

Transmittal of External Audit Report

Instructions: Per Department of Finance & Management Policy #7.0: **External Audit Reports**, departments are required to complete and submit this **coversheet** with a copy of the external audit report to the Commissioner of Finance & Management within 30 days of issuance of the final audit report. This coversheet must be submitted by the department's business office to ensure their awareness and acknowledgment of any potential financial impact. Official department responses to the audit report, including corrective action plans (*if required*), must also be submitted to Commissioner of Finance & Management upon completion.

| | |
|---------------------------------|-------------------------------------|
| Department | DCF FUEL/LIHEAP Office |
| Business Office Contact | Richard Giddings |
| Program/Activity Audited | Fuel and Utility Assistance Program |
| Audit Agency | ACF-OCS |
| Audit Report Date | 03/22/2023 |

1. Does the audit report contain any findings or recommendations?

YES NO

➤ If YES continue to question #2; otherwise coversheet is complete.

2. Does the report contain any repeat audit findings?

YES NO

3. Please rate the findings and/or recommendations contained in the audit report using the following scale; for reports with multiple findings, this overall rating should be based on the most critical finding:

Insignificant: Nominal violation of policies, procedures, rules, or regulations. Corrective action suggested but not required.

Notable: Minor violation of policies, procedures, rules, or regulations and/or weak internal controls; and/or opportunity to improve effectiveness and efficiency. Corrective action may be required.

Significant: Significant violation of policies, procedures, rules, regulations or laws; and/or poor internal controls; and/or significant opportunity to improve effectiveness and efficiency. Corrective action required. All findings resolved.

Major: Major violation of policies, procedures, rules, regulations or laws; and/or unacceptable internal controls; and/or high risk for fraud, waste or abuse; and/or major opportunity to improve effectiveness and efficiency. Immediate corrective action required.

4. Is the department required to develop a corrective action plan (or similar) to address the audit findings and/or recommendations?

YES NO

➤ If YES continue to next question; otherwise skip to question #8.

Transmittal of External Audit Report

5. Has the corrective action plan been developed?

YES NO [provide status below]

❖ Status of corrective action plan: Complete

6. Does the department anticipate any inability or delay in implementing its corrective action plan?

YES NO,

➤ If YES continue to next question; otherwise skip to question #8.

7. What fiscal and programmatic impact is this inability or delay likely to have?

N/A

8. Does the report contain any disallowed costs¹?

YES NO

➤ If YES list the amount(s) and page reference(s) below; otherwise skip to question #11.

| Disallowed Amount \$ | Audit Report Page # |
|----------------------|---------------------|
| | |
| | |
| | |

| Disallowed Amount \$ | Audit Report Page # |
|----------------------|---------------------|
| | |
| | |
| | |

9. Has the method and timing of repayment for all disallowed costs been agreed upon with the applicable organization?

YES NO

10. Assess the impact this disallowance will have on the:

- a. Program/Activity: Major Significant Minimal None
 b. Dept Overall Budget: Major Significant Minimal None

11. Does the report contain any questioned costs²?

YES NO

➤ If YES list the amount(s) and page reference(s) below; otherwise form is complete.

| Questioned Amount \$ | Audit Report Page # |
|----------------------|---------------------|
| | |
| | |
| | |

| Questioned Amount \$ | Audit Report Page # |
|----------------------|---------------------|
| | |
| | |
| | |

12. Assess the likelihood that the questioned costs will result in disallowances and/or reductions in future revenues:

Very Likely Likely Somewhat Likely Not Likely

¹ Costs determined as unallowable under the applicable program/activity and not eligible for financial assistance; generally disallowed costs must be reimbursed to the awarding organization.

² Costs identified as potentially unallowable for financial assistance under the applicable program/activity.



