



June 4, 2018

Ms. Jennifer Jessup  
Departmental Paperwork Clearance Officer  
Department of Commerce  
Room 6616  
14<sup>th</sup> and Constitution Avenue NW  
Washington, DC 20230

**Form SF-SAC 2019 Comments**

Dear Ms. Jessup:

The American Institute of CPAs (AICPA) is the world's largest member association representing the CPA profession, with more than 431,000 members in 137 countries and territories, and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for its members and U.S. auditing standards for private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination, offers specialized credentials, builds the pipeline of future talent and drives professional competency development to advance the vitality, relevance and quality of the profession.

On behalf of the AICPA and its Governmental Audit Quality Center (GAQC), we appreciate the opportunity to comment on the final proposed revisions to the Data Collection Form (SF-SAC or the Form), related Form instructions, and burden of collection estimates. Overall, we support the efforts of the Federal Audit Clearinghouse (FAC) to update the Form and instructions and to improve its usefulness to federal agency users. However, we have several overarching comments and concerns, as well as many detailed comments on the Form and its instructions, that we believe need to be addressed by the FAC before the Form's issuance. Our detailed comments are included in the Appendix to this letter.

This comment letter was prepared based on input received by members of the AICPA that have expertise in preparing the Form. We would be happy to discuss these comments with representatives of the FAC and the Office of Management and Budget Please contact me at 202-434-9259 or [mary.foelster@aicpa-cima.com](mailto:mary.foelster@aicpa-cima.com) if you have any specific questions or would like to schedule a follow-up discussion.

Sincerely,

A handwritten signature in black ink that reads "Mary M. Foelster".

Mary M. Foelster  
Senior Director, Governmental Auditing and Accounting

cc: GAQC Executive Committee

**Overarching Comments and Concerns**

*FAC Cost Estimates Understated.* The *Federal Register* (FR) notice provides an estimate of the number of hours that will be needed by respondents (both auditors and auditees) to complete the Data Collection Form (DCF or Form). However, it goes on to state that the cost to the public will be “zero” because the proposal will not require direct costs like software purchases. We believe this cost statement is misleading. As noted elsewhere in our comments, there are various changes being proposed that will require data to be manually transferred into the Form from key documents in the reporting package (i.e., the notes to the Schedule of Expenditures of Federal Awards (SEFA), audit findings, and corrective action plan (CAP)). Auditors and auditees will need to establish additional quality control procedures to ensure that data submitted to the FAC matches the reporting package. For example, on the audit side, each transferred audit finding will likely need 2-3 individuals involved either in transferring the information or reviewing it at the manager and/or partner level. This auditor activity will likely increase the cost of the audit, especially in situations where there are numerous findings. Additionally, the changes will add to auditee administrative burden and take time away from their other responsibilities. The FAC should be more transparent about these costs in the final information collection notice.

*Study Needed on a More Efficient and Effective Approach.* The FR notice asks commenters about ways to minimize the burden of collection of information on respondents. We understand the federal need to access single audit results in an easily useable format and we want to be a partner in helping achieve this goal. Unfortunately, the proposed approach for capturing the data involves a manual process involving the redundant task of transferring information from source documents to the Form. In certain cases, when a finding includes a chart or table, the auditor will even have to modify the finding to add a reference to the Schedule of Findings and Questioned Costs (SFQC) in lieu of the chart or table. This proposed process is inefficient and will be highly prone to unintentional error. While we are willing to accept this approach in the short-term for the sake of progress, we strongly recommend that in the FAC and OMB make it a priority to consider whether there are more efficient and effective ways to achieve the end goal, including newer technologies or automated techniques that could read the source documents and reduce the potential for error in the data transfer. Another alternative would be to work towards making the Form the only point of entry for the required information. Additionally, there are other ongoing efforts at the federal level that should be explored and coordinated with. The GREAT Act discusses applying data standards to the reporting package and other grant-related information. Also, the recently issued President’s Management Agenda has a grants goal that is looking to improve the accessibility of single audit results. Regardless of the final solution, all efforts to improve the process should consider whether and how the current information entered on the Form is being (or should be) used by federal agencies. Having the answer to this question will make the data collection more meaningful and useful as a management tool. More data does not necessarily lead to better grants management, but having key data does.

