

GAO

United States General Accounting Office

Fact Sheet for the Chairman,
Subcommittee on Human Resources,
Committee on Education and Labor,
House of Representatives

September 1991

**LOW-INCOME HOME
ENERGY ASSISTANCE**

**Observations on
HHS's Administration
of the Program**



Human Resources Division

B-244597

September 30, 1991

The Honorable Matthew G. Martinez
Chairman, Subcommittee on
Human Resources
Committee on Education and Labor
House of Representatives

Dear Mr. Chairman:

This fact sheet responds to a December 19, 1990, letter in which your predecessor asked us to provide information on how the Department of Health and Human Services (HHS) manages the Low-Income Home Energy Assistance Program (LIHEAP). In particular, we were asked to report on HHS's (1) oversight and review of state grant programs; (2) staffing allocation for LIHEAP; (3) technical assistance for grantees, particularly Indian tribes; and (4) required data collecting activities and annual report to the Congress on states' compliance with statutory requirements.

In doing our work, we obtained data from and interviewed HHS, state, and tribal officials who administer LIHEAP, as well as representatives of interest groups. For more information on our scope and methodology, see appendix I.

Background

The most prominent of several federal programs that provide energy assistance for the poor, LIHEAP was created in 1981. In effect, a series of one-time federal categorical crisis assistance programs aimed at supplementing the incomes of recipients to meet their energy expenses was converted into a state-run federal block grant program. The Office of Energy Assistance (OEA), within HHS, manages LIHEAP. In fiscal year 1991, LIHEAP was funded at \$1.6 billion and assisted about 6 million households. For additional background information, see appendix II.

LIHEAP is administered in a manner consistent with HHS's block grant operating philosophy, that state governments should run their programs with as little federal involvement as possible. Accordingly, OEA provides minimal oversight and technical assistance to state LIHEAP programs.

Oversight of LIHEAP

To ensure that federal legal and regulatory requirements are met, OEA reviews the annual requests that states, territories, and Indian tribes submit for LIHEAP funds and conducts compliance reviews. Most grantees

are reviewed for compliance about once every 5 years. While about half of the reviews are conducted on-site, the others are done in Washington, D.C., and are based on information supplied to OEA by the grantees. Non-compliance cases often take years to fully resolve, although OEA has made some headway recently in reducing the backlog. Rarely are sanctions imposed on grantees, even when violations are found.

Staffing

For fiscal year 1991, OEA was authorized to have 19 LIHEAP staff positions, but as of August 30, 1991, only 16 were filled. Nine staff were assigned to the Energy Program Operations Division, five to the Energy Policy Evaluation Division, and two to the director's office. For additional information, see appendix III.

Technical Assistance

As OEA does not document its direct, informal technical assistance to grantees, we could not assess the overall technical assistance provided. OEA also arranges contractor-provided technical assistance, primarily through a clearinghouse. Other technical assistance is provided at seminars and workshops by such groups as the American Public Welfare Association (APWA). Tribal organizations tend to request more fundamental technical assistance than state grantees because their programs are smaller and less sophisticated. In general, state and tribal officials called OEA's technical assistance useful and welcomed, but some said more guidance is needed on such matters as defining allowable administrative costs for LIHEAP funding purposes.

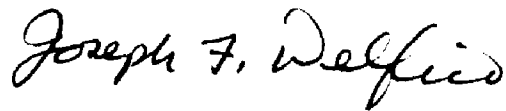
Data Collection

OEA generally has met its statutory mandate to collect data on the households served by LIHEAP, the types of fuels they use, and recipient characteristics, and to annually report such information to the Congress. The report is viewed as useful and meets the needs of grantees and interest groups involved in LIHEAP. OEA now is developing methods to collect additional congressionally requested information on LIHEAP participants and those eligible for but not participating in LIHEAP. For more information on IHS's management of LIHEAP, see appendix III.

We did not obtain written comments on this fact sheet but discussed its contents with IHS program officials and incorporated their comments where appropriate. This fact sheet is the latest in a series of reports on LIHEAP we have issued since 1984 (see list of related GAO products).

Unless you publicly release its contents earlier, we plan no further distribution of this fact sheet until 30 days after its issue date. At that time, we will send copies to the Secretary of Health and Human Services and other interested parties. We also will make copies available to others on request. Should you or your staff have any questions concerning this fact sheet, please call me on (202) 275-6193. The major contributors are listed in appendix IV.

