparent system that allows recipients of Federal funds to access an impartial arbiter when there are agency deviations from OMB’s circulars and related guidance will result in a strong system of accountability and will help to ensure that government wide grants reform is ultimately successful.
I thank you for your attention to these important matters and for your work on the grants reform and cost principles reform effort. Should you have questions about any of these concerns, please feel free to contact Jason Day of my staff.

Sincerely,

Daniel Lipinski
Member of Congress