*Request for Text of SEFA Notes.* We received many questions on Part II, Item 2, on both the Form and instructions. It seems from the proposal that there are only two footnotes that the agencies want access to (i.e., significant accounting policies and de minimis indirect cost rate). However, this is never clearly stated. The item also assumes that every SEFA is prepared in the same manner which is not the case. For example, there is no standard numbering or language used for a significant accounting policy note and experience shows that this type of information could be included in several notes. Additionally, in some cases agencies require certain footnotes be added to the SEFA in specific circumstances (e.g., Federal Emergency Management Agency (FEMA)). In those cases, there may be a separate FEMA note or it may be included in an accounting policy note. Further, there is a third note box for other

notes that is to be used “as needed” and the instructions are unclear when that is to be used. We believe without additional clarifying guidance in the instructions, that the resulting notes data to be transferred and used by the agencies may be incomplete or inconsistent. Ultimately, because the notes to the SEFA are an integral part of the SEFA, the FAC should consider whether all notes to the SEFA should be required to be input. If that is not workable for some reason, we believe it is very important that the instructions provide much more clarity on what is expected to achieve accuracy and consistency. This would include when the box for other notes “is needed.” The following additional comments are offered for FAC consideration as it finalizes the Form and develops clarifying guidance:

- The two required SEFA footnotes are designated to be entered as Note 1 and Note 2 on the Form. As there is no requirement in the Uniform Guidance for the notes to be numbered in this manner, this may or may not match the actual footnote location in the SEFA. We believe situations will arise that will cause confusion, rendering the input text of these footnotes to be less helpful than intended. For example, what if an entity has 10 SEFA notes and the significant accounting policies and diminimis footnotes are included in actual SEFA footnotes 3, 4, and 7. Alternatively, what if the entity has one large footnote covering all topics? Another issue is that sometimes audit findings refer to specific SEFA notes by number. Using the FAC approach, those note references in the audit findings that are transferred over will potentially not align with the Form’s numbering of the note.
- The instructions contain the following note: “If the notes to the SEFA have already been created, enter the text exactly as it appears in your Notes to the SEFA.” This is confusing and should be clarified. Additionally, the use of the term “exactly” is problematic as it relates to the diminimis note. The FAC is forcing the wording of the diminimis note and it is not likely that the actual SEFA note on this topic will be worded the same way.
- For the diminimis note, consider replacing the word “elected” with “did” or “did not” use the diminimis rate. Sometimes the auditee does not have an option to use the diminimis rate. Additionally, consider adding a reference to section 200.510(b)(6) of the Uniform Guidance since the diminimis disclosure is also mentioned there.
- There is a third SEFA footnote required by the Uniform Guidance relating to outstanding loan balances. We assume it is not required to be transferred to the Form because the amount appears in Part II. However, we received several questions about why it was missing (see our related comments on Part II, Item 1). The FAC may wish to explain this in the instructions.
- Is there any character limit to the size of the third box for other notes? Some entities have multiple notes and may need a large box to fit them all.
- What if one of the required notes to be transferred includes a table or chart? We noted that the notes section does not provide the same exception to refer to the actual notes for tables or charts as exists in the sections for audit findings and the CAP. Additionally, our comments in other sections questioning how much of the note formatting will transfer over also apply to this section too.

