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## The Administration of Pennsylvania's LIHEAP Grant and Crisis Program

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## Summary, Conclusion, and Recommendations

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Senate Resolution 2011-165 directed the Legislative Budget and Finance Committee (LB&FC) to study the efficiency of the administrative functions and operation of the Low Income Home Energy Assistance Program (LIHEAP) heating grant and crisis program. LIHEAP is a federal block grant program to assist low income households to pay for a portion of their home heating needs, in particular households that pay a high portion of their income for home heating and vulnerable households with members who are disabled, elderly, or young children. Often the LIHEAP heating grant program is referred to as the “cash program”; however, this is a misnomer. In Pennsylvania, almost all heating grant benefits (as well as crisis benefits) are paid directly to utility and fuel vendors on behalf of individual eligible households.

In Pennsylvania, the Department of Public Welfare’s Office of Income Maintenance administers the LIHEAP heating grant and crisis benefit program solely with federal funds. Based on incomplete data for the 2012 LIHEAP heating season (SFY 2011-12), Pennsylvania’s program is on a path to have processed about 600,000 heating grant and over 100,000 crisis grant applications, and to have provided more than \$92 million in heating grant and \$30 million in crisis benefits. It also anticipates providing an additional \$50 million to \$66 million in supplemental heating benefits.

We found:

***A state seeking federal LIHEAP funding must annually submit a plan for federal approval and affirm that it will uphold all federal requirements.*** Such requirements include, for example:

- providing opportunity for public participation in the plan development,
- conducting outreach to eligible households,
- making payments only to individual households that meet federal eligibility requirements,
- varying benefits to provide the highest level of assistance to households with the lowest incomes and highest fuel costs in relation to income,
- restricting administrative costs to no more than 10 percent of the federal grant,
- operating a crisis grant program through March 15,
- providing crisis benefits within 48 hours to eligible households,
- formally notifying eligible households when heating grants and crisis benefits on their behalf are provided directly to a utility or fuel vendor,

- providing a fair administrative hearing process for applicants to appeal a claim denied, benefit amount, or lack of reasonable promptness in acting on an application, and
- complying with other relevant federal laws (e.g. related to confidentiality of certain Social Security and Internal Revenue Service data) and federal interpretation of federal statutes and program requirements (e.g., use of federal LIHEAP funding in utility assistance programs).

***Pennsylvania's LIHEAP program has undergone significant changes in recent years, including moving from manual processes for determining eligibility and benefit amounts to use of a new automated system—known as eCIS.*** This new automated system manages application and claim processing workflow, and stores information on the claim and payment for six years.<sup>1</sup> It also verifies all applicant household members' Social Security numbers (SSNs), Social Security and Supplemental Security benefit amounts, and death information; checks for criminal information for all household members and federal and state tax information concerning earned and unearned income; and assures all required information is included in the digital application record and that all required information fields are complete before a determination of eligibility is made to approve or deny a claim. Further, the automated system checks to prevent improper payments (i.e., amount below minimum or above maximum benefit levels and duplicate payments); determines an eligible household's payment amount; issues all notices to households; and prepares payment authorizations for review and approval by the Governor's Budget Office's Office of the Comptroller and subsequent payment by the State Treasury.

***To more efficiently process the large volume of applications it receives for processing during the winter heating season—over 800,000 heating grant and crisis applications during the 2011 LIHEAP heating season<sup>2</sup>—the Department has also introduced other changes to its business processes.*** These changes include a statewide LIHEAP Helpline to provide an additional point of access to LIHEAP in

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<sup>1</sup> LIHEAP applications are not immediately destroyed even when they are immediately imaged. They are securely destroyed after a final determination to approve or reject a claim, or a determination on an appeal is made. The LIHEAP application, moreover, contains a certification authorizing DPW to check information on the application, including Social Security numbers of all household members and to use SSNs for matching with other programs. The certification also includes an acknowledgement that false information can result in penalties such as fines and/or imprisonment.

<sup>2</sup> The core winter months of December 2010 through February 2011 were colder than the long term average for the U.S. as a whole and for Pennsylvania, according to data from the National Oceanic and Atmospheric Administration's National Climatic Data Center. As measured by heating degree days in December and January, the 2011-12 winter was significantly warmer than 2010-11.

addition to the County Assistance Offices (CAOs),<sup>3</sup> centralized enrollment of providers wanting to receive heating grant and crisis payments directly from DPW on behalf of eligible households, and established a standard provider agreement for use throughout the state.

- DPW introduced the use of designated LIHEAP application processing centers to permit more efficient processing of LIHEAP applications and allow DPW County Assistance Offices to assist one another with application processing. This partnering approach is suited to the LIHEAP program as its eligibility and approval process have no requirements for a face-to-face interview with the applicant as do other financial assistance programs and some utility assistance programs. During the 2012 LIHEAP heating season (SFY 2011-12), over one-half of all LIHEAP applications were processed at designated LIHEAP district offices in Allegheny and Philadelphia counties, designated County Assistance Office processing centers,<sup>4</sup> and one freestanding processing center.<sup>5</sup> Technology now permits applications to be processed anywhere in the state when local CAOs receive more applications than anticipated.
- In addition, DPW introduced the use of barcode applications.<sup>6</sup> Such applications are encrypted with household information for those previously eligible for LIHEAP to facilitate entry of household information into *eCIS*.

***LIHEAP applications that are complete when initially submitted typically are processed within DPW's 45-day completion target. The 2012 LIHEAP application processing however, has taken longer than in prior years due to***

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<sup>3</sup> For the 2012 LIHEAP heating season, the LIHEAP Helpline was staffed by 17 seasonal workers, who were mostly annuitants with an Income Maintenance Worker background. At the beginning of the LIHEAP season, the Helpline receives calls related to how to fill in the application. Later in the season, calls tend to be questions about the status of an application, how the caller can apply for a crisis benefit, and the possibility of supplemental benefits. Between September 20, 2011, and April 20, 2012, the LIHEAP Helpline received over 170,000 calls. Of these, over 82 percent were answered and the caller spoke with a call center employee. On average, it took almost three minutes for a call to be answered and another three and one-half minutes for the call to be resolved. About 9 percent of the callers were unable to get into the call queue because of high volume and were advised to call back later. Another 7.5 percent of the callers accessed the call queue, but chose to hang up before a call center representative was able to pick up the call. In addition to the LIHEAP Helpline, applicants can contact the local CAO, or other DPW hotlines for assistance both during and after the LIHEAP season ends.

<sup>4</sup> The York CAO processed applications for York, Dauphin, and Montgomery CAOs; Fayette processed applications for Fayette, Somerset, Greene, Indiana, and Perry; Westmoreland processed applications for Westmoreland and Lawrence Counties.

<sup>5</sup> This center is located on Danville State Hospital grounds and processed applications for Carbon, Columbia, Lehigh, Monroe, Montour, Northumberland, Pike, Schuylkill, Susquehanna, and Wyoming Counties.

<sup>6</sup> In addition to the printed barcode applications that are forwarded to those eligible for LIHEAP in the prior LIHEAP heating season, non-barcode paper applications are available on request to the LIHEAP Helpline, or can be obtained at a local County Assistance Office, or a community agency. In addition, anyone with access to the Internet can apply via COMPASS (Commonwealth of Pennsylvania Access to Social Services), Pennsylvania's fast and easy way to apply online for Commonwealth health and social services. COMPASS Community Partners (e.g., hospitals, schools, church groups, and utilities) that enter into agreements with the DPW have the option of scanning and submitting required documentation via COMPASS.

**unanticipated problems with the DPW automated systems.** All LIHEAP applications with an applicant name and address are to be registered in *eCIS* within two days of the receipt by DPW, with the original date of receipt becoming the date of the application. That same evening, *eCIS* generates a notice to the applicant indicating the household should learn about the status of its application in 45 days, even though such applications may not be complete or include all of the required documentation to establish eligibility.<sup>7</sup> DPW's ability to complete application and case processing and make a decision to approve or reject an application, however, is largely dependent on whether the application includes all documentation required to determine eligibility when submitted.

- For the 2011 LIHEAP heating season, all barcode and non-barcode applications that were received and never pended (i.e., were complete when submitted) were on average processed (i.e., the date of receipt to the date of approval or rejection<sup>8</sup> of a LIHEAP application) within DPW's target of 45 days.<sup>9</sup>
- During the 2012 LIHEAP heating season, based on incomplete season data,<sup>10</sup> all barcode and non-barcode applications that were received and never pended were also generally processed within DPW's target of 45 days with the exception of non-barcode applications in Philadelphia (50 days) and Allegheny (51 days) Counties.<sup>11</sup>

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<sup>7</sup> Complete LIHEAP applications require provision of information on all household members, including Social Security Numbers, information concerning current incarceration for a criminal felony or fleeing associated with such a crime; proof of current heating costs; proof of all household income; explanation of how basic living needs are met when no income is reported; proof of immigration status for those who are non-U.S. citizens; a copy of a lease or written statement from a landlord if the household rents and heat is included in the rent; and a signed and dated application agreeing to the required certifications listed on the application. The applicant must sign the LIHEAP or COMPASS application as a condition of eligibility. A faxed or scanned signature page is acceptable. Persons applying for LIHEAP, including COMPASS Community Partners who submit applications on behalf of their clients, have the option to e-sign the application.

<sup>8</sup> For the 2011 LIHEAP heating season, just over 30 percent of the applications for heating grants were rejected. For the same period, an applicant's failure to provide proof of heating responsibility (33 percent) and household income exceeding the program limit (26 percent) accounted for over half of all application rejections. Based on incomplete heating season data, such reasons also account for more than half of all applications rejected within the 2012 heating season, when the heating assistance application rejection rate was approximately 30 percent.

<sup>9</sup> Nineteen calendar days on average for areas other than Philadelphia and Allegheny Counties for barcode applications and 22 days for non-barcode applications; 26 days for Philadelphia barcode applications and 44 days for non-barcode applications; and 11 days for Allegheny barcode applications and 10 days for non-barcode applications.

<sup>10</sup> 2012 LIHEAP heating season data are incomplete as the data for both 2011 and 2012 required a special data systems request. LB&FC staff made the special data request in early February 2012. The Department provided complete information for 2011 and available 2012 information as of the middle of the 2012 LIHEAP heating season.

<sup>11</sup> Thirty-four calendar days on average for areas other than Philadelphia and Allegheny Counties for barcode applications and 33 days for non-barcode applications; 42 days for Philadelphia barcode applications and 50 days for non-barcode applications; 39 days for Allegheny barcode applications and 51 days for non-barcode applications.

The average time required to process applications that are not complete when they are received is considerably greater. Such times ranged:

- For the 2011 LIHEAP season, the average time for processing applications that were incomplete when received ranged from 33 days on average for incomplete barcode applications in areas of the state other than Allegheny and Philadelphia to 94 days for non-barcode applications in Philadelphia. In contrast, for the same type of complete applications in the same area of the state, the average processing time ranged from 19 days to 44 days.
- For the 2012 LIHEAP season, the average time for processing applications that were incomplete when received ranged from 47 days on average for barcode applications in areas of the state other than Allegheny and Philadelphia to 88 days for barcode applications in Allegheny. In contrast, for the same type of complete applications in the same areas of the state, the average processing time ranged from 34 days to 39 days.

Average processing times for the 2011 LIHEAP heating season were shorter than for the 2012 season. In Allegheny County, for example, barcode applications that were never pended were processed on average in 11 days in the 2011 heating season, compared to 39 days in 2012. The Department and CAOs we visited acknowledged such longer time frames and attributed them to automated system related issues.<sup>12</sup> They also attribute the longer time frames to the “learning curve” associated with changes to the automated system. Since August 2011, the automated system has been updated to correct unforeseen issues. Additional system integration for all household medical and financial benefits is scheduled to begin in June 2012.

***In 2011, Pennsylvania’s LIHEAP program provided over \$219 million in heating grant payments and almost \$45 million in crisis benefits. Most such payments go directly to fuel vendors and utilities.*** Once a LIHEAP payment has been authorized by *eCIS*, the Commonwealth Budget Office, Comptroller’s Office reviews and approves the authorization for payment by the Treasury Department. An authorized LIHEAP payment for a heating grant is available to a vendor or household within 10 work days from when it has been authorized by *eCIS*, or from 13 to 19 calendar days from the date the grant was authorized.<sup>13</sup>

Crisis payments are processed through *eCIS* in a similar manner as heating grant payments. Before *eCIS* will authorize such payments, however, the fuel

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<sup>12</sup> DPW LIHEAP Advisory Committee minutes indicate that DPW staff advised the Committee of the system issues early in the 2012 LIHEAP heating season. During our site visits, we also learned from program directors that the Office of Income Maintenance routinely communicates with program directors to monitor any problems in LIHEAP application processing, and the Department early on became aware of the system’s issues and immediately initiated steps to resolve them.

<sup>13</sup> The amount of time will vary as payment authorizations are processed in weekly payment batches.

vendor or utility must submit a claim for the crisis payment through DPW's *PROMISe™* (aka *PROMISe*) system and provide documentation that the benefit has not only been authorized but has actually been provided. The total time required for the crisis contractor to actually receive payment is largely dependent upon the vendor and how quickly the vendor submits the required supporting documentation for the crisis claim.

***Pennsylvania's LIHEAP program introduced system and other program changes in response to concerns about LIHEAP program integrity nationwide and federal LIHEAP policy issuances.*** In 2007, a Pennsylvania Court of Common Pleas Grand Jury found probable cause that certain LIHEAP and crisis contractor seasonal workers had defrauded the taxpayers of LIHEAP funds by forging LIHEAP application documents, falsifying Social Security numbers and addresses, and even creating fictitious identities. In that same year, the Pennsylvania Auditor General issued a report recommending that DPW immediately improve the previous LIHEAP computer system (known as LIS) and that every Social Security number entered into the system be verified prior to approval of a LIHEAP application. Subsequently, in June 2010, the United State General Accountability Office (GAO) issued a forensic audit of LIHEAP programs in Illinois, Maryland, Michigan, New Jersey, New York, Ohio, and Virginia and recommended a fraud prevention system with requirements for verification of Social Security numbers and income. The federal Department of Health and Human Services (DHHS) agreed with the GAO and issued a memorandum requiring states to provide program integrity plans as a condition for receipt of federal LIHEAP funding. As DPW had initiated changes to address program integrity concerns in 2007, and as noted above, DPW automated systems now perform the program integrity activities recommended by state and federal auditors, DPW was positioned to comply with the federal directive.

DPW also changed a long standing practice in response to a 2009 DHHS policy concerning utility assistance programs such as Customer Assistance Programs (CAPs). In 2009, DHHS clarified that LIHEAP funds must be applied to the individual customer account of a LIHEAP eligible household and cannot be simply applied to subsidize a CAP program, as such programs include households that are both eligible and ineligible for LIHEAP. Subsequently, in 2010, the Pennsylvania Public Utility Commission (PUC) issued a Statement of Policy suspending and revising its previous policies regarding CAP requirements and LIHEAP funding to allow for compliance with federal LIHEAP requirements and continue to permit utilities with CAP programs to remain enrolled as LIHEAP vendors and directly receive an eligible LIHEAP household's LIHEAP benefit.<sup>14</sup>

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<sup>14</sup> Utilities and fuel vendors directly receive 98 percent of LIHEAP household heating grant benefits and 99 percent of such household crisis benefits.



***Pennsylvania, like most states,<sup>15</sup> relies entirely on federal funds for its LIHEAP program. In recent years, such funding has been unpredictable, thus complicating state administration of this part-time seasonal program.*** The amount of federal LIHEAP funds a state thinks it will receive influences the design of its program, including its income eligibility limits, the amount of its heating and crisis grants, the opening and closing dates for its program, and its seasonal staff levels. Such decisions often must be made before the state knows how much federal funding actually will be available for its program. From 2001 to 2008, for example, the “regular” LIHEAP Block Grant<sup>16</sup> was fairly stable; however, because of a spike in fuel oil prices in 2008, Congress more than doubled the 2009 LIHEAP regular Block Grant, increasing it to an all time high of \$4.51 billion nationwide. In response, Pennsylvania, which had opened its 2009 LIHEAP program (SFY 2008-09) with income eligibility limits set at 150 percent of federal poverty guidelines, later increased such limits to approximately 210 percent of federal poverty. Subsequently, as federal LIHEAP funding was reduced, Pennsylvania’s LIHEAP income eligibility levels were also reduced (back to 150 percent).

Unpredictability in receipt of federal funds complicates state LIHEAP program administration. DPW, for example, started the 2012 LIHEAP program (SFY 2011-12) by hiring and training seasonal staff, identifying crisis contractors, mailing barcode applications to the prior year’s applicants in late September and October 2011, and the state Treasury started making payments in October 2011. Because there was not actually a federal DHHS 2012 federal budget in place on October 1, 2011 (the start of the federal fiscal year), DPW operated the program in late September and October with prior year federal funding (about \$35 million). It was not until the day before Pennsylvania’s program was to open to all households (November 1, 2011) that DHHS provided states with their 2012 LIHEAP federal allotments. The amount of Pennsylvania’s allotment, however, was \$22 million less than anticipated in the state’s 2011-12 budget.

By the end of December 2011, Pennsylvania’s Treasury had disbursed over \$46 million of the estimated \$75 million funding available for the 2012 heating grant and crisis programs. DPW, moreover, had approximately 150,000 eligible

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<sup>15</sup> LB&FC staff were able to identify only a few states that utilize state general fund monies to supplement the federal LIHEAP program. Since 2009, the state-funded Alaska Affordable Heating Program has provided assistance (\$5 million) to households with income from 151 to 225 percent of federal poverty guidelines. Michigan offers a Home Heating Credit, which provides basic maintenance benefits to LIHEAP and other low income households. At times, some states provide one-time state funding to supplement reduced federal funds. In 2012, Massachusetts provided \$21 million to replace some of its lost federal funds, and Vermont provided \$5 million from a state reserve fund to replace certain lost federal funding for its heating grant, crisis, and weatherization program.

<sup>16</sup> At the federal level, there are two separate LIHEAP appropriations with the “regular” LIHEAP block grant appropriation accounting for the largest portion of federal funds and available to all states with approved state plans. The second federal LIHEAP appropriation, the emergency contingency appropriation, provides additional federal funds to areas that are affected by excessive cold or heat, energy price increases, or other energy related emergencies. As such, the second appropriation is not routinely available and when it is available, is not available to all states.

household applications pending at an estimated cost of \$34 million—or \$5 million more than the \$75 million available. In addition, federal law required DPW to operate the crisis program through March 15<sup>th</sup>. If additional federal funds had not become available to DPW in late December 2011, or alternatively, the Governor and General Assembly provided a state supplemental appropriation in the range of \$25 million to \$35 million, DPW would have had to close the heating grant program at the end of December 2011 in order to operate the crisis program through March 15<sup>th</sup>. DPW advised us that it reserves funds (based on prior year experience and available federal funds) to operate the crisis program through March 15<sup>th</sup>, and, if available funding for the heating grant program had been exhausted, it was prepared to close the heating grant program and provide notice to households that had applied and were eligible that LIHEAP funding had been exhausted. Such a notice would also advise the eligible households that they would be notified if additional funds became available and the amount of the heating grant they would receive based on the amount of additional funding available to the program.

Subsequently, in January 2012, Congress and the President agreed to a final DHHS budget and additional LIHEAP funds were allotted to states—more than halfway through the 2012 heating season. As a consequence of such additional federal allotments in January 2012, and likely the mild winter, DPW found itself in January with sufficient funds to extend the heating grant and crisis program end dates from March 30<sup>th</sup> to mid-April and to plan for supplemental payments to federally defined target groups with the greatest need (i.e., vulnerable households with elderly and disabled members, children in the household under five, and households with the least income relative to heating costs), which make up over 75 percent of all LIHEAP households.

As of May 2012, DPW, in consultation with the LIHEAP Advisory Committee, was considering options for supplemental payments (\$150) for federally defined vulnerable households and to all 2012 LIHEAP households. If DPW adopts a supplemental payment proposal for vulnerable households only, at least \$20 million in carryover funding (i.e., 10 percent of the 2012 LIHEAP allotment) will be available for early start up (September and October) of the 2013 LIHEAP program and as a buffer for further federal LIHEAP fund reductions. If 2012 supplemental payments are made to all 2012 LIHEAP households, only about \$10 million (i.e., one-half of the allowed federal carryover) will be available for such purposes. In 2012, the President and Congress reduced federal LIHEAP funding by about 25 percent. If the President's 2013 budget is enacted as proposed, LIHEAP Regular Block Grant funding will be reduced an additional 20 percent for next year.

Changing the design of the LIHEAP program after the start of the program year presents problems for the Department, utilities, and fuel vendors, and confusion among households applying for LIHEAP benefits. Such changes, moreover,

lend themselves to the perception among some that the program is being administered in an inefficient manner. Utilities and fuel vendors, and advocates for low income households would like to see applications received early and processed quickly before the start of colder weather in November and December.

Based on the data we reviewed, DPW precisely predicts the average benefit amounts for eligible LIHEAP households from year to year. Such forecasting allows DPW to operate Pennsylvania's LIHEAP program within planned federal funding levels. Without federal fund certainty and large amounts of federal carryover funding, however, early and rapid processing of all applications may not be possible. Utilities and fuel vendors and LIHEAP household advocates, therefore, have advocated for state funding for LIHEAP to improve its efficiency through more rapid application processing.

***DPW administers the federal LIHEAP heating grant and crisis program efficiently based on federal administrative efficiency criteria.*** The federal LIHEAP block grant permits states to utilize up to 10 percent of the federal grant to administer the program. In recent years, DPW has used just a little over \$19 million, or the equivalent of 7 percent of the total federal LIHEAP funds available to the Department for the heating grant and crisis program. The federal LIHEAP program has established performance targets for state administrative efficiency, based on the number of households assisted for every \$100 of LIHEAP administrative costs. In 2011, the DPW LIHEAP program served 3.57 households for every \$100 in administrative costs—outperforming the national projected target for administrative efficiency of 3.13 households for FFY 2011.

