

The critical need to modernize state & local payment processing

A guide from Submittable and Witt O' Brien's

State and local governments face an urgent imperative: the modernization of payment systems to ensure effective, timely, and compliant disbursement of public funds. Outdated technology, staff capacity, and convoluted bureaucracy continue to hinder the ability to serve communities and manage risk, especially as federal oversight intensifies.

Why this moment matters for state and local grants professionals

Multiple recent federal actions raise the risks inherent in outdated payment infrastructure. These actions include, but are not limited to:

- **Modernizing Payments To and From America's Bank Account** ([E.O. March 25, 2025](#)): Aims to reduce the amount of paper money used to disburse funds.
- **Improving Oversight of Federal Grantmaking** ([E.O., Aug 7, 2025](#)): Requires rigorous evaluation of funding opportunities and award decisions, with political appointee involvement to ensure grants benefit Americans, avoid duplication, and align with administration priorities.
- **Use of Appropriated Funds for Illegal Lobbying and Partisan Political Activity by Federal Grantees** ([Memo, Aug 28, 2025](#)): Directs agencies and the Attorney General to curb the misuse of federal grant funds for political lobbying.
- **Pandemic Response Accountability Committee** ([PRAC](#)): Continues to highlight waste, fraud, and abuse in federal fund distribution.
- **U.S. Treasury's "Do Not Pay" Modernization**: Streamlining validation and tightening payment timelines, requiring local systems to keep pace.

Together, these developments elevate modernization from an operational necessity to a compliance imperative.

Three major challenges facing governments



Stack Limitations

Many systems can't handle real-time validations or data integration—leading to gaps in compliance checks.



Legacy Infrastructure

Older systems struggle to interface with federal and state platforms or adapt to evolving grant oversight requirements.



Bureaucratic Bottlenecks

Fragmented workflows, manual approvals, and siloed departments result in slow processes and increased risk.

Why delays are so costly

Payment processing delays create administrative headaches that directly impact **program and service delivery to residents**:

- Families wait longer for housing, childcare, or healthcare assistance.
- Nonprofit partners and vendors struggle to maintain cash flow when reimbursements lag.
- Local economies miss out on timely investments that grants are designed to stimulate.

At the same time, delays **expose governments financially**:

- **Terminations or pauses:** If federal agencies terminate grants or pause drawdowns due to compliance concerns or shifts in political and programmatic priorities, state and local governments may be left covering expenses out of their own budgets.
- **Ripple effects:** A backlog of obligations without timely reimbursement creates pressure on general funds and can ripple into other essential services.
- **Recoupments:** Prolonged inefficiencies increase the risk of recoupment, or clawbacks, leaving jurisdictions financially vulnerable long after funds are obligated.

The clear path forward for government grants professionals

Modernization for state and local governments means that funds need to get out faster and disbursements need to be secure and leave a clear audit trail. Achieving both requires three capabilities from grant management systems (GMS):

1. Real-time integration with existing financial systems.
2. Embedded fraud controls that work at the point of application.
3. Payment rails that reach every recipient regardless of banking status.

Funds need to get out faster. When federal funding pauses or terminates, states cover obligations from general funds, creating budget pressure that ripples across essential services. None of these risks negate the size and severity of community needs.

Disbursements need to be secure and leave a clear audit trail because federal oversight has intensified. Systems must document every decision point, validate every payee, and provide transaction-level visibility that satisfies both 2 CFR 200 requirements and agency-specific grant conditions.

The need for speed and scale

Modern grant management systems must handle application surges without sacrificing validation rigor. Organizations achieve this either by connecting their GMS to existing enterprise resource planning (ERP) systems or by partnering with banks to originate payments directly through APIs.



ERP-connected

State and local organizations that pay through their treasury or accounts payable stack need a GMS that passes validated, approved payee records and payment instructions to their ERP and returns status data for reconciliation and reporting. This reduces file wrangling and staff touchpoints.



Turnkey solution via partnerships

Programs that need additional capacity should look for a GMS that partners with a major bank. This will enable program managers to **originate payments directly** from within the GMS using APIs. This eliminates file handoffs and manual reconciliation, the two biggest sources of delay and error.

Example: Submittable partnered with U.S. Bank using Account Validation and ACH as the primary rail, with automatic fallback to paper checks (Check Payables API) and prepaid debit cards to reach under- and unbanked recipients. This approach enabled same-day account information and near-real-time payment status. It also saved the state thousands of hours in staff time.

Ultimately, streamlined payment processes lessen the administrative burden on small teams while enabling them to operate at the highest level of compliance and efficiency.

