Office of Energy Assistance
Low Income Home Energy Assistance Program

A Quality Control Initiative
OIG# 09-0074

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EXECUTIVE SUMMARY

The Department of Healthcare and Family Services (HFS), Office of Inspector General (OIG) initiated a quality control review of the Low Income Home Energy Assistance Program (LIHEAP). The purpose of this initiative was to review the LIHEAP application and approval processes and to determine the eligibility of the households that received LIHEAP benefits. The OIG verified household and income information by contacting applicants and employers, using information in the LIHEAP case files and utilizing electronic resources.

The OIG randomly selected 300 LIHEAP applications from a universe of 377,874 processed during the benefit period of September 2006 through May 2007. The applications were processed and approved by local administering agencies (LAAs) throughout the state. Of the 300 applications sampled, reviews were completed on 236 cases. The OIG was unable to complete reviews on 64 cases due to the inability to either locate an applicant or obtain a response, which prevented the verification of certain elements needed to determine eligibility.

A total of 39 cases (16.5%) were discovered with errors from the 236 reviewed. The errors resulted in overpayments of assistance in 37 cases and underpayments in 2 cases. The identified overpayments totaled $18,067 and represented 16% of the $114,830 reviewed.

Of the 39 error cases, six (6) were found to be attributable to the LAAs and the remaining 33 were applicant errors. Errors were attributed to the LAAs in instances where the LAA did not apply policy or procedures correctly. Errors were noted as applicant errors when incorrect or incomplete information was found to be reported.

Results indicated that 89% of the errors could have been avoided if household composition and reported income were verified as part of the LIHEAP application process. The remaining 11% of the errors may have been reduced or prevented if the LAAs followed existing policies/procedures or taken additional steps to verify reported information.

Five recommendations were made as a result of this review. They are summarized as follows:

- The LIHEAP Procedures Manual should be reorganized and expanded to ensure procedures are more clear and concise.
- Quality control monitoring of the applications completed by LAAs should be implemented to validate the information obtained from and provided by households.
- Additional scrutiny should be given to cases where zero income affidavits are completed.
- Some level of verification of income should be instituted during the processing of LIHEAP applications.
- Some level of verification of household composition should be instituted during the processing of LIHEAP applications.
LIHEAP OVERVIEW

LIHEAP operates under the oversight of the Office of Energy Assistance (OEA). Effective July 1, 2004, OEA functions were transferred from the Department of Commerce and Economic Opportunity (DCEO) to the Department of Healthcare and Family Services (HFS). Effective July 1, 2009, OEA operations reverted back to DCEO.

Services Provided
LIHEAP is designed to help eligible low-income households pay for winter energy services. Assistance is provided by approximately 35 local community action or not-for-profit agencies throughout the state. There are three types of LIHEAP assistance payments for which an applicant may be eligible:

- Energy assistance
- Emergency assistance
- Furnace assistance

Energy assistance is provided as direct vendor or cash payments. Direct vendor payments are paid directly to the utility companies on behalf of the eligible household for primary and secondary heating/cooling services. Cash payments are paid directly to the household for those with utilities included in their rent.

Emergency assistance may be available if an eligible household is disconnected from an energy source needed for heating and/or if a fuel supplier has refused to deliver and the household’s fuel tank contains 10% or less in remaining fuel. Assistance for reconnection will only be provided to households that have made a good faith effort to maintain their energy services or can pay a portion of the amount owed for reconnection.

Furnace assistance is provided to those households with non-operational heating systems. Heat is restored by repairing or replacing the heating system.

Application Process
Applications for the LIHEAP program are accepted at various local administrating agencies (LAAs) throughout the State. LAAs process applications by entering the information into the program’s application system, LIHEAP.Net.

An application period for LIHEAP services is offered to elderly persons (60 and over), disabled persons or disconnected households during the months of September and October of each year. These months are considered the priority application period. Beginning November 1 of each year, all other households may apply for LIHEAP assistance. Applications continue to be accepted through May 31 or until funding is depleted, whichever comes first.
Program Eligibility
Similar to other entitlement programs, LIHEAP requires that certain non-financial and financial eligibility elements be met in order for the applicant to be eligible to receive benefits. In addition to the financial and non-financial factors, there are eligibility requirements that are specific to the LIHEAP program. For the purposes of this review, the OIG grouped the required eligibility elements into three categorical areas: Basic, Income and LIHEAP Specific.

- Basic – citizenship, age, household composition, social security number and disability information
- Income – wages and salaries, self-employment income, other earned income, social security benefits, veterans benefits, unemployment compensation, worker’s compensation, other government benefits, contributions, public assistance and other unearned income
- LIHEAP Specific - rent amount, proof of being a utility customer of record, proof of the good faith effort rule and life threatening emergency and medical certification for those who received reconnection services

SAMPLE AND REVIEW METHODOLOGIES

The purpose of this initiative was to review the LIHEAP application and approval processes and to determine the eligibility of the households that received LIHEAP benefits. To accomplish this initiative, the OIG review consisted of verifying the eligibility elements to determine the accuracy of the assistance paid to the household. If any overpayment was identified, the type of assistance that was paid in error was identified (energy assistance, emergency assistance, or furnace assistance).