ADMINISTRATION FOR
CHILDREN & FAMILIES

Office of Community Services | 330 C Street, S.W., Washington, DC 20201
www.acf.hhs.gov/ocs

March 22, 2023

DISTRIBUTION BY EMAIL ONLY

Mr. Richard Giddings
Fuel and Utility Assistance Program Director
Agency of Human Services
Department of Children and Families
HC 1 South, 280 State Drive
Waterbury, Vermont 05671-1020
E-MAIL: Richard.giddings@vermont.gov

RE: Vermont FY 2018 Final Monitoring Report

Dear Mr. Giddings:

This correspondence is in response to your letter dated December 30, 2021, concerning issues identified during the onsite compliance review of the Vermont Department of Children and Families, Economic Services Division (ESD) conducted in federal Fiscal Year (FY) 2018 of the state's FY 2016 Low Income Home Energy Assistance Program (LIHEAP).

The Office of Community Services (OCS) appreciates the efforts made by you and your staff to address the issues we identified in our FY 2018 Initial Monitoring Report dated November 1, 2021. This letter serves as the Final Report of the monitoring issues identified during the site visit and will be our office's last formal report on this matter. Please note that our review did not cover all aspects of the program operations or financial accounting, nor do our findings preclude contrary findings by your auditors. Also, the review was not intended to perform the audit functions for which LIHEAP grantees are responsible.

Our final decision and analysis on each required issue is discussed below.

REQUIRED ACTIONS

ISSUE #1: Additional Controls Needed for Completion of Reports

Required Action: ESD must provide OCS with revised copies of the SF-425s for the first year of the FY 2016 grant period to correspond with the revised Carryover Report for FY 2016.

ESD's Proposed Resolution:

As discussed during the 12/15/2021 meeting with ESD and OCS, Vermont is unable to revise the 425 and Carryforward reports to match due to a system limitation. During the

fiscal year in question, Vermont had to return funds due to exceeding the carryforward limit. In the PMS system, these returned funds were reflected by the award amount being reduced. In OLDC the award amount is locked. As a result, the starting point on the two reports are different which causes the reports not to match.

The 425 report that was filed for YR 1 (PDF 2016 LIHEAP 425 V1 y1) tied to the known cash expenditures and information as of 09/30/16. The 425 report that was filed for YR 2 was corrected after an award reduction of \$657,888 was performed in the PMS system for funds that were returned due to the state exceeding the 10% carry forward cap. This report showed an unobligated balance of \$1,160,713. The Carryforward report was revised (2016 LIHEAP CF V2 y1) to match this amount. However, OLDC did not reflect the award reduction on line 1 as this amount is auto filled in the system causing the Reallotment balance to be \$1,818,602 (657,888+1,160,713+1 for rounding). The following documents have been attached as back-up.

- 2016 Liheap 425 V1 y1 (Attachment A)
- 2016 Liheap 425 V1 y2 (Attachment B)
- 2016 Liheap Carryforward V2 y1 (Attachment C)
- 2016 Revised Liheap Revised Carryforward (Attachment D)

OCS Decision: RESOLVED

ESD provided OCS with revised copies of the SF-425s for the first year of the FY 2016 grant period and a revised Carryover Report for FY 2016. However, the reports do not correspond with one another.

OCS and Vermont had a virtual meeting on March 22, 2022. ESD explained that they had difficulty making changes to the Carryover and SF-425 reports from many years past. On March 28, 2022, ESD provided OCS with updated procedures for their program funding review. This process involves two separate reviews by the Business office and the Program Director to agree on the Carryforward amounts for both the SF-425 and Carryover Reports. Also, they stated *“After the close out meeting, the Business office and the Program Director continue to monitor the grant until it is fully closed out and the final reports are filed. If a change in the Carryforward is needed after the close of Year 1, and before the grant is closed, the Business office and the Program Director will meet and discuss these needed adjustments.”*

Although ESD was not able to update the FY 2016 reports. As a result of their changes, they referenced the FY 2020 SF-425 and Carryover Report as evidence. OCS was able to verify that the above process has been implemented and the reports do coincide with one another. The requirement is satisfied. This issue is resolved.

