LIHEAP PROGRAM INTEGRITY WORKING GROUP

FINAL REPORT

Prepared for:
U.S. Department of health and Human Services
Office of Community Services
Division of Energy Assistance

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National Center for Appropriate Technology

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I. INTRODUCTION

A. BACKGROUND

The June 2010 release of the Government Accountability Office (GAO) report entitled *Low Income Home Energy Assistance Program: Greater Fraud Prevention Controls Are Needed*[1] was a significant development in LIHEAP history.

Upon the request of a U.S. Congressman, the GAO analyzed LIHEAP data from seven states (MD, VA, MI, NY, IL, OH, NJ) for fraud indicators, interviewed federal and state officials, performed investigations, and conducted proactive testing in two states (MD and WV) using a fictitious company, individuals, addresses, and documents.

The seven states were primarily selected based on the size of their LIHEAP grant and availability of a centralized LIHEAP database.

In its review of the selected states' LIHEAP data, the agency found:

- Households received LIHEAP benefits or overpayments with invalid identity information ― including members who were deceased, imprisoned, or unverifiable. (About 9 percent of households in the selected states received benefits totaling $116 million.)

- Households received benefits or overpayments with invalid income information ― including individuals whose incomes exceeded thresholds.

- Energy vendors provided benefits to ineligible households.

- Inconsistent rules exist to monitor unregulated utility vendors.

- There is significant variation of state program prevention, detection, monitoring and prosecution for program integrity.

- Clearer direction is needed from the U.S. Department of Health and Human Services, the federal LIHEAP administrator, referred to within this report as HHS, on establishing state program integrity systems.

Key conclusions of the GAO report were as follows:

- LIHEAP is at risk for fraud and improper benefits in the selected states.

- The federal government and the selected states lack an effective fraud prevention framework for LIHEAP.

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[1] http://www.gao.gov/assets/310/305598.pdf

In its summary, the GAO said: "The selected states do not have an effective design for a comprehensive fraud prevention framework. In fact, the states lack key efforts in all three crucial elements of a well-designed fraud prevention system: preventive controls, detection and monitoring, and investigations and prosecution. … We believe that these are key preventive control measures that states should integrate in their application processes as long as the costs of these controls do not outweigh the benefits."

The GAO cited the lack of "third-party validation systems" as a major contributing factor to the fraudulent applications. In its study, the GAO was able to access such third-party systems as the Social Security Administration's (SSA) Enumeration Verification System, which can verify a person's Social Security number, name, and date of birth against its records; the SSA's death master file index, and state and federal wage and prison records. "LIHEAP generally does not have this third-party validation process for the seven selected states that we reviewed," the report stated

The report made the following recommendations to HHS:

> "To establish an effective fraud prevention system for the LIHEAP program in the seven states, the Secretary of HHS should evaluate our findings and consider issuing guidance to the states addressing the following six recommendations:
>
> 1. Require applicants and all household members to provide Social Security numbers in order to receive energy assistance benefits
>
> 2. Evaluate the feasibility (including consideration of any costs and operational and system modifications) of validating applicant and household member identity information with SSA
>
> 3. Develop prepayment edit checks to prevent individuals from receiving duplicate benefits
>
> 4. Evaluate the feasibility of using SSA's or states' vital record death data to prevent individuals using deceased identities from receiving benefits
>
> 5. Evaluate the feasibility of preventing incarcerated individuals from improperly receiving benefits, for example, by verifying Social Security numbers with state's prisoner information
>
> 6. Evaluate the feasibility of using third-party sources (e.g., State Directory of New Hires) at a minimum on a random or risk basis, to provide assurance that individuals do not exceed maximum income thresholds"

As part of its response to the GAO report, HHS announced its intention to develop a working group on LIHEAP Program Integrity using training and technical assistance resources. On December 22, 2010, it contracted with the National Center for Appropriate Technology (NCAT) to develop and coordinate operations of the working group. The group was assigned to meet for one year in order to develop a response to the GAO report and, thereafter, prepare a final report with program integrity recommendations due to HHS by June 29, 2012.

The following sections of this report detail the group's purpose, structure, process, and recommendations to grantees and to HHS, and the barriers it identified to grantees' achievement of the recommendations. A summary of its key recommendations follows; for additional recommendations and for details on how the group arrived at its recommendations, see the Recommendations and Process sections.

B. SUMMARY OF RECOMMENDATIONS

1. HHS should mandate collection of Social Security numbers (SSNs).

The working group requests that HHS consider a federal mandate requiring Social Security numbers for LIHEAP applicants and household members. However, the group recognizes that LIHEAP is an emergency program, and therefore believes that the mandate should be subject to grantee exceptions and waivers.   Examples may include, but are not limited to:

- Discretion to provide a household LIHEAP benefits even if one or more household members does not have an SSN (or does not disclose it)

- Identifying specific circumstances under which applicants and household members are not required to provide a Social Security number

The working group believes that such flexibility (including the above examples) is consistent with other federal income-tested programs such as SNAP, TANF and Medicaid.

2.   HHS should collaborate and coordinate with other agencies at the federal level in order to help streamline third-party verification processes.

- Federal law should be changed to add LIHEAP to Section 1137 of Social Security law[2], thereby enabling LIHEAP potential access to the real-time State Online Query (SOLQ) system. Based upon the group's research and on information from its SSA representative, it appears that Section 1137, part of Title IV-A of the Social Security Act, authorizes an Income Eligibility Verification System, a statutorily required data matching system applicable to SNAP, TANF, Medicaid, and other programs ― but not to LIHEAP. The group encourages HHS to investigate the inclusion of LIHEAP into the relevant law or laws that would then allow grantees timely access to the above-referenced online system or other relevant systems.

- HHS, the Department of Agriculture (the SNAP administrator) and other federal agencies, including but not limited to the Social Security Administration (SSA), should collaborate to assure that identity and income information available through other program databases is accessible and available to LIHEAP.

  A high percentage of LIHEAP applicant households already receive benefits such as SNAP, TANF or Medicaid. In most cases, application for these programs involves collection and verification of client information (e.g. identity, income) through SSA. To the extent LIHEAP agencies can utilize verifications already conducted by these programs, such utilization can enhance program integrity while improving efficiency and reducing costs. The group believes it would be helpful if HHS, in conjunction with other federal agencies, could provide political support for this type of data exchange. Such collaborations, the group believes, would be an important step in bringing grantees that currently are not conducting identity and income verifications up to a higher standard. Such collaborations also would likely be less expensive and time-consuming than having each state's LIHEAP office establish separate agreements to allow these data exchanges.

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[2] http://www.ssa.gov/OP_Home/ssact/title11/1137.htm

3. HHS should perform an in-depth cost-benefit analysis of various third-party verification measures.

Although the LIHEAP Program Integrity Work Group has been able to offer general analysis of various internal controls, the group requests that HHS conduct a more in-depth, cost-benefit analysis of third-party automated verification systems. This is consistent with the GAO recommendation that HHS:

> *"Evaluate the feasibility (including consideration of any costs and operational and system modifications) of validating applicant and household member identity information with SSA."*

During a time of limited LIHEAP funds and expanding enrollment, the group believes that a cost-benefit analysis will help grantees make critical decisions and plan appropriately in regard to preventing and detecting LIHEAP fraud. The priority for these analyses should be placed on those systems identified in the GAO report, particularly the SSA data exchange processes.

4. HHS should develop LIHEAP-specific guidance for the A-133 Audit.

The group requests that HHS develop expanded guidance to tailor A-133 to LIHEAP. The A-133, also known as the Single Audit, is a standardized audit required of states, local governments, and tribal governments that receive and use federal financial assistance. The group notes that the audit guidance is written in a general sense for all federal funds and that guidance is needed to address the LIHEAP program's internal control requirements. Members believe that LIHEAP may not be given full attention and consideration by auditors; rather, they tend to focus on the larger programs, and, as a result, LIHEAP may not be properly audited and may be more vulnerable to fraud and misrepresentation.

5. Training and Technical Assistance (T and TA)

During its year-long deliberations, the working group identified numerous resources currently used by members, other grantees and other programs that it believes will help LIHEAP grantees enhance program integrity; it also suggested methods by which the group and other stakeholders can help HHS disseminate these resources to other LIHEAP grantees, and it identified many more areas where additional research and training and technical assistance are needed. These resources and T and TA recommendations are too detailed to present here; however, the group identified two critical needs related to T and TA:

- Current funding for LIHEAP training and technical assistance is inadequate, especially compared to similar programs such as the Community Services Block Grant and the Weatherization Assistance Program, which work with the same agencies and clientele as LIHEAP. Utilizing the reauthorization process and other available avenues, HHS should strive to attain a regular, annual LIHEAP T and TA allocation in line with the formula or formulas used by these programs.

- Grantees' ability to collect, share and analyze program data and thereby enhance program integrity, varies widely and is limited by outdated or inadequate information technology (IT) systems. The group concurs that sound program integrity correlates positively to a grantee's IT capabilities. It recommends that HHS and stakeholders research and identify IT standards and thereby assist all grantees in enhancing or modernizing their systems with a goal of bringing all grantees up to a reasonable standard, based on their level of funding, client populations, type of administration, etc.

More information is available in the Recommendations and Process sections of the report.

II. WORKING GROUP OVERVIEW

A. PURPOSE

As part of its response to the GAO report, the Department of Health and Human Services did the following:

- Issued guidance to states via an Information Memorandum (IM)[3] dated May 5, 2010, including new guidance affirming that states *may* use Social Security Numbers (SSN) to validate that individuals and households receiving LIHEAP benefits are eligible and in need of the services (The memorandum concluded that HHS lacked the authority to require states to mandate provision of SSNs but states *do* have the authority under the Privacy Act to choose to require the provision of SSNs.)

- Issued guidance to states in the above-mentioned IM encouraging them to exercise diligence when qualifying LIHEAP applicants by making use of government systems, such as prisoner databases and the Social Security Enumeration Verification System to ensure validity of applicants and household members and decrease error

- Issued an Action Transmittal (AT)[4] requiring that states report on their systems for ensuring program integrity, including provisions to prevent waste, fraud and abuse, and provisions to assure LIHEAP vendor validity as a supplement to their FY 2011 state plans, which were due to HHS September 1, 2010

- Implemented a LIHEAP Program Integrity Working Group (LPIWG) using training and technical assistance resources in the LIHEAP law and selected a contractor, the National Center for Appropriate Technology (NCAT), to coordinate the working group, starting December 29, 2010

As instructed by HHS, the group's overarching purpose was to collect information on program integrity systems that detect, prevent and correct waste, fraud, and abuse in public benefits programs, focusing on the LIHEAP program, as well as address possible waste, fraud, and abuse by clients, vendors, and program staff. NCAT was responsible for soliciting group members, hiring a meeting facilitator, organizing the conference calls and the in-person meetings, taking the minutes, reporting to HHS, and assisting the group in developing the project's final report.

