



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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The Hon. John Harms
Chairman
Performance Audit Committee
Room 2011
State Capitol
Lincoln, NE 68509

Dear Senator Harms:

You may recall that earlier this year, my office issued a report on the Low Income Home Energy Assistance Program (LIHEAP). LIHEAP is funded with Federal dollars but administered by the Nebraska Department of Health and Human Services (DHHS) pursuant to a "State plan" written by DHHS and approved by the Federal government.

Our earlier report documented widespread problems associated with some 19,000 State warrants (generally \$500 each) issued to low-income persons who were not expecting to receive such payments. The audit report documents payments made to deceased persons, payments cashed at retail and other establishments rather than used for energy bills, and a myriad of other problems including some \$17.6 million in questioned costs.

My office has now completed additional audit work on the LIHEAP program and has issued a technical management letter to the agency. Because the issues in that letter are rather complex, I will attempt to summarize them with the following five points:

- 1) DHHS personnel administering the LIHEAP program have a serious lack of understanding of the Federal and State regulations for the proper handling of the millions of dollars in the program.
- 2) Over \$5.8 million in Federal LIHEAP funds available for expenditure in Nebraska over the past two fiscal years have now lapsed and are no longer available for expenditure. DHHS could have amended its "State plan" or sought a waiver from the Federal government to more fully utilize some or all of these funds but did not do so.
- 3) Significant confusion and accounting errors in the LIHEAP program continue to be observed by the State Auditor's Office. For example, immediately after the issuance of our management letter in draft form, DHHS sought to mitigate the finding in the management letter by transferring over \$3 million in LIHEAP expenditures from the 2013 grant year back to the prior grant year. This transaction actually expanded the

problem and would have increased the questioned costs. After the auditors discussed the matter with DHHS accounting personnel, the agency expressed its intent to reverse the transaction but has not yet done so.

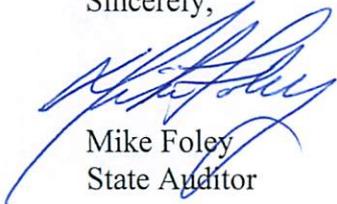
- 4) DHHS is attempting to spend some of the LIHEAP monies via weatherization programs administered by the Nebraska Energy Office. However, in recent years, DHHS has not made the funds available to the Energy Office till the last few days of the Federal fiscal year thus making it difficult – if not impossible – for the Energy Office to properly obligate the funds to its sub-grantees in a timely manner. The auditors now question some \$1.4 million of these costs.
- 5) DHHS is spending far too much of the LIHEAP monies on administrative expenses. The auditors identified over \$656,000 in administrative expenses that were in excess of the Federal limitation of 10%. These monies will now be reported as “questioned costs” in the audit report to be filed with the Federal government.

I am of the opinion that the issues with LIHEAP are so serious that the program merits the attention of the Legislature’s Performance Audit Committee for a more thorough review. Questions associated with LIHEAP program design and mission and the overall operational efficiency and management of the program deserve Legislative oversight.

If my office can be of assistance on this matter, please do not hesitate to call on me.

Thank you very much.

Sincerely,



Mike Foley
State Auditor

cc: Performance Audit Committee
Martha Carter; Legislative Auditor