Sincerely yours,

A handwritten signature in cursive script that reads "Joseph F. Delfico".

Joseph F. Delfico
Director, Income Security Issues

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Abbreviations

AARP	American Association of Retired Persons
ACF	Administration for Children and Families
APWA	American Public Welfare Association
HHS	Department of Health and Human Services
LIHEAP	Low-Income Home Energy Assistance Program
NCAF	National Community Action Foundation
NCAT	National Center for Appropriate Technology
OEA	Office of Energy Assistance

Scope and Methodology

For this study, we interviewed various officials representing

- the Office of Energy Assistance at HHS headquarters in Washington, D.C.;
- state LIHEAP programs in Maryland, Massachusetts, Michigan, and Virginia;
- the Mashpee Wampanoag Indian Tribal Council in Massachusetts;
- the American Association of Retired Persons (AARP);
- the American Public Welfare Association; and
- the National Community Action Foundation (NCAF).

At HHS, we reviewed grantee applications and related files, including compliance reports and other evidence of communications with the states. In addition to obtaining copies of LIHEAP annual reports, we reviewed documentation on OEA's organization and information on its staff and budgets. Because most of OEA's formal technical assistance is provided through contract with the National Center for Appropriate Technology (NCAT), we reviewed the proposal NCAT submitted to HHS to operate the LIHEAP clearinghouse and other information relating to the clearinghouse.

Our work was conducted between February and May 1991 in accordance with generally accepted government auditing standards.

LIHEAP: Background Information

Since 1981, LIHEAP has helped eligible households meet the costs of home heating and cooling, energy-related crises, and residential weatherization activities. Under LIHEAP, the federal government distributes funds to states, territories, and Indian tribes, using a formula prescribed in its original legislation.¹ States must administer LIHEAP in a way that meets the needs of their low-income households. This includes developing eligibility criteria and benefit amounts within statutory constraints. The program is one of seven block grants originally authorized by the Omnibus Budget Reconciliation Act of 1981 and administered by HHS. Grantees receiving LIHEAP funds in fiscal year 1991 were

- the 50 states, the District of Columbia, and 6 U.S. territories (collectively referred to in this report as “the states”); and
- 114 Indian tribes and tribal organizations.

The 1981 legislation shifted responsibility for most LIHEAP management decisions from the federal government to the states. Under LIHEAP, states have the discretion to direct funds to areas and households with the greatest needs. In making eligibility decisions, states consider such variables as household income, family size, and amounts of energy costs. As currently structured, LIHEAP gives states broad latitude in using block grant funds and minimizes federal administrative and regulatory requirements.

Grantees' Use of Funds

Grantees may use LIHEAP funds for heating assistance, cooling assistance, energy crisis intervention, low-cost residential weatherization, or other energy-related home repair, and for administrative and planning costs. Although LIHEAP is funded and administered as a block grant, the legislation limits certain expenditures and transfers by grantees:

- The use of funds allotted or available to a grantee for low-cost residential weatherization and other related home repairs is limited to 15 percent² of each fiscal year's grant;
- Administrative and planning costs are limited to 10 percent of each fiscal year's grant, although neither the statute nor HHS's block grant regulations specifically define such costs;

¹State allocations are based on each state's ratio of total low-income households and share of total heating and cooling costs nationwide. Indian tribe allocations of federal LIHEAP funds, which are taken from each state's allotment, are based on a tribe's share of eligible households in the state or by state-tribal agreement.

²Amendments in 1990 provided for an additional 10 percent with a waiver.

- A grantee may transfer up to a total of 10 percent³ of its annual grant to another block grant authorized by OBRA and administered by HHS; and
- A grantee may request that up to 10 percent of its annual grant funds (excluding amounts transferred) be available for carryover in the next fiscal year.

Data Collection and Reporting Requirements

The LIHEAP statute requires HHS to collect various data, including:

- Information on home energy consumption;
- The amount, cost, and types of fuels used in households that receive LIHEAP funding;
- The types of fuels used by various income groups;
- The number and income levels of households assisted by LIHEAP;
- The number of households assisted by LIHEAP with individuals who are 60 years old or older or handicapped; and
- Any other information the Secretary of HHS determines to be necessary to carry out the provisions of this title.

