

**State, Tribe or Territory (and grant official): South Dakota, David Gall, Program Administrator**

**Date/Fiscal Year: 08-26-2010 FFY2011**

**RECENT AUDIT FINDINGS**

South Dakota Legislative Audit Finding No. 08000200902

Issue was discussed with Sharon Williams and resolved.

Carryover and Reallocation report was not completed correctly.

**COMPLIANCE MONITORING**

See- Attachment 1, Attachment 2, Attachment 3

The South Dakota LIEAP is compliant with State and Federal policies and procedures.

**FRAUD REPORTING MECHANISMS**

Individuals can report suspected fraud to the South Dakota LIEAP program either through a website or by calling a toll-free phone number. Individuals can also report directly to the SD Office of Energy Assistance.

Easily accessible mechanisms for citizens, clients, and employees to use for reporting potential cases of fraud or improper payments.

**VERIFYING APPLICANT IDENTITIES**

Describe all FY2010 State policies continuing in FY2011 for how identities of applicants and

Income and energy supplier

<p>household members are verified. Social Security numbers required on application or existing in computer system. Income verification submitted, use of other office or departments databases, and energy supplier verifications.</p>			<p>data that allow program benefits to be provided to eligible individuals.</p>
<p><b>SOCIAL SECURITY NUMBER REQUESTS</b></p>			
<p>South Dakota requires Social Security numbers for all household members.</p>			<p>All valid household members are reported for correct benefit determination.</p>
<p><b>CROSS-CHECKING SOCIAL SECURITY NUMBERS AGAINST GOVERNMENT SYSTEMS/DATABASES</b></p>			
<p>Social Security Enumeration, prisoner database, death match and new hire match are done for those individuals that are currently receiving or have recently received SNAP (Food Stamps). Social Security Enumeration and new hire match are done for those individuals that are currently receiving or have recently received TANF and medical.</p>			<p>Use of all available database systems to make sound eligibility determinations.</p>
<p><b>VERIFYING APPLICANT INCOME</b></p>			

<p>Describe how the State or designee used State Directories of new hires or similar systems to confirm income eligibility in FY2010 and continuing in FY2011.</p> <p>Wage stubs provided by individual or household, SD Department of Labor database, The Work Number, contact employer or payment source for unearned income (VA), Social Security Administration, tax return, award letters (VA benefits), zero income statement, or historical information.</p>			<p>Effective income determination achieved through coordination across program lines.</p>
<p><b>PRIVACY-PROTECTION AND CONFIDENTIALITY</b></p>			
<p>Computer and all eligibility software exist in a secure network, with unique usernames and complex passwords. Within the computer system social security numbers are masked and access to household information is restricted to authorized staff only. Case files are imaged and stored in a secure network location.</p>			<p>Clear and secure methods that maintain confidentiality and safeguard the private information of applicants.</p>
<p><b>LIHEAP BENEFITS POLICY</b></p>			
<p>See- Attachment 1, Attachment 2, Attachment 3</p> <p>SD LIEAP requires residence address and verifies the address is valid through the USPS database. In addition, SD LIEAP verifies resident addresses outside South Dakota are located within South Dakota.</p>			<p>Authorized energy vendors are receiving payments on behalf of LIHEAP eligible clients.</p>
<p><b>PROCEDURES FOR UNREGULATED ENERGY VENDORS</b></p>			

See- Attachment 3			Participating vendors are researched before payments are made.
<b>VERIFYING THE AUTHENTICITY OF ENERGY VENDORS</b>			
See- Attachment 3			Participating vendors are researched before payments are made.
<b>TRAINING AND TECHNICAL ASSISTANCE</b>			
<p>(a) All staff determining eligibility are in one centrally located office. Staff are trained in appropriate policies and procedures to ensure information received from applicant is accurate and true.</p> <p>(b) NA</p> <p>(c) Applicants sign application under penalty of perjury that all information provided is accurate and factual</p> <p>(d) Sign an Supplier/Vendor Agreement, See Attachment 4</p>			Fraud is prevented through effectively trained staff.
<b>AUDITS OF LOCAL ADMINISTERING AGENCIES</b>			
Please describe the annual audit requirements in place for local administering agencies in			Reduce improper payments, maintain local

