

93.568

State Project/Program: WEATHERIZATION ASSISTANCE PROGRAM AND HEATING AND AIR REPAIR AND REPLACEMENT PROGRAM

U. S. Department of Health and Human Services

Federal Authorization: Low Income Home Energy Assistance Act of 1981, as amended. The Omnibus Budget Reconciliation Act of 1981; Energy Policy Act of 2005, Public Law 109-58.

**NC Department of Environmental Quality
Weatherization Assistance Program**

Agency Contact

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The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current.

The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

Auditors may request documentation of monitoring visits by the State Agencies.

I. PROGRAM OBJECTIVES

The Low-Income Home Energy Assistance Program (LIHEAP) is a block grant program in which States (including territories and Indian tribes) design their own programs, within very broad Federal guidelines. Components of LIHEAP include block grants and energy emergency contingency funds.

The objectives of LIHEAP are to help low-income people meet the costs of home energy (defined as heating and cooling of residences) increase their energy self-sufficiency and reduce their vulnerability resulting from energy needs. A primary purpose is meeting immediate home energy needs. The target population is low-income households, especially those with the lowest incomes and the highest home energy costs or needs in relation to income, taking into account family size. Additional targets are low-income households with members who are especially vulnerable, including the elderly, persons with disabilities, and young children.

Department Activities

The North Carolina Weatherization Assistance Program (NC WAP) receives funds through LIHEAP to operate the LIHEAP Weatherization Assistance Program (LIHEAP WAP) and the Heating and Air Repair and Replacement Program (HARRP). The objectives of LIHEAP WAP and HARRP are to increase energy efficiency of dwellings owned or occupied by low-income persons, reduce their total expenditure on energy, and improve their health and safety as well as to reduce energy costs by cleaning, tuning, repairing and/or replacing inefficient heating and air conditioning systems in the dwelling units of low-income families.

II. PROGRAM PROCEDURES

LIHEAP Block Grants

The Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Community Services, administers the LIHEAP program at the Federal level. LIHEAP block grant funds are distributed by formulas to the States, the District of Columbia, and the territories. In addition, federally or State-recognized Indian tribes (including tribal consortia) have the option of requesting direct funding from ACF, rather than being served by the State in which they are located. Tribes that are directly funded by HHS statutorily receive a share of the funds that would otherwise be allotted to the States in which they are located, based on the number of income-eligible households in the tribal service area as a percentage of the eligible households in the State, or a larger amount agreed upon in a State/tribe agreement. Over half the States agree to give the tribes located within their State a larger amount than required by the statute.

Each grantee is required to submit a plan/application annually in order to receive block grant funding. The plan contains an application to describe how the grantee's LIHEAP program will be administered, including a set of program integrity questions in which the grantee must describe the systems in place to detect and deter fraud, waste, and abuse in its LIHEAP program.

State grantees are required to hold a public hearing each year on the proposed plan for the upcoming year. All grantees must allow for public participation in the development of their annual plans.

Department Activities

In NC, LIHEAP WAP funds are made available to sub-recipients for weatherization services and HARRP through Low Income Home Energy Assistance Program (LIHEAP) funds. These funds are managed by the NC Department of Health and Human Services (NCDHHS). LIHEAP funds utilized for weatherization activities and for HARRP are received from the North Carolina LIHEAP Block Grant Program. The funding amounts are allocated to each program (i.e., LIHEAP and/or HARRP) in an Interagency Memorandum of Agreement based on annual negotiations with DHHS and programmatic needs.

Funds are allocated to sub-recipients in LIHEAP WAP and HARRP on a formula basis that aligns with the methodology in North Carolina's State Plan that is approved by the United States Department of Energy (DOE) for weatherization activities under a separate grant program. Prior to determining and distributing allocation amounts to subgrantees, competitive applications are submitted by non-profits, community action agencies, or public entities to the Weatherization Assistance Program. Afterwards, the competitive applications are reviewed, and service providers are selected based on merit and federal regulations for public processes and eligibility in 10 CFR 440.14 and 10 CFR 440.15. Upon the federal DOE's review and approval of the selected service providers, contracts that collectively contain funds for DOE, LIHEAP WAP, and HARRP are issued to the subgrantee based on the formula methodology in the State Plan. The contract contains the: (1) financial assistance agreement and cross-referenced federally-approved documents; (2) flow down requirements; (3) scope of work; (4) approved budget; (5) subgrantee's conflict of interest policy; (6) certification of no overdue tax debts; (7) notice of certain monitoring, reporting, and audit requirements; (8) certifications regarding lobbying, nondiscrimination, and drug-free workplace; (9) disclosure of lobbying activities (if applicable); and (10) federal tax-exempt letter or 501 C verification form (if applicable).

