The Consolidated Appropriations Act, 2022 appropriated approximately $1.5 billion to the Department of Housing and Urban Development (HUD) for 1,014 projects at the request of Members of Congress. The act includes specific provisions that designate an amount of funds for a particular recipient, such as a nonprofit organization or a local government, to use for a specific project. These provisions are called “Congressionally Directed Spending” in the U.S. Senate and “Community Project Funding” in the House of Representatives. Members of Congress had to meet certain requirements under Senate and House rules in order to have their requests included as provisions in the act. Such requirements included that Members post requests online and certify that they had no financial interest in the projects. The House also required Members to demonstrate community support for requests.

This report examines how HUD intends to identify these provisions, distribute the funds made available through these provisions, and ensure the funds are spent for the purposes Congress intended. For more information on this report and others in this series, including background and methodology, visit https://www.gao.gov/tracking-funds.

What are the intended uses of these funds? The $1.5 billion is intended to support a variety of economic and community development efforts, including preventing homelessness, expanding the supply of affordable housing, and improving local infrastructure, such as extending sewer systems, upgrading community centers and health care facilities, and improving a port.

Department of Housing and Urban Development: Fiscal Year 2022 Community Project Funding/Congressionally Directed Spending Provisions

<table>
<thead>
<tr>
<th>Budget account</th>
<th>Number of fiscal year 2022 provisions</th>
<th>Percentage of budget account designated for fiscal year 2022 provisions</th>
<th>Examples of projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development</td>
<td>1,014</td>
<td>31%</td>
<td>Homelessness prevention, expansions to affordable housing, and improvements to local infrastructure, such as extending sewer systems, upgrading community and recreation centers and health care facilities, and improving a port</td>
</tr>
</tbody>
</table>

Source: GAO analysis of Consolidated Appropriations Act, 2022 and accompanying joint explanatory statement; and information provided by the Department of Housing and Urban Development. | GAO-23-105902

*aBased on total amount appropriated for this budget account for fiscal year 2022.

Who are the designated recipients? Tribal, state, and local governments are the designated recipients for 51 percent of the 1,014 projects, and higher education organizations and other nonprofit organizations are the recipients for the other 49 percent.

Key Observations

- Of the projects designated for tribal, state, and local governments, about 175 are related to parks and infrastructure, such as park rehabilitations and sewer improvements.

- The majority of projects (600) are designated to receive $1 million or less, while 409 projects are designated to receive more than $1 million and less than $10
million. Five projects are designated to receive $10 million or more. The largest project (over $130 million) is for infrastructure improvements to a port in Alabama.

- According to HUD officials, a portion of recipients may have previously received funding from HUD. However, the exact number of prior recipients will not be known until designated recipients begin the grant agreement process and HUD analyzes the information.

Department of Housing and Urban Development: Distribution of Fiscal Year 2022 Community Project Funding/Congressionally Directed Spending Provisions

Who within the agency will be responsible for identifying and monitoring these funds?

HUD’s Office of General Counsel, working with the Offices of the Chief Financial Officer and Congressional Relations, has primary responsibility for identifying the funds in the appropriations act. The Congressional Grants Division within the Office of Economic Development in HUD’s Office of Community Planning and Development is responsible for the day-to-day oversight and monitoring of the recipients of these funds. HUD will administer these funds as noncompetitive grants.

How does the agency intend to ensure recipients are ready to receive and are able to use these funds?

According to HUD officials, the agency will ensure recipients are ready to receive and use the funds by determining whether each recipient has satisfied the conditions outlined in its grant agreement processes, the requirements outlined in the appropriations act, and any other cross-cutting federal administrative requirements. For example, HUD plans to verify that recipients are not included in the Department of the Treasury’s Do Not Pay working system and to use HUD’s grant agreement process to ensure recipients have systems in place to use, manage, and oversee the funds properly. In addition, HUD plans to identify recipients who have not previously received HUD funding and determine what technical assistance may be needed to support recipients that are less familiar with federal funding requirements.