ISSUE #2: Additional Controls Needed for Administrative Costs

Required Action: ESD must provide OCS with written procedures to demonstrate adequate tracking of all subgrantee administrative costs for LIHEAP that will enable the state to verify the exact total of LIHEAP administrative expenses obligated against all federal sources of funding.

ESD’s Proposed Resolution:

Vermont resolved this finding by adding language to the subrecipient grant agreement that prohibits the use of federal funds to pay for LIHEAP administrative activities. Verification of this change can be found on page 12 of the FY22 Capstone Community Action Council grant agreement (Attachment E) and states:

The use of any other federal dollars to support administrative costs under this agreement is solely prohibited.

OCS Decision: RESOLVED

OCS and Vermont had a virtual meeting on March 22, 2022. ESD explained how an approved cost allocation plan is used for tracking purposes using the VISION software. On March 28, 2022, ESD provided OCS with the program code fields of the VISION system to code invoices for payment, in this case – code 41536.

ESD provided OCS with a revised subrecipient grant agreement that states: The use of any other federal dollars to support administrative costs under this agreement is solely prohibited. ESD also explained their procedures for tracking subgrantee administrative costs for LIHEAP and provided supporting documentation. The requirement is satisfied. This issue is resolved.

ISSUE #3: Additional Controls Needed for Accurate State LIHEAP Plan

Required Action: ESD must provide OCS with a written process for how they will make revisions to the LIHEAP Plan when necessary. ESD must also provide OCS with implemented written internal controls to ensure better estimates in the LIHEAP Plan.

ESD’s Proposed Resolution:

The Vermont LIHEAP Plan is written on an annual basis. Historically there was not a system in place to review the plan after its creation to ensure annual benefit amounts, administrative activities, and anticipated carryforward remained in-line with the original plan. The Creation and Revision of LIHEAP Model Plan Procedure (Attachment F) has been updated to include a quarterly review of actual spending to the LIHEAP Plan. Significant deviations from the plan will prompt the LIHEAP Director to update and submit an amended plan.

OCS Decision: RESOLVED

ESD provided OCS with its revised Creation and Revision of LIHEAP State Model Plan procedures. These procedures include the following processes for reviewing model plans:

1. Quarterly meetings with the LIHEAP Program Director and the Business Office will be held to review:
 - a. Cost allocation of LIHEAP funds and discuss funding changes that need to be made
 - b. Actual expenditure data received from the Business Office

- i. If significant deviations are discovered, the model plan will be updated to reflect the changes
2. If changes are proposed for the LIHEAP program, the Program Director will review with the ESD Sr Policy and Program Operations Manager
 - a. If significant deviations are discovered, the model plan will be updated to reflect the changes

This issue is resolved.

ISSUE #4: Additional Controls Needed Regarding Waste, Fraud, and Abuse

Required Action: ESD must provide OCS with implemented written strategies to distribute its policies on preventing, detecting, and reporting cases of waste, fraud, and abuse to its subgrantees, ensuring that all staff that work on LIHEAP are aware of the policies.

ESD’s Proposed Resolution:

Vermont resolved this finding by reviewing the department’s Waste, Fraud, and Abuse guidance with subgrantees during a regular monthly call. Partners were encouraged to communicate with ESD to discuss potential issues of waste, fraud, and abuse when issues are identified. A copy of the Crisis Fuel Meeting minutes (Attachment G) and a copy of the Waste, Fraud, and Abuse guide (Attachment H) outline the conversation and guidance provided.

OCS Decision: RESOLVED

ESD informed OCS that it reviewed its Waste, Fraud, and Abuse guidance with subgrantees during a regular monthly call. ESD provided OCS with a copy of the meeting minutes and the Waste, Fraud, or Abuse reference guide. The guide includes a definition for fraud. It also describes questionable changes or situations that subgrantees should consider discussing with the ESD fuel team. If needed, the ESD fuel team can make referrals to the Investigations Unit or do a “Front End Verification” or a “Suspected Fraud Investigation.” This issue is resolved.

