



Highlights of [GAO-10-491](#), a report to congressional committees

Why GAO Did This Study

The Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH Act) directed GAO to study the appropriate administrative costs of the U.S. Department of Housing and Urban Development (HUD) Emergency Shelter Grants Program (ESG)—a widely used, formula-based program that supports services to persons experiencing homelessness. This report discusses (1) for selected recipients, the types of administrative activities performed and administrative costs incurred under the ESG program, and the extent to which grant proceeds cover these administrative costs; (2) how the ESG program's allowance for administrative costs compares with administrative cost allowances for selected other targeted federal homeless grant programs, plus selected other HUD formula-based grant programs; and (3) how the nature or amount of administrative costs might be different under changes Congress made to the ESG program in the HEARTH Act that expand the types of activities that may be funded. To address these issues, GAO reviewed relevant policies and documents, interviewed officials of HUD and other agencies, made site visits in four states, reviewed HUD and other available standards on eligible administrative costs for federal grants, and reviewed cost allowances for homeless programs of the Departments of Education, Labor, and Health and Human Services. GAO makes no recommendations in this report.

View [GAO-10-491](#) or [key components](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or cackleya@gao.gov.

HOMELESSNESS

Information on Administrative Costs for HUD's Emergency Shelter Grants Program

What GAO Found

ESG grantees and subgrantees we visited in four states performed a range of administrative activities, but the ESG program's allowance for administrative costs—currently 5 percent—did not fully cover the cost of these activities. Grantees generally focused their administrative activities on awarding subgrants and monitoring subgrantee performance, while subgrantees focused their administrative activities on operating their programs and reporting results to their respective grantees. To cover unfunded ESG administrative costs, grantees and subgrantees told us they used other sources, such as other grants or private donations. They added that these estimated unfunded administrative costs, which averaged 13.2 percent and ranged from amounts equal to 2.5 percent to 56 percent of their ESG grant proceeds, diminished their ability to support other program activities. In addition, we found minimal standards available for evaluating the appropriateness of ESG administrative costs, and grantees and subgrantees in the states we visited monitored ESG administrative costs in varying levels of detail.

The funding and treatment of administrative costs varied across other targeted federal homeless grant programs we reviewed. For example, the maximum administrative allowance for grantees ranged from 4 percent to 50 percent for programs with such a provision; the ESG program's current 5 percent allowance is thus one of the lower amounts provided. Programs with similar funding structures varied in their requirements for grantees to share their administrative allowance with subgrantees; the ESG program generally does not require grantees to share their allowance. In addition, none of the programs we reviewed offered comprehensive direction on eligible and ineligible administrative activities. Overall, these and other varying program features make it difficult to make direct comparisons between the administrative cost provisions of the ESG program and those of other targeted federal homeless grant programs.

A number of ESG grantees and subgrantees we visited told us they expect the new ESG activities authorized by the HEARTH Act will result in different kinds of administrative activities that in many cases will be more costly. They cited client screening and eligibility verification, technical assistance to subgrantees, number of grant applicants, and facility management and collaboration with third parties as among areas where administrative costs may increase. Although the HEARTH Act makes significant changes, including increasing the administrative cost allowance to 7.5 percent, it remains unclear when new program activities might be implemented. Uncertainty over how and when the new ESG program might be implemented, plus variation in administrative activities under the current program, complicate any attempt to determine the appropriate size of the ESG administrative allowance.

HUD told us in comments on a draft of this report that some subgrantees appear to be confusing program and administrative costs, thus potentially overstating any need for a larger administrative allowance.