



ADMINISTRATION FOR
CHILDREN & FAMILIES

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**Low Income Home Energy Assistance Program
Information Memorandum**

IM#: ACF-OCS-LIHEAP-IM-2025-01
DATE: November 18, 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

BACKGROUND: Each federal Fiscal Year (FY), the Office of Community Services (OCS), pursuant to Section 2608 of the Low Income Home Energy Assistance Program (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 of noncompliance 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 of noncompliance 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 grant recipients' interpretation of how 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 notable practices and strategies
- Providing training and technical assistance, when needed

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 will also provide pre-selected documents for OCS to review and prepare for the monitoring and selection of sub-grant recipients.

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, results from previous compliance monitoring, and the monitoring of local administering agencies conducted by grant recipients. OCS also prioritizes grant recipients who have not received compliance monitoring recently.

Monitoring Engagement

This second 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 remotely interviews one or more local administering agencies. 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.

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 recipients' 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, factors used for varying benefits
- Crises – Crisis and life-threatening crisis definitions and application
- Outreach and coordination with other programs for individuals and families with low incomes
- Agency designation – For state grant recipients, this discussion covers the selection of local providers, the Request for Proposals process, or whether the grant recipients operate a state-centralized program
- Home Energy Vendor agreements
- Program monitoring – This discussion covers how the grant recipients monitor their operations and their 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 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 areas such 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

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 to serve households with eligible and ineligible households, i.e., households with someone who is not a qualified individual but some who are legal residents or U.S. citizens
- Understanding the difference between life-threatening and non-life-threatening crisis policies
- Understanding the benefit matrix and how the benefit amount is calculated.
- Rights to fair hearing options available to applicants, if they are unsatisfied with the result (e.g., delay in processing time, benefit amount, application process, income; how do 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 to the U.S. Department of Energy’s Weatherization Assistance Program (WAP) funds
- Fiscal – Definition of administrative costs; check signing policies and approval process; vendor agreements; refunds; reporting; general ledger transactions, etc.

Post-Monitoring

During this final 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 provide 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 will be required to submit a corrective action plan, within 45 calendar days, outlining the steps the grant recipient will take to address OCS’ findings.

FY24 Monitoring

During FY24, OCS conducted onsite and remote compliance monitoring of 12 state LIHEAP grant recipients.

In FY25, OCS will conduct onsite and remote monitoring of eight LIHEAP state grant recipients, as shown below.

Anticipated Month	LIHEAP State Grant Recipient	Type of Monitoring
November	New Jersey	Remote
January	Michigan	Remote
February	Alabama	Onsite
March	Iowa	Remote
April	Indiana	Onsite
May	Pennsylvania	Remote
July	Idaho	Onsite
July	South Dakota	Remote

Additionally, OCS will conduct onsite training and technical assistance (TTA) to five tribal grant recipients, as shown below. This onsite TTA will provide an opportunity to assess each tribe's compliance with key requirements.

Anticipated Month	LIHEAP Tribal Grant Recipient	Location	Type of TTA
May	Eastern Shoshone Tribe	Wyoming	Onsite
June	Stranding Rock Sioux Tribe	North Dakota	Onsite
June	Three Affiliated Tribes	North Dakota	Onsite
August	Oglala Sioux Tribe	South Dakota	Onsite
August	Blackfeet Tribe	Montana	Onsite

Trends

The results of compliance monitoring reveal patterns of noteworthy practices and noncompliance findings among grant recipients. The general topic areas below describe instances of noteworthy practices and non-compliance that were included in multiple monitoring reports in FY24.

Noteworthy Practices

OCS identified certain grant recipient practices to be highlighted in the monitoring report as noteworthy practices. These include innovations that provide a better overall customer service experience for 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:

- Application and Intake – Processes and procedures used by LIHEAP grant recipients to ensure effective and efficient application and intake practices to serve potential LIHEAP beneficiaries.
- Stakeholder Relations – Outreach, coordination, partnership building, and internal and external communication efforts between the LIHEAP grant recipient and program stakeholders.
- Benefits Matrices – Employing robust benefit matrices that utilize effective variables and vary client benefits appropriately.
- Assurance-16 and Case Management – Serving LIHEAP clients utilizing a case management approach that has the goal of fostering self-sufficiency. The serving agency assesses, plans, implements, coordinates, monitors, and evaluates the options and services available to meet the applicants' needs.
- Electronic Tool Integration – Integration of innovative technologies to streamline client application, verification, and notification of client benefits.

Fiscal Area Noteworthy Practices:

- Monitoring and Audit Resolution – Development and implementation of detailed robust annual subgrant compliance monitoring that adheres to statutory requirements and is driven by well-articulated risk management policies, procedures, and tools.
- Fraud and Waste Mitigation – Creation of fraud databases and reporting mechanisms to mitigate fraudulent bank accounts and identify those who wish to take advantage of LIHEAP.
- Vendor Agreement Information – Utility vendors that receive payment provide acknowledgment of the terms, conditions, and responsibilities to the client and respective LIHEAP agency on a recurring basis.

- Communication and Collaboration – Fostering collaboration to address gaps between different departments within LIHEAP-serving agencies with effective communications, in-person meetings, and inter-departmental work groups.

Program Area Issues of Noncompliance:

- Crisis Assistance – Policies were not implemented at local administering agencies (lack of training), including insufficient definitions or differentiation between crisis and life-threatening crisis. Agencies were not clear on the documentation required for crisis assistance and the interventions that were provided.
- Model Plan Updates – Model plans were not updated by the end of FY to reflect accurate program operations. Policies were not in place to ensure individual responsibilities for completing the Model Plan were communicated to ensure completeness and compliance.
- Fair Hearing Rights Procedure – There were instances of insufficient policies and procedures to ensure adequate fair hearing procedures, where fair hearing requests were to be submitted, and unclear notifications to applicant households.
- Weatherization Assistance – Unclear under what rules the LIHEAP weatherization funds were operating (i.e., DOE rules, LIHEAP rules, or a specified combination). Lack of clarity of the measures allowed under LIHEAP-funded weatherization and unclear referral processes between LIHEAP and weatherization.

Fiscal Area Issues of Noncompliance:

- Internal Controls and Reporting – Lack of official processes for the development, implementation, and updating of written internal controls policies and procedures. Lack of communicating internal controls to staff, subgrant recipients, and others
- Monitoring and Audit Resolution – Policies and procedures for ensuring the protection of LIHEAP funds were not in place. This includes the monitoring of subgrant recipients, oversight of vendors, and action taken to resolve issues related to internal or external audit findings.
- Vendor Refunds – Vendor refunds were not treated correctly. Policies and procedures relating to vendor refunds were not in place to ensure the refunds were handled appropriately and returned to HHS when required.

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 the [guidance issued](#) and [training resources](#) provided 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
Director, Division of Energy Assistance
Office of Community Services