



Highlights of [GAO-06-732](#), a report to congressional committees

Why GAO Did This Study

The Community Development Block Grant (CDBG) program provides funding for housing, economic development, and other community development activities. In fiscal year 2006, Congress appropriated about \$4.2 billion for the program. Administered by the Department of Housing and Urban Development (HUD), the CDBG program provides funding to metropolitan cities and urban counties, known as entitlement communities, and to states for distribution to nonentitlement communities. This report discusses (1) how recipients use CDBG funds, including the extent to which they comply with spending limits, (2) how HUD monitors recipients' use of CDBG funds, and (3) how HUD holds recipients that have not complied with CDBG program requirements accountable. To address these objectives, we visited 20 recipients, analyzed HUD data, and interviewed HUD staff.

What GAO Recommends

GAO recommends that HUD centrally maintain the data needed to determine compliance with statutory spending limits, develop a plan for replacing an aging workforce, solicit additional input from its field staff on user requirements for IDIS, and consider developing guidance on sanctioning CDBG recipients. In responding to a draft of this report, HUD stated that, overall, it agreed with GAO's findings, conclusions, and recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-06-732.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William Shear at (202) 512-8678 or shearw@gao.gov.

COMMUNITY DEVELOPMENT BLOCK GRANTS

Program Offers Recipients Flexibility but Oversight Can Be Improved

What GAO Found

HUD data show that CDBG recipients spend the largest percentage of their grants on public improvements (such as water lines and streets) and housing, but HUD does not centrally maintain the data needed to determine compliance with statutory spending limits. Due to the lack of centralized data, GAO was not able to determine the extent to which all recipients have complied with statutory spending limits on public services (such as health and senior services) and administration and planning. However, data provided by HUD for the 100 most populous entitlement communities, which received about one-third of the CDBG funds allocated in fiscal year 2006, showed that not all of these entitlement communities complied with the limits. Of the 100 communities, 3 exceeded their public service spending limit, and 1 exceeded the administration and planning spending limit. Given that entitlement communities collectively spend at or close to the limits, it is important for HUD to be able to report on the extent of their individual compliance with these limits.

HUD uses a risk-based approach to monitor CDBG recipients; however, it has not developed a plan to replace monitoring staff or fully involved its field staff in plans to redesign an information system they use to monitor recipients. HUD's monitoring strategy calls for its field offices to consider various risk factors when determining which recipients to review because it has limited monitoring resources, and its workload has increased as its staffing levels have decreased. For example, 13 of the 42 field offices that oversee CDBG recipients do not have a financial specialist to evaluate the financial operations of each recipient, and 39 percent of CDBG monitoring staff is eligible to retire within the next 3 years. Despite these statistics, HUD has not developed a plan to hire staff with needed skills or manage upcoming retirements. Finally, although the Integrated Disbursement and Information System (IDIS) is a tool that HUD field staff use to monitor, HUD headquarters has solicited little input from them on efforts to redesign IDIS.

Although it has issued a clear policy stating what actions it will take when entitlement communities fail to meet the statutory requirement that funds be spent in a timely manner, HUD has not developed similar guidance establishing a consistent framework for holding CDBG recipients accountable for deficiencies identified during monitoring. For deficiencies other than being slow to expend funds, HUD has the flexibility to institute sanctions ranging from issuing a warning letter to advising the recipient to return funds. Although its field offices have great flexibility when taking sanctions, HUD has not issued guidance establishing a framework to ensure that they are treating recipients that commit similar infractions equitably. We found instances in fiscal year 2005 where treatment seemed inconsistent. For example, several field offices found that recipients had not documented that a funded activity met any one of the program's three national objectives, but took different actions. In the continued absence of guidance, HUD lacks a means to better ensure consistency in the sanctioning process.