

To the office of U.S. Representative Ro Khanna

Re: HR 8107 (119th Congress), Government Audit and Accountability of Federally Funded State-Administered Programs Act • Latest action (2026-06-09): Received in the Senate and Read twice and referred to the Committee on Homeland Security and Governmental Affairs.

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Federal Grant Accountability and Transparency Enhancement Act of 2025

The measure, as described from the official record: To improve oversight and accountability of federal funds distributed to states by requiring standardized audits and public reporting of how states spend federal money in federally funded, state-administered programs.

THE PROPOSAL

This Act ensures accountability for federal funds provided to states under grant programs authorized by Congress, without commandeering state administrative systems.

Section 1. Short Title. This Act may be cited as the 'Federal Grant Accountability and Transparency Enhancement Act of 2025'.

Section 2. Purpose. The purpose of this Act is to enhance oversight of federal grant funds by requiring the federal government to conduct risk-based audits of state-administered programs that receive more than \$10 million annually in federal funds, using existing federal auditing resources and without imposing new mandates on states.

Section 3. Definitions. (a) 'Federal grant program' means any program authorized under Article I, Section 8 of the Constitution that provides funds to a state for administration. (b) 'State' includes the 50 states, the District of Columbia, and U.S. territories.

Section 4. Audit Requirement. (a) The Comptroller General of the United States, through the Government Accountability Office (GAO), shall conduct biennial audits of a representative sample of federal grant programs administered by states. The sample shall be selected based on risk factors including total funding amount, prior audit findings, and program complexity. (b) The GAO shall prioritize audits of programs where federal funds exceed \$50 million annually. (c) Audits shall assess compliance with federal statutory and regulatory requirements, efficiency of fund use, and achievement of program goals.

Section 5. Public Reporting. (a) The GAO shall publish audit reports on a public website within 90 days of completion. Reports shall include findings, recommendations, and any corrective actions taken. (b) The Office of Management and Budget (OMB) shall maintain a centralized database of all federal grant awards to states, updated quarterly, accessible to the public.

Section 6. Funding. (a) This Act authorizes appropriations of \$25 million per fiscal year for fiscal

years 2026 through 2030, to be derived from general Treasury revenues. (b) Funds shall be allocated to the GAO for audit activities and to the OMB for database maintenance.

Section 7. Sunset. This Act shall sunset on September 30, 2030, unless reauthorized by Congress.

Section 8. Effective Date. This Act shall take effect on October 1, 2025.

Section 9. Enforcement. (a) If an audit identifies material noncompliance or waste of federal funds, the relevant federal agency may withhold up to 5% of future grant payments to the state until corrective actions are certified by the GAO. (b) The Attorney General may bring civil action to recover misused funds.

OPERATIVE PROVISIONS (VFA PROPOSAL)

Funding Source	General Treasury revenues
Funding Amount	\$25 million per fiscal year
Sunset Years	5 years
Oversight Body	Government Accountability Office (GAO) and Office of Management and Budget (OMB)
Enforcement Mechanism	Withholding of up to 5% of future grant payments by the relevant federal agency; civil action by the Attorney General to recover misused funds
Effective Date	October 1, 2025

CONSTITUTIONAL BASIS

- Article I, Section 8, Clause 1 (Spending Clause)
- Article I, Section 8, Clause 18 (Necessary and Proper Clause)
- Tenth Amendment
- Fifth Amendment Due Process Clause (ensuring fair notice and remedy before withholding funds)

Concerns with the measure as written:

- The original bill may have imposed direct mandates on state administrative processes without clear connection to enumerated federal powers, potentially violating the Tenth Amendment.
 - The requirement for states to adopt specific audit standards could be seen as commandeering state resources, which the Supreme Court has limited under the anti-commandeering doctrine (New York v. United States, Printz v. United States).
 - The bill's broad definition of 'federally funded state-administered program' might include programs where the federal interest is minimal, raising questions under Article I, Section 8, Clause 1 (Spending Clause) about conditions on grants.
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WHY BOTH SIDES CAN BACK IT (VFA'S ASSESSMENT)

Honors Democratic priorities: ensures transparency and accountability of federal spending, protects program integrity, and uses existing federal resources without burdening states. Honors

Republican priorities: respects state sovereignty by avoiding commandeering, limits federal mandates, includes a sunset clause to prevent permanent expansion, and uses risk-based audits to reduce bureaucratic overreach.

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