In FFY 2011, approximately 70 percent of DPW's administrative costs were accounted for by personnel, with automated systems accounting for the second highest expenditure at 16 percent, followed by direct charges at 12 percent. Direct charges are largely due to printing and mailing costs associated with federal notice (e.g., when utilities and fuel vendors directly receive LIHEAP payments on behalf of eligible households) and appeal process requirements (e.g., notice of missing information and notice of right to appeal). Of the \$2.1 million in printing and mailing costs for FFY 2011, the mass mailing to prior year applicants accounted for about 15 percent of total printing and mailing costs, and served to provide federally required program outreach.

For the most part, LIHEAP workers are seasonal workers, with an average of 530 full-time equivalent (FTE) employed by DPW from late September to the usual end of the heating season at the end of March. In addition, DPW has in place a process for other staff to provide temporary assistance when a CAO has a larger than anticipated volume of applications and a high volume of pending cases. Some have suggested that greater temporary staffing levels might provide for more rapid application processing and LIHEAP payments. Such an approach, however, increases

administrative costs. Faster processing of 2012 applications, moreover, would not have resulted in faster payments, as federal funding for such payments was not available to the Commonwealth until well into the heating season.

***In recent years the number of crisis contractors has declined.*** From January through the end of the heating season, DPW contracted with two crisis contractors who also employed seasonal workers.<sup>17</sup> In recent years, the number of crisis contractors has declined from six in FFY 2010 to two in FFY 2012. As LIHEAP applications can no longer be processed manually and enhanced program integrity requirements have been introduced, the ability of outside organizations to effectively assist DPW in processing LIHEAP applications is now limited.

## Recommendations

To improve the efficiency of the LIHEAP program in Pennsylvania, we recommend:

- 1. The Department of Public Welfare work to help better educate the LIHEAP Advisory Committee, utilities and fuel vendors, LIHEAP households, and others about significant changes that have occurred in the LIHEAP program in recent years and the implications of such changes for LIHEAP application processing and payment.** The Department has shared information about the changes as they have occurred, and considerable information is available in the state's program integrity plan (which is part of the state plan) and in information shared with the LIHEAP Advisory Committee. LB&FC staff had opportunity to directly observe LIHEAP application processing, including the processing of crisis benefit requests. During our site visits, we also learned that certain CAOs have reached out to legislative staff, utilities, fuel vendors, and others to advise them of the program and system changes and develop strategies for how best to interface with DPW LIHEAP processing staff in view of the changes. As a consequence, changes that some view as problems (e.g., not knowing if a household heating grant resolves a crisis referral or the amount of other funding required for a household to qualify for a crisis benefit to resolve a crisis) are not an issue to others. Working with their CAOs, major state utilities have identified ways to address program changes that may impact them (e.g., dedicated telephone lines

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<sup>17</sup> The grant for the Allegheny County crisis program projects an average of 17.28 FTE seasonal workers weekly from the beginning of January through March, and the grant for Luzerne and Wyoming Counties' crisis program projects an average of 13.7 FTEs. The 2012 Allegheny County crisis program grant provided for \$327,000 for operation of the program through April 17, 2012. Based on incomplete program data, as of April 19, 2012, the Allegheny crisis program received 4,837 crisis applications and provided \$775,324 in benefits to 3,124 households. The 2012 crisis contract with the Commission on Economic Opportunity of Luzerne County, which serves as the crisis contractor for Luzerne and Wyoming Counties, provided \$164,385 for the crisis contractor for the 2012 LIHEAP season. Based on incomplete data as of April 19, 2012, the Commission received over 3,300 applications in Luzerne County, with 3,329 households approved for \$960,325 in crisis payments. In Wyoming County, 341 households were approved for \$98,173 in crisis payments.

for CAO workers to confirm a household's heating responsibility, lists of households where the amount of the heating grant is sufficient to resolve a crisis, and identification for a utility or heating assistance program of the amount of additional funds to resolve a crisis and for a crisis benefit to be authorized, etc.).

As part of such educational efforts, the Department and others should emphasize for applicant households the importance of a complete application upon submission to the Department. Without complete applications, the Department is not likely to be positioned to approve or reject a claim for LIHEAP benefits within its target of 45 days. We also recommend the LIHEAP Advisory Committee visit a sample of CAOs to observe the application process, as we found these visits to be very helpful in understanding what can be a complicated process.

2. **The Department of Public Welfare should plan to reserve the 10 percent of LIHEAP funding permitted by the federal LIHEAP program.** Without federal carryover funding, Pennsylvania is not in position to start operation of the LIHEAP program in late September. If the program is not positioned to start up at that time, processing and payment of applications are likely to lag behind prior year schedules. Given the financial status and uncertainties of the federal grant, it is likely that even the maximum amount DPW is permitted to carryover (\$20 million) may not be sufficient to last until the first federal allotment is made for the 2013 program year.
3. **The Department of Public Welfare should carefully monitor additional automated system changes that are planned for the 2013 LIHEAP heating season to assure that unforeseen system problems that are encountered are addressed as promptly as possible.** In 2012, DPW encountered unforeseen problems with its automated systems that increased the average time required for it to process LIHEAP applications. DPW has in place administrative processes to monitor issues with LIHEAP application processing and promptly address them through staffing assignments, etc. Similar contingency planning with automated system contractors may be needed for unforeseen systems issues that may arise in 2013.
4. **The Department of Public Welfare should continue its efforts to improve the efficiency of the LIHEAP application process.** Such efforts may include encouraging greater participation in the COMPASS Community Partners Program and greater use of COMPASS to apply for LIHEAP. They may also include further encouraging CAOs to partner in application processing where possible.



# I. Introduction

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Senate Resolution 2011-165 directed the Legislative Budget and Finance Committee (LB&FC) to study the efficiency of the administrative functions and operations of the Low Income Home Energy Assistance Program (LIHEAP). LIHEAP is a federal block grant program to assist low income households to pay for a portion of their home heating needs, in particular households that pay a high portion of their income for home heating and vulnerable households with members who are disabled, elderly, or young children.

The Department of Public Welfare's Office of Income Maintenance administers Pennsylvania's LIHEAP.<sup>1</sup> Appendix A provides a copy of Senate Resolution 165.

## Study Scope and Objectives

Specifically, the study seeks to:

1. Identify funding available for the heating grant and crisis components of the LIHEAP program.
2. Identify how Pennsylvania households may apply for LIHEAP, how such applications are processed, and the extent to which automation is involved with such activities.
3. Identify how many Pennsylvania households apply and are approved for LIHEAP benefits, and the major reasons applications are rejected.
4. Identify the number and reasons for calls to the Statewide LIHEAP help-line.
5. Determine the average time required to process a LIHEAP heating grant and/or crisis application that provides all required information when submitted and notify the household of its eligibility status.
6. Determine the staffing, including full-time, seasonal, and contract staff, involved in the LIHEAP heating grant and crisis program components.
7. Determine how LIHEAP heating grant and crisis payments are processed and the time required for such payment processing.
8. Determine how LIHEAP federal funding is made available to states and the implications of federal requirements and practices on program operations, administrative costs, and efficiency, and opportunities for improved efficiency.

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<sup>1</sup> Pennsylvania's State Plan for LIHEAP also provides for up to 15 percent of the available federal funds to the Department of Community and Economic Development (DCED) for LIHEAP low income weatherization services. As Senate Resolution 165 does not include reference to weatherization services, DCED's administration of the LIHEAP weatherization program is not included within the scope of the current study.

To identify funding available for the LIHEAP heating grant and crisis program, LB&FC staff reviewed federal budget and state financial data for current and past years.

To identify how Pennsylvania households may apply for LIHEAP heating grants and crisis benefits, how applications are processed, and the extent to which automation is involved with such activities, we reviewed the Department of Public Welfare *LIHEAP Handbook* and *LIHEAP User Manual*. Such documents set forth the policies and processes associated with applying for LIHEAP, and application and claims processing and payment. We also conducted site visits in Allegheny and Philadelphia Counties to observe heating grant and crisis benefit processing, and visited processing centers in Montour and York Counties, which are responsible for LIHEAP application and claims processing for 13 counties. The sites we visited are responsible for about 50 percent of all LIHEAP applications statewide.

To identify how many Pennsylvania households apply and are approved for LIHEAP benefits, we relied on routinely generated reports, including Energy Assistance Summary (EASUM) and Weekly LIHEAP Activity (LLTRAK) reports. The major reasons household applications are denied were provided from special reports generated by the automated system responsible for notifying clients of their eligibility status.

To identify the number and reasons for calls to the Statewide LIHEAP helpline and staffing, we reviewed reports regularly produced by the LIHEAP helpline system. We also visited and met with LIHEAP helpline supervisors and staff.

To determine the average time required to process a complete LIHEAP heating grant and/or crisis application and notify the household of their eligibility status, we requested and the Department generated a special report identifying the average time required for application and claims processing for last year and half way through the current heating season. Such data allowed us to consider processing time for Allegheny and Philadelphia Counties, and the remainder of the state, and based on the application's complete or incomplete status at the time of first submission. In addition, we became familiar with the payment processing time frames and met with staff in the Governor's Office of the Budget, Office of Comptroller Operations and the Pennsylvania Treasurer's Office involved in the payment of LIHEAP benefits.

To determine program staffing levels, including full-time, seasonal, and contract staff involved in the LIHEAP program, we reviewed available full-time equivalent staffing data for the current LIHEAP season and crisis contractor contract staffing plans. We also met with full-time staff members, who are involved year-round in LIHEAP program planning and administration.



To determine how LIHEAP heating grant and crisis payments are processed and the time required for such payment processing after a household's claim has been approved, we reviewed DPW procedures for such processing, met with LIHEAP Compliance Unit staff members responsible for interfacing with LIHEAP fuel vendors, and met with staff from the Office of Comptroller Operations and the Pennsylvania Treasurer's Office.

To determine how LIHEAP federal funding is made available to states and the implications of federal requirements and practices on program operations, administrative costs, efficiency, and opportunities for improved efficiency, we reviewed federal statutes and regulations and other federal policy issuances, and the Commonwealth's receipt of federal funding and Commonwealth payment issuances during the SFY 2011-12, or 2012 heating season. We also reviewed reports prepared by the Pennsylvania Auditor General's Office, the U.S. General Accountability Office, and DPW program monitoring reports. In addition to Commonwealth staff, we met with members of the Low Income Home Energy Assistance Advisory Council, including those representing low income households and energy providers. Such contacts provided a range of perspectives on ways to improve the efficiency of Pennsylvania's LIHEAP program, along with a variety of perspectives on how to define program efficiency.

Our report focused on the 2011 and 2012 LIHEAP heating seasons, though certain data from other heating seasons is also reported. Typically, when referring to a specific LIHEAP heating season in the report, we are referencing the LIHEAP federal fiscal year rather than the state fiscal year. The 2012 LIHEAP heating season program, therefore, begins in fall 2011 and ends in 2012. It, therefore, overlaps with the 2011-12 state fiscal year.

In Pennsylvania, the federal LIHEAP heating grant is often referred to as the "cash" grant. As such grants are almost always made directly to utilities and fuel vendors on behalf of individual eligible households, and not paid directly to the household, we have referred to them throughout the report as "heating grants."

The report discusses program integrity requirements and recent changes made in response to such requirements. We also reviewed recent audits and reports related to program integrity. The resolution, however, did not direct that we conduct a forensic program audit. Follow-up on prior forensic audit findings, therefore, is outside of the scope of this study.

## **Acknowledgements**

LB&FC staff completed this report with the assistance of Commonwealth staff, including the State Treasury, the Governor's Office of the Budget, and the Department of Public Welfare. The report could not have been completed without the

cooperation provided by leadership and staff in Department of Public Welfare Office of Income Maintenance's Bureau of Policy and Bureau of Operations. We also appreciate the cooperation and assistance we received from members of the LIHEAP Advisory Committee, including representatives of major utilities, heating assistance programs, and low income household advocates.

In particular, we thank the LIHEAP processing centers, County Assistance Offices, and LIHEAP crisis contract staff with whom we met and spoke. During a demanding time in their work schedules, they generously took time to explain and demonstrate LIHEAP application processing and share their insights about the program.

### **Important Note**

*This report was developed by the Legislative Budget and Finance Committee staff. The release of this report should not be construed as an indication that the Committee or its individual members necessarily concur with the report's findings and recommendations.*

*Any question or comments regarding the contents of this report should be directed to Philip R. Durgin, Executive Director, Legislative Budget and Finance Committee, P.O. Box 8737, Harrisburg, Pennsylvania 17105-8737.*

## II. Findings

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### **A. A State Seeking Federal Low Income Home Energy Assistance (LIHEAP) Funds Must Submit a State Plan for Federal Approval Affirming It Will Uphold All Federal Requirements.**

In Pennsylvania, the Department of Public Welfare's Office of Income Maintenance administers the federal Low Income Home Energy Assistance Program. The Department administers Pennsylvania's LIHEAP program without any state funding and must comply with all federal requirements for the state's program.

In 1981, the U.S. Congress enacted legislation authorizing the Secretary of the Department of Health and Human Services (DHHS) to make grants to states<sup>1</sup> in accordance with the statute to assist low income households, in particular those that pay a high proportion of household income for home energy, in meeting their immediate home energy needs.<sup>2</sup> The federal Low Income Home Energy Assistance Program statute specifically defines "home energy" to mean "a source of heating or cooling in residential dwellings,"<sup>3</sup> and a "household" as:

Any individual or group of individuals who are living together as one economic unit for whom residential energy is customarily purchased in common or who make undesignated payments for energy in the form of rent.<sup>4</sup>

As used in the statute, a household with "the highest home energy needs" refers to:

The home energy requirements of a household determined by taking into account both the energy burden of such household and the unique situation of such household that results from having members of vulnerable populations, including very young children, individuals with disabilities, and frail older individuals.<sup>5</sup>

### **LIHEAP Offers Partial Heating Assistance**

The federal LIHEAP program is not intended to offset the entire home energy costs of low income households. DHHS, however, routinely monitors and reports to

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<sup>1</sup> Grants may also be made to the District of Columbia, which is included in the term state, and to Indian Tribes and Organizations and U.S. Insular Areas (American Samoa, Commonwealth of Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, and U.S. Virgin Islands).

<sup>2</sup> P.L. 97-35, sections 2601-11, as amended, 42 U.S.C. §8621 *et seq.*

<sup>3</sup> 42 U.S.C. §8622(6).

<sup>4</sup> 42 U.S.C. §8622(5).

<sup>5</sup> 42 U.S.C. §8622(4).

Congress on the extent of such offsets. According to its most recent report,<sup>6</sup> in 2008, the average LIHEAP household's heating cost was \$839 nationally, and \$1,260 in the Northeast. LIHEAP benefits offset average LIHEAP household heating costs by approximately 45 percent nationally, and 32 percent for households in the Northeast. LIHEAP household heating costs, however, vary widely by fuel type. While the national average LIHEAP household heating cost for all fuel types was \$839 in 2008, such average costs ranged from \$249 for those heating with electricity, \$489 for kerosene, \$720 for natural gas, \$1,231 for liquefied petroleum gas (LPG) and \$2,347 for fuel oil.<sup>7</sup>

## **The LIHEAP Statute's Certification<sup>8</sup> and Other Requirements**

To receive a federal LIHEAP grant, a state must annually apply and submit for review and approval an application or state plan with information required by DHHS. The state's application, moreover, must include certain state assurances and meet other conditions specified in statute.

Exhibit 1 lists the 16 assurances the state's chief executive officer is required by statute to certify annually in the state's plan.<sup>9</sup> As shown in Exhibit 1, such requirements include conditions for household eligibility, benefit design, requirements for outreach and appeal processes, and limits on use of federal funds.

In addition to the state plan and certification requirements, the LIHEAP statute imposes other requirements on the state. The statute, for example, requires that each state participating in the LIHEAP program, based on prior program year experience, reserve a reasonable amount of the available funds to provide energy crisis intervention until March 15<sup>th</sup>. An "energy crisis" is defined as "weather-related and supply shortage emergencies and other household energy-related emergencies."<sup>10</sup> The statute also provides that the state crisis program:

- (1) Not later than 48 hours after a household applies for energy crisis benefits, provide some form of assistance that will resolve the energy crisis if the household is eligible to receive such benefits;
- (2) Not later than 18 hours after a household applies for crisis benefits, provide some form of assistance that will resolve the energy crisis if such household is eligible to receive such benefits in a life-threatening situation.<sup>11</sup>

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<sup>6</sup> U.S. Department of Health and Human Services, *Low Income Home Energy Assistance Program, Report to Congress for Fiscal Year 2008*, September 6, 2011.

<sup>7</sup> *Ibid.*, pp. 27 and 39.

<sup>8</sup> 42 U.S.C. §8624(b).

<sup>9</sup> 42 U.S.C. §8624(b).

<sup>10</sup> 42 U.S.C. §8622(3).

<sup>11</sup> 42 U.S.C. §8623(c).

## Exhibit 1

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### Required Federal LIHEAP Assurances That Must Be Certified by the State's Chief Executive Officer

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1. *Use of Funds*: Funds used only for purposes specified in federal statute.
2. *Eligibility*: Payments only made on behalf of eligible households that participate in certain major federal income assistance programs or those with income not in excess of 150 percent of federal poverty or 60 percent of state median income.
3. *Outreach*: Engage in activities to assure eligible households, especially with elderly and disabled members and households with high home energy burdens, are aware of the availability of the LIHEAP program grants and energy-related assistance.
4. *Coordination*: Coordinate with other similar and related federal programs (e.g., SSI, TANF, community services block grant, programs under the Energy Conservation and Production Act, etc.)
5. *Varying Benefits*: Provide the highest level of assistance to households with the lowest incomes and the highest energy costs or needs in relation to income, taking into account family size and without differentiating between households participating in a major federal income assistance program and those that do not.
6. *Local Agencies*: Give special consideration to local agencies receiving federal funds under other low income energy assistance or weatherization programs if it is necessary to designate local administrative agencies and such agencies meet program and fiscal requirements established for the state LIHEAP program.
7. *Vendor Payments*: If the state chooses to pay energy suppliers directly, it must, for example, notify each household of benefits paid on its behalf and assure they will not be treated adversely due to state law or public regulatory requirements.
8. *Renters*: Treat owners and renters equitably.
9. *Administrative Costs*: Expend no more than 10 percent of the federal grant on program planning and administering and pay from non-federal sources any remaining planning and administrative costs.
10. *Monitoring, Fiscal Control, Accounting, Single Audit Act*: Assure proper disbursement of federal funds through fiscal controls, fund accounting, monitoring, and compliance with provisions of the federal "Single Audit Act."<sup>a</sup>
11. *Cooperate with Federal Investigations*: Make available all documents and records to Secretary and other federal investigators for evaluation of state compliance with the statute, including investigations of complaints.
12. *Public Participation*: Provide timely and meaningful public participation in the state plan development.
13. *Fair Administrative Hearing*: Provide opportunity to appeal a claim denied or not acted upon with reasonable promptness.
14. *Cooperate with Data Collection and Reporting*: Cooperate in gathering data on home energy consumption; the amount, cost and type of fuels used by eligible households; the number and income levels of households assisted; and the number of households with one or more individuals who are 60 years or older or disabled or include young children, etc.
15. *Preference in Awarding Grants for Outreach and Intake*: Local community agencies, such as area agencies on aging, not-for-profit neighborhood-based organizations, and community action agencies, may be involved in outreach and intake in addition to such services offered by the state's department of public welfare at the local level.
16. *Efforts to Reduce Home Energy Needs*: At its option, the state may use up to 5 percent of certain federal funds to provide services that encourage and enable households to reduce their home energy needs.

<sup>a</sup> 31 U.S.C. §7501 et seq.

The statute also permits up to 15 percent of the funds to be used for low income household weatherization or other energy-related home repair for low-income households,<sup>12</sup> and allows states to carry over up to 10 percent of the funds received in one federal fiscal year to the next.<sup>13</sup>

Under the federal LIHEAP program, states are required to repay any federal funds that are not used consistent with the statute. According to the statute:

The State shall repay to the United States amounts found not to have been expended in accordance with this subchapter or the Secretary may offset such amounts against any other amount to which the State is or may become entitled under this subchapter.<sup>14</sup>

## Other Relevant Federal Requirements

Additional requirements for state LIHEAP programs are set forth in federal regulations.<sup>15</sup> DHHS also provides information and policy directives to states through LIHEAP information memoranda and action transmittals, which require state compliance. Such directives may address compliance with the federal LIHEAP statute or other relevant federal statutes.

**Non-Qualified Aliens:** In 1998, DHHS issued LIHEAP Information Memorandum 98-25 providing guidance concerning LIHEAP benefits and “non-qualified aliens.” DHHS issued the information memorandum to assure states receiving federal LIHEAP funds complied with a 1996 federal statute<sup>16</sup> and the Department of Justice and DHHS interpretation of the federal statute concerning immigrants and federal public benefits.

The 1996 federal law prohibited “non-qualified aliens” from receiving “federal public benefits,” and in August 1998, DHHS published a notice<sup>17</sup> identifying federal LIHEAP benefits as a “federal public benefit,” which “non-qualified aliens”<sup>18</sup> may not receive. The memorandum further noted states providing federal public benefits, such as LIHEAP, “are required to verify immigration and citizenship status of applicants [based on guidance issued by the Department of Justice<sup>19</sup>] in order to ensure that non-qualified aliens do not receive the programs’ benefits and services.”<sup>20</sup>

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<sup>12</sup> 42 U.S.C. §8624(k)(1).

<sup>13</sup> 42 U.S.C. §8626(b)(2)(b).

<sup>14</sup> 42 U.S.C. §8624(g).

<sup>15</sup> 45 CFR Part 96.

<sup>16</sup> The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), Public Law 104-193.

<sup>17</sup> 63 FR 41658 (August 4, 1998).

<sup>18</sup> The federal statute specifically defines “qualified aliens.” Effectively, such individuals are legal immigrants. “Non-qualified aliens” do not meet the specific criteria defined in the federal statute.

<sup>19</sup> 63 FR 41662 (August 4, 1998).

<sup>20</sup> LIHEAP-IM-98-25.