Specifically, HHS asked the working group and NCAT to:

- Develop a work plan for a 12-month project period
- Identify program integrity issues to be reviewed by the group
- Identify program integrity systems currently used by LIHEAP grantees to detect, prevent, and correct waste, fraud and abuse by clients, vendors and program staff (Summaries or copies of 2011 Program Integrity Plan supplements were provided to NCAT by HHS.)
- Identify different needs and program integrity strategies for various types of state LIHEAP programs and local level providers
- Identify best practices and solutions
- Identify barriers to LIHEAP grantees in establishing or improving program integrity controls and systems

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[3] http://www.acf.hhs.gov/programs/ocs/liheap/guidance/information_memoranda/im10-06.html
[4] http://www.acf.hhs.gov/programs/ocs/liheap/guidance/action_transmittals/at10-06_1.html

- Develop a system to facilitate the exchange among grantees of best practices; and
- Assist the contractor (NCAT) in developing a final report that identifies:

  - Barriers, solutions and standards for program integrity systems both at the grantee and subgrantee levels
  - Plans to disseminate information and provide guidance and training to LIHEAP grantees
  - Other information deemed necessary by the group, and
  - Next steps for the contractor, LIHEAP grantees, and HHS

B. COMPOSITION

HHS requested that the working group include the following:

- At least one state LIHEAP grantee from each HHS region
- Up to four directly-funded tribes or territories ensuring that both small (less than $250,000 per year in LIHEAP funding) and large tribes or territories be represented
- Up to two representatives from separate national stakeholder organizations with a direct interest in energy policy or low-income social services
- Up to four representatives from federal agencies that have a role in identifying the identity or incomes of LIHEAP household members or have a direct interest or impact on LIHEAP program integrity efforts

By January 7, 2011, NCAT had finalized the selection of the working group. The initial group totaled 26 members, including representatives from 13 states, two tribes and two territories, three federal agencies and two national groups. It also included representatives from four local LIHEAP administering agencies (two counties and two nonprofit community action agencies). The states represented all of the 10 federal regions. In the selection process, NCAT strove for balanced representation from large and small states, from states with local administration through county welfare offices versus nonprofits, from states with centralized versus non-centralized operations and databases, and from local administering agencies.

The members were asked to sign a confidentiality agreement requiring them to refrain from discussing the group's deliberations with anyone outside the group. (Appendix A lists the group members and the entities they represent.)

C. SCHEDULE

The group was assigned to meet monthly for a year and to hold at least one face-to-face meeting in Washington, DC. NCAT selected the firm APPRISE to facilitate its monthly conference calls and the face-to-face meetings. The group began meeting on January 24, 2011, and held monthly conference calls thereafter through December 2011, as well as two face-to-face meetings in Washington, DC ― the first on May 5th and 6th, 2011, the second on October 11th and 12th, 2011.

D. TRIBAL AND TERRITORIAL GRANTEES

NCAT and HHS became aware early in the process that tribal and territorial participation in the group discussions was limited, perhaps because their needs as small grantees were not being addressed. NCAT and HHS determined that a more representative method was needed in order to attain input from these grantees.

Toward that end, NCAT conducted interviews with 14 different tribes and reviewed 2011 program integrity supplements from 22 tribes and 3 territories. Section V., Special Considerations for Tribal Grantees and Territorial, is the result of NCAT's investigation, including its recommendations for enhanced program integrity systems for these grantees.

Because much of the group discussion focused on state grantee practices, and much information was obtained from state grantee surveys, the observations and recommendations made throughout this document are applicable to state grantees only, with the exception of those made in Section V.

III. GROUP PROCESS

A. GOALS

During its first conference call on January 24, 2011, the group established the following goals:

1. Review, analyze, and respond to the issues raised by the GAO report, and, in the process, strive to help LIHEAP grantees and subgrantees strengthen program management and internal controls, enhance program integrity, and thereby improve the quality and delivery of LIHEAP services

2. Help grantees establish appropriate systems and procedures to prevent, detect, and correct waste, fraud, and abuse by clients, vendors, and administering agencies

The group agreed that while it was important for it to thoroughly address the GAO findings, it was equally important to address additional program integrity issues identified during its discussions.

The group noted the importance of existing research, various programs synergies and LIHEAP's unique features in its deliberations:

- ***Existing LIHEAP research:*** HHS has convened LIHEAP performance measures (PM) development and implementation groups that have been working for several years to establish and quantify LIHEAP's performance outcomes, and thereby better evaluate its effectiveness on a state and a national basis. (Three members of the PI working group also served on the PM implementation group.) During 2010, the PM implementation group surveyed, among other things, states' data collection, reporting and information technology (IT) capabilities as well as their technical assistance needs across these areas. The survey implicitly confirmed that some states were more advanced than others in areas of fraud prevention, detection and correction. These and other findings from the PM group could be useful to the PI group and the group should build upon rather than duplicate them.

- ***Other federal programs:*** Other federal means-tested programs, including but not limited to, the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) provide benefits to low-income households — often the same households receiving or applying for LIHEAP. Therefore, these programs are likely to already have in place effective procedures for internal controls and fraud prevention that LIHEAP could build upon in full or in part.

- ***The unique nature of LIHEAP***: As a block grant and a predominantly seasonal program, LIHEAP is unlike most of the other federal means-tested programs. Grantees operate their programs with considerable variation and flexibility. Unlike most other federal means-tested programs, LIHEAP households normally receive only one regular benefit per year and agencies are required by statute to resolve energy emergencies within 48 hours and life-threatening emergencies within 18 hours. The majority of LIHEAP payments are made to energy providers on behalf of eligible households, adding an additional layer of accountability concerns not present in SNAP and TANF.

B. STRATEGIC PLAN

During its initial meetings, the group reviewed a draft strategic plan outlined by NCAT (Appendix B) and agreed it would focus on the following areas of LIHEAP program integrity and internal controls: 1) data sharing and accountability (later changed to eligibility), 2) fiscal management and integrity, and, 3) oversight and monitoring. The group later added fraud investigation and prosecution as another program area. Subcommittees for each program area were formed to conduct additional research and hold conference calls as needed.

For the remainder of 2011, during full group conference calls, subcommittee calls and two face-to-face meetings, the group reviewed each of the above program areas. For the first three program areas, members identified problem statements and goals, strategies to achieve each goal, and barriers to implementing the recommended strategies. The group also agreed that it was important to identify training and technical assistance methods related to program integrity, including recommended strategies for sharing best practices with LIHEAP grantees.

Goals and strategies for all program areas were incorporated into a template, then further refined into basic, enhanced and best practices designed to prevent, and detect waste fraud and abuse. For the purpose of this report, categories are defined as follows:

- **Basic Practices** are those processes that all grantees should currently have in place.
- **Enhanced Practices** are more refined, stricter program processes.
- **Best Practices** reflect the highest standard of program integrity.

Additionally, the group rated each strategy as to whether its initial and operational costs to grantees would be low, moderate, or high, and whether adverse impacts on clients would be low, moderate or high. While best practices assume that centralized information technology (IT) systems are in place at the state and local level, the group recognized that many practices would require significant investments by grantees and local agencies in order to modernize their data collection and IT systems. This is explained further in the Recommendations section regarding expanded training and technical assistance funding (T and TA) from HHS.

State level variation served as the rationale behind this "tiered" approach. Members stressed that grantees' achievement of enhanced and best practices, and, in some areas even basic practices, should be incremental, that is, implemented over time, in recognition of the variety and uniqueness of LIHEAP programs, including, but not limited to, a grantee's service delivery model, i.e., utilizing local nonprofits versus county welfare offices, and mail-in versus in-person applications; data collection systems, i.e., centralized versus decentralized and a grantee's degree of automation, funding and resources. The group concurred that there should be a reasonable timeframe by which all grantees should achieve best practices but that timeframe should be established by grantees and HHS after both have reviewed this report.

1. Eligibility (Data Sharing and Accountability)

The group's primary goal in this area is to "*ensure that only eligible households receive LIHEAP benefits.*"

The group began by reviewing data sharing and accountability processes related to client eligibility in order to address a key GAO report conclusion: that in the selected states LIHEAP benefits had been issued to persons who were ineligible because they were deceased, in prison, in nursing homes, had invalid or no SSNs, or were over-income.

During early conference calls, the group discussed and identified current LIHEAP eligibility processes used by various LIHEAP grantees to prevent, detect, and correct fraud. At the same time, it attempted to identify weaknesses and inadequacies in these processes.

Members agreed with the GAO report that there is a risk of fraud during LIHEAP intake and eligibility determination ─ primarily when clients provide invalid or inaccurate information related to identity, income, address, household size, home energy obligation (whether the applicant is responsible for heating and cooling bills) and energy vendor.

However, some members emphasized that client fraud is not the primary program integrity risk within LIHEAP. Instead, they believed that there was greater fraud potential through program employees (e.g., local intake staff approving benefits for themselves, or for ineligible friends or relatives). In these particular cases, the amount of fraudulently obtained benefits is potentially much higher than fraud associated with client eligibility. (It is important to note that employee fraud was not mentioned in the GAO report.)

The group agreed that the second highest risk to LIHEAP program integrity is associated with vendor fraud, which was discussed in the GAO report. The GAO reported that it created a fictitious energy company, used fake addresses, and fabricated documents to apply for energy assistance in West Virginia and Maryland. It also created fictitious landlords. As a result, claims were processed and LIHEAP benefits were issued and mailed to GAO's fake company and landlords.

Another key recommendation from the GAO centered on the feasibility of verification of applicant SSNs through the SSA. Group members noted that this was a key concern among state grantees after the report was released. Many members agreed that collection and verification of SSNs through automated exchanges with the SSA should not be considered a "silver bullet" solution to potential program fraud ─ but rather should be considered as one tool within a larger, risk prevention framework.

Citing limited program resources, several members were concerned that grantees would be required to invest significant time and staffing to implement third-party verification systems. This anxiety was compounded by mixed opinions on the extent to which verifications can actually prevent or reduce fraud. For example, some members already conducting verification of SSN's were unsure of their accuracy and their cost effectiveness (i.e., whether the costs of verification systems are outweighed by the amount of fraud prevented and detected). Others pointed to the need for a cost-benefit analysis of the verification systems.