*Request for Auditor Issued Separate Communications to Auditee.* Part III, Item 2f, requires the auditor to indicate whether there were any communications provided in accordance with paragraph 4.26 of *Government Auditing Standards* (the Yellow Book) and paragraph 12(b) of AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*. We do not support the addition of this question and recommend it be deleted. The Uniform Guidance clearly lays out what is required to be reported as a finding and management letter comments, or similar communications, are not included. Several years ago, the Government Accountability Office removed the Yellow Book requirement for the auditor to refer to the management letter in the auditor’s report. We believe it is inappropriate for OMB and the FAC to re-establish this or a similar requirement outside the due

process parameters of the Uniform Guidance regulation. Further, AICPA standards do not require this type of communication to be in writing (i.e., it can be made orally (and summarized in audit documentation), it can be made through a PowerPoint presentation, etc.). How would an auditor answer this question in these cases? Additionally, most believe that a “yes” response to this question will lead federal agencies to request these communications. If that proves to be the case, the long-term effect of this question may be that there will be fewer written communications made. This would be unfortunate as these types of communications often provide useful recommendations and tips for auditee operational improvements. Finally, there is confusion about whether the communication being referred to relates to the financial statement audit, the compliance audit or both. It appears under the “Financial Statement” subheading so some assumed it is only asking about the financial statement audit. However, the description of this item in the instructions refers to matters that were not considered “audit findings.” As per the Uniform Guidance, the definition of audit findings does not include financial statement findings. If this question is retained, the scope of the question should be clarified in the instructions and its placement in the Form to ensure a consistent understanding.

*Requirement for Findings Text to be Included on Form.* Our members have several operational questions and concerns about how the transfer of audit finding text to the Form described in Part III, Item 5, will work in practice. For example, consider the following:

- There are instances where an audit finding may be presented in a summarized format in one section of the SFQC with a reference to a related finding (e.g., see section 200.515(d)(3)(ii) of the Uniform Guidance). How should this situation be handled when transferring the summarized version of the audit finding? The instructions should address this situation to ensure consistent practice. Our view is that the finding wording should exactly match that in the SFQC, even if it is summarized and refers to another finding.
- While there is a stated exception to refer to actual findings for a chart or table, there may be other cases where unique formatting may be used in the actual finding to effectively convey the finding. It is unclear how much other formatting from an auditor’s findings will carry over into the text boxes, including paragraph breaks, headings, etc.? There are also cases where more extensive formatting is used in a finding to communicate the level or perspective of findings, through emphasis, indentation, different fonts, etc. The instructions should be very specific about this and what auditors can expect to see. Our strong preference is that the information transferred be identical to the SFQC version to ensure there is nothing lost in translation. But if that is not feasible now, we suggest the FAC continue exploring how the identical formatting can be accepted in the system in the near term. Agencies should also be cautioned that the simple text input may not convey the full meaning of the finding as the auditor intended. Finally, if it has not been done already, we recommend the FAC test how the data transfer will work using prior year audit findings. We are happy to assist in finding a few members with complex findings for FAC testing purposes.
- Some auditors prepare their findings in an Excel template. Will transferring information from multiple Excel cells into the Form’s text box work? Instructions should be provided if this situation will result in more than a cut and paste exercise.

*Requirement for CAP Text to be Included on Form.* Often, an auditee’s CAP is not complete by the time the auditor completes the single audit and the auditor portion of the DCF. Having the auditee include the text of the CAP in Part IV, presumably before the Form can be signed, will add complexity to the timing of the completion of the audit and will require additional coordination between auditors and auditees. While this is not an insurmountable obstacle, the FAC should consider whether it would make more sense to have the auditee submit the CAP in a separate upload to avoid this issue. This would also assist in emphasizing the federal concern that the CAP is an auditee document that should

not be prepared by the auditor. Additionally, it is unclear how much formatting will be allowed when entering the text of the CAP. The instructions are “to collect the full, detailed text of the corrective action plan exactly as it appears in the auditee’s Corrective Action Plan.” This seems at odds with the stated exception to refer to the actual CAP for a chart or table and there may be other cases where unique formatting may be used in the CAP to effectively convey the plan that does not transfer over in the cut and paste exercise. The FAC should clarify the instructions for this point. Additionally, as noted in previous sections, we recommend the FAC continue exploring how the identical formatting can be accepted in the system and that federal agencies be cautioned that simple text input may not convey the CAP as the auditee intended. Finally, the instructions refer to the term audit finding, which is defined by the Uniform Guidance and excludes findings under *Government Auditing Standards*. We were unsure if this was the FAC’s intent.