OEA's Division of Energy Policy and Evaluation is responsible for carrying out the data collecting and reporting activities on LIHEAP. Grantees are to inform OEA of transfers of funds from LIHEAP to other HHS block grants.

In addition, as noted in the block grant regulations (45 C.F.R. 96.81) grantees must report to the Secretary of HHS by August 1 of each year the amount of funds that will remain available for obligation in the succeeding fiscal year (not to exceed 10 percent⁴). They must state why the amount carried over will not be used in the fiscal year granted and describe the assistance to be provided with the amounts carried over.

The law further requires the Secretary of HHS to provide the Congress annually with a detailed compilation of all data collected. To meet these requirements, OEA collects data through grant applications, semiannual telephone surveys, and year-end reports. Since 1983, OEA has collected data through telephone surveys, conducted twice a year, on the 50 states and the District of Columbia. (State participation is voluntary). OEA uses data compiled from these telephone surveys as a planning tool in estimating funds being spent, households served, carryover funds

³As of 1994, no transfer of funds will be allowed.

⁴This amount was reduced from 15 percent as a result of the 1990 amendments.

Appendix II
LIHEAP: Background Information

available, funds obligated, and types of assistance provided. Also, OEA collects data on quarterly obligations from grantees on a voluntary basis. Through this activity, OEA attempts to target the amounts and timing of funds needed and substantiate states' and tribes' budget requests.

Since 1982, OEA has participated in national surveys conducted by the Bureau of the Census and the Department of Energy, using data compiled for its annual report to the Congress. Through these contacts, OEA is able to analyze more aspects of its program activities and recipients than otherwise would be possible.

HHS regulations (45 C.F.R. 96.82) also require grantees to submit by October 31 of each year a summary of the number of households that received assistance under each of the four LIHEAP components, their income levels, and the number of households served with handicapped and elderly residents. In keeping with the block grant concept, OEA suggests but does not prescribe a format for grantees to report the data.

HHS Management of LIHEAP

HHS manages LIHEAP in a manner consistent with other its block grant programs, reflecting HHS's operating philosophy that state governments should run their own individual programs with minimal involvement by the federal government.

Staffing Allocation for LIHEAP

For fiscal year 1991, OEA was authorized 19 staff positions, of which 16 were filled as of August 30, 1991. Of the 10-position decrease since 1985, 3 were lost because some OEA responsibilities were transferred to other components within the Administration for Children and Families (ACF). These involved grant administration and audit resolution activities. Although between fiscal years 1985 and 1991, LIHEAP's annual allocation decreased from \$2.1 billion to \$1.6 billion, the total number of state and Indian tribe grants remained about the same.

OEA's work is performed by two divisions:

1. The Division of Energy Program Operations, with nine staff members, receives LIHEAP grant applications and reviews them for completeness. It also oversees the operations of all grantee programs, provides information and technical assistance, coordinates and conducts compliance reviews of grantees, and follows up with grantees to resolve compliance issues. Each program analyst is assigned to work with the states and Indian tribes included in one or more HHS regions. During fiscal year 1991, each analyst worked with between 4 and 16 state grantees. In regions with large American Indian populations, an analyst might work with as many as 29 Indian tribe grantees.

2. The Division of Energy Policy and Evaluation, with five staff members, collects and analyzes information compiled for required congressional reports. It also develops regulations and other policy documents, such as information memorandums and action transmittals, to provide guidance and explain the LIHEAP legislation. In addition, the division responds to any complaints that grantees are not carrying out their programs in compliance with the law.

Oversight of State Grant Programs

OEA oversees LIHEAP by reviewing the annual requests submitted by states (including territories and Indian tribes) for LIHEAP funds and conducting compliance reviews. Each fiscal year, states and tribes seeking LIHEAP funding submit grant applications. They describe how their programs will operate, explain how the funds will be used, describe eligibility requirements, and confirm that the assurances included in the

LIHEAP legislation will be met. Most grantees have applied for and received LIHEAP funding annually for the past decade, and their programs do not vary much from one year to another.

For the most part, OEA's application reviews are routine and completed in a timely manner. Each application is reviewed separately for completeness and compliance. After the grant is approved and funds released, OEA's oversight consists of conducting compliance reviews.

