



September 29, 2020

U.S. Office of Management and Budget
725 17th Street, NW
Washington, DC 20500
Attn: Mr. Gilbert Tran

Dear Gil:

On behalf of the AICPA and its Governmental Audit Quality Center (GAQC), we appreciate the opportunity to comment on the draft addendum program sections to be included in the 2020 OMB *Compliance Supplement*. We have marked our detailed comments on the individual program files and sent them under separate cover. The purpose of this letter is to communicate to OMB and the federal agencies several very important comments that we believe deserve special attention.

Overall, we recognize the challenges that OMB and the agencies have faced with the financial and health crises our country has experienced due to the COVID-19 pandemic. Our members have faced similar challenges in running their own businesses and working to assist clients, many of them recipients of federal funding. After reviewing these draft Supplement sections, we are concerned that there has been an overall approach taken to shift the onus of understanding and implementing requirements for new COVID-19-related programs and compliance requirement changes for existing programs to recipients and auditors without proper direction from the relevant federal agencies. The following are our major areas of emphasis and concern.

Provider Relief Fund (PRF) Section Not Workable in Current Form. If this program section remains as is, without addressing the concept of lost revenue in enough detail so that it can be audited, our members reviewing this program section believe they would not be able to express an opinion on the program. Lost revenue is a critical aspect of the PRF program and is a concept that is also new to recipients and auditors in the single audit realm. On September 19, 2020, the U.S. Department of Health and Human Services (HHS) issued reporting guidance to clarify how lost revenue will be reported to HHS that is directly contradictory to Frequently Asked Questions (FAQs) that HHS previously issued on this topic. The draft Supplement section is completely silent on the new reporting guidance and lost revenue in general. Stated simply, the new HHS guidance bases the calculation of lost revenue on a year-over-year calendar year change in net operating income. Based on this new guidance, we are very unclear what a recipient with a year-end prior to December 31, 2020 (and there are many recipients in this situation) would report for lost revenue on its schedule of expenditures of federal awards (SEFA). HHS needs to address this directly, so auditors understand whether recipients have appropriately calculated total expenditures/lost revenue subject to audit. This is also critical for purposes of determining whether the threshold for a single audit has been met by a recipient, and for determining the type A/B thresholds and the array of major programs to be audited. Finally, this section should also be revised to include an “other information” section clarifying how lost revenues should be reported on the SEFA. For example, should it be broken out separately from expenditures? Since lost revenue is a new concept, this is also important information for recipients and auditors.

Treatment of Donated Personal Protective Equipment (PPE) Needs to be Addressed. We understand from discussions with Federal Emergency Management Agency (FEMA) staff that donated PPE from a federal source is to be considered a federal program that is subject to single audit. However, we believe this fact has not been communicated broadly to recipients and auditors in any formal way. It is also not clear how recipients would find this information as there is no Assistance Listing number that we are aware of, nor any detailed information in beta.sam.gov. FEMA should be required to include a section in the addendum that, at a

minimum, discusses donated PPE and states that it is subject to single audit. Our members were also unsure about the types of procedures an auditor would do to test and opine on donated PPE so FEMA staff should be encouraged to address that in some detail as well. However, at this late stage, even including something at a fairly high level would be better than not addressing it at all. The consideration of donated PPE as a federal program will also affect what is included on the SEFA, which is important for purposes of determining whether the threshold for a single audit has been met by a recipient, and for determining the type A/B thresholds and the array of major programs to be audited.

Web Hyperlink Approach Will Lead to Inefficiency, Inconsistency and Added Cost/Burden. We were disappointed with the number of new and existing programs where the agencies merely referenced Web links and instructed the auditor to search through the information to determine, for example, what is allowed/unallowed or waived/changed. We recognize that agencies are busy addressing COVID-19 matters, but the general approach taken will have each individual auditor searching through very detailed information under numerous hyperlinks trying to determine which aspects of the information provided are relevant to the areas subject to audit. This approach is complicated by the fact that agencies are modifying the information on their Web sites regularly. While this may have been an easier approach for the agencies, it is short-sighted and will ultimately lead to inconsistency, inefficiency, added audit cost, and burden. It will also open auditors up to second-guessing later and the agencies will ultimately have no idea how each auditor interpreted the details and how those decisions affected the audit work performed. We understand there is a short timeframe to finalize the addendum, but even if detailed guidance can't be added throughout, at least providing more specific hyperlinks to key guidance in various individual compliance requirement areas would be helpful. Auditors should also be provided with a safe harbor in the addendum release stating that best efforts should be made to identify requirements and, if that is done, there will be no repercussions later if information is changed by an agency.

