ULSTER COUNTY OFFICE OF THE COMPTROLLER

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Russell T. Vought
Director, Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Re: Comments on Proposed Rule – Regulation for Federal Financial Assistance; 2 CFR Part 200 (Docket OMB-2026-0034)

Dear Director Vought:

On behalf of Ulster County, NY, and as the elected Chief Audit Officer of Ulster County, I respectfully submit these comments in response to the Office of Management and Budget's (OMB) proposed rule rewriting 2 CFR Part 200 – commonly known as the Uniform Guidance – published in the Federal Register on May 29, 2026 (Docket OMB-2026-0034). This rulemaking represents the most significant revision to federal grant administration since 2013, and its scope and complexity demand the most thorough stakeholder input possible.

Ulster County administers federal grant funds across more than 40 separate programs totaling approximately $50 million annually, supporting critical services including workforce development, meals for seniors, road repair, crime victim assistance, and more. These funds are delivered directly to residents and, in many cases, passed through to local subrecipients and community organizations. The proposed rule would affect every aspect of how we apply for, administer and account for those funds.

I appreciate OMB's stated objectives of improving transparency, accountability and oversight of federal financial assistance – and I share those goals. Ulster County maintains robust internal controls, documented policies and procedures, and a strong audit record. I submit these comments to ensure the final rule reflects the operational realities of our county and preserves our ability to effectively deliver federally-funded services to our communities.

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Concerns Regarding Expanded Federal Termination Authority - § 200.339; § 200.340; § 200.341

The proposed rule would grant federal agencies broad new discretionary authority to terminate grant awards, including authority subject to senior political appointee approval. While I understand the administration's interest in ensuring awards align with current policy priorities, this provision creates severe fiscal uncertainty for county governments.
County budgets are adopted months before the fiscal year begins. Revenue projections and service commitments – including staffing, contracts and capital investments – are made based on anticipated federal funding. The prospect of award termination at any point based on shifting federal policy priorities creates an untenable level of fiscal risk.

I urge OMB to:

- Limit termination authority to existing bases in law and the current Uniform Guidance
- Establish clear, published criteria and a notice-and-cure process before any termination
- Ensure adequate wind-down periods that allow counties to responsibly transition affected programs and protect service recipients

Concerns Regarding New Pre-Award Review and Risk Evaluation Requirements - § 200.205; § 200.206

The proposed rule would require pre-award review of grant applications by senior agency officials and expanded risk evaluations of applicants prior to award. While appropriate risk management is an important goal, I am concerned that these requirements will significantly increase administrative burden, extend award timelines and deter counties – particularly smaller and rural counties – from applying for federal assistance.

Ulster County invests considerable resources in grant preparation and maintains a duly elected County Comptroller with a dedicated team of internal auditors to monitor our grants and programs. Additional pre-award layers should not duplicate existing accountability mechanisms or create new barriers to well-qualified applicants.

I urge OMB to:

- Define clear, objective and publicly available risk criteria so counties can anticipate and prepare for pre-award review
- Establish firm timelines for pre-award review to prevent indefinite delays in award execution
- Provide safe harbors for counties with strong audit histories and established compliance track records
- Ensure pre-award review processes do not duplicate Single Audit findings or other existing accountability mechanisms

Concerns Regarding New Viewpoint-Neutrality and Event-Services Requirements - § 200.219

The proposed rule would impose new viewpoint-neutrality requirements for event services on property under a public entity's control, regardless of whether any federal funds support the event itself. Counties would also bear responsibility for ensuring subrecipient compliance with these requirements. I have serious concerns about both the scope and workability of this provision.

Ulster County manages public parks, public buildings and the Ulster County Fairgrounds that host hundreds of events annually. Applying federal grant conditions to all activities on county-owned property – irrespective of federal funding – would require counties to monitor, regulate and potentially restrict constitutionally protected activities on public property, creating significant legal and administrative exposure.

I urge OMB to:

- Limit event-services requirements to events that are themselves supported with federal funds
- Remove pass-through entity liability for subrecipient event activities on non-federally-funded county property
- Provide clear safe-harbor guidance that counties can implement without legal risk

Concerns Regarding Pass-Through Entity Responsibilities - §§ 200.305(c), 200.329(b), 200.329(h), 200.331(c), 200.332(g)–(l), 200.333

Ulster County serves as a pass-through entity for a portion of the federal grants we administer, distributing funds to our nonprofits, local governments, and other service providers. The proposed rule would expand pass-through entity oversight obligations in several areas, including subaward reporting to SAM.gov, subrecipient monitoring and compliance with new policy conditions. The proposed requirement that pass-through entities ensure subrecipients do not take actions that "could significantly damage the reputation" of the pass-through entity, the awarding agency, or the Federal Government is unworkable as written and poses unacceptable legal and financial risk to county governments. The consequence of a federal agency's determination that reputational harm has occurred is termination of the county's entire federal award, regardless of the county's own compliance record. This provision would effectively require counties to surveil the public conduct of every subrecipient organization on an ongoing basis as a condition of receiving federal funds — a standard no county has the capacity to meet and one that creates significant due process concerns.