**Privacy Protection:** Compliance with DHHS information memoranda may also require state compliance with various other federal statutes. In 2010, for example, DHHS encouraged states to require that those applying for LIHEAP benefits disclose their Social Security numbers.<sup>21</sup> Such provisions, however, require compliance with the federal Privacy Act of 1974 as amended by the Computer Matching and Privacy Protection Act of 1988 (CMPPA).<sup>22</sup>

CMPPA sets forth the terms and conditions governing the Social Security Administration's (SSA) disclosure of records, information, or data to state agencies that administer certain federally funded benefit programs. The terms and conditions of such agreements ensure that the SSA makes disclosure of such data, and the state agency uses disclosed data in accordance with federal privacy law. The statute and the agreements provide highly detailed requirements for state agencies involved in computer matching data exchange with SSA, including security procedures (administrative, technical, and physical), and record usage, duplication, and redisclosure restrictions. SSA must immediately cancel the agreement if there is reason to believe that the state agency is not meeting the matching agreement or other requirements of the federal law. There are also other penalties provided for in federal statute.<sup>23</sup> As a consequence of the need to comply with such federal privacy requirements, access to certain LIHEAP household data that may have been available to utilities and others in the past may no longer be available as computer matching with SSA is now integrated into the LIHEAP program to provide enhanced program integrity.

**Interpretation of the federal LIHEAP statute:** Some DHHS directives specifically address DHHS' understanding of the federal LIHEAP statute and its regulations. Recently, such DHHS directives addressed program integrity requirements and use of federal LIHEAP funds in utility customer assistance programs. As discussed in Finding B, such federal directives have resulted in significant changes to longstanding program practices.

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<sup>21</sup> LIHEAP-IM-2010-6.

<sup>22</sup> 5 U.S.C. §552a.

<sup>23</sup> The Pennsylvania Department of Public Welfare *Cash Assistance Handbook*, for example, notes that access to exchange data must be restricted, and that "improper, unauthorized use of IEVS [Income Eligibility Verification System which verifies unemployment compensation, SSI, and Social Security benefits, etc.] to get information about persons other than applicants, recipients, or those whose income and resources must be considered may result in fines, imprisonment, or both."

## **II.B. Pennsylvania's LIHEAP Program Has Undergone Significant Changes in Recent Years in Response to Program Integrity and Federal Requirements.**

The LIHEAP program provides significant public funding to a large number of Pennsylvania households each year. During the 2011 LIHEAP heating season (SFY 2010-11), for example, the Pennsylvania Department of Public Welfare (DPW) processed over 660,000 heating grant applications and made heating grant payments totaling almost \$220 million on behalf of approximately 460,000 eligible households,<sup>1</sup> with heating grant payments (including the supplemental payments for vulnerable households) averaging \$480 per household. In addition, the Department processed about 140,000 crisis applications and made crisis benefit payments totaling \$44.8 million on behalf of approximately 124,000 households,<sup>2</sup> with payments averaging \$362 per household.<sup>3, 4</sup>

For the 2012 LIHEAP heating season (SFY 2011-12), as of early May 2012, the Department was on a path to provide more than \$92 million in heating grants to approximately 400,000 households, and between \$50 million and \$66 million in supplemental grants.<sup>5</sup> In addition, it will provide an estimated \$30 million in crisis benefits to about 110,000 households. (Findings D and E and Chapter III provide additional information on the 2012 LIHEAP heating season program, including the amount of the reduction in federal funding available to Pennsylvania for the 2012 heating season.)

### **Major Changes to LIHEAP in Recent Years**

Given the large number of households and the millions of dollars in public money going to support the LIHEAP program, federal concerns about LIHEAP program integrity nationwide, and problems that occurred in Pennsylvania, the Department of Public Welfare has made significant changes to improve the program's integrity and efficiency and to respond to various federal requirements. Exhibit 2 identifies the major changes that have occurred in LIHEAP and the heating season

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<sup>1</sup> The average household size for the heating grant statewide was 2.35 individuals.

<sup>2</sup> The average household size for the crisis benefit statewide was 2.74 individuals.

<sup>3</sup> Department of Public Welfare, *eCIS* Energy Assistance Summary (EASUM), 9/18/2010-9/22/2011 and *eCIS* Weekly LIHEAP Activity (LLTRAK) report for the same period.

<sup>4</sup> December 2010 through February 2011 was colder than long term averages nationwide and in all of Pennsylvania, according to the National Oceanic and Atmospheric Administration's National Climatic Data Center. In contrast the 2012 winter was significantly warmer than the prior one.

<sup>5</sup> As of mid-May 2012, there were several supplemental heating grant proposals under consideration by the LIHEAP Advisory Committee, DPW, and the Governor's Office of the Budget. One proposal called for a supplemental grant of \$150 to all eligible households (about 440,600), with a projected cost of \$66.1 million and an anticipated carryover of funds for next year (i.e., the SFY 2012-13 or 2013 heating season) of \$10.687 million. A second proposal called for a supplemental grant of \$150 only to vulnerable households (about 337,500 households) and an anticipated carryover of \$26.147 million. If the size of the supplemental grant for all households is reduced to \$125, about \$20 million would be available for carryover, according to DPW.



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## **Selected Changes in the LIHEAP Program Since the 2007 LIHEAP Heating Season**

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### **Prior to the 2009 LIHEAP Heating Season (SFY 2008-09)**

#### **Application Processing:**

- Prior to the SFY 2006-07 heating season, all LIHEAP applications were processed in the County Assistance Office (CAO) of the residence of the applicant. This process limited efficiencies as work did not get transferred from one CAO to a second when workers were available at the second CAO.
- In SFY 2006-07, the Department of Public Welfare (DPW) permitted the Montgomery CAO to gain assistance from the Fayette County CAO with processing of Montgomery County LIHEAP applications.
- In SFY 2007-08, the Montour County Assistance Office, which was better positioned to obtain qualified seasonal staff, was authorized to assist with the processing of LIHEAP applications for seven other CAOs in its region.

#### **Automated Systems:**

- In CY 2007, LIHEAP applications were processed manually by workers in conjunction with the LIHEAP Information System (LIS). In addition to checking applications for completeness, LIHEAP workers were responsible for manually annualizing household income and manually determining if a household was eligible for LIHEAP benefits based on the household's income and size.

#### **Program Integrity:**

- In CY 2007, a Philadelphia County Court of Common Pleas Grand Jury investigated and obtained evidence of probable cause that from September 2003 and May 2007, LIHEAP and contract crisis workers had defrauded the taxpayers. Such fraud occurred as LIHEAP workers had forged documents, falsified Social Security numbers, income, and addresses—even created fictitious identities.
- In June 2007, the Pennsylvania Auditor General issued *A Special Audit of the Department of Public Welfare's Low Income Home Energy Assistance Program*.
- In October 2007, DPW checked all LIHEAP applications in LIS (i.e., the LIHEAP Information System—LIHEAP's computer system) against information in its Client Information System (CIS) and Social Security Administration data<sup>a</sup> to assure that Social Security numbers were properly used and discrepancies corrected at the time of the application.

### **2009 LIHEAP Heating Season (SFY 2008-09)**

#### **Application Processing:**

- *New barcoded LIHEAP application letters* were introduced.
- CAOs were permitted to use income information on *CIS* to determine LIHEAP eligibility.
- A *statewide toll free Helpline* specifically dedicated to enable individuals to call regarding LIHEAP issues was introduced.
- In SFY 2008-09, Montour County CAO processed all LIHEAP applications for Northumberland and Wyoming Counties and assisted six other CAOs with LIHEAP application processing.

#### **Program Integrity:**

- CAOs were required to enter Social Security numbers for all members of a LIHEAP household with certain limited exceptions (e.g., newborns).
- In January 2009, lists of Social Security numbers from the LIHEAP system were sent to the federal Social Security Administration (SSA) for verification. Those that could not be enumerated or verified by SSA were verified manually by workers.
- In October 2008, CAOs were advised that they must confirm with deliverable fuel vendors that a household's request for a crisis benefit is valid.
- DPW adopted a *LIHEAP Monitoring Plan*, which calls for annual monitoring of Allegheny and Philadelphia CAOs and crisis contractors.

#### **Heating Season Program Parameters:**

- After the program starts, DPW increased the income eligibility guidelines for eligibility from 150 percent of the Federal Poverty Guidelines to 60 percent of the state median income (i.e., about 210

## **Exhibit 2 (Continued)**

percent of the Federal Poverty Guidelines). In other words, eligible household income limits increased from \$31,800 for a four-person household to \$44,443.

### **Federal LIHEAP Requirements:**

- In August 2008, the Public Utility Law Project (PULP) advised DPW that some public utilities employed a heating grant accounting process for their PUC-approved Customer Assistance Programs (CAPs) that did not correctly credit the accounts of LIHEAP heating grant recipients who assigned their benefits to it in violation of federal law.
- In September 2008, the PULP filed a complaint with the U.S. Department of Health and Human Services (DHHS).
- In May 2009, the DHHS Director of the Federal Division of Energy Assistance advised DPW that practices outlined in the complaint and the public utility's proposals for resolution were not in compliance with §2605(b)(7) of the LIHEAP statute.

### **2010 LIHEAP Heating Season (SFY 2009-10)**

#### **Application Processing:**

- The Montour CAO processed all LIHEAP applications for Montour, Northumberland, and Wyoming Counties, and expanded to include Carbon, Columbia, and Monroe Counties. It also assisted with processing of applications for Lackawanna, Lehigh, and Luzerne Counties.

#### **Program Parameters:**

- Income eligibility for the LIHEAP cash grant was reduced from 60 percent of the state median income (210 percent of Federal Poverty Income Guidelines) to 160 percent of the Federal Poverty Income Guidelines.
- The Crisis Exception Program (CEP) was introduced.
- With the increased availability of federal funding late in the program year, LIHEAP program operation dates were extended and a \$100 supplemental payment made to LIHEAP eligible vulnerable households with at least one member who is aged, disabled, or age five and under. An additional \$100 extraordinary payment was also provided to all households authorized to receive a cash grant.

#### **Automated Systems:**

- LIHEAP began to be integrated into C/S with the introduction of eC/S for LIHEAP application processing to provide greater detail and accuracy concerning client information and benefit calculation.

#### **Program Integrity:**

- Prior to the start of the 2009-10 heating season, the LIHEAP and DPW Master Client Index (MCI) was upgraded to send SSN data and demographics to SSA (via data exchange) for verification. If proper verification was not obtained from SSA, an alert was sent to the CAO worker. (There is monthly turn around for SSA Enumeration requests, according to Pennsylvania's 2012 LIHEAP plan.)

#### **Vendor Payments:**

- All LIHEAP vendor payment activity was centralized in Harrisburg and a *LIHEAP Compliance Unit* created to handle all issues concerning vendors.
- The LIHEAP Vendor Agreement changed.
- *PROMISe (Provider Reimbursement and Operations Management System)* is introduced for electronic submission of all vendor crisis payment claims through a secure internet site, and to mail in their documentation of having actually provided the approved benefit. All submitted documentation was scanned and attached to the crisis claim in eC/S, which then issued the crisis payment.

### **Federal LIHEAP Requirements:**

- In March 2010, the Pennsylvania Public Utility Commission issued a Statement of Policy suspending and revising its previous policies regarding its Customer Assistance Program requirements to allow such programs to conform with federal LIHEAP requirements.

### **2011 LIHEAP Heating Season (SFY 2010-11)**

#### **Application Processing:**

- DPW established a freestanding LIHEAP Application Processing Center at the Danville State Hospital to process all heating grant, crisis, and weatherization requests for 10 CAOs (Carbon, Columbia, Lehigh, Monroe, Montour, Northumberland, Pike, Schuylkill, Susquehanna, and Wyoming) and assist other CAOs offices.

## Exhibit 2 (Continued)

- York County CAO processed all LIHEAP heating grant applications for York, Dauphin, and Montgomery Counties, and crisis applications for York County.
- In 2011, PA required applicants to provide documentation of the amounts and sources of income of household members, including related roomers and anyone in the household who received LIHEAP benefits as a member of another household. LIHEAP applications were vetted against the Income Eligibility Verification System (IEVS) and the Department of Labor and Industry data files (including New Hires), and DPW contracted for an earned income verification service. LIHEAP applications continued to be vetted against the Social Security Enumeration Verification System. LIHEAP applications were also matched with DPW's Client Information System and the Criminal Justice Information System (CJIS).

### Program Parameters:

- Supplemental payments of \$100 dollars made to vulnerable households (i.e., those with at least one member who is age 60 or over, under 5, or disabled) who qualified for a heating grant.

### Program Integrity:

- In June 2010, the United States Government Accountability Office (GAO) issued its forensic audit, *Low-Income Home Energy Assistance Program: Greater Fraud Prevention Controls Are Needed*, based on analysis of benefit files for Illinois, Maryland, Michigan, New Jersey, New York, Ohio, and Virginia.

### Federal Requirements:

- In June 2010, the U.S. Department of Health and Human Services required all states to submit a Program Integrity Plan with their 2011 LIHEAP plan to qualify for federal LIHEAP funds.
- In July 2010, the U.S. Department of Health and Human Services issued a memorandum to states concerning use of LIHEAP funds coordinated with vendor assistance programs, including those instituted by utilities as part of the deregulation of the gas and electric industry. The memorandum stated that DHHS had determined that "the process of subtracting the LIHEAP benefit from the client's energy bill and to then calculate the ...discount and/or the client's payment amount appears to be using LIHEAP as a resource and creates an inequity or adverse treatment for LIHEAP clients participating ...[in the utility's vendor assistance program]. Such use of LIHEAP funds appears to be out of compliance with §2605(b)(7) of the LIHEAP statute, which in part states: '...no household receiving assistance under this title will be treated adversely because of such assistance under applicable provisions of State law or public regulatory requirements...' and §2605(f) which states '...home energy assistance payments or allowances provided directly to, or indirectly for the benefit of, an eligible household under this title shall not be considered income or resources of such household (or any member thereof) for any purpose under any Federal or State law...'."

### Vendor Payments:

- The Vendor Agreement was revised to require LIHEAP participating vendors that are public utilities and operate Customer Assistance Programs to apply the LIHEAP heating grant to the customer's account in full for past, current, or future CAP payments.

## **2012 LIHEAP Heating Season (SFY 2011-12)**

### Application Processing:

- York County CAO processed LIHEAP heating grant and crisis applications for York and Dauphin Counties and heating grant applications for the Montgomery CAO, and Bedford and Fayette CAOs assisted Adams, Somerset, Greene, Indiana, and Perry CAOs.
- The Montour County LIHEAP processing center continued to process all heating grant and crisis payments for 10 northeastern counties.

### Automated System:

- All applications approved at the local level and forwarded for payment were submitted for computerized eligibility checks before payment is made.

<sup>a</sup> Applicants' demographic information was vetted against DPW's Master Client Index (MCI), a central repository of client information from various DPW eligibility systems. Such information includes data such as name, date of birth, Social Security number, citizenship, etc.

Source: Developed by LB&FC staff from federal and state documents and reports.

in which they occurred. As shown in Exhibit 2, in a relatively short period, the Department has made major changes in LIHEAP's:

- application processing,
- automated systems,
- program integrity,
- vendor payment methods,
- program parameters, and
- federal compliance.

***Application Processing:*** Prior to the 2009 LIHEAP heating season (SFY 2008-09), all LIHEAP applications were processed manually, with County Assistance Office and LIHEAP crisis contractor workers checking applications for completeness and manually annualizing household income and determining household LIHEAP benefits based in part on the household's income and size. Typically, such applications were processed in the County Assistance Office (CAO) in the county where the household resides.

As part of its efforts to improve its business practices for more efficient use of resources, starting in the 2007 LIHEAP heating season (SFY 2006-07), the Department permitted certain CAOs to assist others with LIHEAP applications. This partnering approach was suited to the LIHEAP program as its eligibility and approval processes have no requirement for a face-to-face interview with the applicant (see Finding C). By the 2012 LIHEAP heating season (SFY 2011-12), over half of all LIHEAP applications were being processed by CAO district offices or CAO designated LIHEAP processing centers. (See Finding E for additional information on such districts and centers.)

In addition to promoting CAO partnering and designating LIHEAP processing centers, the Department increased the use of technology in LIHEAP application processing. For the 2009 LIHEAP heating season, for example, it introduced the use of barcoded applications. Before the official opening of the LIHEAP program in November, barcoded applications that were pre-populated with household information from prior applications were mailed to households eligible for LIHEAP in the previous year. Such applications permitted easier entry of information required to determine an applicant household's eligibility and benefit amount into DPW's computer system. Barcoded applications, moreover, were more efficient from the applicant's perspective as they only required the household to verify its current composition and provide information on household changes and a copy of the household's latest heating bill.

Along with the introduction of barcoded applications, DPW introduced a statewide toll free Helpline specifically dedicated to assist individuals calling

about LIHEAP.<sup>6</sup> The statewide Helpline provides access to skilled part-time workers<sup>7</sup> able to address questions from anywhere in the state about the current status of a household's application. In addition to providing general program information, such staffing allows the Helpline to assist with eligibility questions, benefit allotments, notices, and referrals to other agencies, and to research DPW's automated systems to help resolve any problems. When the LIHEAP program is open, customers who call the Helpline and have a heating emergency are referred to the CAO or the crisis contractor.

The LIHEAP Helpline introduction was also consistent with other Office of Income Maintenance business initiatives to standardize information, increase use of self-service options, and enhance customer service by providing a greater number of channels to access CAO services. (See Finding E for additional information on the statewide LIHEAP Helpline.)

**Automated Systems and Program Integrity:** One of the most significant changes that occurred in the LIHEAP program in recent years has been the introduction of new automated systems designed in part to enhance program integrity. As noted above, in the past, LIHEAP applications involved significant manual processing by CAO and part-time seasonal workers. In 2007, a Court of Common Pleas Grand Jury found probable cause that certain LIHEAP and crisis contractor seasonal workers in a major county had defrauded the taxpayers of LIHEAP funds by forging LIHEAP application documents, falsifying Social Security numbers and addresses, and even creating fictitious identities.

In June 2007, moreover, the Pennsylvania Auditor General issued a report<sup>8</sup> recommending that DPW immediately improve its LIHEAP computer system, known as LIS (LIHEAP Information System), to ensure that every Social Security number (SSN) entered into the LIS system is associated with a legitimate individual. The Auditor General also recommended that the CAOs and crisis contractors verify all SSNs prior to approval of LIHEAP applications.

Subsequently, in June 2010, the United States General Accountability Office (GAO) conducted a forensic audit of LIHEAP programs in Illinois, Maryland, Michigan, New Jersey, New York, Ohio, and Virginia and recommended an effective

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<sup>6</sup> The Helpline can be accessed during the heating season by calling its toll free number (1-866-857-7095) or through the CAO auto attendant and selecting the option for information on energy assistance. Those calling the Statewide Customer Service Centers who press the option for LIHEAP are also connected to the LIHEAP Helpline during the LIHEAP season. All Spanish calls are directed to the Spanish Customer Service Center. At the end of the LIHEAP season, the CAO auto attendant options are disabled, and LIHEAP Helpline calls through the toll free number are routed to the Welfare Helpline.

<sup>7</sup> The LIHEAP Helpline is staffed during the LIHEAP season by annuitants who are temporary employees. LB&FC staff observed temporary Helpline staff who previously were responsible for CAO LIHEAP programs and former Income Maintenance workers and supervisors.

<sup>8</sup> The Pennsylvania Department of the Auditor General, *A Special Audit of the Department of Public Welfare's Low Income Home Energy Assistance Program*, June 2007.

fraud prevention system be established for LIHEAP.<sup>9</sup> Specifically, the GAO recommended that applicants and all household members be required to provide SSNs for themselves and all members in order to receive LIHEAP benefits. The GAO also recommended other matches with federal and state databases to verify applicant identity and income, and checks to prevent a household from receiving duplicate benefits.

The U.S. Department of Health and Human Services (DHHS) concurred with the GAO's recommendations. It, therefore, issued a memorandum requiring states to provide program integrity plans with their 2011 LIHEAP state plan submissions. An acceptable state Program Integrity Plan, moreover, became a condition for receipt of federal LIHEAP funds.

The Department's changes to its automated systems and responses to program integrity concerns have, and continue to evolve. Starting in 2007, DPW began to check all applications in its LIHEAP computer system (LIS) against information in its other major eligibility and benefit payment systems. At the same time, DPW initiated plans to integrate LIHEAP application and payment processes with its major client eligibility and benefit payment automated systems. Such integration started with the 2010 LIHEAP heating season and has progressed over the years. Further integration is anticipated for the 2013 LIHEAP heating season. As of 2012, however, all approved LIHEAP applications are submitted for computerized eligibility checks before payment is made. Such computerized checking and processes include:

- checking for duplicate Social Security numbers in existing DPW systems,
- verifying SSNs and Social Security benefit amounts through data exchange with the Social Security Administration, and death information with the Social Security Administration and the Pennsylvania Department of Health,
- verifying Supplemental Security Income payments through the State Data Exchange (SDX),
- checking for criminal information on all household members through data exchange with the Commonwealth Judicial Information System,
- checking tax information concerning earned and unearned income through data exchange with the Internal Revenue Service,
- checking on family size and income,
- checking for cash payment above \$1,000,
- checking for crisis payment below \$25,
- checking for total crisis payment above \$300,

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<sup>9</sup> GAO, *Low-Income Home Energy Assistance Program: Greater Fraud Prevention Controls Are Needed*, June 2010.

- determining benefit payment amounts,
- checking that all fields contain acceptable established elements, and
- checking that all required fields are complete.

In addition to determining household LIHEAP eligibility and benefit amounts and providing increased program integrity, the Department's new LIHEAP automated system, or *eCIS*, is also designed to increase administrative efficiency through document imaging and storage, management of workflow, report preparation, preparation and production of letters and notices, and payment processing.

**Vendor Payment Methods:** Until recently, LIHEAP's approach to vendors that wished to receive LIHEAP payments directly from the state tended to be decentralized at the CAO level and less standardized. Starting in the 2009 LIHEAP heating season (SFY 2008-09), DPW advised CAOs that they must confirm with deliverable fuel vendors that a household's request for a crisis benefit was valid. Vendors, moreover, were required to submit a "trip ticket" to the CAO verifying the amount of fuel delivered and the amount of the payment in order to receive a crisis payment.