Some members were frustrated that "real time" access to information through an SSA exchange called State Online Query (SOLQ) system is not available to LIHEAP workers, although it is available to TANF, SNAP and other programs. One state director noted that her state formerly had access to SOLQ, which was especially valuable in verifying Social Security income for elderly applicants who had forgotten to bring in their benefit documentation. The state said its SOLQ access was withdrawn because LIHEAP is not mentioned in the authorizing legislation for SOLQ. As a result, applicants were turned away until they could produce their income documentation.

SOLQ is one of several verification systems accessible through SSA; the one used by GAO in its audit was the Enumeration Verification System. States using the latter (and other SSA verification systems), said they are not "real time" and that the timeliness of SSA data matches varied from overnight to more than a week. In states' responses to the GAO audit that were included in the report, three suggested that identity and income verification would be greatly enhanced by allowing LIHEAP access to SOLQ.

In the group's initial discussions of client eligibility issues, some members stated that an important component of eligibility is whether the applicant and all household members are citizens of the United States. This was not addressed in the GAO report, and an HHS representative told the group that federal guidance on the issue is outdated and that new guidance may be pending. Therefore, the group concluded that grantees' practices related to requesting and verifying citizenship status were beyond its scope and that it would defer making any recommendations until guidance on the topic has been finalized at the federal level.

Some members stated that clients providing fraudulent income information may be a greater program risk than fraudulent identity. Furthermore, they stated that income can be harder to verify than identity because cross-checking multiple databases (e.g., SSA, retirement accounts, employers, other state databases) is usually necessary to ensure adequate verification. Several members cited an online verification system called "The Work Number" as cost prohibitive.

Finally, some group members were concerned that imposing stricter identification and documentation requirements on already vulnerable households could discourage needy applicants and cause undue hardship.

Throughout all group processes, members consistently acknowledged that grantees vary widely in the extent to which they collect and verify client information, including verification with the "third-party" sources suggested in the GAO report such as the SSA, state and federal wage and prison records, new hire databases, and other means-tested programs. This is confirmed through a 2010 grantee survey by the performance measures group, as well as from information obtained by HHS from the Program Integrity Supplements that all grantees were required to submit for fiscal year 2011.

For example, HHS summaries of 2011 Program Integrity supplements (see Appendix E, Resources) showed the following:

- 27 states require applicants to submit SSNs
- 15 states request applicants to submit SSNs
- 13 states began requiring SSNs in FY 2011
- 1 state said it lacks authority to require SSNs
- 14 states verify SSNs through the SSA
- 17 states do not check SSNs with any government database
- 47 states require documentation of income, primarily through client information such as paycheck stubs, benefit award letters, tax returns, etc.
- 18 states verify income through computerized systems

The 2010 performance measures survey revealed that some states have automated and centralized systems that allow data transfer among federal, state and local agencies, and, in some cases, among the state, local agencies and vendors. Some have a combination of centralized and decentralized systems, while a few have largely paper systems. The states also vary by how much data is transferred electronically. (This is addressed further in the Recommendations section and under Barriers listed below.)

With this information in mind, the group developed goals and strategies related to those eligibility processes where fraud is most likely to occur, i.e., client identity, income, address, household size, home energy obligation and vendor. It then incorporated the goals and strategies, along with barriers to achieving the strategies, into the template.

The final eligibility template, as shown below, was adopted by the group at its October 2011 meeting in Washington, DC, to be used in this report as a basis for its recommendations to HHS.

Barriers: eligibility

During its October, 2011, meeting, the group identified barriers to the practices outlined in the Eligibility template as follows:

- **Lack of funding/resources:** Grantees and/or local agencies often lack adequate staffing and equipment (hardware and software) to conduct data exchanges with other agencies and vendors in order to verify client information or to verify it in a timely fashion. Such exchanges require a centralized, automated IT system, which, according to the HHS performance measures survey, fewer than half of the state grantees have.

- **Lack of federal mandate on SSNs**: With the release of the HHS IM of May 5, 2010, collection of SSNs by LIHEAP agencies was strongly encouraged by HHS. Members stated that lack of a mandate hindered data sharing among state agencies and created confusion among local agencies and clients. One member said her state would require a federal mandate before it would allow LIHEAP agencies to require SSNs.

- **Lack of cooperation and coordination between federal and state agencies:** The key barrier cited here concerned the SSA data sharing agreement process. Before states can receive verification of SSNs from the SSA, they (the state LIHEAP grantee) must enter into an agreement with SSA, a process that begins with the state's SSA regional representative. Before the agreement is finalized, the SSA must approve the state's IT systems and data confidentiality and security systems. States that have been involved in the agreement process said it is an extremely time-consuming, cumbersome and costly process, depending on the type of verification requested. Completing a SSA data exchange agreement can take more than a year.

- **Lack of "real time" data:** Even among members that have agreements in place and that conduct verifications, LIHEAP lacks access to real time data, members said. Instead, data matches through other SSA systems may be accomplished overnight or may take a week or more. Members pointed out that real time verification is available through the State Online Query (SOLQ) system, but the system is not available to LIHEAP.

- **Lack of cooperation and coordination among state agencies:** As mentioned above, LIHEAP agencies may have no access to TANF, SNAP or other program databases within their states. This may be due to privacy laws, lack of an acceptable data exchange agreement, and/or lack of cooperation from the agency or agencies administering the other programs. (Generally, when LIHEAP is administered by the same office that administers the larger programs such as TANF and SNAP, LIHEAP is able to conduct exchanges, with the SOLQ exception cited above.)

- **Lack of energy vendor agreement or participation:** Verification of client information, especially address, and energy costs and consumption, is crucial to determining eligibility and benefit levels. If the grantee lacks a vendor agreement, or it is inadequate, or a vendor refuses to participate in LIHEAP, or to otherwise cooperate with the program, the eligibility process may be delayed and could come to a standstill. Furthermore, the grantee may not have a system that can conduct exchanges and matches to verify incorrect or falsified account numbers.

- **Inability to match addresses:** The grantee may lack a system that standardizes addresses. Such a system is critical in checking for duplicate, falsified or non-existent addresses and in preventing a household from receiving more than one payment. Because there is a high level of transience in the LIHEAP population, members stated that address information is critical.

- **Crisis assistance policies:** Because LIHEAP agencies must resolve an energy emergency within 48 hours of the client's application (or 18 hours if an emergency is life-threatening), agencies may not have the time or resources to verify client identity or income; thus, ineligible households may receive crisis benefits.

- **State privacy laws:** Some members said state privacy laws, or lack of clarity about them, could impact federal requirements regarding collection and verification of client information.

- **Income documentation challenges:** Members noted that it's not unusual for an applicant to have two or three jobs or to be self-employed, to be paid in cash, or to declare the household has zero income. All of these require additional time, documentation and cross-checking.

- **Other state policies:** Public utility commissions or utilities may have standards and regulations on how and when a name can change on a utility account or who has the authority to change a name. Changing a name on a utility account may be a cost burden for the client.

Resources

The group heard presentations from representatives of various federal programs. For example a SNAP representative provided information on how SNAP investigates fraud and its handling of SSA collection and verification. A representative from the SSA provided an overview of SSA's data agreement process, and data confidentiality and security requirements. Also made available to the group were processes used by the states of Nebraska and Pennsylvania relating to fraud prevention and detection in the eligibility process, and sample data exchange agreements with SSA from Maine and Missouri. These presentations are included in Appendix E, Resources.

LIHEAP ELIGIBILITY

	Basic	Enhanced	Best Practice	Barriers
GOAL: ENSURE THAT LIHEAP BENEFITS ARE PROVIDED ONLY TO ELIGIBLE HOUSEHOLDS				
IDENTITY	GOAL: ENSURE ACCURACY OF APPLICANT AND HOUSEHOLD MEMBER IDENTITIES			
Strategy	Require SSN for primary applicant and request SSN for all household members with exceptions.	Require SSN and proof of SSN for all household members with exceptions.	Require SSN and proof of SSN for all household members with exceptions. Verify with SSA. Require some form of identification.	• lack of federal mandate • state privacy laws • households lack SSNs • lack of computer systems • lack of cooperation and coordination btw feds and states • SSA agreement process • funding
Initial Cost	low	moderate	high if system not in place, moderate and low (if system in place)	
Operational Cost	low	moderate	low - moderate	
Client Impact	low	high	low - moderate	
INCOME	GOAL: ENSURE HOUSEHOLD INCOME IS WITHIN FEDERAL AND STATE GUIDELINES			
Strategy	Gather proof of income including zero-income documentation for all household members allowing for state variations.		Gather proof of income for all household members including zero-income documentation allowing for state variations. Verify with 3rd party queries.	• data sharing coordination • access to 3rd party verification • cost • staff • lack of state policy/procedure • 48-hour policy • vendor agreement to accept payment • nature of income
Initial Cost	moderate		high	
Operational Cost	low - moderate		moderate - high	
Client Impact	moderate - high		moderate - high	
CITIZENSHIP	GOAL: AWAIT CLARIFICATION ON POLICY FROM HHS			

LIHEAP ELIGIBILITY

	Basic	Enhanced	Best Practice	Barriers
CLIENT ADDRESS	GOAL: ENSURE CLIENT ADDRESS IS VALID AND MATCHES ENERGY PROVIDER INFORMATION			
Strategy	Applicant provides home energy address on application and address documentation.	Applicant provides home energy address on application and address documentation. Address is validated with vendor when possible.	Applicant provides home energy address on application and address documentation. Address is validated with vendor when possible. Use data system to standardize address and check for duplicate addresses e.g. CD1P and Pitney Bowes.	• non-standardized address • rural addresses • no systems in place • vendor cooperation
Initial Cost	low	moderate	moderate - high	
Operational Cost	low	moderate	low - moderate	
Client Impact	low	low	low	
HOME ENERGY OBLIGATION	GOAL: ENSURE HOUSEHOLD HAS RESPONSIBILITY FOR HOME ENERGY			
Strategy	Applicant provides energy bill or other proof and documentation of energy responsibility.	Applicant provides energy bill or other proof and documentation of energy responsibility. Validate household account with vendor.	Applicant provides energy bill or other proof and documentation of energy responsibility. Validate household account with vendor. Automated account verification as much as possible prior to payment.	• energy vendor partnership • IT systems • lack of current policy • lack of funding • public utility policies • client cost
Initial Cost	low	moderate	high	
Operational Cost	low	moderate	moderate	
Client Impact	moderate	moderate	moderate	

2. Fiscal management

The group's primary goal in this area was to *"ensure all LIHEAP funds are properly spent and accounted for."*

As with the eligibility process, the group discussed and identified fiscal management processes currently used by themselves and other LIHEAP grantees to prevent, detect, and correct fraud while at the same time attempting to identify and address weaknesses and inadequacies in these processes that could leave grantees and local agencies open to financial mismanagement and fraud.

