

Why GAO Did This Study

Grant programs in which states are awarded federal grants but then pass funds on to subrecipients—entities within states’ jurisdiction—are referred to as “pass-through grants.” These relationships pose challenges for the management of grant programs, as the multiple levels add complexity to the flow of funds, administration, and oversight.

As requested, GAO examined management and oversight of pass-through grants. This report addresses (1) requirements and oversight related to the timeliness of federal grant funds from states to subrecipients and the portion states may withhold for their administration, (2) select states’ practices in disbursing federal grant funds to subrecipients and the extent to which select federal granting agencies have identified compliance issues with these requirements, and (3) the views of subrecipients on the impact of selected states’ practices in disbursing grant funds. To conduct this study, GAO selected states and programs based on characteristics affecting pass-through grants management. GAO reviewed documentation on government-wide regulations and selected federal pass-through grant programs; reviewed monitoring reports and audits of state pass-through entities; and interviewed federal and state officials, as well as subrecipients and others with relevant expertise. Findings cannot be generalized to all states and programs, but our work provides insights related to pass-through grants management.

GAO makes no recommendations in this report. OMB and selected federal granting agencies provided technical comments, which were incorporated as appropriate

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GRANTS MANAGEMENT

Oversight of Selected States’ Disbursement of Federal Funds Addresses Timeliness and Administrative Allowances

What GAO Found

As pass-through grant funds flow to subrecipients, they are subject to government-wide and program-specific policies, two of which are particularly relevant to disbursement issues for states as they pass funds on to subrecipients. As shown below, pass-through grants are typically first awarded to states, local governments, or other entities and then further awarded to subrecipients. The Cash Management Improvement Act governs the exchange of funds between the federal government and the states and is applicable to timeliness in the grant disbursement process. In addition, the Office of Management and Budget’s (OMB) Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, provides general guidance on the roles and responsibilities of the federal awarding agencies and primary recipients of government funds regarding audit requirements of grantees. Specific program policies can provide additional requirements for individual grant programs related to disbursement of funds. For example, as with the programs we reviewed, authorizing legislation may contain statutory limits on the amount of funds that states and local governments can withhold from the grant awards for their own administrative expenses. To ensure states comply with federal requirements and agency regulations for disbursing federal grant funds, federal agencies monitor aspects of pass-through grants related to administrative costs that states withhold and timeliness of reimbursement. According to their monitoring procedures, selected federal agencies also review the results of states’ “single audits”—annual audits performed on many recipients of federal funds.

Examples of How Federal Funds Flow through Primary Grant Recipients to Subrecipients



Source: GAO analysis of grant processes; and Art Explosion clip-art.

Selected states’ pass-through grant disbursement practices varied for the three programs GAO reviewed, but generally complied with federal requirements. For example, states had some flexibility in determining whether a grant would be distributed on a reimbursement basis or through a cash advance. For the programs and states GAO reviewed, GAO found that states generally worked within the federal parameters of their grant programs and reimbursed the subrecipients within the time allowed in their grant agreements.

Subrecipients in GAO focus groups reported minimal issues with timeliness of federal funds’ reimbursement and administrative funds that states withheld. In addition, these subrecipients did not report instances in which federal requirements related to reimbursement timeliness or administrative funds withheld were not followed and therefore were not impacted by these requirements not being met.