During fiscal years 1989-91, OEA conducted 24 compliance reviews of 22 states and 2 Indian tribes; 14 of these were done on-site. The others were document compliance reviews conducted in Washington, D.C., and based on information supplied to OEA by the grantees. Most state grantees are scheduled for in-depth compliance reviews about once every 5 years, OEA officials said, unless problems or questionable activities warrant more frequent review. Indian tribe grants are seldom selected for in-depth reviews because most are small compared with states.

When questions of possible noncompliance arise, the reviewers attempt to informally resolve them with grantee officials through meetings or followup telephone conversations. If the questions cannot be resolved informally, OEA officials prepare letters documenting their findings and observations to formally advise grantee officials and recommend corrective actions.

Some potential noncompliance issues are resolved quickly. In other cases, especially when the grantee does not agree with the compliance reviewers' findings and recommendations, resolution may take several years. As of August 30, 1991, for example, 43 compliance reviews had one or more issues unresolved. Three were first reported in 1982, one in 1983, and two in 1984.

OEA staff give priority to tasks relating to current grant programs, officials told us. During fiscal 1991, the backlog was reduced from 67 to 43, according to the OEA director, who added that OEA would focus attention on reducing the backlog of noncompliance cases reported during the early 1980s.

HHS's Technical Assistance to Grantees

Because the technical assistance that OEA staff provides directly to LIHEAP-funded states and tribes is informal and undocumented, we could not assess its extent. States and tribes make good use of the information

and assistance services provided by external sources under OEA contracts and grants.

Direct Technical Assistance

OEA staff regularly provide direct technical assistance to grantees in responding to telephone and written inquiries, issuing information memorandums and other periodic bulletins, and alerting grantees to new program developments and other relevant issues. OEA does not document the extent to which it provides internal technical assistance nor keep track of the grantee recipients of technical assistance or the topics of such assistance.

As a result, we could not determine what direct technical assistance OEA was providing to grantees. However, OEA officials and questions and issues raised by Indian LIHEAP officials indicate that tribal organizations tend to request more technical assistance because their programs are less sophisticated than those of the states.

Contractor-Provided Technical Assistance

Using contractors, OEA promotes the dissemination and exchange of information and ideas on LIHEAP through published materials, conferences, and workshops. Under contract to OEA, the American Public Welfare Association has conducted roundtables on such issues and topics as LIHEAP administrative costs; leveraging¹ LIHEAP funds with state, local, or private moneys; and special problems facing Indian tribes and tribal organizations. In addition, a national conference on low-income home energy assistance has been sponsored annually since 1987.

States receive technical assistance and information from the LIHEAP clearinghouse, operated by the National Center for Appropriate Technology (NCAT). Located in Butte, Montana, and funded annually through a grant, the clearinghouse is a central source of information and general advice on providing energy assistance and administering LIHEAP programs. It does not, however, provide legal advice, interpretations of LIHEAP laws or regulations, or grant compliance guidance, NCAT officials said. Currently, NCAT is operating under a \$150,000 grant to provide technical assistance to LIHEAP grantees from October 1, 1990, through September 30, 1991. As of June 10, 1991, NCAT had responded to

¹Leveraging activities involve obtaining resources from the state or local government or the private sector that supplement a grantee's federal LIHEAP funding and result in an increase to the total energy resources available to low-income households, such as quantity discounts obtained from energy vendors.

231 requests from grantees for information since the start of fiscal year 1991:

- 88 from subgrantees, such as community action agencies or local public assistance agencies;
- 79 from Indian tribe and tribal organization grantees;
- 55 from state grantees; and
- 9 from others, such as low-income advocacy groups.

Indian tribe grantees generally inquire about basic program topics, such as vendor fraud and income verification, while states are more concerned with broad issues, such as the 10-percent administrative costs cap, budget payment plans, and self-sufficiency programs. During fiscal year 1991, grantees expressed keen interest in two provisions of the 1990 LIHEAP reauthorization amendments²:

- The requirement that grantees establish outreach or intake sites in addition to or in place of those located in state public assistance offices. In Virginia and Michigan, which administer LIHEAP through the states' department of social services, officials anticipated that the added sites would increase their administrative costs.
- The leveraging incentive provision. In Massachusetts, which already leverages LIHEAP funds, the state director in consultation with state attorneys decided that the state's leveraging activities were in compliance with federal law, even though OEA has not yet promulgated regulations on this issue. More prompt issuance of the regulations would have been helpful, she said.

