



Highlights of [GAO-07-68](#), a report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

A key provision of the Cash Management Improvement Act (CMIA) of 1990 (P.L. 101-453), as amended, requires the federal government and the states to minimize the time between transfer of federal funds and payments made by states for federal grant program purposes. Concerns were expressed by representatives of local government subgrantees that more flexibility was needed in the receipt of federal funding for first responders. Congress exempted certain first responder grants from this CMIA provision in the Department of Homeland Security's (DHS) fiscal years 2005 and 2006 appropriations acts. Under the exemption, grantees can receive cash advance funding and hold such funds for extended periods of time prior to payment. GAO was asked to (1) assess whether this CMIA provision, prior to its exemption in fiscal year 2005, had prevented DHS grant recipients from receiving first responder grant funds when such funds were needed; and (2) identify any key fiscal and accountability implications of the exemption.

What GAO Recommends

GAO makes 7 recommendations to improve DHS's oversight of cash advance funding for first responder grants and associated interest liabilities. DHS stated that it will take the recommendations under advisement. Treasury and Office of Management and Budget (OMB) staff provided technical comments GAO addressed as appropriate.

www.gao.gov/cgi-bin/getrpt?GAO-07-68.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Stanley Czerwinski at (202) 512-6806 or czerwinski@gao.gov.

HOMELAND SECURITY FIRST RESPONDER GRANTS

Cash Management Improvement Act Exemption and Cash Advance Funding Require Additional DHS Oversight

What GAO Found

GAO found no substantial evidence that the CMIA provision that limits the extent to which grantees can hold federal funds before making program payments, prior to its exemption for certain first responder grants in fiscal year 2005, prevented first responders from receiving DHS grant funds when such funds were needed. The vast majority of the officials of State Administrative Agencies (SAA) and national associations contacted neither cited the CMIA as a contributing factor to funding delays nor provided information that demonstrated that the CMIA prevented state grantees or local government and other subgrantees from receiving first responder grant funding when such funding was needed. Rather, the officials generally attributed delays in first responder operations to factors other than the CMIA, such as vendor delays in delivering goods and services and problems related to a lack of human resources to deal with the large influx of grant awards after the September 11, 2001, attacks. The information GAO obtained from these officials was consistent with the findings of DHS's Homeland Security Advisory Council's Task Force on State and Local Homeland Security Funding, which found that numerous factors other than the CMIA contributed to funding delays for first responders.

According to DHS, as of March 2006, state grantees and local government subgrantees had used the CMIA exemption and DHS's corresponding 120-day cash advance funding provision, which DHS established to implement the CMIA exemption, only to a minimal extent. DHS's Office of Grant Operations is working with SAAs and local government entities to determine the extent to which the CMIA exemption may be used and the impact extensive use could have on DHS. According to a DHS official, extensive use of the CMIA exemption and DHS's 120-day cash advance funding provision could create management oversight difficulties for DHS.

Concerns about oversight difficulties are warranted, as DHS currently lacks the policies and procedures to track and report on specific cases of cash advance funding. Such advances are not subject to Treasury's oversight through its administration of the CMIA program. While states' single audits can be a tool for oversight, such audits are not designed to replace program management's oversight responsibilities, and GAO found that they may not cover all first responder grants because of the relatively small size of the grants. Importantly, case-by-case cash advance funding can be allowed by Treasury regulations implementing the CMIA and other applicable regulations. Such funding could enable DHS to focus its oversight efforts on grantees and subgrantees that have a demonstrated need for such funding. However, regardless of whether cash advance funding is available under the CMIA exemption and DHS's corresponding 120-day cash advance funding provision or on a case-by-case basis, proper oversight is critical to ensure that interest due the federal government resulting from cash advance funding is accurately recorded and promptly paid.