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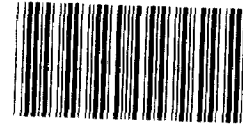
HUMAN RESOURCES
DIVISION

RELEASED

B-203948

JULY 15, 1981

The Honorable Howard M. Metzenbaum
United States Senate



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Dear Senator Metzenbaum:

Subject: Ohio's 1981 Home Energy Assistance Program
(HRD-81-122)

On January 23, 1981, you requested that we review Ohio's handling of its 1981 Low Income Energy Assistance Program. In a March 4, 1981, discussion with your office, your specific interests were identified as the (1) delays surrounding Ohio's initial request for and receipt of Federal funds, (2) delays in program implementation, (3) initial use of available Federal program funds, and (4) planned use of the remaining unexpended Federal funds.

To answer your specific questions about Ohio's program, we examined the energy assistance plan, program correspondence, financial records, and supporting documentation. We interviewed officials of the Ohio Department of Economic and Community Development, other State officials, and Federal officials of the Department of Health and Human Services (HHS). In addition, we visited three private contractors and interviewed personnel involved with printing and mailing program applications.

The Low Income Energy Assistance Program for 1981 is authorized by the Home Energy Assistance Act of 1980 (Public Law 96-223, Apr. 2, 1980). Under the act, the Secretary of HHS may make grants to States in accordance with approved plans for providing assistance to eligible households, enabling them to meet rising home energy costs. Ohio was allocated \$90,081,158 for the Federal fiscal year 1981 (Oct. 1, 1980, through Sept. 30, 1981). Its Department of Economic and Community Development is responsible for administering the Home Energy Assistance Program (HEAP).

DELAYS SURROUNDING OHIO'S INITIAL
REQUEST FOR AND RECEIPT OF FEDERAL FUNDS

A delay of 28 days occurred between the date HHS approved Ohio's energy assistance plan on November 25, 1980, and the date Ohio received its first Federal payment on December 24, 1980. Because of

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an apparent misunderstanding, Ohio officials believed--in late October 1980--that they had submitted to HHS the financial data needed to immediately trigger Federal funding after the plan was approved. However, the required financial data were not actually submitted to HHS until mid-December.

Concerning the misunderstanding, HEAP program officials told us that fiscal year 1981 was the first year the Department of Economic and Community Development was responsible for the energy assistance program and that they were not familiar with HHS financial requirements. Accordingly, they said the submission of needed financial information was discussed with representatives of the HHS Chicago Regional Office. Based on these discussions, the HEAP program manager and fiscal officer said they understood that, if a quarterly expenditure projection was filed with HHS, the first check would be received shortly after the grant was awarded.

On October 31, 1980, Ohio submitted a quarterly projection of expenditures for October through December 1980. The HEAP program manager and fiscal officer said HHS officials reassured them after the projection was submitted that it was sufficient to start funds flowing to Ohio when the grant was awarded.

HHS officials said that generally no formal guidance on financial requirements is given to grant applicants before awarding a grant, but they do try to informally advise prospective grantees of required financial procedures whenever possible. They could not recall what had been told to Ohio officials. Regional officials said they worked with the States to get the energy assistance plans ready and generally are not responsible for financial matters. HHS officials in Rockville, Maryland, responsible for providing Federal funds to grantees said they work with States on the financial requirements, but not until after the grant is awarded. Officials from the Office of Family Assistance in Washington, D.C., said they attempt to have the HHS regions informally alert the grantees to HHS' financial requirements before the grant award, but were not certain whether Ohio was so advised.

However, even after being formally notified of HHS' financial requirements, Ohio officials did not immediately submit the needed information because of an oversight. When HHS had approved Ohio's energy assistance plan on November 25, 1980, it formally notified the Ohio Department of Economic and Community Development of the grant award in a letter dated November 26, 1980. The award letter specifically stated that a projection of monthly cash requirements should be submitted immediately to ensure a timely cash flow.

The message was overlooked by Ohio HEAP program officials. At that time, the official who had worked closely with HHS to get the plan approved had just been made the manager of the program. He said that he relied on the program fiscal officer to take care of the financial matters and added that he was not greatly concerned about getting the funds at that point, since contracts with the local community action agencies had not been negotiated and Ohio was not ready to begin disbursing funds.

Also, the HEAP program fiscal officer said that sometime between December 3 and 5, he saw a copy of the award letter, but did not notice the requirement for the projection of monthly cash requirements. At that time, he still believed that the October 31, 1980, quarterly projection was adequate. On or about December 10, the fiscal officer said he called HHS because the funds had not been received. An HHS financial official in Rockville told him that monthly cash requirements had to be projected.