Sub-recipients are required to submit monthly financial reports and program reports based on the NC WAP's monthly submittal calendar during the grant period. To support reimbursement requests, subgrantees shall obtain and submit original point-of-sale documentation (invoices/receipts) for all claimed expenses to the NC WAP along with a report of monthly housing production. Prior to reimbursement, the NC WAP shall conduct a full and complete review of all documents to ensure proper cost allocation and compliance with the Uniform Guidance (regarding allowability and allocability), the contract, program policies/procedures, and the terms and conditions of the award. Accurate payment requires monthly reconciliation of all expenses.

Alternatively, subgrantees may request advance payments for anticipated allowable costs in accordance with 2 CFR 200.305, "Advance payments." Such requests shall be justified and documented, clearly demonstrating the need for the advance and outlining how the funds will be used to carry out program objectives. The NC WAP shall review advance requests to ensure they are necessary, reasonable, and in compliance with 2 CFR 200.305's requirements, including provisions for minimizing the time between the transfer of funds and their disbursement. Subgrantees receiving advances shall be held accountable for proper management and expenditure of these funds and shall be required to provide timely reporting and documentation of how the advanced funds were utilized. Any unexpended or improperly used advance funds may be subject to recovery by the NC WAP.

On-site assessment visits are made to sub-recipients by state staff to examine financial records and weatherization upgrades in client homes to determine compliance with federal, state, and local rules and regulations; to review programmatic documents to determine client eligibility and to evaluate the quality of the work performed on completed dwelling units. Correspondence summarizing the

results of on-site monitoring visits is shared with sub-recipient officials.

Energy Emergency Contingency Funds

In addition to appropriations for the LIHEAP block grant program, funds may be awarded to meet the additional home energy assistance needs of States for a natural disaster or other emergency. Contingency funds that are awarded generally must be used under the normal statutory and regulatory requirements that apply to the LIHEAP block grants, unless special conditions are placed upon their use at the time of the award.

Source of Governing Requirements

Per North Carolina's LIHEAP Detailed Model Plan, funds used for LIHEAP-funded Weatherization activities are subject to mostly DOE-funded Weatherization Assistance for Low-Income Persons program (CFDA 81.042) rules for their LIHEAP funds spent on weatherization (42USC 8624 (c)(I)(D)), with few exceptions (as permitted by Section 2605 (c))I(D) of the LIHEAP statute).

Under the block grant philosophy, each State is responsible for designing and implementing its own LIHEAP program, within very broad Federal guidelines. States must administer their LIHEAP programs according to their approved plan and any amendments and in conformance with their own implementing rules and policies. States must establish appropriate systems and procedures to prevent, detect and correct waste, fraud and abuse, by clients, vendors, and administering agencies.

Availability of Other Program Information

The ACF LIHEAP web page (Low Income Home Energy Assistance Program (LIHEAP) The Administration for Children and Families) provides general information about this program.

III. COMPLIANCE REQUIREMENTS

In developing the audit procedures to test compliance with the requirements for this Federal program, the auditor must determine, from the following summary (also included in Part 2, “Matrix of Compliance Requirements”), which of the 12 types of compliance requirements apply, and then determine which of the applicable requirements is likely to have a direct and material effect on the Federal program at the auditee. For each such requirement, the auditor must use Part 3 (which includes generic details about each compliance requirement other than Special Tests and Provisions) and this program supplement (which includes any program-specific requirements) to perform the audit.

<i>A.</i> <i>Activities Allowed or Unallowed</i>	<i>B.</i> <i>Allowable Costs/Cost Principles</i>	<i>C.</i> <i>Cash Management</i>	<i>E.</i> <i>Eligibility</i>	<i>F.</i> <i>Equipment and Real Property Management</i>	<i>G.</i> <i>Matching, Level of Effort, Earmarking</i>	<i>H.</i> <i>Period of Performance</i>	<i>I.</i> <i>Procurement and Suspension and Debarment</i>	<i>J.</i> <i>Program Income</i>	<i>L.</i> <i>Reporting</i>	<i>M.</i> <i>Subrecipient Monitoring</i>	<i>N.</i> <i>Special Tests and Provisions</i>
Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N

A. Activities Allowed or Unallowed

The following guidelines apply to LIHEAP subawards unless noted otherwise. Energy emergency contingency funds generally are subject to the LIHEAP block grant requirements, but the contingency grant award letter should be reviewed to see if different requirements apply. Subrecipients must also ensure that all activities are consistent with the requirements in 10 CFR Part 440.