The group considered the following to be critical components of sound fiscal management:

- **State fiscal controls:** Policies and procedures are in place to comply with federal regulations and guidelines.

- **Local agency fiscal controls:** Policies and procedures are in place to ensure compliance with state and federal law, policies and procedures, and relevant contract provisions.

- **Local agency training:** Training in place to prevent or detect improper payments and administrative errors, as well as separation of duties to prohibit the same employee from both processing applications and authorizing benefits.

- **Vendor fiscal controls:** Vendor authenticity and eligibility are validated through licensing, certification, Tax ID numbers, and other means as determined by the state, and vendors' adherence to stipulations of vendor agreement and applicable law, policies and procedures is ensured.

- **Benefit payment and tracking:** Systems are in place to properly allocate, track and verify payments, detect and address duplicate and improper payments, and identify anomalies in the payment process. To the extent possible, system tracking should be proactive, i.e., problems are identified before a payment is made, rather than reactive, i.e., problems discovered during the program audit or after the payment has been made.

Regarding vendor controls, members cited the importance of ensuring that requirements placed upon smaller vendors, especially non-regulated vendors in rural areas, are not too onerous because this could result in some clients having no vendor and, thus, no access to LIHEAP.

As with eligibility, members stressed that grantees' achievement of the recommended practices should be incremental; that is, implemented over time, in recognition of the variety and uniqueness of LIHEAP programs, including, but not limited to, a grantee's service delivery model, i.e., utilizing local nonprofits versus county welfare offices, and mail-in versus in-person applications; data collection systems, i.e., centralized versus decentralized and a grantee's degree of automation, funding and resources.

The group concurred that there should be a reasonable timeframe by which all grantees should achieve best practices but that timeframe should be established by grantees and HHS after both have reviewed this report.

As with eligibility, the group incorporated its suggestions for basic, enhanced and best practices into the template, and rated them as low, moderate or high in terms of initial and operational costs, as well as adverse impacts on clients.

The group adopted the fiscal management template at its October 2011 meeting in Washington, DC, to be used in this report as a basis for the recommendations to HHS.

Barriers: fiscal

During its October meeting, the group identified barriers to the practices on the fiscal management template as follows:

- **Lack of funding/resources:** The overriding barrier under fiscal management, the group agreed, is capacity. For example, staff at the state and local level may lack adequate fiscal management skills. They may also lack centralized and integrated data systems; thus, their ability to manage contracts and to track and report expenditures is hampered. All of these stem from a lack of funding to hire adequate staff, provide training, and modernize IT systems.

- **Timeliness and consistency of funding:** State and local agencies report that program planning and budgeting for system and staff expansions are hampered by the lack of timeliness and consistency of LIHEAP funding. In recent years, final LIHEAP funding levels haven't been determined until February or March, well into the fiscal year for most grantees, and LIHEAP funding sometimes varies dramatically from year to year.

- **Number of vendors:** Many states have hundreds of small vendors, especially those with a high percentage of clients using heating oil, propane or other delivered fuels. Group members said that it can be time-consuming and expensive to verify the authenticity of all their vendors, and it is impossible to adequately monitor all of these vendors. Furthermore, state policies and procedures that apply to large vendors may be more difficult for smaller vendors to meet.

- **Politics**: Vendor relations, especially with smaller, non-regulated ones, can influence policies. In some states, vendor organizations have significant political clout, which can influence LIHEAP policies and procedures.

- **Conflicts of interest are difficult to detect:** Examples include grantee or agency self-monitoring or employees processing their own or a relative's application, especially in small offices where there are two few staff for separation of duties.

Resources

The group heard a presentation from the Colorado LIHEAP on its data mining process and fraud prevention training that are instrumental in detecting anomalies in payment procedures that could be fraudulent. (See Appendix E, Resources.)

FISCAL MANAGEMENT

GOAL: ENSURE THAT ALL LIHEAP FUNDS ARE PROPERLY SPENT AND ACCOUNTED FOR				
STATE FISCAL CONTROLS	GOAL: POLICIES AND PROCEDURES IN PLACE TO PROPERLY SPEND AND TRACK ALL PROGRAM FUNDS			
	Basic	Enhanced	Best Practice	Barriers
LOCAL AGENCY PROCESSES, SYSTEMS, CONTROLS	GOAL: GUIDELINES, POLICIES AND PROCEDURES IN PLACE TO PROPERLY SPEND AND TRACK ALL PROGRAM FUNDS			
Strategy	Require contract (or state regulations) with local agencies that establishes rights and responsibilities of local agencies and ensures that they follow generally accepted accounting principles and have an appropriate financial audit.	Require contract (or state regulations) with local agencies that establishes rights and responsibilities of local agencies and ensures that they follow generally accepted accounting principles and have an appropriate financial audit. Require each local agency to develop detailed plan for fulfilling responsibilities.	Require contract (or state regulations) with local agencies that establishes rights and responsibilities of local agencies and ensures that they follow generally accepted accounting principles and have an appropriate financial audit. Require local agency to develop a comprehensive local plan for fulfilling responsibilities that details internal training, evaluation, monitoring, and technical assistance as needed.	• local capacity • fiscal and management skills • time • centralized systems • funding • expertise in contracting • conflict of interest • lack of T&TA funding • funding not timely or consistent
Initial Cost	low - moderate	moderate	moderate - high	
Operational Cost	low - moderate	low - moderate	moderate - high	
Client Impact	low	low	low	

FISCAL MANAGEMENT

	Basic	Enhanced	Best Practice	Barriers
ENERGY VENDOR FISCAL CONTROLS	GOAL: ENSURE VENDOR AUTHENTICITY AND ADHERENCE TO STIPULATIONS OF VENDOR AGREEMENT			
Strategy	Vendor agreement with exceptions and identification is verified (e.g. tax ID#, business registration). Assure vendor is not on contractor debarment list.		Vendor agreement with exceptions and identification is verified (e.g. tax ID#, business registration). Assure vendor is not on contractor debarment list. Vendor monitoring (such as site visits, random audits, payment sampling, web portal, and document review) - could be subcontracted.	• large number of vendors • small vendors • staff resources • capacity and capability • lack of vendor offices to monitor • politics • vendor participation
Initial Cost	moderate - high		moderate - high	
Operational Cost	moderate		moderate - high	
Client Burden	low		low - moderate	
BENEFIT PAYMENT AND TRACKING	GOAL: ENSURE BENEFITS ARE PROPERLY ALLOCATED, TRACKED AND VERIFIED			
Strategy	Establish policies and procedures to properly allocate and track payments.	Establish policies and procedures to properly allocate and track payments. Implement system to detect duplicate and improper payments prior to issuing payment.	Establish policies and procedures to properly allocate and track payments. Implement system to detect duplicate and improper payments prior to issuing payment. Create and maintain processes to identify anomalies in payment information.	• data systems • capacity and capability to use advanced techniques
Initial Cost	low	moderate - high	moderate - high	
Operational Cost	low	low - moderate	low - moderate	
Client Burden	low	low	low	

3. Oversight and monitoring

The primary goal determined for this area was *"to ensure compliance with federal and state LIHEAP policies, procedures and law."*

The group reviewed processes in the following areas: monitoring, training, data review, internal controls, vendor oversight, confidentiality and data security, and service quality and established for each the following goals:

- **Monitoring:** Ensure subgrantee compliance with state and federal guidelines, policies and procedures

- **Training:** Ensure all stakeholders are aware of and understand state and federal guidelines, policies and procedures and contractual requirements

- **Ongoing data review of anomalies:** Proactively address potential areas for fraud or risk of fraud

- **Internal controls:** Ensure systems can identify, anticipate and prevent risk to public resources

- **Energy vendor:** Ensure vendor performance through documentation and monitoring

- **Confidentiality and data security:** Ensure security of all systems and data therein

- **Service quality:** Ensure avenues exist for review and resolution of stakeholder concerns

As with eligibility and fiscal management, members stressed that grantees' achievement of the recommended practices should be incremental that is, implemented over time, in recognition of the variety and uniqueness of each grantee's LIHEAP, and that there should be a reasonable timeframe by which all grantees should achieve best practices but that timeframe should be established by grantees and HHS after both have reviewed this report. And, as with eligibility and fiscal management, the group incorporated its suggestions for basic, enhanced and best practices into the template, and rated them as low, moderate or high in terms of initial and operational costs and adverse impacts on clients.

The monitoring template was adopted by the group at its October meeting in Washington, DC, to be used as a basis for its recommendations to HHS.

Barriers: oversight and monitoring

- **Lack of funding/resources**: Most grantees do not have adequate staff, data systems and travel funding in order to conduct proper training and monitoring.

- **Lack of adequate monitoring:** Members were concerned that LIHEAP may not be properly monitored due to lack of sufficient requirements or guidelines regarding the A-133 or Single Audit. While all entities that receive federal funds must submit an A-133 audit annually, group members said that it is not sufficiently tailored to LIHEAP; as a result, auditors may focus on the larger programs and pay insufficient attention to LIHEAP, leaving it vulnerable to mismanagement and fraud.

- **Lack of ongoing guidance and training from HHS:** Members expressed a need for specific examples of recommended or best practices. (These are detailed in the Recommendations section under training and technical assistance.)

- **Large number of subgrantees:** As with vendors, the group expressed concern that adequate monitoring of local agencies can be challenging or impossible depending on the number of agencies.

Resources

The group heard a presentation from the Minnesota LIHEAP on its internal controls framework. Massachusetts shared its toolkit and training on fraud prevention and awareness. (See Appendix E, Resources.)