*Part V, Item 2.* The auditor statement has now been broken down into a series of elements the auditor needs to check, which we are concerned could imply a separate “certification” of each element. Some of those elements were previously included in the auditor statement only to provide information and context. Our strong preference is that the auditor certification be reverted to a paragraph format. However, even in doing that, changes are needed to several elements as further described below:

- The first element states: “The data elements and information included in this Form SF-SAC are limited to those prescribed by the Uniform Guidance.” This statement is no longer true in that the current proposal would require the auditor to indicate whether written management communications were made by the auditor to the auditee which is not required to be reported by auditor in the Uniform Guidance. There are other examples where the Form has evolved over time to include requirements that are not prescribed by the Uniform Guidance (e.g., Part III, Item 3(d)). If this element is retained as proposed, the auditor will not be able to check it. Additionally, this element is written broadly and would seem to encompass auditee information. Since the Form will now include the CAP which may include many things beyond what is required so that would also pose a challenge for the auditor to check this box.
- Another element states: The information included in Part III of this Form SF-SAC, except for Part III, Item 2(a)(ii), Item 3(d), and Items 4(a)-(d) (when there are audit findings), was transferred by the auditor from the auditor’s report(s) for the period described in Part I, Items 1 and 3, and is not a substitute for such reports.” This statement does not exclude new Part III, Item 2(f), which would not be found in the auditor’s reports. If Part I, Item 2(f), is retained, this element of the auditor statement should be revised to exclude it.
- The element regarding the availability of the reporting package was originally intended to let a user know that if they wanted more information about the full results of the audit they could look to the reporting package. Changing this element to an auditor check box causes concern as it appears as if the auditor is certifying to the availability as a fact, when the FAC and auditee are responsible for making the information available.

Ultimately, we believe the best course of action on the auditor statement is to work collaboratively to adopt revised language that is workable for all parties between now and the final due process document issuance. We are happy to work with the FAC on this endeavor.

*Consider Pre-populating Certain Basic Information.* There could be a slight reduction in administrative burden if certain information from the prior year’s Form automatically rolled over to the next year’s Form (e.g., auditee and auditor information, prior-year finding numbers, etc.). Auditees and auditors would just have to review the rollforward information to ensure its continued accuracy.

*Maintaining Information in Auto-Generated Drop-Down Fields.* The FAC should be very proactive in keeping auto-generated drop-down boxes in the Form up-to-date. There have been lags in the past (e.g., the Form drop-down box for clusters) which is problematic and should be avoided in the future. Additionally, every effort should be made to ensure that the auto-generated program names agree exactly to the Catalog of Federal Domestic Assistance (CFDA).

*IDES Improvements.* The FAC should work to enhance IDES to provide notifications to pass-through entities when their subrecipients submit reporting packages. Additionally, the FAC should explore developing a staging area where audits could be reviewed/approved for quality before getting submitted.

*FAC Resource Page Outdated.* The FAC Website Resources page needs updating. For example, the links to auditor report examples are outdated and some still refer to Circular A-133. We are happy to assist the FAC in identifying the most up-to-date report illustrations to link to. In addition, the 2018 Supplement can now be added to the list. Finally, the “Ask a Question” page also needs updating as it also references OMB Circular A-133.

### **Comments on the Form**

*Part II, Item 1(j).* This item says: “If Loan, the End of the Audit Period Outstanding Loan Balance.” We noted that the Form adds a “\$” in the column header. This could be a problem if the field will only take a dollar amount. For example, CFDA 84.264 related to the direct loan program is a loan program where loan/loan guarantee in item 1(i) is marked “yes.” However, under the Uniform Guidance when the university does not make the loans, the outstanding loan balances are not considered federal expenditures. Thus, there should be no amount reported in column 1(j) for outstanding balances. In the past, audit teams have been able to enter N/A in line 1(j) in these circumstances. Will that flexibility be continued? If not, should “0” be reported? The instructions to the form should explain what to input in line 1(j) in these circumstances.