Sampling
For this review, the OIG randomly selected 300 LIHEAP applications from a universe of 377,874 applications processed during the benefit period. These applications were processed and approved by LAAs throughout the State during the LIHEAP benefit period of September 2006 through May 2007.

Review Protocol
To determine if the eligibility criteria required for LIHEAP were met, OIG quality control reviewers (QCRs) examined the paper applications, information from LIHEAP.net and applicable databases to verify specific eligibility elements.

To verify the elements, QCRs contacted applicants either by phone or a home visit and utilized online resources available to HFS (and other state entities) such as the Department of Employment Security’s Automated Wage Verification System (AWVS), the Social Security Administration State On-Line Query (SOLQ), Secretary of State Vehicle Services Database, Department of Human Services Client Information System (CIS) and the HFS Division of Child Support Enforcement’s Key Information Delivery System (KIDS). The OIG also solicited verification of earned income from employers. It should be noted that LAAs responsible for processing applications do not have access to the same electronic resources as the OIG, and therefore are not required to verify earned income from employers as was done in this review.
REVIEW RESULTS

Overall Results
Of the 300 applications sampled, reviews were completed on 236 cases. The OIG was unable to complete reviews on 64 cases due to the inability to either locate an applicant or obtain a response, which prevented the verification of certain elements needed to determine eligibility.

For the 236 cases reviewed, there was a total of $114,830 in assistance payments made for the eligibility period. Eligibility errors were found in 39 (16.5%) of the 236 cases reviewed. Overpayments totaling $18,067 (16%) of the $114,830 were determined in 37 of the 39 cases as a result of a recalculation of assistance based on additional element information identified during the reviews. An underpayment of assistance was found in the remaining 2 error cases.

Overpayment Errors
The errors identified in the 37 overpayment cases were found in all three eligibility categories of Basic, Income and LIHEAP Specific. The allocation by eligibility category of the 37 overpayment cases compared to the 236 cases reviewed is as follows:

- Basic – 12 cases (5%)
- Income – 21 cases (9%)
- LIHEAP Specific – 4 cases (2%)

Errors were further identified by eligibility element. The following chart lists the errors found for each of the elements, the number of cases associated with each and the amount of assistance that was calculated to be overpaid to the household.

<table>
<thead>
<tr>
<th>Elements</th>
<th># of error cases</th>
<th>Overpaid Vendor Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household composition</td>
<td>12</td>
<td>$5250</td>
</tr>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages &amp; Salaries</td>
<td>13</td>
<td>$8836</td>
</tr>
<tr>
<td>Social Security Benefits</td>
<td>5</td>
<td>$976</td>
</tr>
<tr>
<td>Child Support</td>
<td>2</td>
<td>$924</td>
</tr>
<tr>
<td>Work disability</td>
<td>1</td>
<td>$335</td>
</tr>
<tr>
<td>LIHEAP Specific</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Priority Period</td>
<td>1</td>
<td>$565</td>
</tr>
<tr>
<td>No Proof of Utility</td>
<td>1</td>
<td>$725</td>
</tr>
<tr>
<td>No Proof of Disconnect</td>
<td>1</td>
<td>$237</td>
</tr>
<tr>
<td>Good Faith Effort</td>
<td>1</td>
<td>$219</td>
</tr>
<tr>
<td>Total Error Cases</td>
<td>37</td>
<td>$18,067</td>
</tr>
</tbody>
</table>
Basic Eligibility Category Errors
In accordance with LIHEAP policy, an applicant’s statement is acceptable for reporting the number of members in the household and no additional verification of household composition is required. The OIG verified household composition from various sources including: neighbors, friends of the household, DHS public assistance case records and SOLQ. The 12 errors (32%) identified within the Basic eligibility category were due to an overstatement in reported household members by the applicant. The recalculation of eligibility following the discovery of overstated members for these 12 cases resulted in 10 households being totally ineligible while the other 2 were still eligible but resulted in overpayments of assistance.

Income Eligibility Category Errors
Overpayments attributed to Income eligibility elements were due to earned income (wages and salaries) not being reported by the applicant or failure of the LAA to appropriately account for reported income. Errors associated with income resulted in 21 (57%) of the 37 cases containing overpayments, of which 2 were as a result of LAA errors. The 2 LAA errors consisted of not including income of a household member (1 case) and failing to use the correct annual unearned income amount (1 case). Income was identified by the OIG for the remaining cases by using the AWVS and then followed up with requests to employers for verification of employment and earnings. Child support income was identified from KIDS and the work disability income was identified from the DHS public assistance case record and verified by the paying entity. Income verifications were also obtained from the applicant for some of the income error cases. The recalculation of eligibility following the discovery of additional income for the 21 error cases resulted in 11 households being totally ineligible and 10 were still eligible but resulted in overpayments of assistance.

