

August 26, 2009

Mr. Martin Benison, CGFM
Comptroller of Massachusetts and
Partnership Co-Chair
One Ashburton Place, 9th Floor
Boston, MA 02108

Mr. Thomas N. Cooley
Chief Financial Officer, National Science
Foundation and Partnership Co-Chair
4201 Wilson Blvd., Suite 405
Arlington, VA 22230

Dear Mr. Benison and Mr. Cooley:

In March 2008, **AGA's Partnership for Intergovernmental Management and Accountability (Partnership)** created the **Leveraging the Single Audit/Strategies for Reducing Improper Payments Work Group (Work Group)** to study the apparent overlap between the Single Audit Act Amendments of 1996 (SAA) and the Improper Payments Information Act of 2002 (IPIA).

The Partnership asked the Work Group to determine how all levels of government can work smarter to leverage audit resources to meet the objectives of both the SAA and the IPIA, while improving the usefulness of both acts to improve program integrity and reduce improper payments. The Work Group focused primarily on whether and how Single Audits could be leveraged to provide estimates of improper payments for grant programs required under the IPIA, and/or to what extent Single Audits could be used to validate IPIA estimates.

I am writing to advise you that after a thorough analysis, the Work Group concluded that it would be inappropriate for auditors to become involved in developing the estimates of improper payments required by IPIA because developing such estimates is inherently a management responsibility that auditors should not perform. As for auditors' potential role in validating the IPIA estimates, differences in scope, objectives, and perspectives between the two acts make it difficult to audit such estimates at the grantee level. Therefore, we are not making any recommendations for how to leverage Single Audits for the purposes of developing improper payment estimates for grant programs.

As part of the group's work, we issued two papers. The Work Group spent considerable time analyzing the two acts to establish a common level of knowledge among the Work Group members. Since few people have a detailed understanding of both the SAA and the IPIA, the first paper entitled *A Comparison of the Single Audit Act Amendments of 1996 and the Improper Payments Improvement Act of 2002*, makes a significant technical contribution to the profession.

The Work Group also sought to determine what information is in the Federal Audit Clearinghouse (Clearinghouse) and how it can enhance the integrity of federal grant programs. While the Work Group was studying the Clearinghouse, the American Recovery and Reinvestment Act of 2009 (also known as the Recovery Act – Public Law 111-5) was enacted with an emphasis on transparency. To provide transparency for Single Audit results, the Initial Implementing Guidance (dated February 18, 2009) issued by the Office of Management and Budget and its subsequent guidance (dated April 3, 2009) includes the requirement that all Single Audit reports filed with the Clearinghouse for fiscal years ending September 30, 2009 and later be made publicly available on the Internet. The Work Group's second paper, entitled *Federal Audit Clearinghouse: Meeting Transparency Challenges*, highlights the strengths, weaknesses, opportunities, and threats facing the Clearinghouse so that decision makers can develop the best practical improvements for the Clearinghouse.

The Work Group identified another issue that may warrant further study— how Single Audits could be used to inform the program risk assessments required by the IPIA. Some of the information from Single Audits contained in the Clearinghouse may be useful to Federal agencies in their risk assessment processes. If some of the opportunities for improvement discussed in the Work Group's paper on the Clearinghouse are implemented, there are opportunities for agencies' to use Clearinghouse data on Single Audit results for IPIA risk assessment purposes. The Steering Committee may want to consider establishing a new work group to study how Federal agencies can best use Single Audit results in their IPIA program risk assessments and/or program risk assessments in general. Possible products of such a Work Group could include: (1) more specific recommendations on information that should be available electronically in the Clearinghouse in a format that is conducive to analysis; and (2) a suggested methodology for using the Clearinghouse information for performing IPIA and/or other program risk assessments. Such a methodology may be useful at both the Federal and grantee level.

Members of the Work Group devoted many hours to analyzing the question that the Steering Committee posed and issued some useful analyses in the process. I am confident that I speak for all of the Work Group members in saying that we are pleased to have made concrete progress in opening the lines of communication among governments.

Sincerely,



George D. Strudgeon, CPA
Leveraging the Single Audit/Strategies for
Reducing Improper Payments Work Group Chair

Work Group Members

George D. Strudgeon, CPA, Audit Director, Virginia Auditor of Public Accounts, Work Group Chair

Marcia B. Buchanan, CGFM, CPA, Assistant Director, Financial Management and Assurance, Government Auditing Standards, Government Accountability Office

Nancy Cain, Chief Financial Officer, Oregon Housing and Community Services Department

Jeff Cole, CGFM, Metropolitan Washington Council of Governments

Mary Foelster, Director, Governmental Auditing and Accounting, American Institute of Certified Public Accountants

Jeanette M. Franzel, CGFM, CPA, Managing Director, Financial Management and Assurance, Government Auditing Standards, Government Accountability Office

Christine Jones, Director, Division of Systems Policy, Payment Integrity, and Audit Resolution, US Department of Health and Human Services

Bill Mason, Policy Analyst, Internal Control Program Management Office, U.S. Department of Homeland Security

Catherine Moriarty, Director Office of Compliance, Massachusetts Executive Office of Human Services

Jill O'Brien, Chief, Federal Programs Branch, Federal Audit Clearinghouse, U.S. Department of Commerce

Joseph T. Pika, Policy Analyst, Office of Federal Financial Management, Office of Management and Budget

George A. Rippey, CGFM, CPA, Deputy Assistant Inspector General for Audit, U.S. Department of Education (Retired)

Albert Scaperotto, Deputy City Controller, Philadelphia

Sally Symanski, Colorado State Auditor

James White, Director, Bureau of Audit, New York State Office of Temporary and Disability Assistance

AGA Staff

Helena Sims, Director, Association of Government Accountants