ISSUE #5: Additional Controls Needed for Subgrantee Agreements

Required Action: ESD must provide OCS with:

- Written procedures to ensure that the correct FAIN is listed in all LIHEAP subgrantee agreements, and that the subgrantee agreements, and any relevant subsequent amendments, are fully executed prior to obligation of LIHEAP funds by subgrantees.
- Copies of active crisis subgrantee agreements for CCA, with relevant subsequent amendments if needed, especially to correct the FAIN listed and incorporate all LIHEAP funds awarded.

ESD’s Proposed Resolution:

In 2017, Vermont conducted an internal review of FAINs on grant awards and found a similar error. As a result of the internal review, procedures were updated to ensure the

correct FAIN is recorded on the grant agreements. The procedure followed for both original issuance and amendments requires coordination between the grant writer and the business office to ensure the accuracy of the FAIN. Page 12 of the ESD Subrecipient Monitoring Protocol (Attachment I) outlines the procedure to ensure FAIN accuracy.

OCS Decision: RESOLVED

OCS had a meeting with ESD on March 22, 2022. ESD proposed additional language to the ESD Subrecipient Monitoring Protocol, under #34. After the meeting again March 28, 2022, ESD added the following to its protocol: *“We will ensure the FAIN # will be listed on all federal subgrantee agreements. We will execute all subgrantees agreements prior to obligating funds out to those subgrantees”*.

ESD provided OCS with its revised Subrecipient and Grantee Monitoring Protocol that includes procedures to ensure the correct FAIN is entered on the original subgrantee agreement and subsequent amendments. Additionally, ESD provided OCS with a copy of its active crisis subgrantee agreement for Capstone Community Action Council which reflects FAINs that correspond with the fiscal year the LIHEAP funds were awarded.

ESD provided OCS with written procedures to ensure that subgrantee agreements, and any relevant subsequent amendments, are fully executed prior to obligation of LIHEAP funds by subgrantees. This satisfies the requirement. This issue is resolved.

ISSUE #6: Inconsistent Monitoring of Subgrantees

Required Action: ESD must provide OCS with the written subgrantee monitoring procedures and tools. The tools should ensure that all required areas of the federal LIHEAP statute, regulations, and guidance are tested – including, but not limited to, meeting crisis intervention timeframes for LIHEAP bill payment assistance, emergency repair and replacement, and uniform eligibility and documentation requirements.

ESD’s Proposed Resolution:

Vermont conducts subgrantee monitoring on an annual basis in accordance with the LIHEAP Programmatic Subgrantee Monitoring Procedure (Attachment J). This plan requires that at least 2 subrecipients are monitored on an annual basis. The monitoring plan includes a list of regulation and guidance that will be reviewed.

OCS Decision: RESOLVED

ESD provided OCS with its revised LIHEAP Programmatic Subgrantee Monitoring procedures and its crisis case review worksheet. The crisis case review worksheet is used to monitor compliance with state and federal requirements, including but not limited to, income verification, vendor notifications, and case file documentation. Additionally, ESD provided its revised Subrecipient and Grantee Monitoring Protocol that includes procedures for completing pre-award risk assessments and onsite monitoring activities. This issue is resolved.

ISSUE #7: Income Documentation and/or Verification

Required Action: ESD must provide OCS with consistent eligibility policies and procedures that require the appropriate income documentation prior to certifying an application for LIHEAP assistance. The policies and procedures for documentation or verification of income must be consistent throughout the state. The policy must explain the documentation or verification process for each countable income source.

ESD’s Proposed Resolution:

Based on this finding, Vermont will change procedures to require income verification documentation for earned income. Unearned income will continue to be verified through tape matches through a variety of system interfaces, including matches with social security and unemployment. This change will be effective March 1, 2022. Attached K is a copy of the updated procedure on verification of earned income and Attachment M is a desk aid on required verification that is provided to eligibility staff.

OCS Decision: RESOLVED

ESD provided OCS with its revised procedures for verifying income which include the requirement to verify all income at the time of application. Additionally, ESD provided its verification matrix that is used for several state assistance programs, including fuel assistance. The matrix provides examples of documentation that can be used to verify various income sources. This issue is resolved.

