GRANTS MANAGEMENT

Programs at HHS and HUD Collect Administrative Cost Information but Differences in Cost Caps and Definitions Create Challenges

What GAO Found

All six of the grant programs GAO reviewed had mechanisms in place to capture the administrative costs charged to their grant programs, either via a computerized system or paper reporting. All the programs reported that they reviewed their grantees’ costs for appropriateness. Two of the programs make administrative cost data available online. The programs GAO reviewed track administrative costs in different ways. For some programs administrative and program costs are reported separately, while for others they are included in the same line items. Administrative costs reported to the federal government may understate the actual cost to administer a grant program. GAO found examples of grantees absorbing part of the costs to administer a grant. Some primary grant recipients stated that when such costs were not reimbursed by the federal grant, they would cover those expenses themselves. Another grantee said he relies on state appropriations to cover the majority of administrative costs.

GAO identified two factors that hinder the comparability of administrative cost data in the programs it reviewed. First, is the existence of cost caps. These caps limit the amount of the grant that may be charged as administrative costs, and thereby affect what is reported to the federal government as administrative costs. For the programs GAO reviewed caps ranged from 5 to 26 percent, with one program having no cap. This variation can make some programs look more administratively expensive than others. Second, differences in what is defined as an administrative cost can present an even greater challenge to comparing costs across programs. Programs have different missions, priorities, services, and clients; as a result definitions of administrative costs vary from program to program. Therefore, different programs may treat similar costs differently. A cost that may be classified as administrative in one program may be considered a direct program delivery cost by another. For example, the salary of an employee who enrolls participants in one Department of Health and Human Services (HHS) program is considered a program cost but an employee who holds a similar position determining the eligibility of participants in another HHS program may be considered an administrative cost depending on the state where it is administered. This variation in definitions means that a program with high administrative costs may not be less efficient than a program with low administrative costs.

Given these issues, it is challenging to collect comparable information for different grant programs. Any use of information on administrative costs needs to recognize these concerns particularly when comparing programs with different types of objectives, projects, or services. Comparisons of costs may be appropriate when reviewing programs that fulfill similar missions or provide similar services. However, comparisons across different types of grant programs should be made with caution.