For the 2010 LIHEAP heating season (SFY 2009-10), however, DPW centralized all vendor payment activity in Harrisburg and established a LIHEAP Compliance Unit to handle all issues concerning vendors. All vendors wishing to receive LIHEAP payments directly from the state were required to enroll and sign a standard vendor agreement. Such vendors were assigned unique identifiers, and required to participate in both the heating grant and crisis program components, retain all documents related to payments and delivery for four years, and submit documentation of crisis deliverables or shut-off notices within 30 days of a crisis payment being authorized.

With the centralization of vendor payment activity, DPW offered enrolled LIHEAP vendors the option to receive payments and/or remittance advices electronically and to sign up for Electronic Funds Transfer (ETF). Standard dates for vendor payment vouchers were also established. (See Finding C for additional information on the LIHEAP payment processes, including information on the role of the Commonwealth of Pennsylvania's Office of the Budget, Office of Comptroller Operations and the Department of the Treasury.)

To provide for such centralized payments for the crisis benefits, the Department introduced *PROMISe* (Provider Reimbursement and Operations Management System) for electronic submission of all vendor crisis payment claims through a secure internet site, and to mail in their documentation of having actually provided the benefit. All submitted documentation is scanned and attached to the crisis claim in *eCIS*, which then issues the crisis payment to the vendor. *PROMISe*

provides crisis vendors with the ability to submit crisis claims the day after the crisis benefit is authorized by the CAO, to search for assigned crisis authorizations, and to view the status of a submitted claim.

**Program Parameters:** Pennsylvania's LIHEAP program receives no state funding, and as discussed in Finding D, federal funding levels are unstable and not fully known until well after the start of the LIHEAP heating season. Nonetheless, federal statute requires the state to help households with a heating emergency that their regular heating grant would not have been enough to resolve through March 15<sup>th</sup>. With the uncertainty of federal funds for the program, and in order to assure sufficient funds are available to the crisis program through March 15<sup>th</sup>, DPW ceased operating the heating grant and crisis program concurrently for the entire heating season during the 2010 LIHEAP heating season (SFY 2009-10), and introduced the Crisis Exception Program. The Crisis Exception Program operates from November until January, when the "regular" crisis program opens. To qualify for the crisis exception program benefit, the household's heating source must be completely shut off or effectively depleted and the heating grant benefit alone insufficient to resolve the household's heating emergency.

When unanticipated federal funds became available late in the program, DPW introduced the practice of making supplemental heating grant payments for the 2010 LIHEAP heating season (SFY 2009-10). Two supplemental grants were issued in that year—one for federally defined vulnerable households (i.e., those with at least one member who is aged, disabled, or age five and under) and a second for all households authorized to receive a heating grant. Such payments have the advantage of allowing the Department to target the federally defined vulnerable households and provide such benefits with limited additional administrative costs. Households that have attempted to conserve on their heating costs during the heating season can carryover any credit they may receive as a result of supplemental payments into the next heating season.

**Federal Compliance:** In addition to the introduction of new program integrity measures in response to federal requirements, DPW also made other changes to long standing LIHEAP program practices to conform to federal requirements. For example, the "regular" federal LIHEAP block grant (see Finding D for additional information on the various components of the federal LIHEAP program) provides benefits to individual eligible households. Under this federal grant, states have the option of electing to provide payments directly to utility and fuel vendors on behalf of such households or to make payments directly to the eligible household. States, like Pennsylvania, that elect to provide LIHEAP eligible household benefits directly to vendors are required to assure that the LIHEAP benefits flow through to those households.



In September 2008, the Public Utility Law Project (PULP) filed a complaint with the U.S. Department of Health and Human Services alleging that certain public utilities employed accounting processes for their Pennsylvania Public Utility approved Customer Assistance Programs (CAP) that did not correctly credit the accounts of LIHEAP heating grant households enrolled in CAP. Under the federal LIHEAP program, the federal program can directly recoup from the state any federal funds expended in ways that are not in conformity with federal statute, regulations, or policies.

In 2009, DHHS agreed with the PULP and advised DPW that “the LIHEAP statute requires that benefits provided through LIHEAP be applied to the customer’s current account and, if the LIHEAP benefit exceeds the ‘ask to pay’ amount, the remainder should be applied to future ‘ask to pay’ amounts for that client.” DHHS further indicated:

...we believe that using LIHEAP benefits to pay off or pay down the CAP credit is still not acceptable. The utility’s CAP program...uses funds derived from other sources to reduce a customer’s bill. LIHEAP is not part of ...[the utility’s CAP program] and cannot be used to provide the subsidy for the...program. LIHEAP should be applied to the ‘ask to pay’ bill only and not doing so is treating the LIHEAP customer adversely, which is not in compliance with §2605 (b)(7)<sup>10</sup> of the LIHEAP statute, since any customer not in the...[utility’s CAP program] will receive his full benefit applied to the billed amount.<sup>11</sup>

Subsequently, in 2010, the Pennsylvania Public Utility Commission issued a Statement of Policy suspending and revising its previous policies regarding its CAP requirements noting that it “is in the public interest for utilities to safeguard their status as LIHEAP vendors...”<sup>12</sup> In 2010, DPW also revised its vendor agreement to require that “Public utilities that operate Customer Assistance Programs, CAP, will

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<sup>10</sup> 42 U.S.C. §8624(b)(7) [i.e., P.L. §97-35 §2605(b)(7)] requires the state to agree “if the State chooses to pay home energy suppliers directly, to establish procedures to (A) notify each participating household of the amount of assistance paid on its behalf; (B) assure that the home energy supplier will charge the eligible household, in the normal billing process, the difference between the actual cost of the home energy and the amount of the payment made by the State under this subchapter; (C) assure that the home energy supplier will provide assurances that any agreement entered into with a home energy supplier under this paragraph will contain provisions to assure that no household receiving assistance under this subchapter will be treated adversely because of such assistance under applicable provisions of state law or public regulatory requirements; and (D) ensure that the provision of vendored payments remains at the option of the State in consultation with local grantees and may be contingent on unregulated vendors taking appropriate measures to alleviate the energy burdens of eligible households, including providing for agreements between suppliers and individuals eligible for benefits under this subchapter that seek to reduce home energy costs, minimize the risks of home energy crisis, and encourage regular payments by individuals receiving financial assistance for home energy costs.”

<sup>11</sup> May 27, 2009, Department of Health and Human Services, Administration for Children and Families, Director, Division of Energy Assistance, Office of Community Services correspondence to the Deputy Secretary Office of Income Maintenance regarding proposed plans to resolve the formal complaint filed by the PULP.

<sup>12</sup> Pennsylvania Public Utility Commission, Customer Assistance Program Policy; Statement Suspension and Revision, 40 Pa.B. 2443 (May 8, 2010).

apply the LIHEAP cash [i.e., heating grant] component benefits to the customer's account in full: 1. To resolve any past due CAP payments, 2. To the current CAP payment, and 3. Any remaining funds will be credited to future CAP payments.”<sup>13</sup>

## Communicating the Changes

The Department of Public Welfare has made information available about most of the changes described above through its State Plan, responses to public audit reports, handbooks and operations manuals, and at meetings of the LIHEAP Advisory Committee. It has also provided training for DPW and contract workers and vendors, and attempted to inform household applicants through letters and other information.

Nonetheless, the changes are of such significance and of such a technical nature that they may not always be understood. As a consequence, not everyone with whom we met during the course of our review is aware of all of the changes and their implications.

DPW, for example, provided training to its staff and contractors on its application and automated system changes. One contractor program supervisor, however, advised LB&FC staff that the training for the new automated system was insufficient and staff with “read access” to DPW's *eCIS* system did not fully understand how to determine the status of an application from reading the various system screens. As one DPW staff member noted when describing the challenges faced by LIHEAP seasonal staff in timely processing applications, they basically have one week of training and one week of practice to master what regular Department of Public Welfare Income Maintenance Workers learn in six weeks of training and six months of supervised practice—about the same length of time as the LIHEAP heating season.

Sophisticated vendors involved in the LIHEAP crisis program, who praised the Department of Public Welfare's efforts to improve the administration of the program, moreover, were unaware of why they had to submit three forms to DPW for crisis payment in addition to entering the claim on *PROMISe*. They advised us that the forms were not used by DPW, and DPW already had the information. We subsequently learned that one of the forms was documentation of required proof that the vendor had actually provided the crisis benefit that had been authorized (which DPW did not have without the vendor's submission and was required documentation for payment), a second form was required in order for the claim to be linked to the individual client eligibility record in order for the crisis payment to be authorized by *eCIS*, and the third form was not required by DPW. In part, such misunderstandings may arise as there appears to be a tendency to think of the LIHEAP

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<sup>13</sup> PWEA 34 7/10.

application and payment processes today just as they were prior to DPW's introduction of the major changes described above.

One LIHEAP program director advised LB&FC staff that the local program continues its practice of annually orienting advocacy groups, utilities and fuel vendors, and legislative staff that assist clients with LIHEAP applications to program changes and identifying practices to help such groups better interface with DPW's new systems for processing and approving LIHEAP applications. For example, the CAO provides utilities with a list of households referred for a crisis benefit whose crisis is resolved solely by the heating grant. Such program orientation and practices have helped in the past to facilitate better understanding of the program, and are now even more necessary.

LB&FC staff had the advantage of both reviewing DPW's documentation of LIHEAP's application processing and directly observing such processes. Well informed LIHEAP Advisory Committee members, however, have not had such exposure. Both LIHEAP Advisory Committee members and DPW staff advised us that opportunities to become more informed about the program changes might promote better understanding of the LIHEAP program.

## **II.C. Pennsylvania's LIHEAP Program Is Now Highly Reliant on Technology for Application, Claim, and Payment Processing.**

Within the Department of Public Welfare (DPW), the Office of Income Maintenance (OIM), which administers the Commonwealth's major public assistance programs, has primary responsibility for the planning and administration of the federal LIHEAP program.<sup>1</sup> Exhibit 3 shows the organization of the Office of Income Maintenance.

Within OIM, several bureaus are responsible for LIHEAP. Such bureaus include the Bureau of Policy's Division of Federal Programs and Program Management, which is responsible for program planning to assure compliance with federal requirements, and the Bureau of Operations, which oversees the state's County Assistance Offices (CAOs). Other OIM bureaus that support the planning and administration of LIHEAP include, for example, the Bureau of Program Evaluation, which monitors compliance with eligibility policies related to application approval or denial and payment amount, and the Bureau of Program Support, which includes OIM's Division of Automation Planning and Support.

Before LIHEAP benefits can be paid to an otherwise eligible household, the following activities must occur:

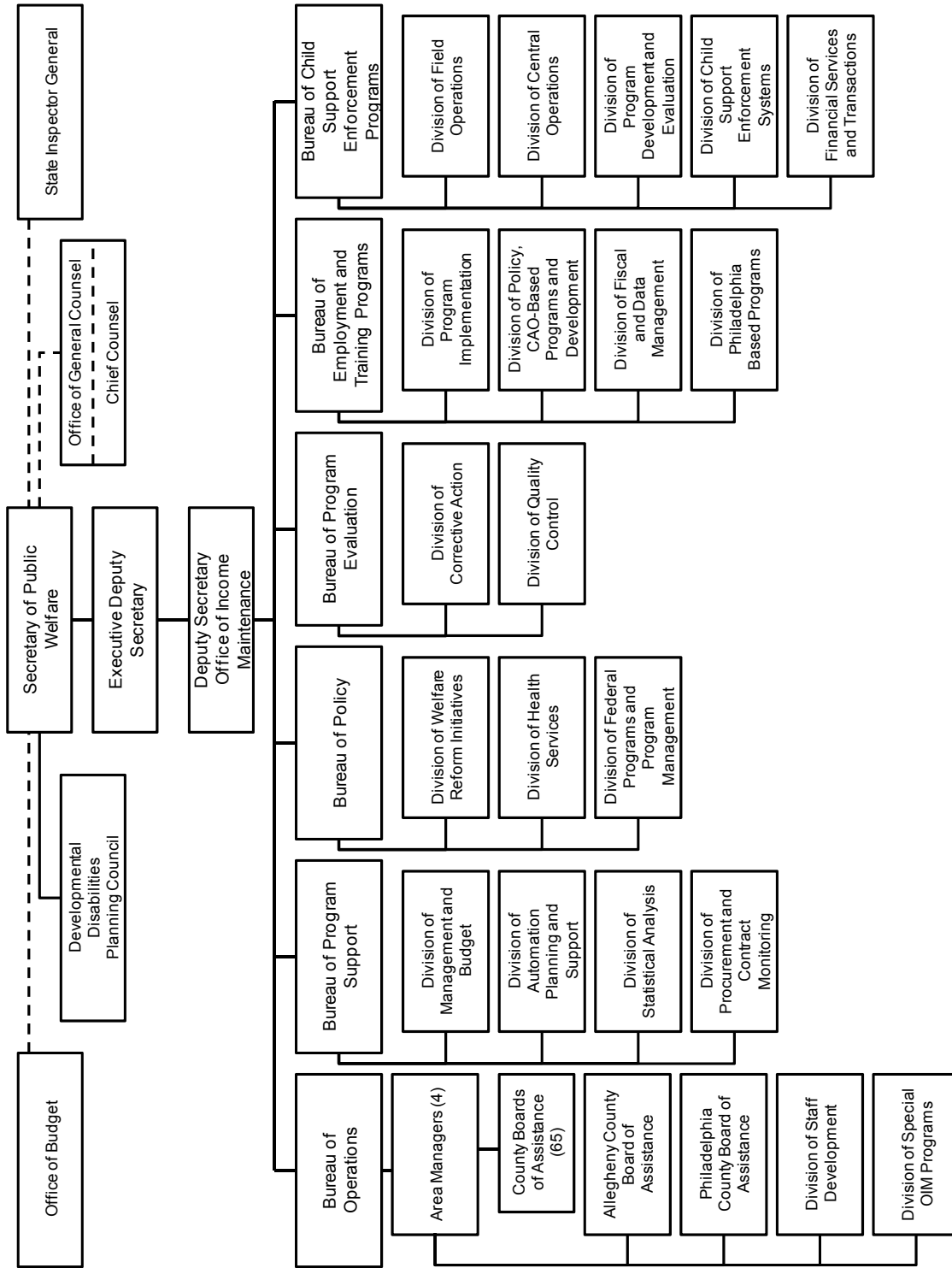
- the household must apply for the benefit providing proof of eligibility;
- OIM must receive, register, and complete application processing;
- OIM must complete case processing to determine if a complete application meets all eligibility requirements and determine the amount of the benefit;
- OIM must provide formal notices of information required and not provided by the applicant, as well as notices of approval and denial of benefits and the household's right to appeal the decision and the amount of the benefit; and
- OIM must provide necessary documentation for other Commonwealth agencies to authorize and issue the LIHEAP benefit payments.

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<sup>1</sup> Other agencies within DPW are also involved in the administration of the program. They include DPW's Office of Administration, which houses the Department's Bureau of Hearing and Appeals, Bureau of Financial Operations, and Bureau of Information Systems. Other Commonwealth agencies also have responsibilities for the program, including the Commonwealth's Office of the Budget and its Office of Comptroller Operations, and the State Treasury, which is responsible for issuance of approved payments.

Exhibit 3

Department of Public Welfare Office of Income Maintenance Organization Chart



Source: Office of Administration website as of February 2012.

As discussed in Finding B, and as described below, such steps involve significant use of technology. Currently, all LIHEAP applications are processed using *eCIS*—one component of DPW’s Integrated Client Information Systems (*iCIS*), which contains information on clients enrolled in cash assistance, medical assistance, and/or food stamps programs and their household members. The *iCIS* system interfaces with state and federal entities for information matching and supports case processing, determination of eligibility, authorization of services, and distribution of benefits. The automated system, moreover, manages application and claim processing work flow, issues all notices to households, prepares payment authorizations, and stores information on the claim and payment.

## **LIHEAP Application and Case Processing**

***Application Options:*** Before the Department can begin to process a LIHEAP application, a household must apply and submit an application for LIHEAP benefits. Those interested in applying for LIHEAP benefits may do so in several ways. Exhibit 4 provides a list of the ways in which a household may obtain an application and apply for LIHEAP.

As shown in Exhibit 4, households eligible for LIHEAP in the prior year may apply by returning the barcode application mailed to them by the Department prior to the start of the new LIHEAP heating season. In late September 2011, for example, the Department mailed barcode applications to households whose members were currently receiving cash or medical assistance or supplemental nutrition program benefits and who received LIHEAP during the previous year; and in early October to the remaining households who received LIHEAP during the previous year.<sup>2</sup> The barcode applications require the household to certify that household composition, income, and heating responsibilities have not changed and to notify DPW if changes have occurred.

The LIHEAP application process is similar to other OIM programs in that applications are available in several languages and notices of approval and denial of benefits are available in multiple languages. Exhibit 5 provides a copy in the English language of Pennsylvania’s 2012 LIHEAP heating season application (SFY 2011-12). LIHEAP, however, differs from other major OIM programs and some utility sponsored assistance programs, as it does not require a face-to-face interview for eligibility determination.<sup>3</sup>

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<sup>2</sup> Information on the cost for such mailings is provided in Finding E.

<sup>3</sup> Face-to-face interviews, however, may be required when information on household composition or income reported on the LIHEAP application is not consistent with the household’s information for cash, medical, or supplemental nutrition program benefit claims or other information available to the Department (e.g., death records, records of incarceration, etc.).

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## LIHEAP Application Options

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### Barcode Paper Application:

- All households that received LIHEAP benefits during the prior year can return (in the prepaid return envelope) the barcode application that is forwarded to them.

### Non-Barcode Paper Applications:

- Anyone can request an application by contacting (by telephone or email) the LIHEAP Help-line.
- Anyone can obtain an application from a County Assistance Office, a community service agency, a utility, etc., and return it via mail, in person, or fax<sup>a</sup> to the local CAO.

### Online Application:

- Anyone with access to the internet can apply via COMPASS (Commonwealth of Pennsylvania Access to Social Services).<sup>b</sup>
- COMPASS Community Partners<sup>c</sup> can assist a household to apply.

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<sup>a</sup> LIHEAP applications may be accepted by fax unless there is a reason to believe there may be fraud or misrepresentation.

<sup>b</sup> COMPASS is Pennsylvania's fast and easy way to apply online for Commonwealth health and human services, including LIHEAP.

<sup>c</sup> Organizations such as hospitals, community based groups, church groups, and public schools that help Pennsylvania residents apply for health and social services can apply to be a COMPASS Community Partner. To become a Community Partner, the organization must register with the Department of Public Welfare and meet certain requirements, such as designating its administrator(s) and agreeing to the program's Data Release Agreement and User Confidentiality Agreement. COMPASS Community Partners have the option to scan and submit documents via COMPASS, and have the option to e-sign the application. Registered COMPASS Community Partners, moreover, can track applications they initiate on behalf of clients. "Community Partners can be utility companies or their agents who help Pennsylvania residents apply for social or medical services or financial benefits," according to the Department's Agreement.

Source: Developed by LB&FC staff.

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**Requirements for a Complete LIHEAP Application:** Before the Department can approve a household's application for a LIHEAP benefit, certain documentation and proof must be available to the Department with the application. Exhibit 6 identifies the requirements for a complete LIHEAP application.

To apply for Energy Assistance, you must complete all questions front and back and sign at the red "X". Be sure your correct and complete name and address is entered below. If incorrect, cross out and PRINT correctly in space provided below. **YOU CAN ALSO APPLY ONLINE AT [WWW.COMPASS.STATE.PA.US](http://WWW.COMPASS.STATE.PA.US)**

**5** Are You:

<input type="checkbox"/> Renting with heat included	<input type="checkbox"/> Renting subsidized housing/Section 8 housing with heat included
<input type="checkbox"/> Renting with heat <b>not</b> included	<input type="checkbox"/> Renting subsidized housing/Section 8 housing with heat <b>not</b> included
<input type="checkbox"/> An unrelated roomer	<input type="checkbox"/> An owner or are you buying your home <input type="checkbox"/> Other: _____

If you are in subsidized/public housing, do you receive a utility allowance check? ☐ Yes ☐ No

If yes, how much? \$ \_\_\_\_\_

(If heat is included in your rent, attach a note from your landlord stating that heat is included as well as what type of fuel is used.)

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**Answer question 7 only** if you want payment sent to the vendor of your second heating source. A second heating source is used to run your main heating source in addition to the main fuel (example: electricity to run a gas furnace), or used if the main heating source is not working.

**Attach a copy of your last bill for your main and second heating sources.)**

member listed in block 1. See instructions on the last page.

Total persons in household

If you have additional people in your house, please provide their information on a separate piece of paper and send it along with this application.

Complete question 3 only if someone listed as  
Nutrition Assistance Program. SNAP benefits.

May we use the information you gave us for your other business?

**Tell us about income for the people in your household. Please tell us about all income, before taxes and deductions.**

Apply online at [www.compass.state.pa.us](http://www.compass.state.pa.us)



## Exhibit 5 (Continued)

**Attach proof of income for all household members listed for the past 3 months or 12 months.** If you provide 3 months of income, this amount will be converted to a yearly figure.  
**Income includes money from:** Employment, Veteran's Benefits, Unemployment Compensation, Black Lung benefits, Social Security, Support, Workers Compensation, Interest/Dividends, Rental Income.

We will use the income information you send us to see how much you earn in one year. Please send one of the following:

- Send proof for one month of income if your income is the same every month (Salary, Social Security, Pension, etc.)
- If the amount of your income is not the same every month, please send proof of your income for the last three months.
- If you had changes in income over the past 12 months (Periods of Unemployment, Changes in Jobs, Seasonal Work, etc.), send proof of your income for the past 12 months.
- If you have no income for the past three months, or if your income is less than the cost of your monthly basic living needs, you must tell us in writing how you are paying for your basic living needs (Food, Shelter, Personal Items, etc.).
- Proof of income includes (Pay Stubs, Award Letters, Employer Statements, etc).