ISSUE #8: Equitable Treatment of Renters

Required Action: ESD must revise its policies to allow benefits to renters with heat included in their rent. It must implement its policies and procedures across all LIHEAP-funded programs in a manner that ensures equitable treatment for eligible renters and homeowners. ESD must provide OCS with revised written policies and procedures addressing these requirements.

ESD’s Proposed Resolution:

ESD subgrants the crisis assistance program to community action agencies. Crisis assistance is provided to any eligible household who has an energy crisis. ESD has not been able to locate a policy, nor has OCS been able to provide the policy document in question from the audit, that limits availability of crisis assistance to certain household types. The most commonly requested crisis assistance for households with heat included in their rent is assistance with electric disconnects. Other crisis needs, while uncommon, would be considered on a case by case basis. The need to provide equitable treatment to all households will be reviewed at the next Crisis Coordinators Monthly Meeting on January 11, 2022.

OCS Decision: RESOLVED

ESD informed OCS that crisis assistance is provided to any eligible household who has an energy crisis. Vermont stated it feels that the language: “Other Crisis needs, while

uncommon, would be considered on a case-by-case basis” would include a person that was being evicted due to an energy crisis. This issue is resolved.

ISSUE #9: Crisis Intervention Timeframes and Eligibility Determination

Required Action: ESD must provide a plan to OCS that will be implemented to ensure that state and subgrantee LIHEAP staff are aware of the difference between a crisis and a life-threatening crisis and the timeframes in which each must be addressed. ESD must also provide a way to document the case files to show when interventions are made to ensure that clients are served in the appropriate timeframe.

ESD must also provide OCS with enhanced written policies and procedures that ensure households in crisis are properly identified and assisted at the local level. The policies and procedures should be consistently applied throughout the state and clearly understood at all levels.

ESD’s Proposed Resolution:

Vermont has incorporated a multi-pronged approach to resolve this finding. First, the following language will be added to the crisis fuel subgrants in FY2023 to better explain the statutory timeframe requirements to resolve a heating crisis:

Per LIHEAP regulations the subgrantee must resolve a no heat situation within 18 hours in a life-threatening situation or 48 hours for all other households once the household has applied for assistance.

Second, the LIHEAP Programmatic Monitoring procedure (Attachment J) includes a review of the 48hr and 18hr intervention timelines as part of the monitoring procedure.

OCS Decision: RESOLVED

ESD provided OCS with its FY 2022 Model Plan that includes the difference between a crisis and a life-threatening crisis and the timeframes in which each must be addressed. Also, ESD informed OCS that it will update its FY 2023 crisis fuel subgrants to better explain the statutory timeframe requirements to resolve a heating crisis.

Additionally, ESD provided its current Capstone Community Action Council grant agreement that lists criteria for determining eligibility and the existence of a home heating crisis. The grant agreement also provides guidance on the amount of assistance that should be provided to crisis households based on heating source.

ESD provided OCS a sample case file. Each VT subgrantee agency maintains paper files that include information on when the Crisis interventions are made to ensure that clients are served in the appropriate timeframe. This issue is resolved.

ISSUE #10: LIHEAP Household Report

Required Action: ESD must provide OCS with a written plan for implementing a change in processes that will resolve this reporting inaccuracy.

ESD’s Proposed Resolution:

Vermont has resolved this finding by modifying the reporting requirements for the partners that provide benefits such as crisis assistance and weatherization to LIHEAP clients. Reports submitted by these partners now require information on if the household served receives a heating assistance benefit. This information allows Vermont to calculate the unduplicated number of households that receive LIHEAP assistance. The Creating the Household Report Procedure (Attachment N) outlines the process for collecting information for the household report and calculating the unduplicated number of households receiving LIHEAP assistance.

