



ADMINISTRATION FOR  
**CHILDREN & FAMILIES**

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## Low Income Home Energy Assistance Program Information Memorandum

**IM#:** ACF-OCS-LIHEAP-IM-2024-01

**DATE:** January 30, 2024

**TO:** Low Income Home Energy Assistance Program (LIHEAP) Grant Recipients and Other Interested Parties

**SUBJECT:** LIHEAP Compliance Monitoring Process Overview and Trends

**ATTACHMENT(S):** n/a

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**BACKGROUND:** Each year, the Office of Community Services (OCS), pursuant to Section 2608 of the LIHEAP statute, conducts compliance monitoring of a sample of grant recipient programs. This includes both on-site and remote monitoring. Following the monitoring, a report of any findings is sent to the grant recipient. Grant recipients may accept the findings and provide a corrective action plan or respond in writing to any findings they believe are erroneous.

**PURPOSE:** This information memorandum explains the compliance monitoring process and provides examples of common findings from previous monitoring. To promote increased transparency and so that grant recipients can better prepare for monitoring engagements, OCS has committed to providing the most comprehensive information regarding the LIHEAP monitoring process. To that end, OCS has developed this memorandum to provide a broad overview of the selection of grant recipients, the monitoring process, the monitoring questions protocol, and the noted trends.

### OCS LIHEAP Compliance Monitoring

OCS' goal in compliance monitoring is not only to ensure that programs are operating in accordance with the federal LIHEAP statutes but also to provide an opportunity to assist in areas in need of improvement. Additional goals include:

- Understanding the grant recipients' interpretation of federal statutes, regulations, and grant terms and conditions

- Understanding how grant recipients' interpretation of federal and state requirements are being implemented
- Analyzing grant recipients' programmatic and fiscal policies and procedures
- Monitoring sub-grant recipient practices, sample case files, and financial transactions
- Gathering information on noteworthy practices and strategies
- Providing training and technical assistance when needed

### **Grant Recipient Selection**

OCS uses a criteria-based process to select grant recipients each year for compliance monitoring. This approach allows OCS to assess and prioritize grant recipient data and information to determine who would receive the most benefit from a compliance monitoring. OCS utilizes several data sources to select LIHEAP grant recipients, such as annual LIHEAP Plans, award amounts, Carryover and Reallotment Reports, and annual independent single audit reports. Using these data sources, OCS grant recipients are prioritized based on different measures, which include the number and severity of audit findings, the adequacy of grant recipients' controls to prevent improper payments, the results from previous compliance monitoring, and the training and monitoring performed by grant recipients. OCS also prioritizes grant recipients that have not received a compliance monitoring recently.

### **LIHEAP Compliance Monitoring Process**

The LIHEAP monitoring process includes three broad phases: pre-monitoring, monitoring, and post-monitoring. The three monitoring phases are further explained below.

#### *Pre-Monitoring*

These are the actions that must take place prior to the commencement of the actual monitoring engagement. During this phase, grant recipient selections are made and announced. Grant recipients also provide pre-selected documents for OCS to review and prepare for the monitoring and selection of sub-grant recipients.

#### *Monitoring Engagement*

This phase consists of the onsite or remote compliance monitoring event. This phase includes OCS utilizing a monitoring protocol and questionnaire. The questionnaire is used to interview grant recipient staff. OCS also visits in person or interviews remotely one or more local administering agency.

OCS uses the questionnaire to note results from document reviews and identify areas of follow-up during monitoring. These questionnaires are used to guide the discussion and cover most areas of program and fiscal operations.

The general areas of the protocol include reviewing the following areas of compliance with the federal LIHEAP statutes, including the 16 assurances (42 USC 8624), applicable federal regulations, Office of Management and Budget (OMB) circulars, and grant recipient's own policies and procedures.