Lack of more specific guidance from OEA on such matters as administrative costs was an issue to state officials in Virginia, Michigan, and Massachusetts. As LIHEAP is relatively expensive to administer, they said, many states find it difficult to observe the 10-percent administrative cost limitation imposed by federal law, especially if no supplementary state funds are provided, as in the case of Virginia. States often assume that their actions and decisions regarding LIHEAP administrative funds are appropriate, only to have them questioned in compliance reviews. When state officials ask specific questions on compliance issues, OEA

²The Augustus F. Hawkins Human Services Reauthorization Act of 1990 (P.L. 101-501), enacted Nov. 3, 1990.

staff often tell them to consult with state attorneys. More frequent, specific, and definitive guidance would help minimize the number of activities and practices cited for possible noncompliance, the state officials said.

Final regulations implementing the November 1990 amendments to the LIHEAP legislation were scheduled for completion after September 1991. This is when the states and Indian tribes begin submitting their LIHEAP applications for the fiscal year 1992 heating assistance program. As of August 30, 1991, OEA officials said they were awaiting departmental clearance for publication in the Federal Register.

HHS's Data Collection and Reporting Requirements

In volume, quality, and usefulness, the data OEA reports to the Congress on LIHEAP generally have satisfied both legislative requirements and the needs of states and interest groups. OEA is now preparing to address several specific data requests from the Senate Committee on Labor and Human Resources.

As required in the LIHEAP legislation, OEA gathers and reports data annually on state programs and national patterns of energy use and costs in low-income households. These data include state-reported statistics on sources and uses of funds and characteristics of households served, such as income and numbers of elderly and handicapped. Although OEA has lagged more than 1 fiscal year in submitting its annual report to the Congress, in general states and interest groups have commented favorably on the data included. However, one interest group has called for HHS and OEA to conduct or contract for

- more national studies that evaluate states' administration of LIHEAP and
- evaluations and periodic reports on such aspects of LIHEAP as access to benefits, outreach activities, determining eligibility, and administrative costs.

But given its current staffing and funding and without a mandate to collect more data and issue related reports, OEA has no plans to undertake these activities, OEA officials said.

There are new congressional requests, however, that OEA is preparing to meet. In its report on the 1990 amendments to the LIHEAP legislation, the Senate Committee on Labor and Human Resources requested additional data from the Department and OEA. It sought information on the characteristics of the nation's LIHEAP-eligible population and those eligible for

but not receiving benefits. The Committee also directed HHS to require all states, beginning in fiscal year 1992, to provide data on sources of income, family size and characteristics, housing types, participation in other federal programs, and other energy or demographic information essential to developing a full profile of LIHEAP participants. As of June 30, 1991, OEA officials were developing methods for obtaining this information, they said.

Major Contributors to This Fact Sheet

Human Resources
Division,
Washington, D.C.

Larry Horinko, Assistant Director
Benjamin C. Ross, Evaluator-in-Charge

Related GAO Products

Low-Income Home Energy Assistance: States Cushioned Funding Cuts But Also Scaled Back Program Benefits (GAO/HRD-91-13, Jan. 24, 1991).

Low-Income Home Energy Assistance: HHS Has Not Assured State Compliance With Administrative Cost Restrictions (GAO/HRD-91-15, Nov. 13, 1990).

Low-Income Home Energy Assistance: A Program Overview (GAO/HRD-91-1BR, Oct. 23, 1990).

Low-Income Home Energy Assistance: Legislative Changes Could Result in Better Program Management (GAO/HRD-90-165, Sept. 7, 1990).

Energy Conservation: States' Expenditures of Warner Amendment Oil Overcharge Funds (GAO/RCED-88-119BR, May 17, 1988).

Energy Management: How States Are Using Exxon and Stripper Well Funds (GAO/RCED-88-145FS, May 16, 1988).

Low-Income Energy Assistance: State Responses to Funding Reductions (GAO/HRD-88-92BR, Apr. 29, 1988).

Low-Income Energy Assistance: States' Response to 1984 Amendments (GAO/HRD-86-92, May 16, 1986).

States Fund an Expanded Range of Activities Under Low-Income Home Energy Assistance Block Grant (GAO/HRD-84-64, June 27, 1984).

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