11	Are you interested in weatherization services?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Weatherization Services include home insulation and heating system repair or replacement.
12	Are you or anyone in your household fleeing to avoid prosecution or custody for a crime, or attempting to commit a crime that would be classified as a felony?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
13	Is anyone in the U.S. Military or has anyone been in the U.S. Military?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
	If yes, who?		
	Is anyone a widow, spouse or child (under age 18) of anyone in the U.S. Military or anyone who has been in the U.S. Military?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
	If yes, who?		

### Certification

- My signature on this application gives my permission to the Department of Public Welfare or its authorized agent to:  
(a) check any information I give about where I live, my jobs, income, resources, energy supply and energy supplier;  
(b) find out about the costs of my shelter, heating and heating use; and (c) complete any survey in connection with energy assistance.
- If you fail to provide a Social Security number or completed Energy Assistance Affidavit, you will not be eligible for benefits. I certify that: (check all that apply)  
☐ I provided Social Security numbers for all household members.  
☐ To the best of my knowledge, these household members do not have Social Security numbers.  
Print Name \_\_\_\_\_ Print Name \_\_\_\_\_
- I authorize the release of limited information to approved agencies for the purpose of weatherization assistance for which I may be eligible.  
Print Name \_\_\_\_\_ Print Name \_\_\_\_\_
- I certify that, subject to penalties provided by law, the information I gave is true, correct and complete to the best of my knowledge.
- I know that if I give false information, I can be penalized by fine and/or imprisonment.
- I understand by signing this application, I may not qualify because LIHEAP money has run out.

Please Sign Here - Use Ink

Signature \_\_\_\_\_ Date \_\_\_\_\_

Apply online at [www.compass.state.pa.us](http://www.compass.state.pa.us)

### Did you remember to...

- |                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Fill out all required information clearly and completely.                                                                                                                                                                          | <input type="checkbox"/> Send proof of all household income.                                                                                                                                                                                                                          |
| <input type="checkbox"/> Provide Social Security numbers for all household members or complete the Energy Assistance Affidavit in the Certification section on previous page.                                                                               | <b>Example:</b> If you apply in November 2011 and are sending:<br>a) one month of income, send proof for October 2011.<br>b) three months of income, send proof for August, September and October 2011.<br>c) 12 months of income, send proof for November 2010 through October 2011. |
| <input type="checkbox"/> Send proof of immigration status if you are a non-U.S. citizen.                                                                                                                                                                    | <b>PROOF INCLUDES PAY STUBS, AWARD LETTERS, EMPLOYER STATEMENTS, ETC.</b>                                                                                                                                                                                                             |
| <input type="checkbox"/> If you rent with heat included, send a copy of your lease or a signed, written statement from your landlord explaining how you pay for heat.                                                                                       | Send a statement explaining how your household pays for basic living needs (food, rent, etc.) only if you told us you have no income, or if your income is less than the cost of your monthly basic living needs.                                                                     |
| <input type="checkbox"/> If you pay for heat, send a bill for your main heating source. Attach copy of your utility bill dated within 2 months of the date you submit your application. For other fuels provide a bill/receipt dated after January 1, 2011. | <input type="checkbox"/> Sign and date your application.                                                                                                                                                                                                                              |
| <input type="checkbox"/> If you would like payment sent to your secondary heating provider, enclose a copy of your main AND secondary heating bills.                                                                                                        | <input type="checkbox"/> Mail your completed application and all documents to your local county assistance office.                                                                                                                                                                    |

**IF YOU DO NOT SEND THE PROOF WE NEED WITH THIS FORM, WE WILL NOT BE ABLE TO PROCESS YOUR APPLICATION.**

### Voter Registration (Optional)

If you or any other adult in your household is not registered to vote where you live now, would you like to register to vote? Yes ☐ No ☐  
If yes, enter the names below. IF YOU DO NOT CHECK YES OR NO, OR RETURN THE FORM, YOU ARE CHOOSING NOT TO REGISTER TO VOTE AT THIS TIME.

To register, you must: 1) Be at least 18 on the day of the next election; 2) Be a citizen of the United States for at least one month PRIOR TO THE NEXT ELECTION; 3) Reside in Pennsylvania and the voting district at least 30 days prior to the next election.	
LAST NAME	FIRST NAME
LAST NAME	FIRST NAME
LAST NAME	FIRST NAME

**YOUR BENEFITS WILL NOT BE AFFECTED IF YOU REGISTER OR DO NOT REGISTER.**  
If you need help filling out the voter registration form, we will help you. The decision whether to seek or accept help is yours. You may fill out the application form in private. Please contact the county assistance office if you need help. If you believe that someone has interfered with your right to vote, or if you are being threatened or harassed, please contact the Pennsylvania Department of State, Bureau of Voter Registration and Elections, Harrisburg, PA 17120. (Toll-free telephone number 1-877-VOTESPA.)

**DO NOT COMPLETE: COUNTY ASSISTANCE OFFICE USE ONLY**

<input type="checkbox"/> Given to Client	<input type="checkbox"/> Sent to voter registration	<input type="checkbox"/> Mailed to Client
<input type="checkbox"/> Declined, not interested	<input type="checkbox"/> Not a U.S. citizen	<input type="checkbox"/> Declined, already registered

**COMPASS**  
CLICK, APPLY, BENEFIT.  
If you have a disability and need this application in large print or another format, please call our Helpline at 1-800-692-7462.  
TDD Services are available at 1-800-451-5886.

Apply online at [www.compass.state.pa.us](http://www.compass.state.pa.us)

PWCA 1 9/11

Source: DPW website accessed during the SFY 2011-12 LIHEAP season.

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### **Requirements for a Complete LIHEAP Application for Heating Grants and Crisis Benefits**

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- All required information must be included on the application, including Social Security numbers for all household members and information concerning a current incarceration for a criminal felony or fleeing associated with such a crime.
- Proof of current responsibility for heating costs (e.g., a copy of a utility bill dated within 2 months of the application or other fuel bill's receipt dated after the beginning of the calendar year).
- Proof of all household income (e.g., pay stubs, employer statements, etc.).
- Explanation of how basic living needs are met when no income is reported.
- Proof of immigration status for those who are non-U.S. citizens.
- A copy of a lease or written statement from a landlord if the household rents and heat is included in the rent.
- A signed and dated application agreeing to the required certifications (see Exhibit 5 for the required certifications).<sup>a</sup>

<sup>a</sup> The applicant must sign the LIHEAP or COMPASS application as a condition of eligibility for LIHEAP. A faxed or scanned signature page is acceptable. Persons applying for LIHEAP, including COMPASS Community Partners who submit applications on behalf of their clients, have the option to e-sign the application.

Source: Developed by LB&FC staff.

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As the information in DPW's automated systems is most recently verified, certain LIHEAP applicants may not actually resubmit all of the required documentation each year. As shown in Question 9 in Exhibit 5, for example, if their situations are unchanged, households that are currently receiving cash or medical assistance, or supplemental nutrition assistance have the option of allowing DPW to use current income information in its automated client information system to determine if the household is also eligible for LIHEAP.

To facilitate application processing, the Department also permits a variety of forms of verification in addition to documents such as photocopies of Social Security checks and utility bills. The CAO, for example, is permitted to verify a household's heating responsibility through direct contact with the vendor. Such contacts, however, must be fully narrated by DPW staff in the household's digital application record, including the name of the vendor, fuel type, whether it is a primary or secondary heating source, the date and time of the contact, and the name of the person the worker spoke with or the web address or hotline that was used to verify a household's heating responsibility.

During our site visits, we learned that CAOs have worked with major utilities to facilitate verification of heating responsibility and not delay processing of applications when a copy of the utility bill does not accompany the household's application. One CAO advised LB&FC staff that one major utility in Southeastern Pennsylvania developed a CAO dedicated hotline to provide such verification. CAO workers may contact the utility's dedicated hotline to confirm that a household is responsible for heating costs and confirm the reported household account number.

The utility established this dedicated hotline so that the information could be immediately available to the CAO energy assistance workers.<sup>4</sup> A second utility preferred, and developed, a CAO dedicated automated program to routinely provide CAO access to the utility's customer information.

The Department may also use current information from various data exchanges to identify and verify exact income amounts. Such information, for example, is available to the Department for elderly and disabled persons receiving SSI (federal Supplemental Security Income benefits) and can be used by DPW workers in LIHEAP application processing and case processing—the two processes that must be completed for *eCIS* to determine a household's eligibility for LIHEAP.

***eCIS Application Processing:*** Once an application is received by the Department, it is “date stamped,” and this date becomes the date of the household's application for a LIHEAP benefit. Such an application is held in a secure location and within two days of receipt is “registered” and placed in “screen status” in *eCIS* to initiate application processing.

All applications received by the Department are registered in *eCIS*, even if they are incomplete and do not provide all of the required information to determine eligibility (see Exhibit 6). To be registered in *eCIS*, an application need only have a name and address. The same evening the application is registered, however, *eCIS* will generate a letter to the household noting the application has been received, and providing a telephone number to contact (i.e., the LIHEAP Helpline or Philadelphia LIHEAP district office) if the household does not hear about their application after 45 days.

Typically, when the application is registered in *eCIS*, paper applications and documentation are also scanned and entered,<sup>5</sup> though the paper copies are retained until the application has been finally approved or rejected.<sup>6</sup> *eCIS* stores the digital images of the application and all supporting documentation for six years.

As part of the application processing for the barcode applications, CAO clerical staff simply scan the codes, thus pre-populating *eCIS* with certain household information for the current year LIHEAP application. Clerical workers and Energy Assistance Workers then check the new application against the prior year's information to identify any changes that may have occurred and, if changes have occurred, to modify the application within *eCIS* using client information in existing systems to assist with such updates.

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<sup>4</sup> LB&FC staff actually observed an energy assistance worker's use of this dedicated utility hotline during one of our site visits. The telephone contact was immediate and the information provided and verified without delay.

<sup>5</sup> At some CAOs, the scanning is done at a later time but within 30 days.

<sup>6</sup> All applications and documents are securely shredded (i.e., placed in secure containers with locks to be taken for destruction).

For paper applications without barcodes, the clerical worker will manually enter into *eCIS* information on the application (e.g., applying for, language, applicant's last and first name, address, city, state and zip, application type, and county/OIM district residence) and demographic information (Social Security number, last name, first name, applying or not, date of birth, sex, citizen status, race, and ethnicity) for each household member. Social Security numbers for all household members are verified through the Department's data exchanges with the Social Security Administration. (See Findings A and B for additional information on such exchanges and federal requirements related to them.)

After an application with available applicant and individual household member information has been created in *eCIS*, and the payment applicant name selected, the file is "cleared"<sup>7</sup> and application processing is complete. The application is then ready for case processing by an energy assistance worker.

***eCIS Case Processing:*** Even after application processing is complete, all information necessary to approve or reject a claim for LIHEAP may not yet be available. As part of case processing, an Energy Assistance Worker (EAW), usually a seasonal employee, will review both the paper application and digital record to determine if the application is complete (and for certain applications as described above may initiate verification activities that provide "missing" documentation). If the Energy Assistance Worker finds that the application is incomplete, *eCIS* generates a notice which includes a listing of the specific missing information that is sent to the applicant.

The formal notice generated by *eCIS* specifies a date by which the missing information must be provided to the Department. The Department's policy, however, has been to accept missing verification submitted within 60 days of the date of the application receipt, regardless of the return date on the pending notice. Such a practice can have the effect of extending the number and amount of time applications are pending. In view of the substantial number of LIHEAP households with an elderly and/or disabled member, however, the Department's practice also increases the likelihood that applications that are rejected because of missing verification will not be overturned on appeal.

As part of case processing, the energy assistance worker will work through various system screens entering detailed information about living arrangements, household members that are to be included in the calculation of eligibility or benefit amount,<sup>8</sup> primary and secondary heating sources, and provider or vendor information. The energy assistance worker will also review income information for both

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<sup>7</sup> File clearance assures a unique identifier is assigned to each individual to prevent duplicate payments.

<sup>8</sup> Not all individuals who are listed on an application may be able to be included in the number of individuals within the household (i.e., they may previously have received a grant, they may not currently reside in the household, or they may be ineligible for other reasons).

earned and unearned income. *eCIS* provides the information contained in the Income Eligibility Verification System (IEVS) database for the worker to compare with the information reported on the application. The IEVS process involves an automated match of the application data with state and federal data sources. For LIHEAP eligibility the automated income matches are with PA Department of Labor and Industry Office of Employment Security, the Social Security Administration, and SSI information.

Energy assistance workers also use *eCIS* to advise income maintenance workers of any cases with earned income that are known to *CIS*. If household membership or verified income is different on the LIHEAP application than what is already listed in *CIS*, the new information is provided via *eCIS* to an Income Maintenance Case Worker for follow-up. When there are questions about the amount of income available to the household, such cases are also pended and pending notices are generated by the system (as described above).

After all the required information is complete and verified, *eCIS* determines eligibility and approves or rejects the claim for a LIHEAP benefit. When a claim is approved, *eCIS* calculates the amount of the LIHEAP benefit.<sup>9</sup>

An approval or rejection notice depending on the outcome of the case is generated and sent to the applicant by *eCIS*. This notice includes the eligibility determination, the grant amount if eligible, the name of the vendor or provider receiving the payment on behalf of the household, and a notice of the applicant's right to appeal. The notice also includes information on how to proceed with that appeal.

**Crisis Grant Processing:** The above activities are the same for both LIHEAP heating grants and crisis grants. Households seeking crisis benefits, however, must meet the additional requirements for such a benefit (see Chapter III).

LIHEAP applications that involve a request for a crisis benefit, moreover, must be processed within 48 hours (or less in certain circumstances), assuming that the application is complete and the household is eligible. If such households have previously submitted an application for the heating grant benefit and the household's LIHEAP claim has not yet been approved (or rejected), such applications are expedited by the Department. During our site visits, we observed heating grant

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<sup>9</sup> All crisis applications "approved" by a local crisis contract agency and forwarded to the CAO for payment are submitted for computerized eligibility checks before payment is made. At times, the crisis contractor calculations differ from those of *eCIS*. If the contractor has advised the fuel vendor with incorrect information about eligibility or the amount of the benefit, DPW has in the past paid the vendor the benefit amount identified by the contractor. Such payments, however, are not processed in the same way as other crisis payments, but must be processed as "extraordinary" payments by the LIHEAP Vendor Compliance Unit. When the LIHEAP program opens in November, this Unit also processes Crisis Exception Payments for residents in public housing who are not responsible for their primary heating costs (and thus not eligible for a LIHEAP heating grant) but are responsible for their secondary heating source (i.e., electricity and are eligible for a LIHEAP crisis benefit) and are without their secondary heating source when the LIHEAP program opens in November.

applications being expedited for processing when the household had requested a crisis benefit. Because of the need for such non-routine processing, COMPASS is not to be used for applications involving crisis benefits.

For the 2012 LIHEAP heating seasons (SFY 2011-12), the LIHEAP crisis program utilized contractors in Allegheny, Luzerne, and Wyoming Counties. Staff from both the Allegheny County crisis contractor office and the OIM/CAO office working with the Wyoming County crisis contractor advised LB&FC staff that crisis contractors often submit “new” LIHEAP applications, even if the household has an application pending with the Department. According to both the contractor and OIM staff, there are various reasons for the submission of a second application, some of which may work to the benefit of the household. For example, all of the required information must be submitted in order for an application to be approved. DPW requires complete information and the contractor wants assurance that all necessary information has been provided to DPW. Additionally, household status may change. A household that may have had earned income in November 2011, and may not have qualified for LIHEAP based on that application, may be eligible for LIHEAP in February 2012 after being unemployed from December 1, 2011, through February 2012.

As noted in Finding B, until recently LIHEAP applications were processed manually. With the transition away from manual processing of LIHEAP applications, however, the number of crisis contractors has been greatly reduced.

### **Average Days for LIHEAP Application Processing and Case Processing**

The LIHEAP program projects, and suggests to applicants, that a decision on an application will be made by the Department within 45 days of application receipt. In early February 2012, LB&FC staff requested, and the Department completed, a special data request to identify the average time required to process a LIHEAP application in the 2011 LIHEAP heating season (SFY 2010-11) and during the middle of the 2012 season (SFY 2011-12). We also requested that such information distinguish between applications that were complete when submitted (and thus not pending), and those that were not. As shown in Table 1, the average time to complete application processing and case processing is largely dependent on whether an application is or is not pending—in other words, if all required information is provided and the information is able to be verified.

As shown in Table 1 typically, in the 2012 LIHEAP heating season, the average time for DPW to approve or reject barcode applications that were complete when received (i.e., never pending) was within DPW’s target of 45 days, with the exception of non-barcode applications in Philadelphia and Allegheny Counties. In

the 2011 heating season (SFY 2010-11), however, barcode and non-barcode applications that were complete upon receipt were approved or rejected within the target of 45 days.

Table 1

**Average Calendar Days Required From the Date of Receipt to Date of Approval or Rejection of a LIHEAP Application**

**2012 LIHEAP Heating Season (SFY 2011-12)<sup>a</sup>**

	Barcoded Never Pended	Barcoded Pended at Least Once	Non-Barcoded Never Pended	Non-Barcoded Pended at Least Once
State Other Than Philadelphia and Allegheny	34	47	33	47
Philadelphia	42	66	50	62
Allegheny	39	88	51	73

**2011 LIHEAP Heating Season (SFY 2010-11)<sup>b</sup>**

	Barcoded Never Pended	Barcoded Pended at Least Once	Non-Barcoded Never Pended	No-Barcoded Pended at Least Once
State Other Than Philadelphia and Allegheny	19	33	22	39
Philadelphia	26	71	44	94
Allegheny	11	42	10	37

<sup>a</sup> Based on 351,255 applications.

<sup>b</sup> Based on 676,359 applications.

Source: Department of Public Welfare, Office of Income Maintenance.

For the 2011 heating season, the average time statewide from when an application was received to when it was entered for case processing was 20 days, compared to 31 days in 2012. DPW and CAOs we visited attributed the longer time frames issues related to the automated processing system. They also attribute the longer time frames to the “learning curve” associated with changes to the automated system.

Unforeseen system issues arose during the 2012 heating season (SFY 2011-12) as DPW is in the process of modifying its entire eligibility system so that all benefits (LIHEAP, Medical Assistance, TANF, SSI Supplement, SNAP) are in the same case as part of its overall program integrity efforts. As part of such a transition, in summer 2011, information maintained in the old LIHEAP automated system was converted into *eCIS*. Because of the conversion, individual information

was pre-populated into *eCIS* when the 2012 LIHEAP application process was initiated. LIHEAP households, however, are not always the same household budget group as they are for other benefit programs. This caused problems when attempting to process a LIHEAP case as such non-LIHEAP household members could not be deleted from the case.

Since August 2011, the automated system has been updated to correct unforeseen issues with the merging of cases to allow for removing of household members who no longer reside in the home, ending income which had stopped, and changes to the way certain deductions were either entered into the system or calculated. Such system problems impacted the program early on as the types of cases affected by such issues are those that receive and return applications during the first weeks of the program. Additional system integration for all benefits is scheduled for 2012.

## **Payment Processing**

Once a LIHEAP payment is authorized, *eCIS* and other state agencies are involved in the processing and making of the payment. Each week, electronic vouchers for all approved LIHEAP payments are batch processed by *eCIS* and forwarded to the Commonwealth Budget Office's Comptroller's Office and Treasury Department for review and approval and for payment by the Treasury Department.

LIHEAP payments are processed in weekly payment batches, with each weekly payment batch including all heating grant applications that were authorized from Friday through close of business Thursday evening. The payment process then runs over the weekend, and the payment process file is sent to the Comptroller's Office and Treasury for processing on Monday. Payments are made in 10 working days—always on Wednesday. DPW provided the following example of how such processing occurs for payment batch authorizations from Friday, April 6, 2012, through Thursday, April 12, 2012:

- Evening of April 12 (Thursday) – the payment batch is created.
- Over the weekend (April 14 and 15), payment processing is run and formatted and reports generated and readied for the Comptroller's Office and Treasury.
- April 16 (Monday) the Comptroller's Office and Treasury review reports and start the payment release process.
- April 25 (Wednesday) payments from the April 6 through April 12 batch process are made to vendors enrolled in the LIHEAP program. Vendors can choose to have their payments direct deposited or receive a paper check. If the household pays for heat as part of their rent, or if the fuel vendor does not participate as a LIHEAP approved vendor, then DPW pays the grant amount directly to the applicant.



Depending on the day in the week when *eCIS* authorizes a heating grant payment, therefore, actual payments are available from 13 to 19 calendar days from when the heating grant was authorized.

Crisis grant payments are also processed through *eCIS* in a similar manner. Before *eCIS* will authorize an approved crisis payment on behalf of a household, however, the crisis vendor must file a claim for the authorized benefit and document that the authorized benefit has been provided. In order for this to occur, the fuel vendor or utility must submit a claim for the crisis payment through DPW's *PROMISE* system and provide documentation that the crisis claim benefit that was authorized was provided.<sup>10</sup> Once the documentation is matched to the proper claim, the payment is processed overnight into *eCIS* and *eCIS* authorizes the payment. At that time the crisis claims fall into the payment batch process along with the heating grant authorizations (described above). The total time required for the crisis contractor to actually receive payment is dependent upon the vendor and when the vendor submits the required supporting documentation for the crisis claim.

Finding D provides additional information on the LIHEAP payment process. Such information includes the dates of the Commonwealth's actual receipt of federal LIHEAP funds and the amount and dates of actual payments for the first half of the 2012 LIHEAP heating season (SFY 2011-12).

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<sup>10</sup> According to DPW, "once the CAO authorizes a crisis benefit, this generates a 10 digit authorization number for the vendor. These crisis authorizations are batched nightly from *eCIS* and sent to *PROMISE* to load. Included in this file is the authorization number, client name, address, account number, amount authorized (if a utility), date the cash benefit was approved, the case record number and the individual number. The vendors log onto *PROMISE* under their vendor number via a secure website and will see all their authorizations which include the authorization number, clients' name, address, account number and amount authorized (if a utility). Each day the vendors will see the new crisis authorizations in *PROMISE* that were authorized in *eCIS* the prior day. The vendor submits the claim via the website and then either mails or faxes their supporting documentation along with a coversheet to *PROMISE*. The supporting documentation is married up to the claim. This would include either a trip ticket or delivery receipt for a deliverable vendor or a shut off notice from a utility. If the utility cannot generate the shut off notice, [DPW allows] them to submit a screen shot from their computer systems showing the information for the shut off notice. Once the supporting documentation is received, scanned, and married up to the claim, the claim will go into pay status [within *eCIS*]."