- Program components – Heating, cooling, weatherization. This depends on the program components that the grant recipient offers.
- Eligibility determining factors – Income guidelines and factors used for varying benefits
- Crises – Crisis and life-threatening crisis definitions and application
- Outreach and coordination with other low income programs
- Agency designation – For state grant recipients, this discussion covers the selection of local providers, the request for proposals process, or if the grant recipients operate a state-centralized program.
- Home energy vendor agreements
- Program monitoring – This discussion covers how the grant recipient monitors its own operations and how it monitors its local agencies (if applicable).
- Public hearings and public participation
- Fair hearing rights – This discussion covers the fair hearing process and the methods of client notification.
- Reduction of home energy needs – This discussion covers grant recipients' Assurance 16 implementation process (if applicable).
- Leveraging funds – If OCS awards a federal leveraging incentive grant award or if the grant recipient leverages non-federal funds, this discussion covers those areas.
- Staff and home energy vendor training
- Performance measures – Only for state grant recipients
- Program integrity – This broad discussion covers such areas as applicant identification and eligible and ineligible households.
- Fiscal control and grants management
- Performance and financial monitoring
- General ledger and accounting systems
- Indirect costs
- Property holdings
- Waste, fraud, and abuse prevention policies

OCS staff will meet with at least one local administering agency, when applicable. Local administering agencies are mostly used by state grant recipients, although tribal and territory grant recipients may also have similar subgrant recipients. The purpose of these meetings is to better understand how the local administering agency is implementing the grant recipient's policies and to gauge the interaction between offices.

There is a separate assessment protocol used during these meetings to evaluate how well a local administering agency is implementing a grant recipient's policy in the following broad topic areas:

- Training received from the grant recipient related to LIHEAP
- Reduction of home energy needs using the Assurance 16 allocation, if applicable
- Outreach activities
- Intake and eligibility – Overall intake process for LIHEAP from when an applicant decides they want to apply through the processing of the payment. Income guidelines are used to determine eligibility and benefit amount. Documents are required to verify identity. Policies are in place to serve or not serve households with eligible and ineligible households, i.e., households with someone who is not a qualified individual but with – Options available to applicants if they are unsatisfied with the result (e.g., delay in processing time, benefit amount, application process, income) and how applicants find out about their rights to a fair hearing
- Monitoring – The frequency and methods of monitoring received from the grant recipient
- LIHEAP Weatherization – Rules used to perform weatherization measures funded by LIHEAP funds in relation with the U.S. Department of Energy’s Weatherization Assistance Program (WAP) funds
- Fiscal – Administrative costs, check signing policies and approval process, vendor agreements, refunds, reporting, general ledger transactions, etc.

### *Post-Monitoring*

During this phase, OCS compiles all observations made during pre-monitoring and the monitoring engagement and identifies any findings and noteworthy practices. Upon completion of the monitoring, OCS drafts an initial monitoring report. The initial monitoring report is issued to the grant recipient within 45 calendar days of completing the monitoring engagement. Each grant recipient has 30 calendar days from issuance of the initial report to respond. OCS requests that each grant recipient provides a written response to the initial monitoring report that includes whether the grant recipient concurs with the required actions. If the grant recipient does not concur with OCS’ findings, the grant recipient should provide written evidence refuting the compliance concern. OCS reviews each grant recipient’s response and issues a final monitoring report within 30 calendar days. The final monitoring report serves as OCS’ final determination on the status of each finding. If any required action remains unresolved, each grant recipient is required to submit a corrective action plan within 45 calendar days, outlining the steps the grant recipient will take to address OCS’ findings.

### **FY22 and FY23 Monitoring**

In FY22, OCS conducted remote compliance monitoring of four state LIHEAP grant recipients, and in FY23, OCS conducted on-site and remote compliance monitoring of 10 state LIHEAP grant recipients.

In FY24, OCS will conduct on-site and remote monitoring of 11 LIHEAP grant recipients:

Anticipated Month	LIHEAP State Grant Recipient	Type of Monitoring
March	Florida	On-site
March	Texas	On-site
April	Arizona	On-Site
April	Kentucky	Remote
May	West Virginia	On-site
May	Montana	Remote
June	Oregon	Remote
June	Rhode Island	Remote
July	Washington	On-site
July	Michigan	On-site
August	New Jersey	On-site

## Trends

Periodically, the results of compliance monitoring reveal patterns of noteworthy practices and non-compliance among grant recipients. The general topic areas below describe instances of noteworthy practices and non-compliance that were included in multiple monitoring reports in FY22 and FY23.

## Noteworthy Practices

OCS identified certain grant recipient practices to be highlighted in the monitoring report as noteworthy practice. These include innovations that provide a better overall customer service experience for the clients, increase productivity and efficiency for grant recipient staff, or ensure that a greater number of households are served with LIHEAP funds.