Authoritative Nature of Agency Guidance Documents Should be Explained in Every Program Section. As noted in the previous comment, most of the draft programs are pointing auditors to various forms of guidance documents on agency Web sites for performing single audits. The question at hand is what authoritative status these documents have. Asked another way, are they authoritative enough for an auditor to refer to them as the criteria for an auditing finding? We strongly recommend that each section include new "standard language" explaining that for purposes of single audits of these programs, the guidance documents referred to are to be considered authoritative and can be referred to as criteria in audit findings. Otherwise, auditors will end up in challenging discussions with recipients who may argue that agency guidance does not carry the authority of a law or regulation. Our recommendation will give auditors something to point to and will allow federal agencies to decide during the audit resolution process, whether they want to act on findings based on information in agency guidance documents.

Performance and Federal Funding Accountability and Transparency Act (FFATA) Reporting. We have heard that OMB is still working to have agencies include performance information in their addendum sections. The Department of Justice program states outright that performance metrics are currently under development. We would remind OMB of our previous discussion, which included the AICPA's Chief Auditor, where we expressed our concerns about introducing performance objectives into these new federal CARES programs at this late stage. We continue to be concerned that there will not be enough time for consideration by the audit profession about whether what is proposed will be able to be audited under our professional standards (i.e., there are objective, measurable criteria). Or, even worse, that the federal work currently being done to include performance will delay the addendum even further. We do not want to end up in a situation where the auditing profession concludes that the information included in the addendum for performance will not be auditable resulting in modified audit opinions on the programs. Further, we also understand that OMB is considering reintroducing FFATA reporting to these new CARES programs in the addendum. The reason this reporting was eliminated several years ago was due to numerous system/data errors that caused significant audit issues

and numerous findings that we believe OMB ultimately instructed auditors not to report. If OMB is considering bringing this reporting back using the addendum as a vehicle, we are concerned that will not be enough time for proper vetting to ensure that the original issues can be overcome.

Audit Deadlines. Our members are becoming more concerned every day about the timing of their June 30, 2020, year-end single audits. We believe the majority of auditors are waiting for the addendum to be issued in order to begin testing the new COVID-19-related programs and other existing programs that will be included. OMB staff has stated that the addendum will be issued by late October, but we question how realistic that estimate is based on previous history, the need for comment resolution, and OMB legal clearance. While none of our members want to stretch these audits out beyond March 31, 2020, making this deadline is becoming more challenging as each day passes, especially for auditors having many June 30, 2020, engagements. We recommend that OMB strongly reconsider its previous action to rescind the audit extension provided for the June 30, 2020, year-ends, and perhaps even through September 30, 2020, year-ends. Even providing an additional 3-month extension would provide some relief.

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This comment letter was prepared based on input received by members of the AICPA GAQC Executive Committee that have significant experience in performing single audits. We hope that our comments and our separate detailed comments will be given adequate consideration to ensure that auditors will be able to provide opinions on the programs, as well as to have resulting high-quality audits that the federal agencies can rely on for their follow-up and oversight purposes.

We would be happy to discuss these comments with representatives of OMB. Please contact me at 202-434-9259 or mary.foelster@aicpa-cima.com if you have any specific questions or would like to schedule a follow-up discussion.

Sincerely,



Mary M. Foelster
Senior Director, Governmental Auditing and Accounting

cc: Jim Brackens, AICPA
Patrick Corrigan, OMB
Bob Dohrer, AICPA Chief Auditor
GAQC Executive Committee