*Part III, Item 2(a).* This item on the asks for the type of opinion issued. To reinforce that this question relates to reporting on a GAAP framework, consider including “GAAP” at the end of each answer the auditor can select from. For example:

- Unmodified opinion – GAAP
- Qualified opinion – GAAP
- Adverse opinion – GAAP
- Disclaimer of opinion – GAAP

Additionally, the last line of this item has a typo and should read: “If the financial statements of the auditee were **not** prepared...”

*Part III, Item 2(a)(i)(i).* The FAC should ask the auditee to answer this question about whether the special purpose framework was required by state law, as the auditee is in the best position to answer questions about their regulatory requirements. Auditors should not be asked to make management assertions.

*Part III, Item 3(a).* This question asks the auditor to identify whether the auditor’s report includes a statement that the auditee’s financial statements include other departments, agencies or other organizational units expending \$750,000 or more in federal awards that have a separate single audit. In re-looking at the question, it seems that management should instead be asked to assert to whether it

has adopted the series of audits approach permitted by the Uniform Guidance in section 200.514(a) and, as such, whether certain entities are included in the financial statements that have separate single audits. See our related comment on the instruction to this item below.

### **Comments on the Form Instructions**

*Page 1 - Fiscal Periods Covered by the Form.* This section states that the Form is for fiscal period ending dates in 2019, 2020 and 2010, while the current Form is for fiscal periods beginning on or after 12/26/14 (with no end date specified). This section of the Form directs the user to previous Forms for periods ending prior to 1/1/19, but that might not be obvious to an uninformed user that picks up the old Form and is not aware of the issuance of the 2019 Form. We suggest the FAC make the end date of the current Form very clear on the Web site or through other means.

*Page 1 - Situations When Form Should Not be Used.* We believe that it would be beneficial to also clearly indicate that the Form should not be used when a government or not-for-profit engages an auditor to do a "voluntary" compliance audit when the entity's federal awards are below the \$750,000 threshold for audit.

*Page 2 - Submission to the Federal Audit Clearinghouse – Form Due Date.* The due date requirement is paraphrased from the requirement in the section 200.512 of the Uniform Guidance. We recommend that this section more closely align to the wording in the Uniform Guidance as follows: The data collection form and reporting package must be electronically submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period.

*Part I, Item 1- Fiscal Period.* The following sentence is new to the Form instructions: "Once a form has been started within the IDES, the four-digit year of the fiscal period cannot be changed." We do not understand this restriction. It appears that it would be a significant burden if someone completes a large form only to realize at the end that they input the wrong fiscal year at the outset. What is the rationale for this restriction? Is there an option to contact the FAC to find a work around?

*Part I, Item 4d.* Consider adding guidance on what users should do if they don't have a DUNS or do not submit one. That is, should users include N/A or leave it blank?

*Part II, Item 1, Introduction.* This section states: "As a best practice, loan and non-loan programs should also be listed separately." This should be revised to convey the true separation that the FAC is looking for which is loan and non-loan components within a program and not between programs. We recommend the following as revised language: "When a program has both a loan and a non-loan component within it, as a best practice the loan and non-loan components should be listed separately."

*Part II, Item 1, Loan Program Introduction (following Item 1(h)).* The second sentence of this paragraph states the Uniform Guidance requirement for end of period outstanding loan balances must be disclosed in the notes to the SEFA. This statement caused confusion by some that reviewed the instructions who believed it was referring to Item 2 in this Part relating to transferring note disclosures. As noted in an earlier comment, the FAC should consider explaining more clearly in Item 2 that it is not asking for the loan footnote to be transferred since the outstanding loan balances is captured elsewhere on the Form.

*Part II, Item 1(o).* Item 1(k) includes the following statement: "(e.g., transfers within the single audit reporting entity do not create a pass-through entity/subrecipient relationship)." If this statement also applies to item 1(k), it would be helpful to repeat it here.

*Part III, Item 1(c).* The instruction for this item is not clear on how to handle cross-cutting findings. That is, if a finding may affect all programs, should it be identified as a finding for each program? In the preceding item 1(b), the instructions are clear that the type of audit report needs to be the same for all programs within a cluster. Given the way item 1(c) is written, an auditor may believe that an audit finding only needs to be “tagged” to each of the federal programs affected by the audit finding. This should be clarified.