1. LIHEAP funds may be used to assist eligible households to meet the costs of home energy, i.e., heating or cooling their residences (42 USC 8621(a) and 8624(b)(1)).
2. LIHEAP funds may be used to intervene in energy-related crisis situations, as defined by the grantee (42 USC 8623(c) and 8624(b)(1)).
3. LIHEAP funds may be used to conduct outreach activities (42 USC 8624(b)(1)).
4. LIHEAP funds may be used to provide low-cost residential weatherization and other cost-effective energy-related home repair (42 USC 8624(b)(1)).

5. LIHEAP funds may be used to provide services that encourage and enable households to reduce their home energy needs and thereby the need for energy assistance, including needs assessments, counseling, and assistance with energy vendors (42 USC 8624 (b)(16)).
6. LIHEAP funds may be used to identify, develop, and demonstrate leveraging programs (45 CFR section 96.87(c)).
7. No LIHEAP funds may be used for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than low-cost residential weatherization or other energy-related home repairs) of any building or other facility (42 USC 8628).

B. Allowable Costs/Cost Principles

These funds are subject to the Cost Principles in 2 CFR Part 200 Subpart E. These funds are also subject to 09 NCAC 03M. Per 09 NCAC 03M.0201, expenditures of grants by any recipient or subrecipient shall be in accordance with the cost principles outlined in 2 CFR Part 200.

C. Cash Management

Weatherization establishes policies, procedures, and contracts that comply with Federal cash management regulations and ensures that all entities deposit initial and subsequent advances in interest-bearing accounts.

E. Eligibility

1. Eligibility for Individuals

Grantees may provide assistance to: (a) households in which one or more individuals are receiving Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP) benefits, or certain needs-tested veterans benefits; or (b) households with incomes which do not exceed the greater of 150 percent of the State's established poverty level, or 60 percent of the State median income. Grantees may establish lower income eligibility criteria, but no household may be excluded solely on the basis of income if the household income is less than 110 percent of the State's poverty level. Grantees may give priority to those households with the highest home energy costs or needs in relation to income (42 USC 8624(b)(2)).

For NC WAP, A single-family dwelling unit is eligible for LIHEAP WAP & HARRP if it is occupied by a family unit whose combined income does not exceed 200 percent of the Office of Management and Budget (OMB) defined poverty level.

2. Eligibility for Group of Individuals or Area of Service Delivery- Not Applicable

3. Eligibility for Sub-recipients

To the extent it is necessary to designate local administrative agencies, the grantee is to give special consideration to local public or private non-profit agencies (or their successor agencies) which were receiving energy assistance or weatherization funds under the Economic Opportunity Act of 1964 or other laws, provided that the grantee finds that they meet program and fiscal requirements set by the grantee (42 USC

8624(b)(6)).

F. Equipment and Real Property Management

Equipment and Real Property Management: The NC LIHEAP Weatherization program adheres to all applicable federal (2 CFR 200) and state policies (federally-approved Weatherization State Plan) regarding the acquisition, use, maintenance, and disposition of equipment and real property for the grantee and subgrantee. This includes, but is not limited to, detailed inventory tracking and compliant disposal procedures, ensuring all assets are managed in accordance with program guidelines.

G. Matching, Level of Effort, Earmarking

1. **Matching** – Not Applicable
2. **Level of Effort** – Not Applicable
3. **Earmarking**

The following limitations apply to LIHEAP block grants as noted. Energy emergency contingency funds generally are subject to the requirements applicable to LIHEAP block grant funds, but the contingency grant award letter should be reviewed to see if different requirements were applied. REACH grants are subject to special rules described in the award.

a. *Planning and Administrative Costs*

- (1) No more than 10 percent of the LIHEAP funds payable to the State for a Federal fiscal year may be used for planning and administrative costs, including both direct and indirect costs. This limitation applies, in the aggregate, to planning and administrative costs at both the State and sub-recipient levels (42 USC 8624(b)(9)(A); 45 CFR section 96.88(a)). As outlined in the State Plan, NC WAP applies this by allocating 5 percent of the administrative cost allowance to the State and 5 percent to subrecipients.
- (2) A tribal or territorial grantee may spend up to 20 percent of the first \$20,000 and 10 percent of the amount above \$20,000 for administration and planning (45 CFR section 96.88(b)).

b. *Weatherization*

- (1) No more than 15 percent of the greater of the funds allotted or the funds available to the grantee for a Federal fiscal year may be used for low-cost residential weatherization or other energy-related home repairs. The Secretary may grant a waiver, and the grantee may then spend up to 25 percent for residential weatherization or energy-related home repairs (42 USC 8624(k)).