OVERSIGHT

	Basic	Enhanced	Best Practice	Barriers
GOAL: ENSURE COMPLIANCE WITH FEDERAL AND STATE LIHEAP GUIDELINES				
STATE MONITORING of SUBGRANTEES	GOAL: ENSURE SUBGRANTEE COMPLIANCE WITH FEDERAL, STATE GUIDELINES, POLICY/ PROCEDURES			
Strategy	Periodic data review and desk or on-site monitoring every three years of every subgrantee and review of annual single audits.	Ongoing data review and annual risk assessment of every subgrantee to determine if on-site monitoring is required.	Ongoing monitoring process of subgrantees with an annual on-site monitoring of every subgrantee using an information system that supports the monitoring process.	• cost • staff • data system • staff training • travel requirements
Initial Cost	low - moderate	moderate	high	
Operational Cost	low - moderate	moderate	high	
Client Burden	low	low	low	
TRAINING	GOAL: ENSURE ALL STAKEHOLDERS ARE AWARE OF AND UNDERSTAND POLICIES, PROCEDURES, STATUTES AND CONTRACTUAL REQUIREMENTS			
Strategy	Written policies developed and distributed annually or more often as needed.	Written policies developed and distributed annually or more often as needed. Notify of program changes by conducting training sessions such as webinars.	Written policies developed and distributed annually or more often as needed. Notify of program changes by conducting training sessions such as webinars. Conduct face to face and on-site visits annually or more frequently as needed.	• staff • resource allocations • expertise in policy and statute procedures and contracts • lack of stakeholder participation or consensus
Initial Cost	moderate - high	moderate	moderate - high	
Operational Cost	low	moderate	high	
Client Burden	low	low	low	

OVERSIGHT

	Basic	Enhanced	Best Practice	Barriers
ONGOING DATA REVIEW FOR ANOMALIES	GOAL: PROACTIVELY IDENTIFY POTENTIAL AREAS FOR FRAUD OR RISK OF FRAUD			
Strategy	Periodic data review of subgrantees and desk or on-site monitoring every year.	Ongoing data review of subgrantees to determine if on-site monitoring is required.	Ongoing data review of subgrantees with annual on-site monitoring.	• cost • staffing • adequate data systems • skill set • lack of protocols and procedures
Initial Cost	high	high	high	
Operational Cost	moderate	moderate - high	high	
Client Burden	low	low	low	
INTERNAL CONTROL FRAMEWORK (ICF)	GOAL: ENSURE SYSTEMS CAN IDENTIFY, ANTICIPATE AND PREVENT RISK TO PUBLIC RESOURCES			
	Set of standard operating procedures in line with applicable OMB circulars.	Set of standard operating procedures in line with applicable OMB circulars. Comprehensive ICF that has Committee of Sponsoring Organizations (COSO) standards.	Set of standard operating procedures in line with applicable OMB circulars. Comprehensive ICF that has COSO standards. ICF is regularly reviewed and updated.	• support of leadership • funding • resources and staffing • acquiring knowledge
Initial Cost	low - moderate	high	moderate	
Operational Cost	low	moderate	high	
Client Burden	low	low	low	

OVERSIGHT

	Basic	Enhanced	Best Practice	Barriers
ENERGY VENDOR OVERSIGHT	GOAL: ENSURE VENDOR PERFORMANCE THROUGH DOCUMENTATION AND MONITORING			
Strategy	Signed vendor agreement or written assurance that vendor is providing equitable benefits and service delivery.	Signed vendor agreement or written assurance with occasional vendor monitoring and documentation that vendor is providing equitable benefits and service delivery.	Signed vendor agreement or written assurance with regular vendor monitoring and documentation that vendor is providing equitable benefits and service delivery with additional documentation.	• large number of vendors • small vendors • staff resources • capacity and capability • lack of vendor offices to monitor • politics • vendor participation
Initial Cost	moderate - high	moderate	high	
Operational Cost	moderate	moderate	high	
Client Burden	low	low	low	
CONFIDENTIALITY AND DATA SECURITY	GOAL: ENSURE SECURITY OF ALL SYSTEMS AND DATA THEREIN			
Strategy	Maintain a secure system with written procedures on sharing and handling confidential data, signed security agreements and password protection (where applicable); meets industry standards.	Maintain a secure system with written procedures on sharing and handling confidential data, signed security agreements and password protection (where applicable); meets industry standards. Each grantee and subgrantee has written plan for managing data security.	Maintain a secure system with written procedures on sharing and handling confidential data, signed security agreements and password protection (where applicable); meets industry standards. Each grantee and subgrantee has written plan for managing data security. Grantee monitors data security.	• technical expertise • funding • lack of HHS policy • maintaining agreements • staff turnover
Initial Cost	high	high	high	
Operational Cost	moderate	moderate	high	
Client Burden	low	low	low	

OVERSIGHT

	Basic	Enhanced	Best Practice	Barriers
PROGRAM SERVICE QUALITY	GOAL: ENSURE AVENUES EXIST FOR PROGRAM FEEDBACK AND CONCERNS			
Strategy	Have a process to review program complaints and resolutions to identify patterns.	Have a process to review program complaints and resolutions to identify patterns. Monitor program complaints and resolutions; review client files and conduct random surveys.	Have a process to review program complaints and resolutions to identify patterns. Monitor program complaints and resolutions; review client files and conduct random surveys. Review client files during monitoring visit to ensure clients are receiving full complement of available services.	• funding • staff resources • lack of process
Initial Cost	low	moderate	high	
Operational Cost	low	moderate	high	
Client Burden	low	low - moderate	low - moderate	

4. Investigation and Prosecution (I and P)

The GAO report concluded "…the (selected) states are lacking key efforts in all three crucial elements of a well-designed fraud prevention system: preventive controls, detection and monitoring, and investigations and prosecutions."

While noting "The aggressive investigation and prosecution of individuals who defraud the government is the final component of an effective fraud prevention model," the GAO said that pursuing individual fraud can be a costly and time-consuming endeavor and that relatively small amounts of fraudulently obtained benefits (e.g., less than $500) could deter state or federal prosecution.

The group established a goal in this area as having in place well-documented policies and procedures where all parties (grantee, subgrantee, vendor and client) understand their rights and responsibilities. Furthermore, members generally agreed that suspected fraud must be investigated for credibility, prioritized according to risk and monetary value, reported to proper authorities and include processes for repayment.

As part of its investigation, the working group reviewed its own I and P practices as well as examples NCAT obtained from state policy manuals. Through this process it identified numerous state practices relating to fraud definition, client rights, investigations and penalties, including recovery of fraudulent benefits and possible disbarment from LIHEAP for a certain period. (The practices are attached as Appendix C.)

Unlike the program areas discussed previously, the group was unable to recommend specific I and P practices. This is because responsibility for I and P is commonly split among several entities ─ the state, local agencies and law enforcement. As result NCAT and the group did not find examples of comprehensive state policies, i.e., from investigation through prosecution during its deliberation period.

NCAT's review of policies and procedures found that, typically, some states detail their policies on benefit recovery, but not on prosecutions; others detail their investigative practices, but recovery and prosecution are not mentioned. In some cases, prosecution occurred through local agencies and law enforcement, but state officials were unaware of it. One member was informed of agency fraud only after federal law enforcement raided the group's office.

Therefore, the group presents the practices in Appendix C as a starting point from which HHS and other stakeholders can determine to what extent more research is needed and whether development of standard I and P policies and procedures at the state and local level is warranted in order to achieve more consistent practices.

During its deliberations, the group found the following trends related to investigation and prosecution:

- Many grantees have sound preventive controls, some identified in the above templates, which are important "triggers" for fraud investigations. For example, third-party verification of SSNs or income, system checks for duplicate addresses, subgrantee and vendor site visits, random audits, payment sampling and document review can uncover misrepresentations and anomalies.

- The group agreed with GAO that states are hampered by state laws and policies regarding fraud I and P. For example, law enforcement may require a threshold dollar amount for fraud before it will pursue a case. Policies and procedures may differ depending on whether a client, vendor or local agency perpetrates the fraud, and whether it is a federal or state offense.

- Smaller fraud amounts, e.g., less than $500, although the threshold varies by state, may be handled administratively, i.e., by the state or local agency, without law enforcement. However, some states say they lack staff to pursue and recover small claims and that benefit recovery, or lack thereof, can become an administrative and accounting burden.

- States and local agencies lack training or don't have the legal expertise to investigate suspected fraud. After conducting an initial investigation they are likely to turn a case over to another state department with expertise or to law enforcement.

- Some states indicated that their local agencies use I and P guidance from SNAP or TANF. A presentation by a SNAP group member indicated that program has extensive policies on fraud prevention and detection; however, more research is needed to determine the extent to which these policies are applicable to LIHEAP.

- Client fraud is likely to occur across multiple programs such as LIHEAP, TANF, SNAP, the Weatherization Assistance Program, and Medicaid; thus, sharing of client information across programs could increase the integrity of all programs.

- Several group members said they believed that publishing fraud prosecutions in local newspapers serves as a fraud deterrent.

IV. RECOMMENDATIONS

As outlined in the Process section, the group spent many months outlining basic, enhanced and best practices related to LIHEAP eligibility, fiscal management and oversight/monitoring. The group recognized that grantees would need assistance in implementing at least some of the practices; therefore, it developed recommendations to HHS that fall into two categories:

1. **Federal policy:** These are areas where the group saw the need for guidance or clarification of policies and/or statutes from HHS and other federal agencies, or for collaborative efforts among federal agencies that would ensure a comprehensive and effective response to the issues identified in the GAO report and by the group.

2. **Training and technical assistance:** In other areas, the group saw the need for additional training and technical assistance from HHS in order for grantees to enhance program integrity and internal controls. Recommended T and TA activities include: 1) dissemination of existing information to other grantees, 2) training such as workshops, webinars, etc., and 3) areas where additional research is needed, as identified by the working group.

A. FEDERAL POLICY

1. HHS should mandate collection of Social Security numbers.

According to LIHEAP Information Memorandum 2010-6, issued by the Division of Energy Assistance on May 5, 2010, HHS lacks "the authority to require States to mandate provision of SSNs, (but) States do have the authority under the Privacy Act to choose to require the provision of SSNs." In the same memorandum, HHS advised states that they may use Social Security numbers to validate that individuals and households receiving LIHEAP benefits are eligible and in need of the services the program provides.

HHS went on to advise states as follows:

- States may require that any individual applying for LIHEAP disclose his/her SSN, as part of the application, to validate identity and as a condition for the receipt of benefits.

- States may require the SSNs of all household members reported in the LIHEAP application in order to qualify the household for any LIHEAP benefit.

- States may deny assistance to individuals and households upon a refusal to provide SSNs.

The working group concurs with the advice given in the above-mentioned memorandum, in particular, that grantees require SSNs from LIHEAP applicants and all household members. However, the group's recommendation differs in one important aspect — it does not agree that states may deny assistance to households upon refusal to provide SSNs. The group recognizes that LIHEAP is essentially an emergency program, and, therefore, believes that the mandate should be subject to grantee exceptions and waivers.

