

Why GAO Did This Study

CDBG is the federal government's principal community development program. In fiscal year 2012, Congress provided CDBG with approximately \$3 billion for activities such as housing, economic development, and neighborhood revitalization. While a provision reducing the amount grantees can use for administration was considered but not enacted, GAO was required to examine grantees' use of administrative funds up to the allowed 20 percent of program funds. This report discusses (1) the types of activities subject to the 20 percent limit and grantees' use of their administrative funds, (2) trends in funds available to grantees for CDBG administration and the impact of these trends on grantees' administrative spending, and (3) HUD's reporting on compliance with the limit. GAO analyzed HUD data and program information, reviewed federal internal control standards, and interviewed HUD headquarters and field office staff and organizations representing grantees. GAO also interviewed 12 grantees selected based on grant size and location, among other things, to obtain a range of experiences.

What GAO Recommends

GAO recommends that HUD develop a process for annually reporting on compliance across the program with the statutory limit on the use of funds for administration. In its response, HUD noted that it was not required to assess cumulative compliance with the limit. As discussed in the report, an annual report that summarizes individual grantee compliance is essential to effective monitoring.

View [GAO-13-247](#). For more information, contact William Shear at (202) 512-8678 or shearw@gao.gov.

COMMUNITY DEVELOPMENT BLOCK GRANTS

Reporting on Compliance with Limit on Funds Used for Administration Can Be Improved

What GAO Found

The annual appropriation for the Community Development Block Grant (CDBG) program allows grantees to use up to 20 percent of program funds for planning, management, and administration (collectively referred to as "administration"). Specifically, grantees may use these funds for a range of activities, including general management, oversight, and coordination; fair housing activities; preparing community development plans; and policy planning. The Department of Housing and Urban Development (HUD) uses broad categories, such as "general program administration" and "fair housing activities," to record grantees' administrative expenses. According to HUD's data for the last decade, grantees primarily recorded their administrative expenses under the general program administration category, which includes staff salaries. Grantees GAO interviewed added that they also used administrative funds to cover general administrative costs such as supplies, training, and travel.

The amount available to grantees for administrative costs decreased from 2001 to 2012 by 47 percent, or about \$532 million in 2012 constant dollars, as the amount of overall CDBG funding declined. Grantees GAO interviewed reported taking various steps to address this decline, including reducing the number of CDBG staff and changing the types of projects they administered. For example, one grantee determined that it could no longer administer its housing rehabilitation program. However, the vast majority of the grantees that GAO interviewed said that reducing the statutory limit on administration would negatively impact their ability to administer and oversee CDBG-funded projects.

HUD does not routinely determine and report on compliance with the administrative limit across the program. HUD reviews financial summary reports—which contain information grantees enter in HUD's Integrated Disbursement & Information System (IDIS) and their own internal accounting systems—to determine individual grantees' compliance. Internal control guidance states that information needed to assess compliance with laws and regulations should be timely and reported in a manner that allows for effective monitoring. However, HUD managers cannot use IDIS to generate summaries of compliance with the administrative limit across the program. First, grantees are not required to save information from their own systems in IDIS. Second, when such data are saved, the information is not stored as separate data elements that can be extracted and analyzed. Rather, HUD officials must download each grantee's report and manually create a summary of compliance across the program. HUD's most recent attempt to assemble this information for a single year required a labor-intensive process that ultimately produced unreliable data. Without making changes to IDIS that allow for summaries of compliance across the program, HUD lacks the ability to monitor grantees' compliance across the program. Further, GAO's analysis of financial summary reports for program year 2010 (the most recent year available) showed that 60 percent of entitlement communities (eligible cities and counties) obligated between 15 percent and 20 percent of their funds for administration. Given these statistics, HUD could benefit from having the information it needs to determine how many grantees would be affected by reducing the administrative limit.