

GAO Highlights

Highlights of [GAO-25-107315](#), a report to congressional requesters

Why GAO Did This Study

In fiscal year 2024, the federal government obligated roughly \$1.2 trillion in grants to support national priorities. Grant recipients can pass through these funds to subrecipients in the form of a subaward. GAO and Office of Inspectors General audits have found persistent issues with the completeness and accuracy of subaward information. This makes it challenging to track where subaward funds are ultimately spent and can increase the risk for fraud and misuse of federal funds.

GAO was asked to review various issues related to subaward oversight. This report describes (1) common issues related to subaward oversight identified through single audits; (2) how selected federal agencies and grant programs implement their subaward oversight requirements; and (3) recent changes to regulations and guidance that could enhance subaward oversight.

GAO analyzed single audit findings from the Federal Audit Clearinghouse to identify common compliance issues related to subaward oversight. GAO met with officials from IJJA grant programs with funds distributed as subawards to describe examples of federal subaward oversight. GAO also reviewed recent changes to relevant regulations and guidance and discussed how they could improve subaward oversight with OMB staff.

We provided a draft to our three selected agencies and OMB for comment. One agency provided technical comments, which we incorporated as appropriate, and two responded with no comments. OMB did not provide comments.

For more information, contact Jeff Arkin at (202) 512-6806 or ArkinJ@gao.gov.

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GRANTS MANAGEMENT

Recent Guidance Could Enhance Subaward Oversight

What GAO Found

The Single Audit Act requires non-federal entities that expend above a certain amount in federal awards in a fiscal year to undergo a single audit—an audit of an entity's financial statements and federal awards—or in select cases a program-specific audit. GAO analyzed 3,680 single audit findings from 2022 to 2024 addressed to recipients that received a grant award from a federal agency and passed funds through to another entity, or subrecipient, in the form of a subaward. According to this analysis, 36 percent of these findings were primarily associated with one of the following topics:

- **Incomplete subaward reporting.** Some of these grant recipients did not fulfill required reporting of subawards to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) for display on [USAspending.gov](#). This limits the transparency of federal funding and makes it challenging to track these funds for oversight purposes.
- **Subrecipient monitoring activities.** Some of these grant recipients did not monitor their subrecipients' activities or did not review audit reports for their subrecipients, which impairs their oversight of those subrecipients.
- **Verifying or justifying eligibility decisions.** Some of these grant recipients did not ensure that their subrecipients were eligible to receive federal funds, which can put those funds at risk for fraud.

While grant recipients are responsible for overseeing their subawards, federal agencies are to ensure the grant recipients they make awards to carry out their oversight responsibilities. GAO selected an example grant program with subrecipients from each of the three agencies that received the largest amounts of Infrastructure Investment and Jobs Act (IIJA) funding. Officials from these programs described a variety of approaches to support subaward oversight, such as reviewing recipients' budgets, progress reports, and audit findings.

In 2024, the Office of Management and Budget (OMB) took steps that could enhance federal subaward oversight. These steps include:

- amending the Code of Federal Regulations to direct agencies to review single audit findings to non-federal entities—including subrecipients—which could broaden agencies' awareness of challenges affecting their programs;
- issuing a memorandum directing agencies to update their award terms to clearly convey the requirement for grant recipients to provide complete subaward descriptions in their reports to FSRS, which should result in clearer information available to the public about federal spending; and
- addressing GAO's prior recommendation to clarify agencies' role in supporting subaward data quality by issuing a memorandum directing agencies to hold their grant recipients accountable for reporting subawards to FSRS, which should lead to more complete subaward data being publicly available on [USAspending.gov](#).

GAO will continue to monitor subaward oversight and transparency as agencies take steps to implement this guidance.