Examples may include, but are not limited to:

- Discretion to provide a household LIHEAP benefits even if one or more household members does not have an SSN (or does not disclose it) and allowing expedited eligibility processes for households in an energy emergency

- Identifying specific circumstances under which applicants and household members are not required to provide an SSN or may be allowed additional time to obtain one. One example is if the SSN has already been collected and verified by another department or program within the state. The working group recognizes that this is a current practice in some states and is an efficient use of existing resources

The group believes that the flexibility included in the above examples is consistent with other federal income-tested programs such as SNAP, TANF and Medicaid. It also believes that, to the extent possible, LIHEAP should align itself with the policies and procedures of these programs in regard to SSN requirements because LIHEAP essentially serves the same population as these programs. In accordance with the guidance [5] these programs operate under, the group believes that a mandate for collection of SSNs is desirable and acceptable as long as grantees may not deny benefits to otherwise eligible individuals simply because other household members do not or cannot furnish SSNs. According to program guidance, SNAP and TANF agencies are encouraged to inform applicants that they must provide information such as income and resources of members who do not disclose their SSNs in order to determine eligibility and benefits for remaining household members. This is current LIHEAP practice in some states.

2. **HHS should collaborate and coordinate with other agencies at the federal level in order to help streamline third-party verification processes.**

Since release of the June 2010 GAO Report, there has been a great deal of discussion among LIHEAP grantees regarding the use of third-party automated systems to verify LIHEAP client information such as identity and income. Unfortunately, some states, including several group members, report that coordinating and executing data exchange agreements with other third-party agencies, especially the Social Security Administration (SSA), is an extremely time-consuming, cumbersome and costly process. Completing a SSA data exchange agreement can take more than a year.

Although HHS strongly encourages LIHEAP grantees to collect and verify applicant SSNs, as of FY 2011 only about 27 percent of state grantees used automated exchanges with the SSA for verification purposes, according to HHS's summary of 2011 program integrity supplements. Furthermore, the GAO concluded that: "LIHEAP generally does not have this third-party validation process for the seven selected states that we reviewed."

In order to help streamline these processes and enhance grantees' program efficiency and integrity efforts, the group has the following specific suggestions:

- Federal law should be changed to add LIHEAP to Section 1137 of Social Security law[6], thereby enabling LIHEAP potential access to the State Online Query (SOLQ) system. Based upon the group's research and on information from its SSA representative, it appears that Section 1137, part of Title IV-A of the Social Security Act, authorizes an Income Eligibility Verification System, a statutorily required data matching system applicable to SNAP, TANF, Medicaid, and other programs — but not to LIHEAP. The group encourages HHS to investigate the inclusion of LIHEAP into the relevant law or laws that would then allow grantees timely access to the above-referenced online system or other relevant systems.

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[5] http://www.hhs.gov/ocr/civilrights/resources/specialtopics/tanf/triagencyletter.html
[6] http://www.ssa.gov/OP_Home/ssact/title11/1137.htm

- HHS, the Department of Agriculture (the SNAP administrator) and other federal agencies, including but not limited to the SSA, should collaborate to assure that identity and income information available through other program databases is accessible and available to LIHEAP.

  A high percentage of LIHEAP applicant households already receive benefits such as SNAP, TANF or Medicaid. In most cases, application for these programs involves collection and verification of client information (e.g. identity, income) through SSA. To the extent LIHEAP agencies can utilize verifications already conducted by these programs, such utilization can enhance program integrity while improving efficiency and reducing costs. The group believes it would be helpful if HHS, in conjunction with other federal agencies, could provide political support for this type of data exchange. Such collaborations, the group believes, would be an important step in bringing grantees that are currently not conducting identity and income verifications up to a higher standard. Such collaborations also would likely be less expensive and time-consuming than having each state's LIHEAP office establish separate agreements to allow these data exchanges.

3. HHS should perform an in-depth cost-benefit analysis of various third-party verification measures.

The LIHEAP Program Integrity Work Group provided a very general analysis of various internal controls; therefore, the group requests that HHS conduct an in-depth, cost-benefit analysis of third-party automated verification systems. This is consistent with the GAO recommendation that HHS:

> "Evaluate the feasibility (including consideration of any costs and operational and system modifications) of validating applicant and household member identity information with SSA."

During a time of limited LIHEAP funds and expanding enrollment, the group believes that a cost-benefit analysis will help grantees make critical decisions and plan appropriately in regard to preventing and detecting LIHEAP fraud. The priority for these analyses should be placed on those systems identified in the GAO report, particularly the SSA data exchange process that enables verification of client and household member SSNs and income of SS recipients.

In addition to providing cost-benefit comparisons across multiple systems (e.g. SSA, new hire databases, incarceration records), an effective cost-benefit analysis should take into account current capacity among states, highlighting areas where existing resources, including those referenced above in Recommendation #2, could be leveraged to increase efficiency and maximize outcomes.

4. HHS should develop LIHEAP-specific requirements for the A-133 audit.

The group requests that HHS develop expanded guidance to tailor A-133 to LIHEAP. The A-133, also known as the Single Audit, is a standardized audit required of states, local governments, and tribal governments that receive and use federal financial assistance programs. The group noted that the audit guidance is written in a general sense for all federal funds and that guidance is needed to tailor it to LIHEAP. Members believe that currently LIHEAP may not be given full attention and consideration by auditors; rather, they tend to focus on the larger programs. As a result, LIHEAP may not be audited thoroughly, and thus, could be more vulnerable to fraud and mismanagement.

5. HHS should strongly encourage states to utilize vendor agreements.

According to NCAT's LIHEAP Clearinghouse, it appears that the majority of states utilize vendor agreement; however, it is not clear that all do so. Therefore, strong encouragement or a mandate from

HHS would be beneficial. Vendor agreements serve several important functions relating to program integrity:

- Account verification (account holder name, address, account status)
- Ensures payments are applied to client accounts in an accurate and timely manner
- Ensures LIHEAP benefits are used for home energy costs, and not applied toward inappropriate expenses (e.g. water/sewer, on-bill financing, cable television)
- Provides recourse for inaccurate or fraudulent application of LIHEAP benefits by a contracted vendor

6. HHS should provide guidance on use of Individual Tax Identification Numbers (ITINs) and other forms of government-issued identification in lieu of SSNs.

Based upon group discussions, there were indications that some states use ITINs for identification in lieu of SSNs; however, IRS guidance says they are for federal tax reporting only and are not intended to serve any other purpose.

B. TRAINING AND TECHNICAL ASSISTANCE (T and TA)

This section discusses T and TA needs that the group identified along with long-term and short-term recommendations to address these needs. The short-term recommendations include existing resources that the group believes should be shared with all grantees on an expedited basis.

1. Funding

The group concurs that it is prudent and necessary to establish ongoing LIHEAP training and technical assistance funding to enable grantees to implement the recommendations contained herein and to ensure the ongoing enhancement of LIHEAP program integrity.

The group believes that current funding for LIHEAP training and technical assistance is inadequate, especially compared to similar programs such as the Community Services Block Grant and the Weatherization Assistance Program, which work with the same agencies and clientele as LIHEAP. Utilizing the reauthorization process and other available avenues, HHS should strive to attain a regular, annual LIHEAP T and TA allocation in line with the formula or formulas used by these programs.

2. Training

Provided adequate funding for T and TA is achieved, the group recommends HHS consider the following:

- Hold at least one annual 2-day T and TA workshop and/or webinar for states and another for tribal grantees
- Help fund and attend regional grantee meetings and trainings
- Conduct pre-conference training workshop, e.g., prior to the annual National Energy and Utility Affordability Conference
- Help review state policies and procedures
- Investigate expanded peer-to peer training
- Continue the program integrity T and TA process after the working group disbands

3. Information Technology (IT) Systems

The group concurs that sound program integrity correlates positively to a grantee's IT capabilities. As mentioned previously, grantees' abilities to collect, share, and analyze program data vary widely. As a result, their IT needs are diverse.

During its one-year timeframe, the group was unable to make recommendations on IT system design, characteristics or methodology because the task was beyond its scope and expertise. Furthermore, it recognized that the performance measures group had gathered important and relevant information, including a survey that provided detailed characteristics of states' IT systems. Out of 46 states that returned the survey, the following was revealed:

- Ten states had web-based database/information systems that were utilized at local and state level.
- Twenty-three states had client/server based systems of which 20 were utilized at the local and state level.
- Six states had manual (paper only) systems.

The survey also revealed that over half of the states wished to improve their systems through more information on:

- Data collection (e.g., identifying what information is needed and how to systematically gather it
- Systems integration (e.g., combining different systems into a large complex system)
- Data analysis (e.g., a process of inspecting, transforming, and modeling data with the goal of highlighting useful information)
- Database construction (e.g., determining how to organize, store, and retrieve data)
- Database management (e.g., maintenance of information stored in a computer system)

The group believes there is a need for a concerted effort among HHS, NEADA, the program integrity and performance measures groups, as well as other key stakeholders yet to be identified, to analyze existing resources from all stakeholders and then make recommendations on IT systems with a goal of bringing all grantees up to a reasonable standard, based on their level of funding, client populations, type of administration, etc.

The group recommends that HHS accomplish this effort through one or more of the following options:

- Hire a consultant to review existing LIHEAP IT systems and make recommendations
- Work with the PI and performance measures groups, NCAT, NEADA, NASCSP and others to research and disseminate information on existing systems
- Work with related programs such as CSBG, WAP, SNAP and TANF to see if models exist that can be shared or built upon by LIHEAP grantees

Research should include:

- Review of existing data collection, data analysis, database construction and management systems
- Identification and rating of integrated systems
- Identification of models appropriate to grantees based upon their size, funding, capabilities, administration and delivery
- Identification of funding needs for states with outdated systems (e.g., cost of consultants and hardware/software)

- Identification of model collaborations among agencies that share resources and systems
- Identification of model collaborations between LIHEAP agencies and energy vendors

4. Short-term T and TA Suggestions

The following are T and TA recommendations the group sent in a memo to HHS on January 17, 2012. The memo presented areas that the group identified for short-term training and technical assistance, utilizing resources currently available through its members, other grantees, HHS, NCAT and NEADA. They are listed below, along with suggestions for where current resources already exist. In most areas, the group, along with NCAT and NEADA, could assist HHS in further identifying and organizing resources and in disseminating them to other grantees by providing in-depth training through webinars, conferences, model policy and procedures manuals, etc.

Eligibility verification

- **Identity**
  Needs: Examples of databases, software, data exchange agreements currently used by grantees to verify client identity, income; examples of how other programs (TANF, SNAP) conduct verifications.