These expanded obligations – stacked on existing pass-through requirements – will require additional staff capacity and system investment. Small and mid-sized counties often lack the infrastructure to absorb these requirements without reducing program capacity or applying for fewer grants.

I urge OMB to:

- Provide implementation guidance and technical assistance before new pass-through requirements take effect
- Allow adequate transition time – at least 12 months from the final rule's effective date – for counties to update subaward agreements, monitoring procedures and reporting systems
- Clarify that pass-through entity liability does not extend to subrecipient activities beyond the scope of the federal award
- Define or remove "significantly damage the reputation" with objective, measurable criteria and limit any consequences to the specific subaward at issue rather than the county's entire federal award

<u>Concerns Regarding Reclassification from Guidance to Binding Regulation - §§ 1.105, § 200.110</u>

The proposed rule would reclassify 2 CFR Subtitle A from OMB guidance to binding federal regulation, meaning future amendments would take effect government-wide without separate notice-and-comment rulemaking by individual agencies. This represents a significant structural change to how federal grant policy is made.

I urge OMB to preserve notice-and-comment requirements for any future substantive amendments to the Uniform Guidance, consistent with the Administrative Procedure Act. The intergovernmental partnership depends on county governments having a meaningful opportunity to respond to regulatory changes that directly affect our operations and budgets.

<u>Concerns Regarding New Policy Conditions on Award Administration and Cost Disallowance — § 200.300(b); § 200.403</u>

The proposed rule would establish sweeping new government-wide prohibitions on how federal award funds may be used without defining the key terms that determine whether a recipient is in compliance. Counties cannot reliably determine in advance whether a given program activity meets or violates the new standard – making good-faith compliance planning impossible and exposing counties to significant legal and fiscal risk.

Under the proposed rule, the prohibition’s critical terms are undefined. Counties administering health, workforce, housing and human services programs need clear, objective definitions before we can assess program-by-program compliance, update subrecipient agreements or train staff. Without defined terms, counties face a difficult compliance standard – and face it immediately upon the rule's effective date.

Compounding this concern, § 200.403 converts any violation of § 200.300(b) into an unallowable cost, meaning counties may be required to repay federal funds already spent on programs that were operating in good faith. This transforms what might otherwise be a forward-looking compliance adjustment into a retroactive financial liability with no clear ceiling.

I urge OMB to:

- Provide clear, objective definitions of all operative terms in § 200.300(b) before these prohibitions take effect, sufficient for counties to assess compliance program by program
- Establish an explicit safe harbor for recipients acting in good faith under state law, existing court orders or consent decrees at the time of expenditure
- Clarify that § 200.403 cost disallowance applies only to expenditures made after a specific, individualized finding of noncompliance — not retroactively to prior good-faith spending
- Confirm that pass-through entity liability does not extend to subrecipient activities beyond the direct scope of the federally funded award

The Intergovernmental Partnership and County Grant Administration - § 200.207(c)

I want to be clear about the quality and rigor of Ulster County's federal grant administration. We maintain:

- **Documented policies and procedures**
- **Internal controls**
- **Audit history**
- **Staff training**

The intergovernmental system works because counties take federal stewardship seriously. I ask that the final rule be calibrated to the full range of county grant administrators – not only those with documented compliance failures – and that it not impose uniform new burdens that disadvantage well-managed governments.

Conclusion

We are committed to the responsible stewardship of federal funds and to the success of the intergovernmental partnership that makes federal programs effective at the local level. I appreciate OMB's attention to stakeholder input and urge the agency to:

- Extend the comment period by at least 45 days
- Limit termination authority and establish clear, predictable procedures
- Narrow event-services requirements to federally-funded activities
- Provide adequate transition time and technical assistance for new requirements
- Preserve notice-and-comment rulemaking for future substantive changes

I stand ready to provide additional information or to meet with OMB staff to discuss these comments in greater detail. Please contact me with any questions.

Respectfully,

March Gallagher

March Gallagher
Ulster County Comptroller

cc: U.S. Senator Charles Schumer
U.S. Senator Kirsten Gillibrand
U.S. Congressman Patrick Ryan
U.S. Congressman Josh Riley