It took about 2 more weeks for mailing and processing from the date Ohio submitted the necessary financial information-- December 12, 1980--to the date it received its first Federal payment. After receiving the information, HHS sent a request to the Department of the Treasury on December 16, 1980, to issue a check to Ohio. Treasury issued the first check for \$11.9 million on December 19, 1980, to cover the State's estimated program expenses for December. Ohio received the check on December 24, 1980.

In retrospect, the delays in requesting and receiving Federal energy assistance funds appear to have had little impact on the startup of the 1981 energy assistance program because of other factors, as discussed below.

DELAYS IN PROGRAM IMPLEMENTATION

Although Ohio received \$11.9 million in energy assistance funds on December 24, 1980, its ability to disburse these initial funds was affected by an unanticipated change in program direction and several problems in printing new "mailout" applications. The mailing of applications to potential recipients was delayed by about 1 month because of these problems.

The change in program direction resulted from an October 30, 1980, decision by the State of Ohio Controlling Board--a legislative body having approval authority over the expenditure of State funds. Originally, about 700,000 program applications were to be made available to potential recipients through the local community action agencies. However, on October 30, 1980, the Controlling Board

decided that the HEAP office should mail applications directly to potentially eligible individuals, as well as make them available through the community action agencies.

Several problems subsequently occurred with printing the mailout applications. The first was the failure to specify that the applications be prenumbered. On November 13, 1980, the HEAP program office initially requested the printing of an additional 500,000 program applications through the Department of Community and Economic Development's graphics section. These applications were to be mailed directly to potentially eligible individuals. After the HEAP office completed its design work on the mailout application form, the graphics section prepared a printing order for the applications and sent it to the State printing office on December 11, 1980. The State printing office began printing the applications on that same date.

Shortly after the printing began, it was discovered that neither the initial request from HEAP officials nor the printing order subsequently prepared by the graphics section included instructions for numbering the applications. Consequently, the applications were being printed without numbers.

Neither Department of Economic and Community Development officials nor those from the State printing office could remember exactly how or when the omission was discovered, but based on printing documents, it probably occurred about December 12, 1980.

Soon thereafter, another complication occurred--the State's specifications to a private contractor to correct the above problem resulted in control numbers being printed on the mailout applications which duplicated the control numbers on the applications prepared for distribution by the local community action agencies. This complication apparently occurred as follows.

After discovery of the failure to prenumber the mailout applications, the HEAP program office requested the State printing office to number the already printed applications. A supervisor in the State printing office said that, because of the HEAP program time constraints, the Department of Economic and Community Development personnel probably gave him the specifications by phone and agreed to provide a revised printing order as soon as possible. Because it lacked the capability, the State printing office prepared specifications for bids by private contractors on the numbering process, requiring that the applications be numbered from 1 to 500,000. A contract with a small printing contractor was awarded on December 15, 1980. The contractor began numbering the applications the following day.

At about that time, officials of the State printing office became aware that the wrong numbering sequence was being used. On December 17, 1980, the State printing office received the revised printing order from the Department of Economic and Community Development's graphics section. The printing order specified that the applications be numbered--starting at 1,000,000. The numbers that were being printed on the mailout applications were useless for control or analysis purposes since they duplicated the numbers on the program applications that had previously been prepared for distribution by the local community action agencies.

At this point, however, nothing was done to change the original numbering specifications because the contract had been awarded, printing had started, and the printing contractor doing the job could only number up to six digits. The situation was further complicated when the contractor's numbering press broke down sometime between December 30, 1980, and January 7, 1981.

If the problems with the applications--particularly the numbering problems--had not occurred, the mailing of applications to potentially eligible persons could have been completed about 1 month earlier. Furthermore, as discussed below, this delay could have been avoided because the printed numbers were unnecessary and were never used.

In addition to its arrangement for printing, Ohio had contracted with another firm to have the application packages mailed to potential participants. Officials of the mailing contractor told us that they had the capability for addressing, assembling, and sending out the mailout packages within 5 days after receiving the needed material, and these officials said this was the agreement with the HEAP program office. They said they could have prepared as many as 160,000 mailout packages per day. However, because of the staggered receipt of program applications, they were not able to operate at full capacity. They said they never had a full day's production because they were constantly out of applications.

The mailing contractor had the envelopes and sample instruction sheets ready by December 23, 1980, and could have had the mailout packages prepared and mailed by the end of December if the applications had been available. However, the mailing contractor did not begin receiving applications until December 29, 1980, and the last batch was not received until January 27, 1981. The mailing contractor mailed a total of 446,000 applications, with the last 41,000 going out on January 29, 1981.