- c. *Energy Need Reduction Services* – No more than five percent of the LIHEAP funds payable to the grantee may be used to provide services that encourage and enable households to reduce their home energy needs and thereby the need for energy assistance. Such services may include needs assessments, counseling, and assistance with energy vendors (42 USC 8624(b)(16)).

H. Period of Performance

Subaward agreements issued by NCWAP contain information on the agreement period and new construction cutoff dates.

LIHEAP emergency contingency funds are generally subject to the same obligation and expenditure requirements applicable to the LIHEAP block grant funds, but the contingency award letter should be reviewed to see if different requirements were imposed.

I. Procurement and Suspension and Debarment

All procurement activities undertaken in connection with this Subaward Contract must conform to the procurement standards set forth in 2 CFR Part 200. It is verified annually that Subgrantees are not on the Suspension of Funding List and Excluded Parties List systems. Federal grant funds cannot be given to Subgrantees that are on either of these lists.

OSBM and NCWAP have the authority to suspend disbursement and recover funds for noncompliance under NGGS 143C-6-23 and 09 NCAC 03M. Entities that appear on the State Suspension of Funding List are not eligible to receive state grant funds.

J. Program Income – Not Applicable

L. Reporting

In addition to the reporting requirements below, NCWAP subrecipients are also subject to the reporting requirements of 09 NCAC 03M.

1. Financial Reporting

- a. SF-270, *Request for Advance or Reimbursement* – Not Applicable
- b. SF-271, *Outlay Report and Request for Reimbursement for Construction Programs* – Not Applicable
- c. SF-425, *Federal Financial Report* – Applicable

2. Performance Reporting

- a. Quarterly Performance and Management Report – Applicable

3. Special Reporting

- a. *LIHEAP Carryover and Reallotment Report (OMB No. 0970-0106)* – Grantees must submit a report no later than August 1 indicating the amount expected to be carried forward for obligation in the following fiscal year and the planned use of those funds. Funds in excess of the maximum carryover limit are subject to reallotment to other LIHEAP grantees in the following fiscal year and must also be reported (42 USC 8626).

Key Line Items (not numbered):

- (1) “*Carryover amount*”
- (2) “*Reallotment amount*”
- b. *Annual Report on Households Assisted by LIHEAP (OMB No. 0970-0060)*
As part of the application for block grant funds each year, a report is required for the preceding fiscal year of (1) the number and income levels of the households assisted for each component and any type of LIHEAP assistance (heating, cooling, crisis, and weatherization); (2) the number of households served that contained young children, elderly, or persons with disabilities, or any vulnerable household for each component; (3) applicant/head of household/customer name, date of birth, ethnicity, race, gender; (4) job number, household ID, program, and job type; (5) household percentage of poverty; (6) date of application and job completion; (7) whether assistance restored home energy or prevent loss of energy to home; (8) energy source to which LIHEAP was applied; (9) housing status; and (10) number of assisted household members by race/ethnicity. Territories with annual allotments of less than \$200,000 and Indian tribes are required to report only on the number of households served for each component (42 USC 8629; 45 CFR section

96.82).

Key Line Items - The following line items contain critical information:

- (1) Section 1 – LIHEAP Assisted Households.
- (2) Section 2 – LIHEAP Applicant Households.

M. Subrecipient Monitoring

Entities that receive weatherization funds understand that if they subaward these funds to any subrecipients, they shall ensure all requirements apply to and are binding upon those subrecipients.

N. Special Tests and Provisions – Not Applicable

IV. OTHER INFORMATION

As described in Part 4, Social Services Block Grant (SSBG) program (CFDA 93.667), III.A, “Activities Allowed or Unallowed,” a State may transfer up to 10 percent of its annual allotment under SSBG to this and six other specified block grant programs.

Amounts transferred into this program are subject to the requirements of this program when expended and should be included in the audit universe and total expenditures of this program when determining Type A programs. On the Schedule of Expenditures of Federal Awards, the amounts transferred in should be shown as expenditures of this program when such amounts are expended.