*Part III, Item 3(a).* The instruction for this item has been reworded from the current Form and we find it problematic. Paragraph 13.32 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*, states that: “If the audit of federal awards does not encompass the entirety of the auditee’s operations expending federal awards, the operations that are not included should be identified in a separate paragraph following the first paragraph of the introductory section of the report on compliance for each major program.” The paragraph added to the auditor’s report does not necessarily indicate whether those other entities had separate Uniform Guidance compliance audits as the auditor of the reporting entity may not have knowledge of that. As noted earlier in this letter, we believe that this question is really one that management should assert to. However, if it is retained as an auditor requirement, it should be revised to say: “Does the auditor’s report on compliance include a statement that the audit of the federal awards does not include departments, agencies, or other organizations units that expended federal awards?”

*Part III, Item 3(c).* This item asks: “Did the auditee qualify as a low-risk auditee at the beginning of the audit period?” The phrase “at the beginning of the audit period” is not included in the Uniform Guidance. We suggest it be deleted as it is unnecessary and potentially confusing.

*Part III, Item 3(d).* While we recognize this item is in the current Form, it is another example of an item that would be better asked of management. The Summary Schedule of Prior Audit Findings is an auditee schedule. Asking for information about what is contained in that schedule should be directed to management of the entity and not the auditor. Also, the information requested is not required for the SFQC and as a result, this question expands on the auditor reporting requirements set by the Uniform Guidance.

*Part V, Item 1.* Due to the concerns that the federal agencies have expressed regarding ensuring that auditees understand that they are required to prepare the CAP, the FAC should consider adding a certification on this point. Similar consideration should be given to a certification relating to the auditee’s preparation of the Summary Schedule of Prior Audit Findings.

### **Other Edits, Corrections, and Suggestions**

*Throughout Form.* We noted throughout the instructions that in some cases the preparer is instructed to “mark” a selection and in others to “check” a selection. The FAC should consider being consistent throughout the instructions.

*Part II.* On the face of the Form for this part (page 12 of 22), there is a typo in the heading of information carried over from Part III, Item 2. In the heading, “Major Program Information and Audit Findings,” the word “Findings” is misspelled.

*Part II, Item 1.* When this section of the current Form is more than one page, the pages after page 1 are printed without the column headings from page 1. This makes it more difficult to prepare and review the Form. The FAC should ensure that the new Form prints the column headings on all pages.

*Part II, Item 1.* This section of both the Form (footnote 1 to item 1(b)) and instruction (in the introduction to Part II) identifies the Web location for the CFDA as <https://www.cfda.gov>. Recently, this web location has been superseded by the CFDA’s new location at: [beta.SAM.gov](https://beta.sam.gov). This should be corrected.

*Part III, Item 2(a)(i):* For clarity, revise the question to: What was the special purpose framework **used**?

*Part III, Items 2(c) and 2(d).* Because the Form asks questions related to financial reporting and compliance, consider revising these questions to make it clear that they are specifically related to financial reporting. For example, “Is a significant deficiency in internal control over financial reporting disclosed?”

*Part III, Item 2e.* Similar the prior comment, consider the following wording to this question to make it clear that it relates to financial statement amounts: “Is noncompliance, which could have a direct and material effect on the determination of financial statement amounts, disclosed?”

*Part III, Item 4, Introduction.* This section refers to “findings on the financial statements.” Consider revising to “findings related to the financial statements.”

*Part III, Item 4f.* In the instruction for the second sentence of this item, consider adding an (s) to both “Type” and Requirement” to be consistent with the preceding sentence.

*Part III, Item 4h.* The instruction for this item needs modification. There is no “basis” for an “Other Matter” paragraph in the auditing standards. Therefore, we recommend the following edit: “Mark either....to indicate whether the auditor identified the audit finding in the Report on Compliance for Each Major Federal Program as a compliance audit finding in the Other Matters section of the report.”