We also noted during our review that LIHEAP policy allows applicants to sign a zero income affidavit form, to which a client attests no income is earned by the individuals listed on the affidavit. Of the 21 income errors, eight (8) cases were found to have a signed zero income affidavit where at least one of the listed individuals were found to have income.

LIHEAP Specific Eligibility Category Errors
The 4 LIHEAP specific errors made up the lowest percentage of the errors (11%). These errors occurred as a result of non-compliance with the policies/procedures by the LAAs. These included processing an application during the priority period for an individual not fitting the criteria of aged, disabled or in disconnect status (2 cases), not verifying a good faith effort for reconnection assistance (1 case), and inaccurate proof of being the utility customer of record (1 case). Of the 4 LIHEAP specific errors, three (3) were found to be totally ineligible and 1 was eligible, but overpaid.

Underpayment Errors
During the review, two (2) cases were noted as being underpaid. One case was found to be underpaid as a result of the disclosure of an additional household member and the other due to overstated income at the time of application. The additional household member was discovered during an interview with the client that disclosed her household consisted of three children instead of the two that were reported at the time of application. The second case was underpaid due to the applicant reporting the receipt of income in the amount of $100 from the Medical Assistance Program, whereas upon additional research it was found that the income was not received. As a
result of the addition of the household member and the over-reporting of income, the applicants for both cases were underpaid LIHEAP assistance.

**Applicant vs. LAA Errors**

Of the 39 error cases, six (6) were found to be attributable to the LAAs and the remaining 33 were applicant errors. Errors were attributed to the LAAs in instances where the LAA did not apply policy or procedures correctly. Errors were attributed to the applicant when incorrect or incomplete information was reported.

The 33 applicant errors were due to a combination of failing to report income and/or household member information. The 6 errors attributed to the LAAs were as a result of the following:

- processing an application during the priority period for an applicant who did not meet the priority period criteria
- not including income of a household member
- not using the correct annual unearned income amount
- not obtaining appropriate proof of being a utility customer of record
- not verifying a disconnection claim
- not verifying good faith effort to qualify for reconnection assistance

**Overpayments by Payment Type**

The following table depicts the types of assistance payments made in error and the overpaid dollars associated with the 37 overpayment error cases.

<table>
<thead>
<tr>
<th>Payment Error Type</th>
<th># of Error Cases</th>
<th>% of Error Cases</th>
<th>Overpaid Vendor Payments</th>
<th>% of Overpayments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Assistance</td>
<td>34</td>
<td>92%</td>
<td>$12,956</td>
<td>72%</td>
</tr>
<tr>
<td>Emergency Assistance</td>
<td>2</td>
<td>5%</td>
<td>$456</td>
<td>2%</td>
</tr>
<tr>
<td>Furnace Assistance</td>
<td>1</td>
<td>3%</td>
<td>$4,655</td>
<td>26%</td>
</tr>
<tr>
<td>Totals</td>
<td>37</td>
<td>100%</td>
<td>$18,067</td>
<td>100%</td>
</tr>
</tbody>
</table>

In the analysis of the overpayments by payment type, we found that the majority (34) of the overpayments were found to be energy assistance payments. This is attributed to the fact that the majority of the assistance provided is relative to this payment type. We also noted that 26% of the dollar discrepancies were due to one furnace assistance payment ($4,655). This overpayment was a result of unreported wages at the time of the application, which resulted in the entire case being ineligible for LIHEAP assistance.
OBSERVATIONS AND RECOMMENDATIONS

Observation #1: The OIG found the LIHEAP procedures manual to be cumbersome, unorganized, incomplete and difficult to utilize.
Recommendation: We recommend the LIHEAP Procedures Manual be reorganized and expanded to ensure policies and procedures are more clear and concise to users.

Observation #2: The OIG discovered errors due to the LAAs failing to properly follow applicable policies and procedures.
Recommendation: We recommend implementing a quality control monitoring program to review and validate application information provided by households.

Observation #3: The OIG discovered unreported income for cases where the zero income affidavits were completed at the time of application.
Recommendation: We recommend additional scrutiny be given to those cases where zero income affidavits are completed. Additional information and questions should be added during the application process to ensure applicants understand both the ramifications of failing to report income and what types of income should be reported. Questions should also be included that assess the reasonableness of the applicant’s claim of having zero income, such as how the household manages financially with no income.

Observation #4: The OIG was able to identify unreported income (earned and unearned) through the use of various resources. The verification of income was found in 57% of the overpayment error cases.
Recommendation: We recommend some level of verification of income be instituted during the processing of LIHEAP applications.

Observation #5: The OIG identified 12 cases where the applicant had overstated the members of the household. The household composition errors were noted in 32% of the error cases.
Recommendation: We recommend some level of verification of household composition be instituted during the processing of LIHEAP applications.