Embedded fraud prevention

Fraud prevention must happen before payment approval, not during post-payment audit. Effective systems validate identity and eligibility during application review. This requires:

- Knowledge-Based Authentication (KBA) to verify applicant identity against credit bureau records.
- Identity Verification (IDV) to match submitted documents against authoritative sources.
- Pre-payment screening against federal exclusion lists (PEP, OFAC, SAM).
- Compliance checks for 2 CFR 200 financial capability and risk assessment requirements.

Example: Submittable brings step-up verification into the workflow using KBA and IDV. In a large statewide program for frontline workers, these controls prevented at least \$2.2 million in fraud while processing 1.2 million applications at peak rates of 40+ per second.

Why this matters now: Federal policy is moving decisively toward electronic payments and tighter pre-payment checks (e.g., **E.O. 14247** directs Treasury to phase out most federal paper checks by **September 30, 2025**), setting expectations that ripple to states and localities. Submittable's digital-first rails and verification options help state and local governments keep pace.

Case in point: \$500M disbursed and \$2.2M in fraud prevented

Working with U.S. Bank, Submittable helped a state stand up a \$500M frontline worker bonus program for 1M+ recipients.

Key results

- 1.2M applications collected and evaluated through Submittable, with multilingual applicant support.
- A million-plus transactions originated just four months after program launch.
- 97% of approved applicants received funds within three business days, many over a single holiday weekend.
- The approach saved thousands of staff hours for the state by offloading application ops, payment origination, and reconciliation tasks.
- KBA + IDV (with additional risk-mitigation techniques) prevented \$2.2M+ in fraud while processing 40+ applications per second at peak.

Submittable capabilities

This performance was enabled by five integrated capabilities:

- **Government GMS:** full-lifecycle grantmaking aligned to Uniform Guidance expectations for internal controls and financial management, including configurable workflows, eligibility rules, evidence collection, and auditable histories.
- **Payments and Funds Distribution:** ACH as the primary rail with intelligent fallback to paper check and prepaid card, plus account validation, tokenization, and near-real-time status to reduce exceptions and rework.
- **Fraud prevention:** built-in address verification, KBA, IDV, and IRS TIN verification.
- **Support for multilingual, equitable access:** applicant portals and help channels in multiple languages and formats to improve completion rates and equity.
- **Integrations:** Direct connections to ERP/finance systems and data stores enable automated flow of program data, approvals, payment files, and reconciliation without manual hand-offs.

Read the Full Case Study at submittable.com/customer-stories/us-bank.

Case in point: Helping Kansas deliver COVID relief effectively and compliantly

When the Kansas Office of Recovery needed to rapidly deploy federal COVID-relief funding, Witt O'Brien's provided the expertise, staffing, and systems to transform complex allocations into timely, compliant, and auditable programs.

Our team designed end-to-end workflows, embedded experienced program managers, ensured Treasury compliance, and supported applicants through outreach and technical assistance.

By streamlining processes and bridging technology gaps, Witt O'Brien's helped Kansas expand access for non-traditional applicants while maintaining accountability — creating a replicable model for future programs.

Key results

- \$1.58B in federal relief funding managed with full Treasury compliance and auditable controls.
- Multiple programs stood up across health, education, and community support within months.
- Thousands of businesses, nonprofits, families, and non-traditional applicants successfully accessed funding through simplified applications and tailored support.
- Targeted outreach campaigns increased subscription rates in underutilized programs.
- State teams received immediate surge capacity through embedded program managers, grant administrators, and reporting specialists.

Witt O'Brien's solution

This performance was enabled by four integrated service pillars:

- **Program and workflow design:** Lifecycle mapping from intake through award, payment, and closeout, with standardized templates and audit trails.
- **Staff augmentation and operations:** Experienced program managers embedded to oversee day-to-day execution and compliance.
- **Treasury compliance and reporting:** Guidance interpretation, reconciliations, and reporting calendars to meet federal submission deadlines.
- **Stakeholder support and training:** Guidance materials, training, and one-on-one technical assistance for applicants and administrators.

Read the full case study:

Helping Kansas Deliver COVID Relief Effectively and Compliantly

government.wittobriens.com/cge/helping-kansas-deliver-covid-relief-effectively-and-compliantly

The time to modernize is now

Modernizing payment systems is about more than speed — it's about ensuring that residents receive services without disruption, and that governments are not left financially exposed when federal funding is paused, altered, or terminated.

With Executive Orders curbing wasteful grantmaking, PRAC oversight intensifying, and Treasury modernizing payment validation, the time for state and local governments to act is now. And a combination of the right technology and the right partnerships will allow you to act now.

The question isn't whether governments can afford to modernize their payment systems — it's whether they can afford *not* to.

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