## **II.D. Federal LIHEAP Funding Has Been Unstable, Which Complicates the Administration of This Program.**

Pennsylvania, like most states, relies entirely on federal funds for its LIHEAP program. Federal funding for LIHEAP, however, is part of the federal discretionary budget, and as such, it must be explicitly authorized by Congress. As a result, federal LIHEAP funding can vary widely from year to year, and the total amount of federal funding available to the state is often unknown prior to the start of the state's heating season program year. Such matters complicate the administration of the state LIHEAP program.

### **Federal LIHEAP Funding Can Change Greatly From Year to Year**

Congress authorizes federal LIHEAP funding in two separate Department of Health and Human Services (DHHS) appropriations:

- the Regular Block Grant appropriation and
- the Emergency Contingency appropriation.

The LIHEAP Emergency Contingency Fund monies are available to provide additional federal funds to areas that are affected by excessive cold or heat, energy price increases, or other energy related emergencies. As such they are not routinely available; and when they are available, they are not available to all states.

The largest amount of federal LIHEAP funding is contained in the LIHEAP Regular Block Grant appropriation. This appropriation, for the most part, includes federal funds allocated to states for their heating and cooling programs, though a portion of such funding may be set aside by Congress for a “leveraging” incentive program.

Under the “leveraging” incentive program, a relatively small portion of the federal funds are available to reward states that have acquired non-federal home energy resources for low income families. A portion of the available leveraging incentive funds may also be used for the Residential Energy Assistance Challenge (REACH) program. REACH provides competitive federal grants to assist a limited number of LIHEAP grantees to develop and operate programs that help LIHEAP eligible households reduce their energy vulnerability.<sup>1</sup> While Congress has regularly enacted a LIHEAP Regular Block Grant appropriation, it has not always set aside funding within the appropriation for a leveraging assistance program or REACH.

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<sup>1</sup> Certain LIHEAP Regular Block Grant Appropriations are also reserved for training and technical assistance.

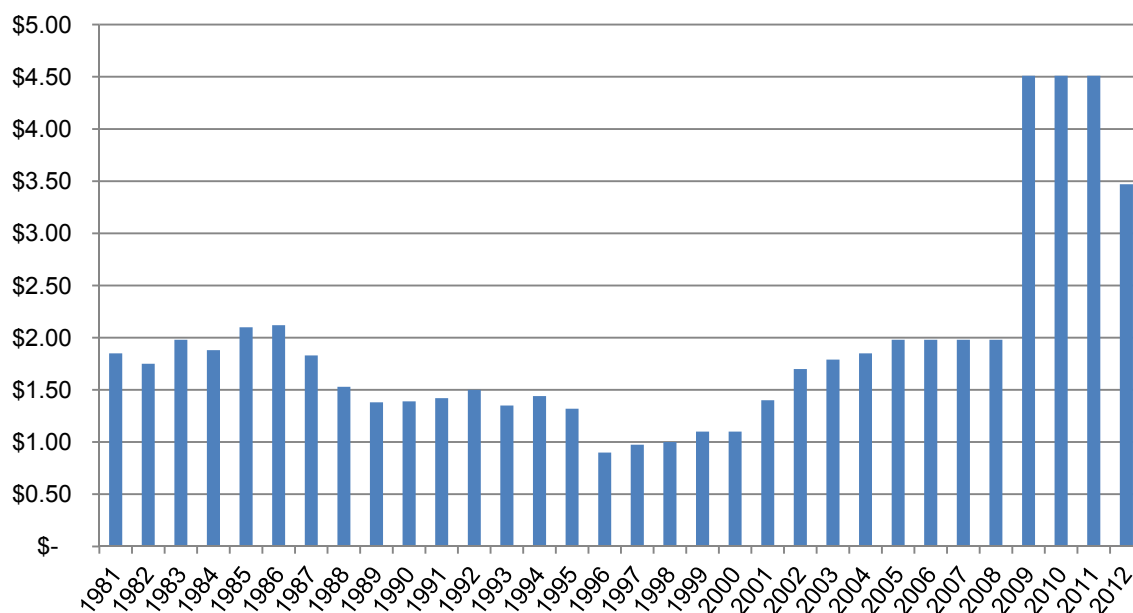
As shown in Exhibit 7, federal funding for LIHEAP through the Regular Block Grant has varied over the years. When the program began in FFY 1981, Congress appropriated \$1.85 billion in federal funds for the Regular Block Grant. Between 1981 and 2008, such funding ranged from a low of \$0.9 billion (in FFY 1996) to a high of \$2.12 billion (in FFY 1986). Then, because of a spike in fuel oil prices in 2008, in FFY 2009, Congress more than doubled the LIHEAP Regular Block Grant funding, increasing it to an all time high of \$4.51 billion.

Subsequently, in FFY 2012, the President and Congress reduced such funding by about 25 percent to \$3.47 billion to reflect expected price reductions for certain fuels and to return to more historic funding levels. In FFY 2013, LIHEAP Regular Block Grant funding will be reduced about an additional 20 percent if the President's proposed budget (at \$2.82 billion) is enacted.

Exhibit 7

### Federal LIHEAP Regular Block Grant Funding

1981 - 2012  
(\$ In Billions)



Source: Developed by LB&FC staff from U.S. Department of Health and Human Services reports.

### Federal Funding for States Is Often Not Predictable

In recent years, the ability of states to plan for their LIHEAP program year has been complicated by the delay in determining the total amount of federal funding they will receive for a given year. Exhibit 8 outlines how federal LIHEAP funding became available for the 2010 (SFY 2009-10) heating season, and Exhibit 9

outlines how federal funding became available for the 2012 (SFY 2011-12) heating season.

#### Exhibit 8

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### **Availability of Federal LIHEAP Funding for Pennsylvania for the 2010 LIHEAP Heating Season (SFY 2009-10)**

- The President requested \$2.41 billion in Regular LIHEAP Block Grant Funds and \$790 million in emergency contingency funds (i.e., a total of \$3.2 billion for FFY 2010).
- Congress did not pass a Department of Health and Human Services appropriation prior to the start of the 2010 federal fiscal year (i.e., by October 1, 2009), but on September 30<sup>th</sup> passed a continuing resolution maintaining 2010 funding at the 2009 level of \$5.1 billion.
- On October 26, 2009—just days before the opening of Pennsylvania's LIHEAP program, DHHS notified Pennsylvania that it was allotted \$211 million for the 2010 LIHEAP season, or 75 percent of the allotment available under the continuing resolution.
- On December 15, 2009, Congress passed and the President subsequently signed a DHHS appropriation bill.
- On January 12, 2010, DHHS released most of the remaining 25 percent of the allotment available under the continuing resolution (\$71 million for Pennsylvania).
- On January 20, 2010, DHHS released \$490 million in emergency contingency funds, resulting in an additional allotment of \$26.2 million for Pennsylvania.

Source: Developed by LB&FC staff from federal and state appropriation and allotment data.

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As shown in Exhibit 8, for the 2010 LIHEAP heating season, Pennsylvania anticipated a 50 percent cut in LIHEAP funds prior to the start of the heating season. Just days before the opening of the state's program much of the cut was restored, and by mid-January (halfway through the program season) all the anticipated cut was restored. Then, more than halfway through the season, the state received an additional \$26.2 million from the emergency contingency funds allotment.

At times, moreover, federal LIHEAP funds have been received even after the program season ceased taking applications. For the 2011 LIHEAP season (SFY 2010-11), for example, Pennsylvania received a LIHEAP Block Grant allotment of \$119.675 million on October 27, 2010. By the second-half of May 2011, however, Pennsylvania had received a total of \$280.478 million in LIHEAP Block Grant funding and an additional \$20.880 million in contingency funding. Such block grant funding included allotments in April 2011 (\$9.042 million) and late May 2011 (\$3.352 million).

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### **Availability of Federal LIHEAP Funding for Pennsylvania for the 2012 LIHEAP Heating Season (SFY 2011-12)**

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- The President requested \$1.98 billion in a LIHEAP Regular Block Grant appropriation and \$589.5 million in emergency contingency funds (i.e., a total of \$2.570 billion), or approximately a 60 percent reduction from prior year funding.
- Congress did not pass a DHHS appropriation prior to the start of the federal fiscal year, instead passing five continuing resolutions with temporary funding levels from the beginning of October through late December 2011.
- On October 31, 2011, one day before the start of Pennsylvania's 2012 LIHEAP heating season to new applicants, DHHS released \$1.853 billion in LIHEAP Regular Block Grant funding, resulting in an allotment of \$113.138 million for Pennsylvania, or \$22.165 less than the amount projected (\$135 million) in the Commonwealth's approved SFY 2011-12 budget.
- On December 22, 2011, under a late December 2009 continuing resolution, DHHS released an additional \$845 million, resulting in an additional allotment of \$44.023 million for Pennsylvania.
- In mid-January 2012, after the enactment of a consolidate appropriation act, DHHS released additional funds, including an allotment of \$52.387 million for Pennsylvania, bringing the state's total 2012 allotment to \$209.548 million.

Source: Developed by LB&FC staff from federal and state appropriation and allotment data.

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A pattern somewhat similar, though not as favorable, to the one in 2010 occurred for 2012. As shown in Exhibit 9, for the 2012 heating season, Pennsylvania started the LIHEAP program anticipating a possible 60 percent reduction in federal funding from the prior year, and the allotment it received one day prior to the opening of the program to new applicants was actually \$22 million less than anticipated in the state's budget. Only in mid-January—halfway through the program's heating season—the final federal allotment for 2012 became known.

The amount of LIHEAP Regular Block Grant Funding finally allotted to Pennsylvania for 2012 increased over the amount originally proposed in the President's budget. Pennsylvania, however, incurred about a 25 percent reduction in its actual allotment from the prior year (\$277.126 million for FFY 2011 compared with \$209.548 million for FFY 2012). If the President's 2013 budget is enacted as proposed, Pennsylvania can anticipate Regular Block Grant funding of \$166 million, or about a 20 percent reduction (\$43.5 million) from its final 2012 funding level (\$209.548 million).

Uncertainty associated with federal funding is not limited to the timing of the passage of federal appropriation bills. Even when federal appropriations are passed on time, states are not assured a particular level of funding. Unlike the Commonwealth budget process where appropriated funds are available for expenditure, at the federal level following an appropriation, a rescission may occur, thus reducing the prior appropriation amount. Federal agencies must request specific spending

authority before they can disburse appropriated funds. The exact amount of an appropriation a state may receive, therefore, is based on the federal agency's "allotment" to the state based on the amount it is authorized to release.

The federal LIHEAP program's formula for allocation of Regular Block Grant Funding, moreover, may also change from year to year. In general, the formula that is used changes based on the amount appropriated. (Appendix B provides additional information on LIHEAP federal allocation formulas.)

## **Problems in Administering LIHEAP Given the Uncertainty of Federal Funding**

The variability and uncertainty of federal funding can cause problems for states in planning for their LIHEAP program year. Because in some years the federal funding levels are not set until after the LIHEAP program starts, states must make some assumptions regarding the amount of federal funding that will be available for the program. Such assumptions are then reflected in the operation of the program. For example:

- **Eligibility Criteria** such as maximum income levels are set based on the available funding. States set these eligibility criteria prior to the beginning of the program year. Changes to the income requirement result in more or less clients applying for the grant and affect the number of potentially eligible applicants.
- **Amount of the Grant Award** varies depending on how much funding is available in any particular year. The maximum and minimum heating grant amounts as well as the amount available for crisis payments are set prior to the beginning of the program year based on anticipated available funds.
- **Staffing Levels** must also be determined prior to the start of the program year and depend in part on the expected number of applicants.
- **Dates for Program Opening and Closing** also vary depending upon fund availability. As shown below, Pennsylvania would have had to close its LIHEAP heating grant program halfway through the heating season were it not for the release of additional federal LIHEAP funds in late December 2011.

In Pennsylvania, for example, the Department of Public Welfare started the LIHEAP program in September 2011 when it provided applications to households that received LIHEAP in the prior year. DPW began accepting applications on November 1, 2011, for heating grants for those not in the program in the prior year and those in need of crisis grants. It further planned to operate a crisis program

through March 15. Such program operation plans were based on the assumptions that:

- Pennsylvania's LIHEAP Regular Block Grant Allotment would be \$135.3 million for the heating grant and crisis programs, the weatherization program administered by the Department of Community and Economic Development, and program administration.
- \$89.784 million would be available for the heating grant and crisis LIHEAP program for the 2012 heating season, or about two-thirds of the planned total LIHEAP Regular Block Grant Allocation.<sup>2</sup>

When Pennsylvania's 2012 LIHEAP program fully opened its doors on November 1, 2011, however, only \$113.138 million in federal LIHEAP funds had been allotted to Pennsylvania—not the planned \$135.3 million. In other words, \$22.162 million less than planned was actually available to the state to “drawdown” for Pennsylvania's program. As a consequence, without additional federal allotments for the program, only \$75 million<sup>3</sup> (rather than \$89.784 million) was available to DPW to operate the heating grant and crisis programs through March 15, 2012.

As shown in Table 2, however, the Commonwealth's State Treasury had actually paid out \$46 million in heating grant and crisis benefits by the end of December 2011. At the end of December 2011, moreover, Pennsylvania's LIHEAP program had almost 188,000 pending applications statewide, with about 150,000 such applications likely eligible for a heating grant.<sup>4</sup> Given the 150,000 pending eligible applications and the \$230 actual average heating grant payment for the 2012 LIHEAP heating season,<sup>5</sup> an estimated \$34 million more would be required to pay likely eligible households with pending applications as of the end of December 2011. In other words, with no additional federal LIHEAP fund allotments, if all applications pending at the end of December were paid, the program was on course to expend approximately \$80 million—\$5 million more than the planned \$75 million available for the heating grant and crisis program.

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<sup>2</sup> LIHEAP Funding and Program Change Illustration dated 11/8/2011 and the Governor's 2012-13 Budget.

<sup>3</sup> This assumes that the heating grant and crisis program components would continue to receive an amount equivalent to two-thirds of the LIHEAP Regular Block Grant Allotment of \$113.138 million.

<sup>4</sup> According to DPW about 80 percent of all applications it receives are approved for a heating grant.

<sup>5</sup> In November 2011, DPW estimated the average heating grant for the 2012 heating season would be \$226 per household.

Table 2

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**LIHEAP Grant Payments and Federal Funding Received  
2012 (SFY 2011-12) LIHEAP Heating Season**

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	<u>LIHEAP Payments</u>
October .....	\$ 8,078,537
November .....	20,304,607
December .....	<u>17,840,416</u>
Total Through December.....	\$46,223,560

Source: Developed by LB&FC staff from data provided by Pennsylvania Treasury.

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If all applications pending at the end of December had been paid, moreover, there would not have been funds available to operate the 2012 LIHEAP program, through March 15<sup>th</sup> as required by federal statute. In the 2011 LIHEAP heating season (SFY 2010-11), Pennsylvania spent almost \$45 million for crisis grants. Based on program projections in November 2011, DPW estimated \$39 million would be needed for crisis grants for the 2012 LIHEAP program year.

Without the additional federal allotment to Pennsylvania of \$44.023 million on December 22, 2011, the available options were to:

- close the LIHEAP program at the end of December without payment of pending applications and continue to operate a crisis program through March 15<sup>th</sup> with approximately \$30 million remaining (from the \$75 million available for cash and crisis under a \$113 million federal allotment), or
- at the beginning of January 2012, request the Governor and the Pennsylvania General Assembly to provide a supplemental state appropriation in the range of \$25 million to \$35 million (in order to pay the applications received and pending as of the end of December 2011).

DPW advised LB&FC staff that it annually reserves funds (based on prior year experience and available funding) to operate the crisis program through March 15<sup>th</sup>. If additional federal funds had not become available in late December 2011, it was prepared to close the heating grant program. As part of such closure, notices would be sent to households that had applied prior to the closure of the heating grant program and were eligible notifying them that funding was no longer available to provide them with a heating grant. The notice would also indicate that if additional funds became available, the household would be notified and the notice would include the amount of the benefit to be received by the household based on the amount of additional funding that became available.



As shown in Table 3, the Commonwealth started to make LIHEAP payments as early as October 2011. DPW could hire temporary staff and provide applications to prior year LIHEAP applicants and start making payments in October as a result of carry over funds from the prior federal year. As noted in Finding A, states are permitted to “carry over” prior year allotments from one federal fiscal year to the next. Without such federal “carry over,” the program would not have been able to start, and early season payments would have been delayed.

Table 3

<b>LIHEAP Grant Payments and Federal Funding Received 2012 (SFY2011-12) LIHEAP Heating Season</b>				
	<u>LIHEAP Payments</u>	<u>Federal Funds Received</u>		
		<u>Current Year</u>	<u>Prior Year</u>	<u>Total</u>
July-Sept. ....	\$ 0	\$ 12,112	\$32,478,332	\$32,490,444
October .....	8,078,537	50,439	(66,884)	(16,445)
November .....	20,304,607	20,046,553	56,558	20,103,111
December .....	17,840,416	20,776,329	(1,919)	20,774,410
January .....	15,459,437	16,137,594	(2,367)	16,135,227
February.....	21,636,202	17,463,187	(4,509)	17,458,678

Source: Developed by LB&FC staff from data provided by PA Departments of Revenue and Treasury.

Once DHHS allots federal funds to states, such funds are not given over to the state in one lump sum at the beginning of the program year. Rather, they are available for “drawdown” based on federal rules. Federal LIHEAP regulations provide that:

The Secretary will make payments at such times and in such amounts to each State from its awards in advance or by way of reimbursement in accordance with section 203 of the Intergovernmental Cooperation Act (42 U.S.C. §4213) and Treasury Circular No. 1075 (31 C.F.R. Part 205).<sup>6</sup>

The Intergovernmental Cooperation Act of 1968, now known as the Cash Management Improvement Act of 1990, provides that federal grant funds are to be scheduled for transfer to the states to minimize the lapse of time between the transfer from the U.S. Treasury and the disbursement by the state.<sup>7</sup> For cash advance funding, the federal agency is to transfer to a state the actual amount of federal funds that will be paid out by the state not more than three business days prior to

<sup>6</sup> 45 C.F.R. §96.12

<sup>7</sup> 42 U.S.C. §4213, currently 31 U.S.C. §6503(a).

the day the state makes payments.<sup>8</sup> States may be responsible for repaying any interest earned on the federal funds if those funds are received by the state and held prior to the state making payments.

LIHEAP funding is released by DHHS over the course of the program year based on the claim activity of each state. Although the states know how much total funding each state has been allocated and allotted for the program year, the actual funds are not received by the states until state program payments are approved and processed.

Table 3 also shows the federal funds paid to Pennsylvania for the LIHEAP program by month and LIHEAP payments for the same months. The table includes both current year federal funds and prior year carryover federal funds. As shown in the table, the incoming federal funds closely track with the grants paid out to LIHEAP clients each month.

## **Other Approaches**

The problems caused by the uncertainty and lag in receipt of federal LIHEAP funding presents problems not just for Pennsylvania, but other states. For example, West Virginia delayed the opening of its 2012 LIHEAP heating program until January 2012. Maryland accepts applications for its energy assistance program throughout the year but does not announce the LIHEAP program grant award amounts until after the federal funding amounts become available.

As shown in Exhibit 10, several stakeholders have suggested that a consistent addition of state funding for energy assistance dollars would help stabilize the LIHEAP program in Pennsylvania and make it more efficient, i.e., allowing the program to open and make early payments and avoid having to make supplemental payments when additional federal funding becomes available late in the heating seasons. While this may be true, the uncertainty of federal funding would make such an approach problematic.

According to the 2012 Pennsylvania LIHEAP Plan, the program may anticipate the receipt of federal funds by advancing state funds for program operation and be reimbursed once federal funds are received.<sup>9</sup> However, the Comptroller's Office in Pennsylvania will not allow DPW to spend money for LIHEAP that has not actually been federally allotted to the state. DPW can, however, use previously allotted carryover funding from the prior year to cover early operating program costs (as shown in Table 3).

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<sup>8</sup> 31 C.F.R. §205.12.

<sup>9</sup> Commonwealth of Pennsylvania 2012 State Plan.

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## **Selected Stakeholder Comments**

### **Supplemental State Funding for LIHEAP**

- State supplemental funding would stabilize the program from year to year by providing a consistent, controllable, and reliable funding stream not dependent on the political determinations of officials outside the Commonwealth. This kind of stability would improve the ability of DPW to administer the program and could enable longer program duration with higher benefit levels.
- A state LIHEAP supplement is sorely needed. Pennsylvania must join with the majority of cold weather states who recognized a long time ago that federal dollars are simply not enough to maintain this critical program.
- In the event that there is a cut in LIHEAP funding, the Pennsylvania State Legislature should seriously consider adding state funding to federal funding for LIHEAP.
- UESF strongly urges that Pennsylvania provide state supplemental funding, just as the other Northeastern states do. State funding would enable the program to operate more consistently and serve a greater number of households in need.
- For Pennsylvania to establish a stable LIHEAP State Plan in which major components remain unchanged from year to year and on which low-income households can rely, DPW and others must advocate for a permanent source of state energy assistance dollars.
- PGW finds it distressing that Pennsylvania continues to fail to commit itself to showing compassion and support for the state's lowest-income residents with adequate supplemental LIHEAP funding. Increased LIHEAP funding from the Commonwealth is sorely needed.
- The Companies strongly encourage DPW to aggressively advocate for a permanent source of state energy assistance dollars, in order to help stabilize the budget in light of fluctuating federal funding levels.

Source: Comments submitted by LIHEAP stakeholders on Pennsylvania's 2012 State Plan.