  Current resources: States currently conducting automated verifications (ME, MO, NE, etc.); other programs' (SNAP, TANF, etc.) processes

- **Income**
  Needs: Identification, risk analysis and cost-benefit analysis of both potential and existing internal controls and systems related to income verification, including data exchanges with other agencies.

- **Client address**
  Needs: Examples of standardization software and other methods for cross-checking addresses and other checks to prevent duplication of benefits

  Current resources: USPS address verification systems, Pitney-Bowes, other grantee practices

- **Home energy obligation**
  Needs:
    o Vendor and subgrantee training in account verification processes
    o Examples of automated interfaces between LIHEAP agencies and utilities
    o Coordination among HHS, NEADA, utilities and national utility groups to help with utility/agency interfaces
    o Cost-benefit analysis of such interfaces

  Current resources: States, utilities, national groups

Fiscal management

- **Local agencies**
  Needs: Training in fiscal and management skills, including contracting and systems training

- **Vendor monitoring**
  Needs: Identification of best vendor agreements, monitoring procedures, policy and procedures manuals

  Current resources: state vendor agreements available through Clearinghouse, grantee manuals, policies and procedures, LIHEAP PI supplements

- **Benefit Payment and Tracking**
  Needs: Best practices data reporting, tracking and mining systems

  Current resources: data tracking and data mining systems (CO, MO, other grantees)

Oversight/monitoring

- **Subgrantee monitoring and training**
  Needs: Sample monitoring tools, policies and procedures, contracts and agreements, and risk assessment training

  Current resources: CSBG monitoring tool, HHS/Division of Energy Assistance monitoring tool, grantee PI supplements and grantee policy manuals

- **Internal Control Framework**
  Needs: In-depth training (most grantees have had overview)

  Current resources: Minnesota model based on Committee of Sponsoring Organizations (COSO)

- **Confidentiality and Data Security**
  Needs: Clarification, guidance on existing federal policies, confidentiality agreements, monitoring tools, security procedures

  Current resources: SSA guidelines, state laws and regulations, more research needed

- **Program Service Quality**
  Needs: Sample survey tools and sampling techniques identified by LIHEAP Performance Measures group

V. SPECIAL CONSIDERATIONS FOR TRIBAL/TERRITORIAL GRANTEES

A. INTRODUCTION

As mentioned in the report Overview, NCAT and HHS became aware early in the group's process that tribal and territorial participation in the group discussions was limited.

While the group included representatives from two tribes and two U.S. territories, these representatives participated little in the group conference calls and no representatives attended the group's two face-to-face meetings. NCAT and HHS concluded that these grantees found the group's discussions irrelevant to their needs because their budgets and populations are significantly less than those of any state.

For example, among tribes interviewed for this report, the largest tribal grantee, the Navaho, had a client population of about 10,000 and a LIHEAP allocation of $1.8 million for FY 2011. Eastern Shawnee, one of the smallest, served less than 100 households with a budget of $4,000. By contrast, Hawaii, the state with the smallest LIHEAP allocation, $6 million for FY 2011, served over 10,000 households. Of the territorial grantees, Puerto Rico had a 2011 LIHEAP allocation of about $5.5 million; the Northern Marianas, the smallest, received $77,000.

Therefore, NCAT and HHS concluded that a separate survey of a sample of the 153 LIHEAP tribal grantees and three of the territorial grantees would be appropriate to help identify their current and planned program integrity systems, as well as the barriers they face in upgrading their program integrity systems.

NCAT and HHS chose a geographically diverse group of 22 larger and smaller tribes to survey, along with three of the territories. NCAT was able to conduct phone interviews with 14 tribes; the territorial grantees were not available. In addition, NCAT reviewed the program integrity supplements of the 22 tribes and three territories. The interviews are included as Appendix D.

In the interest of enhancing training and technical assistance for smaller grantees, NCAT also emailed all tribal grantees a survey requesting information on or examples of databases they use for completing LIHEAP applications; fraud-prevention materials they have developed and would be willing to share with for other tribes; vendor agreements, and procedures for investigating, prosecuting and reporting possible cases of fraud. NCAT received three responses; the materials are included in Resources, Appendix E.

Based upon the 22 tribal program integrity supplements, 14 interviews and surveys, the following summarizes NCAT's research. NCAT has also included suggestions that HHS may wish to use as a starting point for enhanced tribal program integrity.

B. ELIGIBILTY

1. Social Security number (SSN) requirements

Nearly all tribes also require SSNs from some or all household members. Some require photo identification with SSN or only photo identification. Some of the small tribes don't require SSNs and others began asking for them in FY 2011. Strategies are summarized below:

- 88% - require SSNs for at least 1 member of household
- 37% - require SSNs for all household members

- 4% - SSNs not required
- 12% - require SSN card or other SSA documentation
- 21% - accept copies of SSN cards for all household members
- 4% - require SSN card for applicant, SSNs for other household members
- 8% - SSN request is new for FY 2011

Tribal enrollment is not based on identification, but on documentation of tribal heritage. According to many tribal officials interviewed by NCAT, it is extremely rare if not unheard of for an applicant to try to assume another person's identity for the purpose of joining tribal rolls. Provided that SSNs are listed on the tribal enrollment records, these records could be valuable resources for identifying and verifying LIHEAP applicants.

Suggestions

- Include Social Security numbers (SSNs) as part of the information in tribal enrollment records
- Include photographs on tribal identification cards
- Require SSNs for LIHEAP applicant and all household members while allowing individual grantee exceptions, consistent with the group's recommendations to regarding state grantees (See Recommendations, Section IV.)
- If applications aren't reviewed after intake, institute additional review processes as appropriate to the size of tribal staff
- Create step-by-step guidelines or check-off lists for intake personnel operating in small communities where there is little chance for additional review or oversight

Barriers

- **Funding/resources:** Including SSNs in enrollment records could involve revamping the tribal rolls; there is an expense to include photos on tribal identification cards; additional intake reviews, whether they are done on a regular or spot basis, would require staff time; developing guidelines for intake officers in small communities would take time and staff to develop.

- **Privacy:** Some tribal LIHEAP officials said some tribal members, especially older ones, were unhappy when the tribe began requiring SSNs or photo identifications. There could be some resistance to adding SSNs to the information in tribal enrollment records.

2. Verifying SSNs through third-party databases

A majority of tribes reported that they did not use third-party databases to check SSNs, citing expense and concerns over releasing information. Some intake personnel said the information obtained through cross-checking — whether the SSN is active and corresponds to the applicant's name — wouldn't necessarily confirm the applicant's identity.

Some tribes have their own databases, which are used to cross-check and verify client information (name, address, mailing address, age, SSN, and income) among tribally-administered assistance programs. Some tribes have other procedures, such as email, faxing, and telephone calls, to cross-check information with other tribally-administered assistance programs and, in a few cases, state-administered programs. SSN verifications are summarized below:

- 76% - do not use third-party databases
- 8% - cross-check with tribal database

- 12% - cross-check manually with other programs
- 4% - check through state LIHEAP database

A majority of tribes, especially smaller tribes, said they rely on long-standing good relationships with other public assistance personnel, both tribal and state.

Alaska tribes have the option of entering into an agreement (see Resources, Appendix E) with the state Division of Public Assistance to gain viewing access to SNAP, TANF and other public assistance programs. One Alaskan tribe said the state SSA and Unemployment Insurance charge a fee for verifications.

Effective FY 2011, the Lumbee Tribe of North Carolina had access to the state's Department of Health and Human Services, the LIHEAP grantee, application database to check for duplicate crisis applications. It also can access the state's online database for Supplemental Security Income, unemployment, TANF and SNAP to verify household income, SSNs and birth dates. The parties signed an agreement outlining state and tribal responsibilities, the records access policies, funding allocations, reporting requirements, confidentiality, and liabilities. The state also provided training to the tribe.

A number of tribes said they would institute a check with SSA or other databases if it were required, but cited concerns due to their limited administrative budgets. Others said that negotiations to develop Memorandums of Understanding (MOUs) with state agencies in order to provide tribal access to databases had fallen through.

Among the territories, Puerto Rico has access to several federal data systems allowing it to cross-check SSNs, work-related benefits and disability income, Social Security income and death records, other public assistance benefits, and unemployment records. The two smaller territories have no access to third-party databases.

Suggestions

- Develop a model client database for tribal LIHEAP
- Identify and provide training on how tribes can share information among tribally-administered public assistance programs
- Help identify, develop and disseminate model agreements for states, tribes, and the federal government to use in negotiating MOUs and contracts

Barriers

- **Funding:** developing a database would require time and staff, which most tribes would find too costly
- **Expense:** fees charged by other agencies to access client data

3. Verifying identity

The most consistent finding among the tribes was that they all rely on tribal enrollment status as their primary source of identity verification. As is the case with most program integrity issues, tribal enrollment procedures vary widely, depending on the size of the program and the size of the tribe or tribal association.

Many tribes require a tribal enrollment card or other documentation that proves enrollment. A third of the tribes stressed that intake staff reside in communities within the reservation and know applicants personally. Identity documentation is summarized below:

- 100% - tribal enrollment
- 33% - intake officers who are members of small communities
- 66% - Social Security numbers
- 16% - drivers license or other picture ID

4. Verifying income

Most tribes use pay stubs, income tax records, etc., to verify income. On some reservations, most of the employment is with the tribal government, which means the income is not available on state databases. Some tribes require proof that the applicant is registered with the tribal employment office or in school. Some reservations have seasonal employment, such as fishing, which often pay in cash and is hard to track. About one-third of tribes cross-check income information with other tribal or state public assistance programs, usually via telephone, email, or fax. A few cross-check information with other tribally-administered public agencies via a tribal database. Few tribal programs have made arrangements to track information through state and other third-party databases. Some can verify information with non-tribal employers, such as state unemployment offices, mostly through letters. Income verification is summarized below:

- 75% - pay stubs, tax returns, other documentation
- 33% - other tribal or state programs by telephone, email or fax
- 8% - tribal database
- 8% - state or other third-party databases
- 4% - contact non-tribal employers
- 4% - must show registration with employment agency or school

Suggestions

- Develop a database for each tribes' public assistance programs, or if one exists, make the database available to LIHEAP

- If databases aren't available, develop a list of contacts with tribal and state programs, including state LIHEAP, to verify information

Barriers

- **Expense:** Any database development would require additional funding, time and staff.
- **Lack of cooperation:** Other tribal and state personnel may not agree to data exchanges with LIHEAP.
- **Seasonal employment:** Income is hard to track.