HUD’s grant agreement process includes letters of invitation that contain application materials and instructions to designated recipients. As with other HUD grants, applicants will be required to register in the System for Award Management (the primary database for information on entities that do business with the federal government) and HUD’s Disaster Recovery Grant Reporting System (which HUD uses to manage its program requirements and voucher payments) before receiving the funds. HUD officials told us that reviewing recipients’ applications and system registrations could help the agency determine the recipients’ ability to use the funds.
HUD officials said they would conduct a review of funds several times during the grant life cycle to ensure funds are spent properly. Specifically, HUD plans to require recipients to provide initial information on the scope of their project and a line-item budget for their funds, which HUD staff will review as part of the grant agreement. HUD plans to then compare any subsequent drawdown requests against this information. According to officials, HUD will also require all recipients to provide a report every 6 months that includes an overview of the project and outlines how the grantee used the funds during the reporting period.

When reviewing recipient submissions and releasing funds, HUD plans to use its existing processes for preventing fraud, waste, and abuse. According to officials, recipients will be required to provide additional details related to their project 1) when they first request funds, 2) when they request their final funds to close out the grant, and 3) when they make a single fund request for at least 70 percent of their funds. During these reviews, recipients are to provide documentation showing how the funds were used, including any bills, invoices, and other records. According to HUD officials, this documentation will be used to verify that project funds are being used properly and in keeping with the intent of Congress in designating the funds as outlined in the joint explanatory statement accompanying the Consolidated Appropriations Act, 2022.

The HUD Office of Inspector General may also decide to review these grants as part of its oversight responsibilities.

Each recipient will have access to the funds after HUD completes its initial reviews and signs a grant agreement with the recipient, according to HUD guidance. HUD officials told us they sent all letters of invitation to designated recipients by the end of July 2022 and that they advised recipients to submit materials by December 31, 2022. HUD officials told us they were required to enter into grant agreements for all projects by September 30, 2025, and that each recipient will be able to draw funds through September 30, 2030. HUD officials stated that recipients must complete an environmental review (a review of potential environmental impacts to meet federal, state, and local environmental standards) prior to expending grant funds.

H UD has until the end of fiscal year 2030 to fully disburse funds appropriated in the Consolidated Appropriations Act, 2022 to the designated recipients. For more information on the time availability of these funds, see GAO-22-105467.
What risks and challenges may the agency face distributing and monitoring these funds?


In 2021, HUD’s Agency Financial Report identified the need to strengthen internal controls for financial reporting within the Office of Community Planning and Development and made three recommendations to help HUD improve its grant reporting (Department of Housing and Urban Development, Agency Financial Report for Fiscal Year 2021 (Washington, D.C.: Dec. 9, 2021). According to HUD officials, the Office of Community Planning and Development began reviewing its grant accrual methodology to address these recommendations. Our prior work on HUD’s Community Development Block Grant also found opportunities for HUD to improve its fraud risk management (see GAO-21-177 and GAO-21-104542). Since we issued these reports, HUD has taken some steps to address our recommendations, such as planning to incorporate fraud risk management initiatives at the program office level, including plans to develop an updated fraud risk policy and an inventory of fraud risk mitigation strategies. Fully addressing our recommendations would help HUD understand wide-ranging fraud risks and its recipients, enabling it to better identify and assess ways to prevent fraud, waste, and abuse.

Why GAO did this study

The joint explanatory statement accompanying the Consolidated Appropriations Act, 2022 includes a provision for us to review agencies’ implementation of Community Project Funding/Congressionally Directed Spending. In addition to issuing this and other reports in this series, we will follow and review agencies’ efforts to distribute, monitor, and audit these funds by sampling agencies and recipients and examining whether funds were spent as intended.

Agency comments

We provided a draft of this report to HUD for review and comment. HUD provided technical comments, which we incorporated as appropriate.

GAO Contact

For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.


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We conducted this performance audit from March 2022 to October 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.


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