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LB&FC staff was able to identify only a few states that utilized general fund monies to supplement the federal LIHEAP program.<sup>10</sup> Since 2009, for example, the state-funded Alaska Affordable Heating Program has provided assistance (\$5 million) to those with income from 151 to 225 percent of the federal poverty guidelines. The state also operates a state-funded Power Cost Equalization Program that subsidizes the cost of electricity for LIHEAP households in remote areas of the state. Michigan offers a Home Heating Credit, which provides basic maintenance benefits to LIHEAP and other low income households.

At times, some states provide one-time state funding to supplement LIHEAP. In 2012, for example, after it became clear that federal funding would not be at prior year levels, Massachusetts provided \$21 million as part of an overall \$130 million state supplemental appropriation to make up for some of the lost federal funds. At the same time, Vermont provided \$5 million from its state reserve fund for LIHEAP heating grant and crisis benefits and about \$1 million for weatherization.

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<sup>10</sup> The only time state funds were used for the LIHEAP program in Pennsylvania was in the 2005-06 program year when the Governor of Pennsylvania asked for \$15 million in state funding to supplement LIHEAP federal funding because of high fuel prices.

## **II.E. The Department of Public Welfare Efficiently Administers the Federal LIHEAP Heating Grant and Crisis Program Based on Federal Criteria.**

The federal LIHEAP block grant permits states to utilize up to 10 percent of the federal grant to administer the program. In recent years, however, the Commonwealth has spent less than that amount on administration.

In 2011 (SFY 2010-11), for example, the Department of Public Welfare made total heating grant payments of \$219.8 million and an additional \$44.8 million in crisis benefit payments to eligible households. During the same period, it spent just a little over \$19 million (\$19.1 million) to administer the federal LIHEAP program, or the equivalent of 7 percent of total federal LIHEAP funds available to the Department for the heating grant and crisis program.<sup>1</sup>

### **Federal LIHEAP Performance Efficiency Measure**

The federal LIHEAP program has established performance targets for states that include targets for administrative efficiency. The federal LIHEAP program's efficiency measure considers administrative efficiency based on the ratio of households assisted by the LIHEAP program for every \$100 of LIHEAP administrative costs. Currently, the federal measure sets targets for program efficiency nationwide based on prior year results and an annual expectation of 1 percent improvement over prior year results.

In 2008, LIHEAP programs nationally served 3.04 households for every \$100 of LIHEAP administrative costs. Based on such a baseline, LIHEAP programs improving in administrative efficiency would serve 3.13 households for every \$100 in administrative costs by 2011. In 2011, the Department of Public Welfare's LIHEAP program actually served 3.57 households for every \$100 in administrative costs—better than the national projected target for administrative efficiency.

### **Pennsylvania LIHEAP Administrative Costs**

In 2011, the Department of Public Welfare expended \$19.4 million<sup>2</sup> in LIHEAP administrative costs, with personnel costs accounting for the largest share—approximately 70 percent. As shown in Table 4, the second highest expenditures are for automated system contractors at 16 percent, followed by direct charges at 12 percent, and grants to crisis contractors at 3 percent.

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<sup>1</sup> Excludes federal LIHEAP funds available to the Department of Community and Economic Development for the LIHEAP low income weatherization program and its administration.

<sup>2</sup> Includes federal LIHEAP funds available for administration to the Department of Community and Economic Development.

Table 4

**Pennsylvania LIHEAP Administrative Costs**

Federal Grant Year 2011 (SFY 2010-11)

(\$ in Millions)

<u>Cost Category</u>	<u>Commitment and Expenditure Amount</u>	<u>Percent of Total Administrative Cost</u>
Personnel .....	\$12.95 <sup>a</sup>	67%
Automated Systems Contracts ( <i>eCIS</i> & <i>PROMISE</i> ) .....	3.12	16
Direct Charges .....	2.38	12
Crisis Contract Grants .....	0.52	3
Other Contracts .....	<u>0.43</u>	<u>2</u>
Total .....	\$19.40	100%

<sup>a</sup> Includes \$ 0.3 million for Department of Community and Economic Development administration.

Source: Developed by LB&FC staff from Department of Public Welfare LIHEAP data.

The direct charges shown in Table 4 are largely due to printing and mailing costs, with LIHEAP Comptroller billings and general operating costs each at about \$125,000. The DPW mass mailings to LIHEAP households and the phased mailing of applications in September to all households that received LIHEAP in the prior year only account for 15 percent of the total printing and mailing costs (approximately \$324,000 of \$2.1 million in total printing and mailing costs).

As discussed in Finding A, the federal LIHEAP program requires states that elect to provide the LIHEAP benefit directly to a fuel vendor or utility on behalf of an eligible household to provide such households with a written notice of the benefit amount paid on their behalf. The federal LIHEAP statute also requires the state to have a formal appeal process. Such processes require that written notices be forwarded to households that have submitted incomplete applications identifying the missing information required to determine eligibility for LIHEAP benefits, and notice of rejection of an application and a household's right to an appeal.

The Department of Public Welfare's total administrative costs for federal grant years 2010, 2011, and 2012 have remained fairly stable at about \$20 million annually. Its administrative cost patterns are also fairly similar from year to year. The major changes that occur appear to be due to the Department's enhancement to its automated systems with its *eCIS* contract services increasing from \$0.827 million in 2010 to \$2.174 million projected for 2012. Over the same period the crisis contractor grants have decreased from \$0.670 million to \$0.499 million. Such changes are largely due to the reduction in the number of crisis contractors from six in 2010 to two in 2012.

## LIHEAP Seasonal Staffing and Application Processing

As shown in Table 4, personnel costs account for the largest share of Pennsylvania LIHEAP administrative costs. For the most part, DPW LIHEAP workers are seasonal, temporary workers employed by the CAOs from late September to the end of the heating season. In addition, CAO Income Maintenance Workers may be called on to assist with processing applications during peak periods to avoid processing backlogs. For the 2012 heating season, an average of 530 full-time equivalent (FTE) workers were employed by DPW from late September to the end of the heating season.

For most counties, LIHEAP applications are processed at local CAO offices. Statewide, however, over half of all LIHEAP applications are processed in CAO district offices and designated processing centers. The centralization of processing activities at designated processing centers and CAO district offices is intended to provide for more efficient application processing and permits such centers to assist CAOs with a greater than anticipated number of applicants or pending applications.

For the 2012 LIHEAP program year (SFY 2011-12), LIHEAP applications were processed at County Assistance Offices, designated district offices in Allegheny and Philadelphia Counties, and at designated LIHEAP processing centers, including one freestanding processing center (i.e., the center is not housed at CAO office space). Some of the LIHEAP district offices and processing centers process both heating and crisis grant applications. Others process only heating grant applications. In Philadelphia County, for example, a designated CAO district office processed all LIHEAP heating grant and crisis applications for the entire county.<sup>3</sup> During the 2012 heating season, however, the Allegheny County CAO district office continued to have a crisis contractor assist with such applications.

Multi-county processing centers processed 2012 (SFY 2011-12) LIHEAP applications at the following locations:

- The York County CAO processed LIHEAP heating grant and crisis applications for York and Dauphin Counties and heating grant applications for Montgomery County.
- In Montour County a LIHEAP processing center located at the Danville State Hospital processed heating grant and crisis applications for 10 counties (Carbon, Columbia, Lehigh, Monroe, Montour, Northumberland, Pike, Schuylkill, Susquehanna, and Wyoming).<sup>4</sup>
- Fayette County processed LIHEAP applications for Somerset, Greene, Indiana, and Perry Counties.

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<sup>3</sup> Prior to the 2010 LIHEAP heating season (SFY 2009-10), the Philadelphia County Assistance LIHEAP District Office was assisted by a crisis contractor in the processing of crisis grant applications.

<sup>4</sup> A crisis contractor assisted with the processing of crisis grants in Wyoming County.

- Westmoreland County's Greensburg office processed LIHEAP applications for two other Westmoreland County district offices and for Lawrence County.

## **LIHEAP Helpline**

DPW also utilizes seasonal staff to operate a call center dedicated to the LIHEAP program that opens in September when the first LIHEAP applications are mailed out and continues until the program closes for the year. The LIHEAP Helpline for the 2012 program year was staffed by 17 temporary workers, mostly annuitants who had a background as Income Maintenance Case Workers.

The Helpline staff answer general questions about the LIHEAP program and assist callers with questions regarding how to fill out the LIHEAP or COMPASS applications. The call center coordinates with the local CAO offices and provides referrals regarding crisis applications, information changes, or other matters that are forwarded to the CAO as needed.

At the beginning of the program season the Helpline generally receives calls related to how the caller can get an application and how to fill in the application. Later in the program season, the calls tend to be more questions about the status of an application, how the caller can apply for the crisis benefit, and questions related to the possibility of supplemental benefits. The Helpline also receives calls asking for assistance in understanding notices that clients have received from the CAO such as pending notices and calls seeking information on other organizations that may be able to offer assistance with heating costs.

Between September 20, 2011, and April 20, 2012, the LIHEAP Helpline received 171,696 calls. Of these, over 82 percent (141,492 calls) were answered and the caller spoke with a call center employee. On average, it took almost three minutes for a call to be answered and another three and one-half minutes for the call to be resolved.

About 9 percent of callers (14,981 calls) were unable to get into the call queue because of high call volume and were advised to call back later. Another 7.5 percent of the callers (12,866 calls) accessed the call queue but chose to hang up before a call center representative was able to pick up the call.

## **Crisis Contractors**

DPW also uses contractors to assist with the LIHEAP crisis benefit program. Such contractors provide LIHEAP crisis services through a contract with DPW. The crisis contractors accept crisis applications for energy assistance and are responsible for determining preliminary eligibility for the crisis benefit requirements

identified in the LIHEAP state plan. In the past when LIHEAP workers manually calculated if a household was eligible for LIHEAP benefits, crisis contract workers performed calculations related to income eligibility and benefit amount. With the transition to *eCIS*, crisis contractors may take a household LIHEAP application; however, LIHEAP eligibility and the amount of the benefit are now determined by *eCIS*. All documentation required by *eCIS* must be provided by the contractor to DPW to process a LIHEAP application if a household has not already applied for a heating grant benefit.<sup>5</sup> The contractor, moreover, must comply with DPW record retention and confidentiality requirements.

DPW monitors the crisis contractors through *eCIS* generated LIHEAP reports, by DPW staff reviewing applications for completeness and accuracy, and through its monitoring of a sample of cases (as occurs with the CAOs). According to the contract, the contractor is responsible for any overpayment of LIHEAP funds unless the overpayment resulted from the intentional withholding or misrepresentation of information by the LIHEAP applicant. DPW, however, advised LB&FC staff that the Commonwealth has been absorbing all costs associated with administrative payment errors made by the contractor.

For the 2012 LIHEAP heating season, three counties (Allegheny, Luzerne, and Wyoming) used the services of a crisis contractor to process crisis benefits.<sup>6</sup> The following agencies operated the crisis component of LIHEAP in their areas:

- Allegheny County Department of Human Services in Allegheny County,
- Commission on Economic Opportunity of Luzerne County in Luzerne County, and
- Commission on Economic Opportunity of Wyoming County in Wyoming County.

From January through March, the Department's crisis contractors also employed seasonal workers. The grant for the Allegheny County crisis program projects an average of 17.28 FTE seasonal workers weekly from the beginning of January through March, and the grant for Luzerne and Wyoming Counties crisis program projects an average of 13.7 FTEs.

The 2012 Allegheny County crisis program grant provided for \$327,000 for operation of the program through April 17, 2012. Based on incomplete program

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<sup>5</sup> As noted in Finding C, if a household has applied for a heating grant and its application is at some point in *eCIS* application and case processing, DPW facilitates the processing of the identified crisis application to conform to the time frames specified in federal statute for households that meet all eligibility requirements for LIHEAP and LIHEAP crisis benefits.

<sup>6</sup>In the 2010 LIHEAP program year (SFY 2009-10), crisis contractors operated in 7 counties: Allegheny, Carbon, Centre, Lackawanna, Lancaster, Luzerne, and Wyoming Counties.



data, as of April 19, 2012, the Allegheny crisis program received 4,837 crisis applications and provided \$775,324 in benefits to 3,124 households. The 2012 crisis contract with the Commission on Economic Opportunity of Luzerne County provided \$164,385 for the crisis contractor for the 2012 LIHEAP season. Based on incomplete data as of April 19, 2012, the Commission received over 3,300 applications in Luzerne County, with 3,329 households approved for \$960,325 in crisis payments. In Wyoming County, 341 households were approved for \$98,173 in crisis payments.

While DPW overall clearly meets the federal requirements for administrative efficiency, some may not agree that its program is efficient. Some with whom we spoke would like to see the program process applications earlier (e.g., September) and pay all households in October and November. In fact, when sufficient federal carryover funding is available, DPW has distributed applications to prior eligible households (i.e., in September and October) and has made payments to such households with approved applications as early as October (See Table 3). As shown and discussed in Finding D, DPW makes LIHEAP payments on a pace with receipt of actually available federal funding.

Some have suggested the LIHEAP program is inefficient as the program does not rely on electronic applications. As noted in Finding C, LIHEAP applications can be made via COMPASS, and electronic submission of required documentation and electronic signatures are recognized by DPW for those able to provide them. DPW, moreover, encourages the use of COMPASS. Others have noted, however, that in view of the use of barcode applications for most applicants, the current application continues to be suited to the vulnerable and elderly populations served by the LIHEAP program.

DPW plans to further improve the efficiency of the LIHEAP program in 2013 in several ways, including policy changes to align LIHEAP policies with other programs provided by DPW to simplify program administration and reduce opportunity for administrative errors, utilizing current income documentation received for other programs when determining LIHEAP eligibility, and providing for enhanced use of COMPASS to apply for LIHEAP. Appendix C provides a list of DPW's planned changes for the 2013 LIHEAP heating season.

### **III. Background**

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The Department of Public Welfare operates the Commonwealth's LIHEAP program so as to comply with federal LIHEAP program requirements. Such requirements include:

- developing a state plan with public input,
- targeting benefits to households that meet the federal definition of those with the greatest need,
- providing for the operation of a crisis program through March 15<sup>th</sup>,
- providing benefits only to eligible households,
- providing an opportunity for households to appeal their benefit amount and eligibility, and
- administering the program in an administratively efficient manner within the confines of available federal funding.

#### **State Plan and Public Hearings**

As discussed in Finding A, in order for a state to receive federal LIHEAP funding the state must apply each year and submit an annual plan for its LIHEAP program with the required federal assurances. In addition, the state plan sets forth the policies governing the LIHEAP program each year, and includes information on the design of the state LIHEAP program including:

- a description of the eligibility requirements used by the state,
- benefit levels for each type of assistance, and
- estimates of the amount of funds used for each of the programs.

DPW regularly solicits advice regarding the annual plan from the LIHEAP Advisory Committee and holds public hearings on the proposed plan. For the FFY 2012 proposed plan, it held hearings on July 12, 2011, in Philadelphia, on July 14 in Pittsburgh, and on July 19 in Harrisburg. Fifty-five persons attended the three hearings and 20 individuals or organizations provided oral testimony at the hearings. Another nine individuals or organizations submitted written mailed-in testimony. According to DPW officials, the resulting recommendations, comments, and testimony were taken into consideration in developing the final state plan.

#### **Pennsylvania's LIHEAP Program Design**

The Pennsylvania Department of Public Welfare administers the major components of the Commonwealth LIHEAP program, including:

- the heating grant benefit, which helps eligible households pay for part of their home heating costs; and
- the crisis benefit, which helps to resolve energy-related emergencies.

**Heating Grants** are available each heating season for eligible households to assist in meeting their residential heating costs. The grant amount is based on a formula that considers household income, the number of household members, the geographic region, and the fuel type used by the household. The amount of the heating grant can vary from year to year.

Often LIHEAP heating grants are referred to as “cash” grants. The term “cash” grant, however, is something of a misnomer as heating grant payments are typically made directly to program enrolled fuel vendors on behalf of the eligible household. In the 2012 heating season, 98 percent of the households receiving a LIHEAP heating grant received the benefit through a LIHEAP payment to the household’s fuel vendor.<sup>1</sup>

**Crisis Benefits:** Crisis benefits are also available to eligible LIHEAP households when the amount of the heating grant is not sufficient to overcome a heating emergency. Each heating season, the crisis program may include three distinct parts. Such parts may include the:

- Crisis Exception program,
- “Regular” Crisis program, and
- Termination program.

**The Crisis Exception Program** is designed to assist households who have a heating emergency before the opening of the “regular” crisis program in January. Households who qualify for the heating cash grant and are without heat either as their main or secondary heating source prior to the opening of the crisis program may be eligible to receive a crisis exception benefit. As with the “regular” crisis program benefit, a crisis exception benefit will only be issued if the amount of the household’s heating grant is not sufficient to resolve the residential heating emergency and a crisis grant will resolve the crisis.<sup>2</sup>

**“Regular” Crisis Grants** are intended to help with home heating emergencies. An applicant for a regular crisis grant must meet all of the LIHEAP heating grant

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<sup>1</sup> eCIS EASUM Report for 9/24/2011-4/19/2012.

<sup>2</sup> When the combined heating grant and crisis benefit amounts are insufficient to resolve the crisis, the eligible household will receive the heating grant payment. If additional resources (i.e., other heating assistance programs, utility arrearage amount reductions, private resources) are available to the household that will resolve the crisis in combination with the heating grant and crisis benefit, the household can then receive both the heating grant and crisis benefit.

eligibility criteria<sup>3</sup> and must also be without heat or be in immediate danger of being without heat because of a fuel supply or weather related emergency. As with the heating grant and the crisis exception program grant, a “regular” crisis benefit is generally paid directly to the vendor. For the 2012 heating season, as of the second half of April 2012, less than 1 percent of crisis grant household payments were made directly to applicant households.<sup>4</sup>

A home heating emergency occurs when:

- The household is out of heating fuel or expects to run out of heating fuel within 15 calendar days.
- The household has a termination notice from its utility company showing that service has been shut off or will be shut off soon.<sup>5</sup>
- The household has no heat because the heat source is not working.

A *Termination Program* is part of the crisis program when sufficient funding is available for heating emergencies through March 15. Currently, under this initiative, participating regulated utilities can electronically provide DPW with a file listing customers covered under the PUC’s winter moratorium who have already received a heating grant benefit from LIHEAP and have received a utility termination notice issued after February 1. Even though such households are not in danger of having their heat cut off during the heating season due to the Pennsylvania Public Utility Commission’s moratorium on winter terminations,<sup>6</sup> the Department will process crisis applications on behalf of such households based on information provided by the utility. In order for the utility to receive the crisis payment, the utility must confirm that it has contacted the client to get approval for the utility to receive the crisis benefit on behalf of the client. The utility must also confirm that the amount of the payment requested from DPW will resolve the crisis.

This program provides for efficient electronic processing of crisis benefits for eligible households covered under the PUC’s winter shut off moratorium. It also effectively extends the shut off moratorium period for such households. The LIHEAP vendor agreement provides that:

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<sup>3</sup> Households may apply for and, if eligible, receive regular crisis benefits regardless of whether they applied for and received a LIHEAP heating cash grant. Such instances would occur if a household resides in public housing and is not responsible for its primary heating costs (and thus ineligible for a heating grant) and is without its secondary heating source (i.e., electric service, and is eligible for a crisis benefit), or if Pennsylvania had been forced due to lack of funding to close the heating grant program while continuing to operate the crisis program through March 15<sup>th</sup>.

<sup>4</sup> eCIS EASUM Report for 9/24/2011-4/19/2012.

<sup>5</sup> The household is not eligible for a crisis payment if the utility is regulated by the PUC as the utility cannot terminate services during the winter moratorium period.

<sup>6</sup> The Pennsylvania Public Utility Commission’s shut off moratorium for regulated utilities is in effect December 1 through March 31.

Vendors that accept crisis payments based on utility termination notices or based on reconnection of utility service must agree to maintain ongoing utility service to such households for no less than 30 calendar days from the date of the resolution of the crisis. With regard to crisis payments made pursuant to any crisis grant approved during the Public Utility Commission winter moratorium procedures...the earliest allowable termination date is 30 days following the resolution of the crisis or May 1, whichever is later.<sup>7</sup>

Certain components of the state plan change from year to year depending on the amount of federal funding available and changes to federal requirements for the LIHEAP program. For 2012, DPW set the following LIHEAP program parameters in the state plan:

**Program Dates** – The opening and closing dates for Pennsylvania’s LIHEAP program can vary from year to year. DPW sets the dates for the heating grant program, the crisis exception program, and regular crisis program based on projected expenditures and the anticipated federal funding for benefits and administrative costs. The program dates represent the maximum length DPW believes the LIHEAP program can be sustained with those funding levels. DPW may shorten or extend the program dates depending on the availability of funds. For the 2012 LIHEAP heating season the:

- Opening date for the heating grant component (for new households) was November 1, 2011, with a planned closing date of March 30, 2012.
- Opening date for the crisis exception program was November 1, 2011, with a closing date of January 2, 2012.
- Opening date for the crisis component was January 3, 2012, with a closing date of March 30, 2012.

As additional federal funds became available in January 2012 and sufficient funds to continue the program were available, the Department elected to extend the 2012 heating season’s heating grant and crisis program to April 13, 2012.

**Income Eligibility Guidelines** – The income eligibility limits for the LIHEAP program are set each year by DPW based on anticipated federal funding. Federal regulations provide that a state may set the income eligibility level for LIHEAP at no more than 150 percent of the Federal Poverty Income Guidelines (FPIG) or 60 percent of the state median income, whichever is greater, and no less than 110 percent of the Federal Poverty Income Guidelines.

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<sup>7</sup> PWEA 34 dated 7/10.

As shown in Table 5, established income eligibility levels can differ significantly. In SFY 2008-09, for example, when Pennsylvania set eligibility at 60 percent of the state median income, such income was equivalent to 210 percent of the federal income poverty level. Since then, Pennsylvania has adjusted its income eligibility guidelines based on anticipated federal funds. Pennsylvania, for example, set the income eligibility level for both the heating grant and crisis components at 160 percent of FPIG (which is within 60 percent of the state median income) for the 2010-11 program year and at 150 percent of FPIG for the 2011-12 program year. Table 5 shows Pennsylvania's income eligibility limits for the 2008-09, 2010-11, and 2011-12 program years.