C. FISCAL MANAGEMENT

1. Benefits

Methods of processing benefits vary widely based on tribal size and resources. Besides a few unregulated wood vendors, benefits are paid to vendors, not to clients. These wood-vendor benefits are paid only after the tribe receives a signed invoice from the vendor. Nearly half of the tribes report sending payments to vendors only after getting proof that an account has been credited with the benefit amount.

Some tribes send vendors information, including client names and account numbers, as the first step in the benefit-payment procedure. Some tribes send account information both to clients and vendors. Some vendors receive program information at the beginning of the benefit cycle. A few say the program's relationship with the vendors, particularly regulated vendors, is long-standing and cooperative and the vendor notifies them if there is a questionable transaction, e.g., two payment requests for the same household.

Several tribes said they had identified fraudulent activity wherein a household had received duplicate benefits. This occurred because not all household members are members of the same tribe, and some households have non-tribal members; therefore more than one application may have been submitted from the same household. However, most tribal officials said such duplications usually result from misunderstanding of the program requirements. Some specifically help tribal elders and disabled members with applications in order to prevent such mistakes. However, none of the tribes reported officially tracking the various types of fraud that have occurred.

Materials sent with payments to vendors may include program information, for example, a household is entitled to one payment per season or may include details about tribal business ethics concerning client accounts.

Regarding fraud penalties, most tribes require benefit repayments when inappropriate benefits were issued, and some deny benefits for a specific amount of time if the error was deliberate. Some of the larger tribes pass the information on to tribal law-enforcement officials as soon as a potential problem is detected. Benefit payment policies are summarized below:

- 96% - payment sent to vendors
- 4% - payments sent to clients following receipt of wood delivery
- 46% - payments sent to vendor following proof of charges to account
- 21% - account information sent to both client and vendor
- 21% - vendors receive information at start of program
- 12% -vendors notified with letter containing client ID and account numbers
- 8% - vendors are aware of program details and help prevent fraud
- 4% - program information and/or tribal business ethics sent to vendor

2. Regulated vendors

Half of the tribes require a contract or agreement with vendors that includes the vendor's W-9 forms. Some say there are so few regulated energy vendors in their areas that all vendors are well known and trusted. A few require tribal business licenses or state business licenses. In some cases, the energy provider is a tribal enterprise. Status of regulated vendors and policies are summarized below:

- 51% - require contract or agreement and W-9
- 37% - no contract or agreement
- 8% - require tribal business license
- 4% - require state business license
- 8% - energy provider is tribal enterprise

Suggestions

- Require contracts or agreements with vendors that include W-9 or tax number information
- Include language outlining how benefits are paid in the vendor agreement and, if applicable, stating that LIHEAP payments are a one-time benefit
- Include confidentiality requirements in agreements

3. Unregulated vendors

A majority of tribes require a contract or agreement that includes W-9 or tax numbers. Because of the large number of unregulated vendors that do business on reservations ― particularly wood vendors ― some tribes choose which unregulated vendors may do business through LIHEAP. The wood vendor may also be a tribal enterprise. A few report that the program uses no unregulated vendors. Almost half require propane vendors to base their billing on a print-out showing the number of gallons delivered. A few tribes require unregulated vendors to submit complete itemized receipts for payments they have received at the end of the year. Some tribes report that they are developing new policies to deal with unregulated vendors. Both of the smaller territories have only one vendor that were established by the territorial government. Policies for unregulated vendors are summarized below:

- 75% - require agreement or contract with W-9s
- 41% - require delivery report for propane
- 12% - tribe selects unregulated vendors—mostly wood
- 4% - vendor is tribal wood enterprise
- 4% - vendor provides itemized invoice to tribe
- 8% - require tribal business license
- 4% - require state business license
- 8% - developing vendor policy
- 12% - no unregulated vendors

Suggestions

- Develop contracts or agreements with unregulated vendors that include requirements for W-9 or tax number information and the tribe's confidentiality requirements

Barriers

- **Expense:** New vendor agreements take time and staff to develop.

D. OVERSIGHT AND MONITORING

1. Compliance

Unlike states, most tribes do not have subgrantees to oversee, so compliance in this section refers to the LIHEAP program's compliance with federal and/or tribal regulations. Most tribes report some kind of oversight of the program's budget including administrative costs. In some cases, an individual does the oversight; in larger tribes, tribal finance offices provide oversight. Tribal officials who work with programs other than or in addition to LIHEAP view applications or conduct periodic spot reviews in a number of tribes. The program manager either reviews all applications or does spot reviews of applications in others. In some tribes, intake officials review each other's work. Most of these oversight efforts are identified as being new or under development. As might be expected, more workers review applications in larger tribes. Compliance strategies are summarized below:

- 83% - program budget, goals monitored
- 58% - program budget, goals monitored by other tribal departments
- 74% - client application monitored
- 21% - program manager reviews applications or conducts spot reviews
- 29% - tribal program officials other than LIHEAP check applications or conduct spot reviews
- 8% - peer review of applications
- 8% - audit by independent contractor
- 58% - new compliance measures

Suggestions

- Create step-by-step guidelines or check-off lists for intake personnel operating in small communities where there is little chance for oversight
- Ideally, applications should be reviewed by a supervisor or another staff person; if this is not possible, institute a review process appropriate to the size of tribal staff, e.g., reviewing all applications or doing spot reviews

Barriers

- **Lack of resources:** Tribes stressed that new compliance strategies will require additional time and staff. Small tribes may not have adequate personnel to review applications.

2. Training

A third of the tribes provide training for intake employees when hired. A few tribes with small communities have developed written guidelines to aid intake employees. Some tribes said their staff is too small to make training cost effective. Some are developing new fraud training, largely in response to the required LIHEAP program integrity supplements. Some managers or other tribal personnel attend annual LIHEAP training and pass information on to staff. A few reported monthly, bi-monthly or annual staff reviews of LIHEAP fraud and other policies. A number of the tribes have provisions for senior staff to help with intake if necessary. Some provide program details to vendors, including what constitutes fraud and how to report it, either in annual letters or on invoices. Training policies are summarized below:

- 29% - train new intake staff
- 8% - written guidelines for staff in small communities
- 12% - none, staff too small

- 12% - developing new fraud training
- 16% - staff attend annual training
- 4% - fraud discussed at public meetings
- 16% - periodic, monthly, bi-monthly or annual review of policies by staff
- 21% - supervisors help with intake if necessary

Suggestions

- Provide vendors with program information, including the one-time nature of payments, if applicable, and explanations of payment matrices
- Create step-by-step guidelines or check-off lists for intake personnel operating in small communities where there is little chance for oversight

Barriers

- **Expense:** Developing guidelines and other training materials would require additional time and staff.

3. Fraud prevention and outreach/awareness

Most tribes have a specific policy concerning fraud. However, most tribal officials say that fraud has been identified only on rare occasions, if at all.

Regarding public awareness, some tribes have a website with fraud-reporting contacts and/or a published fraud hotline. Some tribes discuss public assistance fraud at tribal meetings and some post information at public places. Other tribes put information in newsletters and newspapers. A number said they were either beginning or developing new fraud awareness initiatives in FY 2011. Some have printed language concerning fraud on the application, or they began this practice in 2011. In general, the language warns of the potential loss of benefits and/or prosecution that could be incurred if applicants give incorrect information. Fraud policies are summarized below:

- 79% - specific policies
- 25% - have or will have website with fraud reporting information
- 46% - published fraud hotline
- 12% - discuss at tribal meetings
- 33% - post or will post information in media
- 20% - has or will have fraud language on application
- 29% - no policy
- 12% - no policy, small communities self-report

Suggestions

- Add language to applications that details the consequences of providing false information
- Add language to applications specifying that one household is eligible for only one LIHEAP payment, if applicable
- Develop websites and hotlines for reporting fraud
- Add information about reporting fraud, the possible penalties for fraud, to any information about LIHEAP, including publications, websites, and flyers posted in public places

Barriers

- **Expense:** Creating or publicizing fraud-reporting strategies would require time and staff.
- **Lack of resources:** Smaller tribes may have limited resources for monitoring and prosecution.

4. Confidentiality

Most tribes keep LIHEAP application materials under lock and key. Some of those tribes also reported using passwords to access LIHEAP electronic records. Some tribes have a written confidentiality policy and even more require employees to sign a confidentiality agreement. A smaller number includes information about the confidentiality policy on the application. Confidentiality policies are summarized below:

- 58% - information is under lock and key
- 25% - information under lock and key and passwords used for computers
- 46% - staff signs privacy agreement
- 12% - application details privacy policy
- 4% - applicants separated as they fill out applications

Suggestions

- Develop a confidentiality agreement for employees
- Include information about confidentiality policy on application materials
- Create policies to place information under lock and key and/or under password protection
- Ensure that vendors are aware of confidentiality polices

Barriers

- **Expense:** Developing new confidentiality materials would require time and staff

VI. NEXT STEPS

The final task of the LIHEAP Program Integrity Working group is to identify next steps for NCAT, LIHEAP grantees and HHS.

While the group believes its recommendations in Section IV should serve as a springboard for next steps, it recommends that once HHS has reviewed the report it should:

1. Continue support for program integrity enhancement across federal LIHEAP processes and initiatives. More specifically, assure that program integrity is integrated into HHS trainings, compliance reviews, written guidance and procurement processes as a fundamental component of an effective LIHEAP program.

2. Make this report public and available to all LIHEAP grantees and interested parties as soon as possible, preferably before the June 11-13, 2012 National Energy and Utility Affordability Conference, so that attendees can be informed of the report's findings (and begin implementing recommendations wherever possible).

3. Create a program integrity implementation group as soon as possible. This group would be responsible for advising HHS on next steps as well as ongoing grantee support needs.

4. Establish and communicate priorities (as well as timelines) for implementation of this report's federal policy and training and technical assistance recommendations.

5. Coordinate linkages between the LIHEAP Program Integrity Working Group and Performance Measures Group recommendations ― particularly those that could be accomplished in a complementary or similar manner.

6. Work with NCAT and group members to review and disseminate resources on program integrity obtained by the existing working group, as well as those resources generated from ongoing implementation efforts.

APPENDICES

- <u>Appendix A:</u> LPIWG Member List
- <u>Appendix B:</u> Strategic Workplan
- <u>Appendix C:</u> Fraud Investigation and Prosecution, An Overview of State Practices
- <u>Appendix D:</u> Tribal Interviews
- <u>Appendix E:</u> Federal, State and Tribal Resources