

National Association of State Auditors, Comptrollers and Treasures

President
State Comptroller
Department of Finance
State House
Montgomery, AL

March 13, 2001

Attn: PL 106-107 Comments

The U.S. Department of Health and Human Services
200 Independence Avenue, SW
Room 517-D
Washington, D.C. 20201

First Vice President
State Treasurer
Pennsylvania

Dear Sir/Madam:

Second Vice President
State Auditor
Texas

On behalf of the National Association of State Auditors, Comptrollers and Treasures (NASACT), I would like to thank you for the opportunity to comment on the "Simplification of Federal Grant Programs." NASACT provided detailed comments on the Federal Financial Assistance Management Improvement Act of 1999 (PL 106-107) in July of 2000, and we are pleased to

Treasurer
State Controller
Idaho

submit these additional observations.

As you may already be aware, NASACT is an association comprised of state elected or appointed fiscal and financial officials having the positions of

Secretary
Director of Treasury and
Fiscal Services
Georgia

auditor, comptroller and treasurer. The role of NASACT members in the federal grants process varies from state to state, with the office of the treasurer generally receiving the federal funds, the comptroller posting the monies to various state accounts and the auditor undertaking audits as required by the Single Audit Act Amendments of 1996 and OMB Circular A- 133.

Immediate Past President
Auditor of State
Iowa

Our previous comments provided general information on application and reporting forms, thus we are submitting the following comments in regards to payment systems, audit issues and electronic processing.

Payment Systems

In the federal register notice dated January 17, 2001, you requested information on which payment systems the states are required to use to receive grant payments. Our member respondents noted using the following payment systems to receive grant payments.

- § Automated Standard Application for Payments (ASAP)
- § Payment Management System (PMS)
- § Sun Micro System
- § Integrated Disbursement and Information System (IDIS)

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- \$ SMARTLINK
- \$ Education Grants Administration and Payments System (EDCAPS)
- \$ DDX (Interior)
- \$ Letter of Credit Electronic Certification System (LCECS, Justice)
- \$ Line of Credit Control System ([LOCCS] - Phone request, Form 27053 mailed as follow-up)
- \$ Team System for FTA Grants
- \$ Echo System for FAA, NHTSA and FRA Grants
- \$ FHWA Federal Billing System
- \$ Local Law Enforcement Block Grant ([LLEBG] - Internet based system allowing only user ID and password
- \$ PCAnywhere software and Letter of Credit-Electronic Certification System (LOCES) (DOJ)

Mail/FAX:

- \$ SF270 - Request for Advance or Reimbursement (Various manual billings)
- \$ SF271 - Request for Reimbursement for Construction Programs (Various manual billings)
- \$ Form PR20 Tax Evasion Grants
- \$ SF 1034 EEOC
- \$ Manual request for Payment Fax (EPA)

Additionally, you requested information on which systems offer online services. ASAP, PMS, IDS, EDCAPS, DDX and Team System all offer online services.

In response to your question regarding the potential burden placed on state financial systems by use of multiple payment systems, it is our opinion that the multiple payment approach used by the federal system causes a significant burden on state financial systems, due to the complexity of interfacing with more than one system. Not only does there appear to be no standardization between the systems for identification numbers, account numbers, passwords and login procedures, but many states have reported problems in moving from system to system. In addition, payment requests that originate in the various federal systems often require the use of a paper form, which is then submitted to program agencies and completed when funds are received by electronic transfer. This procedure causes states to experience cash reconciliation problems because of the need to submit a paper payment request via US mail.

Another problem reported by the states when using multiple payment systems, is the time and cost involved in cross training staff to use the various systems. It would be beneficial if the number of systems could be minimized to help with staff training and multiple staff coverage issues. Furthermore, states have reported difficulty with periodic upgrades to

proprietary software, as they are often unable to request funds during conversion periods, which can range from several days to several weeks.

While we welcome the development of uniform administrative rules and common applications for managing and reporting on the use of federal grant funds, we remain concerned that this initiative and the CFO Council recommendations (embodied in the Cash Management Improvement Act) are not being implemented by all federal agencies. Recent attempts to design and implement common systems, including electronic processes, have been inadequate. The requirement to use one of two payment systems (Automated Standard for Payment Systems [ASAP] or Payment Management System [PMS]) for grant and payment management has not been fully adopted by all agencies. For example, the Department of Housing and Urban Development is still using its own complex Integrated Disbursement and Information System (IDIS) which requires project level detail. The Department argues that use of its system is in compliance with the law because of its ability to interface with one of the two mandatory payment systems.