Table 5

<b>Pennsylvania Income Eligibility Guidelines for LIHEAP Selected Heating Season</b>			
<u>Household Size</u>	<u>SFY 2008-09<sup>a</sup></u>	<u>SFY 2010-11<sup>b</sup></u>	<u>SFY 2011-12<sup>c</sup></u>
1 .....	\$23,110	\$ 17,328	\$16,335
2 .....	30,221	23,312	22,065
3 .....	37,332	29,296	27,795
4 .....	44,443	35,280	33,525
5 .....	51,554	41,264	39,255
6 .....	58,665	47,248	44,985
7 .....	59,998	53,232	50,715
8 .....	61,332	59,216	56,445
9 .....	62,665	65,200	62,175
10 .....	64,200	71,184	67,905
For each additional person add.....	\$ 5,400	\$ 5,984	\$ 5,730

<sup>a</sup> 60 percent of state median income.  
<sup>b</sup> 160 percent of FPIG.  
<sup>c</sup> 150 percent of FPIG.

Source: Developed by LB&FC staff.

**Benefit Levels** – The minimum and maximum benefit levels for both the heating grant and crisis components of the LIHEAP program are also set each year by DPW. These grant amounts are determined by DPW using estimates based on program history and the anticipated level of federal funding for the current year. The LIHEAP program is also required by federal regulations to set aside a reasonable portion of the federal funding to provide for crisis grants through March 15 of each program year. Table 6 shows the minimum and maximum grant award levels for the heating grant and crisis components of the LIHEAP program for recent years.

Table 6

<b>Maximum and Minimum LIHEAP Grant Awards In Recent Years</b>				
	<u>Heating Grant</u>		<u>Crisis Grant</u>	
	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>
SFY 2008-09 .....	\$ 300			\$ 800
SFY 2009-10 .....	100	\$ 1,000	\$ 25	400
SFY 2010-11 .....	300	1,000	25	400
SFY 2011-12 .....	100	1,000	25	300

Source: Developed by LB&FC staff .

### Characteristics of LIHEAP Households

The LIHEAP program is intended to assist low-income households in paying for their home heating fuel. Forty-four percent of the LIHEAP heating grant households for the 2012 program year were households that had incomes at or below \$10,890, and over 80 percent had incomes under \$18,000. With an average household size of 2.31 persons per eligible household, over 80 percent of the LIHEAP heating grant households had household income at or below 100 percent of the federal poverty level in the 2012 heating season.<sup>8</sup>

Crisis grants tended to go to households that are slightly larger than households receiving heating grants (i.e., 2.75 members in the crisis household compared with 2.31 in the heating cash grant). This may account for crisis households having somewhat higher incomes than the heating grant households. Thirty-three percent of crisis grant households had household income under \$10,890, and 69 percent had income under \$18,000. About 70 percent of the crisis households, therefore, appear to have income at or below 100 percent of federal income poverty guidelines during the 2012 LIHEAP heating season.

Pennsylvania's LIHEAP program also helps other vulnerable households with their heating costs. In the 2012 LIHEAP program year, 34 percent of the heating grants and 48 percent of the crisis grants households had a member over the age of 60. Forty-eight percent of both the heating grant and crisis households included a handicapped member. Twenty percent of the households receiving heating grants, and 24 percent of those receiving crisis grants, included children under the age of five.<sup>9</sup>

<sup>8</sup> Pennsylvania's 2012 LIHEAP program (SFY 2011-12) used the Federal Poverty Income Guidelines published by DHHS on January 20, 2011.

<sup>9</sup> Information on household characteristics, including income, taken from the *eCIS* EASUM report for 9/24/2011 through 4/19/2012.

## Average Benefit Amounts

The amount of a LIHEAP heating grant varies for a particular household based on factors including the total income of the household, the number of household members, the geographic region, and the fuel type used by the household. As discussed above, the amount of the heating grant also varies from year to year depending on the minimum and maximum benefit levels set by DPW based on the federal funding available for the program year. For the 2012 LIHEAP program year in Pennsylvania, the average heating grant benefit was \$230<sup>10</sup> prior to any supplemental heating grant payments.

The average cash benefit varies significantly by income level, with the lowest income households receiving the highest average benefit. As shown in Table 7, households with an income under \$1,000 (2 percent of the approved applications) received an average heating grant benefit of \$879. Households with an income over \$17,000 (i.e., 22 percent of the approved applications) received an average heating grant benefit at about the program minimum of \$100.

The amount of a crisis grant does not vary as much as the heating grant in large part because the determination of the award amount is not based on income level, fuel type, or household composition. A crisis grant household will receive up to the maximum allowable crisis benefit providing the award will resolve a heating crisis condition. The average crisis payment in the 2012 program year (SFY 2011-12) was \$280 and did not vary significantly based on household income.

Table 7

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**LIHEAP Average Grant Payments (Without Supplemental Payments) by Income Level  
2012 (SFY 2011-12) Heating Season**

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<u>Income Level</u>	<u>Average Heating Grant</u>	<u>Average Crisis Grant</u>
\$0 – \$999.....	\$879	\$276
\$1,000 – \$4,999.....	668	267
\$5,000 – \$9,999.....	292	274
\$10,000 – \$14,999.....	170	280
\$15,000 – \$19,999.....	108	282
>\$19,999 .....	100	286
Average .....	\$230	\$280

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Source: Developed by LB&FC staff from the EASUM report for 9/24/2011 - 4/19/2012 (incomplete for the 2012 heating season).

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<sup>10</sup> In November 2011, DPW projected an average heating grant household benefit of \$226 based on anticipated funding.



**Supplemental Payments** – In recent years, additional federal funding for the LIHEAP program has become available late in the program season. This funding would not have been included in DPW’s planning process and so represented unanticipated additional funding for Pennsylvania’s LIHEAP program. In both the 2010 and 2011 program years (SFYs 2009-10 and 2010-11), DPW chose to use available funding to provide supplemental heating grants. As of mid-May 2012, discussions were underway to determine which households and the amount of supplemental grants for the 2012 heating season.

## Household Applications Rejected and Major Reasons for Rejection

In order to receive a LIHEAP benefit, applicants must meet all basic eligibility criteria identified on the LIHEAP application. Applications may be rejected for a number of reasons related to these eligibility criteria. In both the 2011 (SFY 2010-11) and 2012 (SFY 2011-12) program years, the two reasons most often for rejection of an application were:

- the household income exceeded limits for the program or
- the household did not send proof of a heating responsibility.

Tables 8 and 9 show the top ten reasons for rejection of a LIHEAP application for the 2011 and 2012 program years. As shown in Table 8, almost half of the applications rejected in the 2012 program year were rejected because the household income exceeded the income limit for the program.

Table 8

### Reasons for LIHEAP Application Rejection 2012 (SFY 2011-12) Heating Season

<u>Reason</u>	<u>Percent of all Rejections</u>
Household income exceeds program limit. ....	44.7%
Household did not provide proof of heating responsibility. ....	18.7
Household did not explain how basic living needs are covered with little or no reported income. ....	7.3
Household did not provide proof of living arrangement. ....	7.1
Household is not responsible for paying for heat.....	7.1
Household did not provide proof of household composition. ....	5.6
Household did not provide name of utility or fuel supplier. ....	3.3
Household did not provide proof of Pennsylvania residency. ....	1.4
Household already received LIHEAP cash benefit. ....	1.4
Household did not provide proof of income. ....	0.7

Source: DPW Office of Income Maintenance Special Data Request.

Table 9

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**Reasons for LIHEAP Application Rejection  
2011 (SFY 2010-11) Heating Season**

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<u>Reason</u>	<u>Percent of all Rejections</u>
Household did not provide proof of heating responsibility. ....	32.8%
Household income exceeds program limit. ....	26.3
Household is not responsible for paying for heat.....	9.3
Household did not explain how basic living needs are covered with little or no reported income. ....	9.2
Household did not provide name of utility or fuel supplier. ....	5.4
Household already received LIHEAP cash benefit. ....	4.6
Household did not provide proof of household composition. ....	4.1
Household did not provide proof of Pennsylvania residency. ....	3.5
Household members already received LIHEAP cash benefit. ....	1.2
Household did not send signed application. ....	1.2

Source: DPW Office of Income Maintenance Special Data Request.

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## Payments by Vendor Type

As shown in Table 10, in the 2012 program year the largest number of heating payments went to natural gas utilities, followed by electric utilities and fuel oil vendors. While fuel oil prices are higher than those for natural gas, fewer LIHEAP-approved households use fuel oil. As a consequence, fuel oil households rank third in number of approved households (after natural gas and electricity), but have higher average payments and rank second in total LIHEAP heating grant payments.

Table 10

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**LIHEAP Heating Grant Payments by Vendor Type  
2012 (SFY 2011-12) Heating Season**

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	<u>Number of Payments</u>	<u>Percent of Total Number of Payments</u>	<u>Average Payment</u>	<u>Total Cash Grant Payments</u>
Natural Gas .....	183,934	48%	\$210	\$38,667,815
Electricity .....	90,916	24	221	20,112,696
Fuel Oil .....	78,654	21	284	22,323,864
Propane .....	11,946	3	203	2,425,585
Kerosene .....	10,684	3	330	3,528,186
Coal .....	2,920	1	174	507,599
Wood/Other .....	1,119	<sup>a</sup>	200	223,498

<sup>a</sup> Less than 1 percent.

Source: Developed by LB&FC staff from EASUM report 9/24/2011—4/19/2012 (incomplete for the 2012 heating season).

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Table 11 shows the crisis payments by vendor for the 2012 program year. About one half of the crisis payments were made to fuel oil vendors, followed by natural gas and electric utilities.

Table 11

<b>LIHEAP Crisis Grant Payments by Vendor Type 2012 (SFY 2011-12) Heating Season</b>				
	<u>Number of Payments</u>	<u>Percent of Total Number of Payments</u>	<u>Average Payment</u>	<u>Total Crisis Grant Payments</u>
Fuel Oil .....	45,350	50%	\$298	\$13,511,435
Natural Gas .....	18,809	21	235	4,427,677
Electricity .....	12,231	13	254	3,107,698
Kerosene .....	7,012	8	297	2,080,437
Propane .....	5,414	6	289	1,566,832
Coal .....	1,534	2	298	457,196
Wood/Other .....	592	1	297	175,800

Source: Developed by LB&FC staff from LIHEAP EASUM Report 9/24/2011–4/19/2012 (incomplete for the 2012 heating season).



## **IV. Appendices**

## APPENDIX A

PRINTER'S NO. 1498

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### THE GENERAL ASSEMBLY OF PENNSYLVANIA

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## SENATE RESOLUTION

No. 165 Session of 2011

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INTRODUCED BY FONTANA, PIPPY, RAFFERTY, COSTA, ALLOWAY, EARLL, ERICKSON, FARNESE, SCHWANK, M. WHITE, PILEGGI, BROWNE, FERLO, STACK, YUDICHAK, BOSCOLA, BRUBAKER, MENSCH, BLAKE, HUGHES, WOZNIAK, YAW, BREWSTER, TARTAGLIONE, WARD AND LEACH, AUGUST 2, 2011

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REFERRED TO URBAN AFFAIRS AND HOUSING, AUGUST 2, 2011

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#### A RESOLUTION

Directing the Legislative Budget and Finance Committee to study the efficiency of the administrative functions and operations of the Low Income Home Energy Assistance Program (LIHEAP) and make recommendations on how the program can increase efficiency.

WHEREAS, The mission of the Low Income Home Energy Assistance Program (LIHEAP) is to assist low-income households, particularly those with the lowest incomes that pay a high proportion of household income for home energy, primarily in meeting their immediate home energy needs; and

WHEREAS, In Pennsylvania, LIHEAP helps low-income people pay their heating bills through home heating energy assistance grants and crisis grants; and

WHEREAS, Eligibility requirements were recently expanded to Pennsylvanians earning up to \$35,280 for a family of four (an increase from 150% to approximately 160% of the Federal poverty level); and

WHEREAS, Under the new guidelines, upwards of 533,376 Pennsylvanians are eligible to receive assistance through LIHEAP; and

WHEREAS, Further efficiencies and streamlining of functions may result in savings through administrative and operations changes, with more funding available to assist low-income Pennsylvanians; therefore be it

## Appendix A (Continued)

RESOLVED, That the Senate direct the Legislative Budget and Finance Committee to conduct a study on the efficiency of the current LIHEAP administrative and operations functions; and be it further

RESOLVED, That the Legislative Budget and Finance Committee study at least all of the following:

(1) Number of telephone calls answered, and those going unanswered, at the Statewide LIHEAP telephone number and its staffing levels.

(2) Reason for the applicant's call to the Statewide LIHEAP telephone number.

(3) Average time to process applications, cash or crisis, and for applicants to be notified of their grants, cash or crisis.

(4) Number of ineligible applications and reasons for ineligibility.

(5) Staffing for crisis, contracted and internal, as well as for the cash program on State and county levels.

(6) Number of intake sites and average distance and wait time for applicants traveling to those intake sites.

(7) Level of use of the PROMISE system by utility companies, requirements in utilizing the system and time per account with use of the PROMISE system.

(8) Average time for a utility company to be paid for a cash program or crisis payment and how paid, including method and number of payments.

(9) Use of supplemental payments when not based on need.

(10) Use of cash grant and application to future utility payments versus arrearages.

(11) Review of mailing costs, paper application costs and record retention, particularly as it relates to ID theft prevention through a paperless system;

and be it further

RESOLVED, That the Legislative Budget and Finance Committee study the efficiency of the administrative functions and operations of the Low Income Home Energy Assistance Program (LIHEAP) within the Department of Public Welfare; and be it further

RESOLVED, That the Legislative Budget and Finance Committee provide the Senate with its findings and recommendations on how the Commonwealth can increase the efficiency of the LIHEAP program to better serve its citizenry; and be it further

RESOLVED, That the Legislative Budget and Finance Committee report its findings and recommendations to the Senate no later than one year after the adoption of this resolution.

## APPENDIX B

### Federal LIHEAP Allocation Formulas

Beginning in FFY 1985 federal allocations to the states for the LIHEAP block grant program have been determined by the use of two formulas. The use of these formulas results in changes to how the funding is allocated to each state depending on the amount of the federal funds appropriated for the LIHEAP program each year.

The “old formula” is used when the total amount available to all states from the block grant falls below \$1.975 billion. This formula sets the allocation for each state based on the share that the state would have received under the FFY 1984 appropriation of \$1.975 billion. This share remains fixed from year to year.

The “new formula” comes into play when the total appropriation is more than \$1.975 billion and the formula sets allocations by taking into consideration the state’s home energy expenditures by low income households in a normal year. These percentages are updated each year and reflect variables such as weather conditions and the cost of fuel.

Additional requirements that figure into the allocation to each state require that the allocations of certain states be raised and the allocations of other states reduced as needed to balance those increases under the new formula. This is the result of a hold-harmless provision that sets floors below which certain state’s allocations cannot fall when the grant amount available to the states equals or exceeds certain given levels. There are two of these hold-harmless provisions:

1. Takes effect when the total amount available to all states equals or exceeds \$1.975 billion. Each state’s allocation is equal to or greater than what it would have received in FFY 1984.
2. Takes effect then the appropriation is equal to or greater than \$2.25 billion and applies only to those states whose share of a hypothetical appropriation of \$2.25 billion would fall below 1 percent.

When the funds available to all states exceed \$1.975 billion the new formula allocates those funds to each state in the following prioritized manner:

1. If the appropriation is less than \$2.25 billion the amount for each state is determined by the first hold harmless provision.
2. If the appropriation exceeds \$2.25 billion, the amount for each state is determined by the greater of the first or second hold harmless provision.
3. The amount for each state is determined by the state’s allotment percentage under the criteria established for the new formula for that year.

The amount for states whose final allocation is reduced to fund the states that are held harmless is an amount between what the state would receive under the hold harmless provisions and the amount based on this year’s allotment criteria.

Source: U.S. Department of Health and Human Services LIHEAP Information Memorandum LIHEAP-IM-2012-02, dated February 1, 2012.



## APPENDIX C

### Department of Public Welfare 2013 LIHEAP Planned Enhancements

- LIHEAP policies are being further aligned with other programs provided by DPW for ease of administration and reduction in potential error.
- DPW will use documented income received for other benefits in the determination of LIHEAP eligibility. This will reduce the duplication of verifications currently received by the CAO.

#### **System/Processing Updates**

- Medicare Part D will be added as a deduction on the medical expenses screen. Currently, this deduction is manually entered as an “other” expense.
- Eligibility determination will automatically include any applicable cash assistance grants (i.e., TANF, GA, SSP, etc.) received by individuals in the LIHEAP household. The cash assistance grants had to be manually entered last LIHEAP season.
- EAWs will be able to perform maintenance on LIHEAP only screens and will have access to a “No Change” workflow in cases where no changes are reported. This workflow only presents LIHEAP related screens rather than all eCIS screens and uses known income to determine eligibility. This will allow more cases to be processed by EAWs.
- A “LIHEAP Payment Name” section will be added to the program request questions page to allow workers to choose the LIHEAP payment name for situations where the payment for LIHEAP is different than the payment name for Cash assistance or SNAP.
- Statewide Implementation of Phase IV-B will move LIHEAP and other benefits to one case record. Households who receive other benefits and apply for LIHEAP will have all benefits in one case record rather than a separate record for LIHEAP.
- System changes will allow for removal of individuals no longer in the case within one workflow rather than the two step model currently required by the system.
- Income reported for LIHEAP last year will be moved to history in order to avoid the issues with old income having to be deleted before processing a new case (which was a tremendous issue in the 2011-12 season).

#### **COMPASS Changes**

- COMPASS will be open for pre-season LIHEAP applications. LIHEAP recipients who applied through COMPASS in 2011-12, or who have a My COMPASS account, will receive a notice with a COMPASS Registration Number. They will be able to apply through COMPASS before November 1, 2012, rather than receiving a bar-coded application.
- A new COMPASS flow will be added for LIHEAP applicants who receive the COMPASS Registration Number.
- COMPASS applications will be pre-filled with known CIS information, applicants will verify the information and continue or make updates if needed.

Source: Pennsylvania Department of Public Welfare.



APPENDIX D

**Response to This Report**



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF PUBLIC WELFARE

June 25, 2012

Mr. Philip R. Durgin  
Executive Director  
Legislative Budget and Finance Committee  
P.O. Box 8737  
Harrisburg, Pennsylvania 17105-8737

Dear Mr. Durgin:

This letter is in response to the report from the Legislative Budget and Finance Committee (LBFC) on the administration of the Low-Income Home Energy Assistance Program (LIHEAP) heating grant and crisis program, pursuant to Senate Resolution 2011-165. The Department of Public Welfare (DPW) appreciates the opportunity to have worked with the LBFC staff in preparing this report. LBFC was very thorough in their evaluation of this program, which provides heating assistance to almost 400,000 families across the Commonwealth of Pennsylvania. DPW is constantly striving to provide programs in the most efficient manner possible with the highest degree of program integrity, and is always mindful of our fiscal responsibility to the taxpayers of this state.

DPW agrees with the LBFC's assessment of the LIHEAP program. While it is a difficult program to manage, due in large part to the uncertainty of funding from year to year, providing needed heating assistance to as many eligible Pennsylvanians as possible is an annual challenge. While DPW experienced some unforeseen issues due to system changes this past season, please be assured these issues are being addressed so they will not be repeated next year. These system changes are a part of our overall commitment to the integrity of all programs managed by DPW, and are intended to ensure that household circumstances reported in one program will cascade through all programs and will update benefits appropriately, per state and federal regulations.

DPW will be addressing, or is in the process of addressing, several of the recommendations found in the report as follows:

1. DPW staff will be completing a series of presentations for the LIHEAP Advisory Committee members, with topics to include: system updates and processes, best practices across the state and discussion of the state's program integrity plan. DPW agrees that, in order to provide input in the LIHEAP program, parties must have a more thorough understanding of the way LIHEAP is currently being processed.
2. DPW understands the importance of this recommendation and plans to reserve as close to the 10 percent as possible, given the current year's need for that funding.

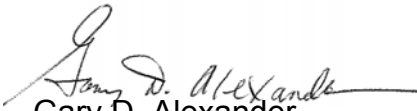
OFFICE OF THE SECRETARY

3. As part of the system changes planned for next year, DPW has planned for additional system testing to be completed by both headquarters staff and by County Assistance Office (CAO) users so that any potential issues can be addressed prior to the beginning of the season. In addition, application processing and timeframes will be closely monitored to ensure the timely processing of applications. DPW has the ability to reassign work to other counties if one county becomes overwhelmed with applications. This equalization of work will be utilized earlier in the season if an issue arises.
4. The recommendation includes increasing the use of Commonwealth of Pennsylvania Access for Social Services (COMPASS) in the LIHEAP application process. Consistent with this recommendation, DPW is piloting the expansion of the use of COMPASS for LIHEAP applicants. In previous years, COMPASS was only available when the LIHEAP season officially opened and paper applications were mailed to households who were approved for LIHEAP in the previous year. These 'pre-season' applications make up the bulk of LIHEAP applications received in the CAOs. This year, DPW will make COMPASS available during the pre-season for households who utilized COMPASS last year and were approved to receive a LIHEAP grant. The pre-season availability will also include any individuals who applied for another DPW benefit using COMPASS, currently have a My COMPASS account (this is a feature made available to recipients of DPW programs whereby they can view case information and report changes to us via the internet) and all previous LIHEAP recipients in approximately 20 counties in the northeastern tier of the state. The goal of the pilot is to reduce costs associated with mailing and to shorten processing times by utilizing available technology.

Again, I appreciate the opportunity to comment on the LBFC report. DPW is deeply committed to maintaining all programs, including LIHEAP, with the highest degree of efficiency and fiscal responsibility.

If you have any further questions regarding the program or information provided in the report, please contact Mr. Brendan Harris, Director, Office of Legislative Affairs at (717) 783-2554.

Sincerely,

  
Gary D. Alexander  
Secretary

c: Ms. Lourdes R. Padilla, Deputy Secretary, Office of Income Maintenance  
Mr. Brendan Harris, Director, Office of Legislative Affairs