In addition, the prenumbering process--with its attendant problems--was actually unnecessary. The contractor who mailed the applications was also responsible for receiving and processing completed applications. Contractor officials said that they numbered all returned applications for their control purposes with a hand-numbering machine.

According to the HEAP program manager, the hand-stamped number will also be used for any program analysis. He said the printed numbers would have been used for control purposes under the original plan where applications were to be processed only by local community action agencies. However, with mailout applications and central processing of all applications by the mailing contractor, the preprinted numbers were not needed and will not be used.

INITIAL USE OF AVAILABLE
FEDERAL PROGRAM FUNDS

Because of the delays encountered in the initial phase of program implementation, Ohio had a large amount of Federal funds on hand at the end of February 1981. According to State officials, these funds were probably invested by the State Treasury and the income earned retained by the State.

Ohio received \$11.9 million in energy assistance funds on December 24, 1980, and \$25.3 million on January 19, 1981. By the end of February, the State had determined that about 156,000 applicants were eligible for assistance and had disbursed about \$13 million (or about 35 percent) of the \$37 million received.

An official of the State Office of Budget and Management and the State Treasurer's Office said that most Federal program funds not immediately needed for program purposes are invested, while some are used to pay other nonrelated State obligations. They added that funds coming into the State Treasury lose their identity and it would be difficult to say exactly how the energy assistance funds were used, but they believed the funds were probably invested.

Ohio earned over 12 percent on its investments in January and February 1981. Based on this rate of return and the average balances of energy assistance funds on hand during these 2 months (\$22.9 million), we calculated that Ohio probably earned as much as \$450,000 from these Federal funds.

PLANNED USE OF OHIO'S
REMAINING UNEXPENDED FUNDS

As discussed above, Ohio was not spending its energy assistance funds as quickly as initially planned. In addition, the number of households served by the program will be significantly lower than originally estimated. Nevertheless, it appears Ohio will receive its entire allotment of \$90 million and will attempt to spend all of it by the end of September 1981.

Originally, Ohio's energy assistance plan projected about \$59 million in expenditures through March 1981 and \$90 million through September 1981. However, expenditures reported through March amounted to only \$32.4 million, and Ohio program officials project that they will spend another \$32.1 million through September 1981. (See enc. I.)

Initially, Ohio's plan called for serving 558,399 eligible households in fiscal year 1981. Through the end of March 1981, the State had received about 335,600 applications, processed about 264,600, and determined that about 223,900 households were eligible for benefits. As of May 18, 1981, Ohio program officials were projecting that about 300,000 households would be eligible when all the applications received were processed.

Although the number of households found eligible for program benefits will be significantly less than originally estimated, Ohio officials told us that the State plans to take the remainder of its \$90 million allotment--about \$25.5 million--and give all the eligible households a supplemental payment sometime in July 1981.

We discussed this situation with HHS officials who advised us that Ohio's supplemental payment approach was permissible under the State's approved energy assistance plan. They said that HHS was considering possible reallocations among the States, but that Ohio would receive its entire \$90 million allocation.

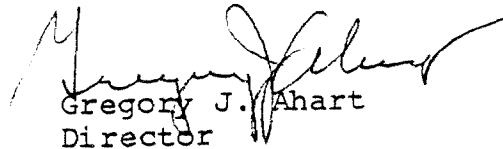
We are currently looking at selected aspects of the 1981 energy assistance program and intend to look into the issue of supplemental payments. We will keep your office advised of our work as it progresses and furnish any report that may result therefrom.

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As requested by your office, we did not take the additional time needed to obtain written agency comments on the matters discussed in the report. Unless you publicly announce its contents earlier, we plan no further distribution of the report until 30 days from its issue date. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



Gregory J. Ahart
Director

Enclosure

ENERGY ASSISTANCE PROGRAM EXPENDITURES
THROUGH MARCH 31, 1981, AND
PROJECTED EXPENDITURES THROUGH
SEPTEMBER 30, 1981

<u>Purpose</u>	<u>Expenditures through March 1981</u>	<u>Projected ex- penditures for April through September 1981</u>	<u>Total</u>
Direct payments	\$ 2,803,362	\$ 6,071,357	\$ 8,874,719
Utility payments	9,436,003	15,354,662	24,680,665
Bulk fuel payments	14,908,030	0	14,908,030
Building operators	0	8,500,000	8,500,000
Emergency payments	1,389,084	295,394	1,605,478
State administrative costs	1,787,896	1,665,379	3,453,275
Other administrative costs	<u>2,104,840</u>	<u>297,160</u>	<u>2,402,000</u>
	<u>\$32,419,215</u>	<u>\$32,083,952</u>	<u>\$64,503,167</u>