Audit Issues

In response to your question regarding understanding of the single audit process, we suggest that agency representatives be better trained on how the individual compliance requirements apply to specific programs administered by that agency. On several occasions our members have called a particular agency and found it hard to find someone who could authoritatively answer a question.

We also suggest developing additional guidelines for states to follow, clarifying, in plain language, expectations on monitoring subrecipient activities and responsibilities of forprofit subrecipients. In addition, it is our opinion that the single audit process could be greatly improved if federal agencies could provide more timely reports, clearly indicate when audit issues are closed and clearly differentiate between the responsibilities of a cognizant/oversight agency and those of a pass-through entity.

Additionally, it would be beneficial if Federal agencies could make more timely determinations of audit findings resolutions. One state responded that it has several findings that are repeated each year, because the state-administering department disagrees with the repeated findings, yet takes no corrective action pending the federal decision. As a result, the state continues to report the finding.

Several states noted using the single audit clearinghouse to obtain information on subrecipient audits and believe that the Single Audit Act and its implementing OMB Circular A-133 provide appropriate audit coverage for the various state programs. We believe that the new risk-based approach to the single audit has reduced the number of

unnecessary audit procedures, focuses attention on the riskiest programs, and ensures that a more diverse group of programs are audited each year. Nonetheless, we must note that rigid requirements may detract from the overall effectiveness. For example, auditors are required to audit, as high-risk, any type-A program that had a finding in the previous year, even if the finding only affected a narrow segment of the program. In such cases, performing an audit of the entire program rather than just following up on the finding seems to be excessive and an ineffective use of audit resources.

Electronic Processing

Our responding states use the following electronic processing systems. (Systems used based on federal agency requirements are noted.)

- § PMS
- § ASAP
- § Line of Credit Control System (LOCCS)
- § Integrated Disbursement and Information System (IDIS)
- § Education Grants Administration and Payments System (EDCAPS)
- § MBES/CBES - HCFA 64 (Quarterly Medicaid Statement of Expenditures for the Medical Assistance)
- § USDOL/ETA (Senior Community Service Employment Program [SCSEP] online electronic reporting system)
- § A2B - USDA (monthly reporting for WIC)
- § TVIS ERP (Title V Information System Electronic Reporting Package - requires sending of reports to Health Resources and Services Administration [HRSAJ])
- § Grant Application Reporting System for CDC (GARS)
- § Minimum Data Elements ([MDE] - to report program client data to CDC)
- § Pennsylvania Lead Lab Data Management System ([PAL] - a CDC grant requirement)
- § FED TAX 11 (Transfer Process to IRS for Withholding Tax)
- § Sun Micro Systems (For reporting unemployment benefit costs to the Department of Labor)
- § Local Law Enforcement Block Grant ([LLEBGI] - Internet based system allowing only one user id and password)
- § Letter of Credit Electronic Certification System (LOCES) and PCAnywhere software (DOJ)
- § Line of Credit Control System ([LOCCS] - phone request, Form 27053 mailed as follow-up) (HUD)
- § Cost Effective Measurement System (CMES)
- § WinSAFA (DOE for program and financial reporting)

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While our respondents are generally supportive of an online-application and reporting system that would enhance and improve daily operations, we must urge caution in trying to integrate all systems.

In order to best prepare the states and their organizations for the future use of electronic processing as an option for grants, we recommend keeping the states up-to-date on new advancements and involving the states in the developmental stage. We also encourage simplification of the application and reporting processes through the use of current technological advancements in access and retrieval of information and data. In addition, we recommend using one centralized Web site for periodic updates on federal agencies' efforts and reconunend standardization in areas such as single point of entry, technology and securitization as electronic applications become available.

Lastly, it is important for the federal government to take into consideration the states' technical capabilities by surveying states for technical capacity and infrastructure. More specifically, we urge the federal government to actively involve end users in the design and testing of all new automated grant and payment systems, form a focus group to specifically discuss payment systems integration, and launch and ftind several pilot initiatives to model an integrated, seamless federal/state/local/system.

Thank you for this opportunity to comment on the Federal Grants Streamlining Program and for your efforts to implement the Federal Financial Assistance Management Improvement Act of 1999 (PL 106-107). Should you need further assistance please feel free to contact Cornelia Schneider, NASACT's Washington Office Director, at (202) 624-5451.

Sincerely,

Robert L. Childree
State Comptroller, Alabama
NASACT President