### Program area noteworthy practices:

- LIHEAP Policy Manual – Robust and up to date policies
- Assurance 16 – Innovative energy burden reduction activities through Assurance 16 allocation
- Application or intake process – Timely intake, efficient processes of applications, and staff training and technical assistance
- Income and identity verification – Use of technology to collect and calculate income to improve accuracy
- Fair hearing rights procedures – Comprehensive fair hearing or appeal rights procedures that are shared with clients and processed in a timely manner
- Case file management – Consistently comprehensive case files
- Crisis assistance – Adequate differentiation between life-threatening and non-life-threatening crises and response timeframes that meet federal statutory requirements
- Public hearing and public input process – Existence of robust public participation

- Monitoring – Regular monitoring of state office and local administering agency operations
- Outreach and coordination – Robust and innovative outreach activities and coordinated services with similar programs
- Reporting – Accurate and timely submission of required federal reports
- Outreach and coordination – Robust and innovative outreach activities and coordinated services with similar programs

**Fiscal area noteworthy practices:**

- Monitoring and audit resolution – Having a process for monitoring state and local agency fiscal operations and a process for resolving audit findings
- Internal controls and reporting – Having a process for completing and revising reports with timely submission

**Program area non-compliance findings:**

- Crisis assistance – Policies were not implemented at local administering agencies (lack of training) and insufficient definitions or differentiation between crisis and life-threatening crisis.
- Model plan updates – Model plans were not updated by the end of FY to reflect accurate program operations.
- Monitoring – The grant recipient lacked acceptable monitoring of local administering agencies. This finding category also included limited or no monitoring of LIHEAP weatherization office.
- Contract management – The contracts lacked clear terms and conditions, included incorrect information, or used lapsed agreements with local administering agencies.
- Grant recipient's LIHEAP Policy Manual – Policy manual was not updated to reflect grant recipient operations.
- Assurance 16 – Activities were incorrectly classified under Assurance 16 provisions.
- Application and intake process – Grant recipients lacked training, local administering agencies delayed processing of application, and retained incomplete application information in approved case files.
- Income and identity verification – There were instances of inadequate income or identity documentation in reviewed case files.
- Eligibility – Grant recipients lacked clear policies and procedures about how to serve households with eligible and ineligible members (lack of, or incorrect, policies to assist households with eligible and non-eligible members) and renters whose energy costs were included in rent.
- Benefit matrix – There were instances of incorrect or outdated income guidelines or benefit matrices with fewer than three varying factors (i.e., highest energy costs or needs in relation to income, taking into account family size, etc.).

- Notification of benefits – Eligible households did not receive formal notification of assistance or denial of their application for assistance.
- Fair hearing rights procedure – There were instances of insufficient fair hearing procedures, including delays or unclear notification to applicant households.
- Case file management – Inconsistent files, insufficient file storage, and missing documentation
- Public hearing or public participation process – Unclear or hasty public hearing process
- Outreach and coordination – There were instances of local administering agencies not having sufficient outreach procedures.
- Reporting – Incorrect reports or delayed submission of required federal reports
- Weatherization assistance – Unclear LIHEAP weatherization policies in relation to the U.S. Department of Energy's Weatherization Assistance Program

#### **Fiscal area non-compliance findings:**

- Administrative costs – Unallowable administrative costs and administrative costs in excess of the federal administrative cost limitation
- Carryover and SF-425 – Inconsistent reporting of data between the Carryover and Reallotment Report and the Federal Financial Report (SF-425)
- Internal controls and reporting – Lack of official process for completing, updating, and submitting reports to OCS. There were instances when incorrect reports were submitted to OCS.
- Waste, fraud, and abuse prevention – Lack of policies, no procedure for identifying and reporting potential waste, fraud, or abuse from customer, local agency or grant recipient staff, and energy vendors
- Obligations and expenditures – Unallowable and unsupported expenditures
- Monitoring and audit resolution – Outstanding audit findings
- Vendor refunds – Vendor refunds were incorrectly treated. There were instances when those refunds were obligated after an allowable timeframe of two federal FYs.

#### **Conclusion**

Compliance monitoring is an opportunity for OCS to learn about the various energy assistance programs across the country to gain a better understanding of how they are functioning and how operations can be strengthened. It is also an opportunity for grant recipients to share and learn. We encourage grant recipients to fully engage with the monitoring process.

Please contact your assigned [Regional Liaison](#) with any questions. For additional resources to assist in the administration of your LIHEAP, please review [guidance issued by OCS](#).

Thank you for your attention to these matters. OCS looks forward to continuing to provide high-quality services to OCS partners.

/s/

Megan Meadows

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Office of Community Services