



## Issue Brief

### LIHEAP Fiscal Program Integrity *Contracts, Controls, and Reporting*

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LIHEAP grantees must establish fiscal control and fund accounting procedures in order to assure the proper disbursement and accounting for federal LIHEAP funds. According to Section 2605 (b)(10) of the LIHEAP statute:

“[the state agrees to] provide that such fiscal control and fund accounting procedures will be established as may be necessary to assure the proper disbursement of and accounting for Federal funds paid to the State under this title, including procedures for monitoring the assistance provided under this title, and provide that the State will comply with the provisions of chapter 75 of title 31, United States Code (commonly known as the "Single Audit Act");”

In order to comply with this provision, states must ensure that federal funds allocated to subgrantees and vendors have been properly spent and tracked. This issue brief will cover what LIHEAP grantees can do to help ensure this through subgrantee contracts, fiscal controls, and reporting requirements. Vendor contracts are covered elsewhere, including on the websites for the [LIHEAP Clearinghouse](#) and [LIHEAP Performance Measures](#) (only LIHEAP directors can access the latter site).

#### Subgrantee Contracts

Many state LIHEAP grantees contract with local agencies to administer LIHEAP at the local level. Depending on the state and its administrative model, subgrantees—also referred to as local administering agencies (LAAs)—have a variety of responsibilities, ranging from limited to significant.

In those states where LAAs have significant responsibility, a sound contract will ensure that all parties—the state office and the various subgrantees—are aware of their roles and responsibilities and of all applicable federal and state policies and procedures.

Subgrantee tasks range from merely providing applications to running most aspects of the LIHEAP program. This can include but is not limited to:

- Providing application sites and help with applications
- Conducting outreach and intake
- Determining client eligibility
- Processing applications (data entry and certification)
- Calculating and processing LIHEAP payments
- Notifying applicants of eligibility status
- Handling appeals of benefit amounts or benefit denials
- Negotiating with vendors for crisis assistance and payment plans
- Tracking funds and providing refunds, returns, or reimbursements where necessary

#### Resources for Program Fiscal Integrity

- [Florida Local Administering Agency Subcontract and Scope of Work](#)
- [Maryland Subcontract and Subcontractor Request for Proposals](#)
- [Minnesota Local Plan](#)
- [Texas Local Administering Agency Contract](#)

The contract should include a scope of work that lists what tasks subgrantees are responsible for, along with standard provisions such as period of performance, payments, default, remedies, termination, revocation, and liabilities.

### Fiscal Controls

The contract should also require subgrantee agencies to:

- Establish and maintain a system of fiscal control and fund accounting procedures based on generally accepted accounting principles. Each subgrantee should have a fiscal management system that allows for annual budget or expenditure projections. Following are examples of what a system might include, although there are many variations:
  - ◆ Administrative and planning costs
  - ◆ Outreach costs
  - ◆ Program support costs
  - ◆ Program costs (direct client expenses for energy assistance, crisis assistance, and weatherization, if applicable)
  - ◆ Training and technical assistance

Within each of the above budget units, subgrantees should separate expenditures into various categories such as personnel, i.e., salaries and fringe benefits; and non-personnel which includes rent, utilities, advertising, postage, insurance, vehicles, etc.

- Have an independent annual financial audit of its expenditure of federal funds received under the contract and submit it to the state at the end of each state fiscal year. An independent audit means the subgrantee should hire an outside CPA or other financial professional.

Subgrantees expending \$500,000 or more in a fiscal year in federal funds from all sources, direct and indirect, are required to have an audit conducted in accordance with Office of Management and Budget (OMB) Revised [Circular A-133](#) "Audits

of States, Local Governments, and Non-Profit Organizations." Other OMB circulars may also apply (A-110, A-102, A-87, A-122). For agencies with less than \$500,000, some states require submission of the agency's most recent IRS Form 990 or audited financial statements.

- Have a cost allocation plan to ensure that all expenditures (personnel and non-personnel) are appropriately charged when funding sources other than LIHEAP, such as CSBG and Department of Energy's WAP, are used.
- Be properly insured and bonded. Insurance provides financial protection and recovery in the event of a disaster. Bonding provides protection in case of financial fraud.
- Have policies and procedures in place for separation of duties so that there are divisions of authority and responsibility among staff responsible for intake, eligibility determination, cash requests, payment processing functions, and account reconciliation.

### Fiscal Reporting

Agency reporting can vary considerably. The following is an example of what a state could require and for what purpose:

- Monthly financial status reports
  - ◆ Provides basis for agency reimbursement from state, includes line item budgeted amounts, expenditures to date and balance remaining
- Monthly revenue and expense statements
  - ◆ Allows tracking of agency income and expenses and allows grantee to compare reported expenses to funds grantee as allocated

- Monthly expense documentations
  - ◆ Allows actual expenditures to be tracked
- Accounting policy and procedure manuals
  - ◆ Allows grantee to determine whether LAA is following stated procedures
- Cash receipt files and deposit slips
  - ◆ Provides for a paper trail to show that funds are handled properly and within required timelines; may also help to identify checks that were sent but never received
- Bank reconciliation with canceled checks
  - ◆ Ensures accuracy in the handling of receipts and deposits
- Samples of paid invoices, including signatures and check copies
  - ◆ Allows tracking of timely payment of invoices and ensures the proper authority approved payment
- Time cards, including signatures and payroll register
  - ◆ Provides for accurate payment of wages and ensures that wages were properly authorized
- Purchase orders
  - ◆ Ensures that purchases, especially large ones, are properly approved and executed
- Subcontracts (if any)
  - ◆ Subgrantees are responsible for expenditures and reporting from any subcontractors. These subcontractors are subject to the same laws, regulations, and contract provisions as the subgrantee.
- Year-end closeout report
  - ◆ Closeout reports provide an opportunity to assess the level of expenditures needed to administer the program on an annual basis and help identify any funds that must be returned to the state.

*This is the third of six Issue Briefs that the LIHEAP Clearinghouse will prepare under its contract with the U.S. Department of Health and Human Services, Division of Energy Assistance. The content of this publication does not necessarily reflect the views or policies of the Department of Health and Human Services, nor does mention of trade names, commercial products, organizations or program activities imply endorsement by the U.S. Government or compliance with HHS regulations.*