OCS Decision: RESOLVED

ESD provided OCS with a written plan for implementing modified reporting requirements. Additionally, ESD provided its revised Creating the Household Report procedures that provide guidance on collecting information needed to complete the Household Report and the requirement to record an unduplicated count of households that received a LIHEAP benefit. This issue is resolved.

ISSUE #11: Timely and Meaningful Public Hearing

Required Action: ESD must provide a plan to OCS indicating how the state will ensure public hearings are held in a timely manner. The plan should account for the LIHEAP state plan due date of September 1 to allow for proper consideration of comments and feedback received from the public.

ESD’s Proposed Resolution:

Vermont resolved this finding based on feedback provided at the time of the exit interview. The date the public hearings are conducted have been moved to earlier in the year to allow adequate time for the incorporation of public feedback into the LIHEAP Plan. Public hearings were conducted on the following dates for FY18 through FY22:

- 7/18/17 (FY18)
- 7/13/18 (FY19)
- 7/11/19 (FY20)
- 7/21/20 (FY21)
- 7/20/21 (FY22)

OCS Decision: RESOLVED

ESD informed OCS that the date for conducting public hearings has moved to an earlier date in the year to allow adequate time for the incorporation of public feedback into the LIHEAP Plan. Additionally, ESD provided the dates of the public hearings for FY18 through FY22. This issue is resolved.

ISSUE #12: Documentation or Verification of Applicant Identity

Required Action: ESD must provide OCS with a written protocol for documenting and/or verifying applicant identity and the identity of other household members. ESD should develop procedures to verify the authenticity of the identification documents

provided by applicants and household members. These documents may include a social security card, driver’s license, or a state identification card.

ESD’s Proposed Resolution:

Vermont recognizes the need to improve internal controls related to client identify. To resolve this finding, Vermont will mirror the process utilized by the Supplemental Nutrition Assistance Program (SNAP) that is required by FNS to verify applicant identity (Attachment P).

OCS Decision: RESOLVED

ESD provided OCS with its procedures for identity verification that state: The identity of the person making application shall be verified. Additionally, these procedures and ESD’s verification matrix provide examples of acceptable documentary evidence, such as, a driver’s license, a work or school ID, or a birth certificate.

ESD also stated: “All household members will be verified except for children under the age of 2. We follow the same guidelines the SNAP program is required to use by FNS when processing an application to verify the identity of the person applying as the head of household or their authorized representative using readily available documentary evidence.”

This issue is resolved.

ISSUE #13: Households with unqualified and mixed status persons

Required Action: The state is ultimately responsible for facilitating and ensuring citizenship/qualified alien verification of LIHEAP applicants and household members. It cannot require local non-profits to conduct such verification. ESD must provide OCS with written procedures ensuring that federal policies (as articulated in LIHEAP-IM-2015-01) are consistently applied and facilitation of verification is conducted at all local agencies. Furthermore, there should be an alternative verification process offered by ESD if local agencies refuse to conduct such verification.

ESD’s Proposed Resolution:

Vermont’s has updated the definition of an eligible household to include clear guidance on citizenship/qualified alien verification. Attachment O outlines the language that has been added to the Fuel Household section of the Fuel Assistance Training Manual to resolve this finding.

OCS Decision: RESOLVED

ESD provided OCS with its “Fuel Household” section of the Fuel Assistance Training Manual that includes guidance on how to determine the citizenship of LIHEAP applicants and household members.

ESD provided a document that stated: “Households with unqualified and mixed status person are still eligible for LIHEAP services...their income would count towards the

household’s eligibility, but we would not count them in the household size when determining their benefit amount.” This issue is resolved.

SUMMARY

This is our Final Monitoring Report concerning this site visit. We appreciate that you also considered the recommended issues and acknowledge your response to those issues as well.

We have considered your response and determined that all issues have been resolved and this matter is closed.

If you or your staff has any questions, please contact John Thompson, Auditor, at john.thompson@acf.hhs.gov or (202) 401-5309.

Sincerely,

Lauren Christopher
Senior Advisor
Office of Community Services

cc: Ed Dwinell, Financial Director II, Ed.Dwinell@vermont.gov