<p>FY2010 that will continue into FY 2011. South Dakota's LIEAP is located in one central location. No other agency administers the program. Subject to audits from the SD Depart of Legislative Audit.</p>			<p>agency integrity, and benefits awarded to eligible households.</p>
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**SOUTH DAKOTA INTERNAL CONTROL  
LIHEAP ELIGIBILITY****ATTACHMENT 1**

**PURPOSE:** To document procedures used in the LIHEAP application process.

**PROCEDURES:** Brochures and applications are available at Department of Social Services offices located in most counties, Community Action Agencies, and suppliers. They are also available on the Department of Social Services Office of Energy Assistance website.

All LIHEAP applications are processed at the State office in Pierre. Applications are accepted year round and are processed as they are received.

At the start of the season, a computer selection job is run against the prior year's eligible household to select households containing individuals 60 years of age or older and those receiving disability or SSI. These households are a priority and applications are mailed to these households mid to late April. Individuals that have fuel oil or propane as a heating source are mailed applications in June. Non-priority applications are mailed in July.

An application and a letter explaining why the application is being sent are mailed to the individuals along with a postage-paid envelope. The applications sent out to clients from the previous heating season have some of the clients' information from the prior season printed on them (names, heating supplier etc.). If the information has changed, the applicants are instructed to cross out the old information and fill in the new information. The client returns the completed application to the state office in the postage paid envelope. The application is compared to the prior year's information if the client received assistance in the previous heating season. Information from all applications is encoded onto the SSLP system.

Income must be verified unless all individuals in the LIHEAP household are also members of a SNAP household. In those cases, income budgeted by the SNAP program is used by the LIHEAP program. For all other cases, if the income verification is not provided, incomplete, or not listed on an available source such as the SNAP, SSI, or Department of Labor files, a letter is sent instructing the applicant to provide proof of household income.

If heating cost responsibility and type is not submitted, the caseworker requests the information unless the vendor, the billing number and address of the client remained the same as the prior year. If the landlord is the vendor and the heat is paid to the land lord in addition to rent, a Vendor agreement must be completed by the landlord. The completed Vendor Agreement is kept in the vendor files. If the heat is included in the rent and paid to the landlord, a Landlord Agreement is completed by the landlord each year. The LIHEAP application contains a section "tell us about heating supplier and rent information" that collects information to determine if the applicants meet the vulnerable household criteria.

Information from the application is entered on SSLP. SSLP has been enhanced to include availability to enter individual income amounts to ensure rounding is properly completed. Edits have also been added to ensure the 3 month income is from the correct time period. The system also contains edits to ensure a case is properly paid based on the heat region where they reside prior to receiving the first

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payment. There are edits to ensure that the heat type indicated is appropriate for the vendor selected. There are also edit checks to prevent payments from being made until all information is verified.

**SOUTH DAKOTA INTERNAL CONTROL  
LIHEAP QUALITY CONTROL****ATTACHMENT 2**

**PURPOSE:** To document the quality control procedures followed by the LIHEAP Quality Control workers when testing client files and monitoring vendors, and to determine if controls appear adequate.

**PROCEDURES:** QC procedures for the program are documented below.

**For Client Files**

A review of LIHEAP files was conducted this year by two Energy Assistance Quality Control staff. The Quality Control staff were not involved in determining eligibility. Cases from each eligibility worker were randomly select cases during the current heating season to review. Quality Control staff were also utilized in reviewing 100% of a new energy assistance worker's cases prior to approval as part of the training process.

The Quality Control staff determine if five areas were correct: case information, household information, income, heat source, and benefit amount. All information is entered into an Access database that then generates reports for the caseworkers to review each case. If the determination is made that the case contains an error or potential error in the benefit amount, the Quality Control staff follow-up with the caseworkers for corrective action.

The state plan requires a 2% sample. A random sample of cases was selected and 988 of the 19511 cases approved for assistance, or 5%, were reviewed. The findings were entered in a Microsoft ACCESS database.

**For Vendors**

A review of vendor claims was conducted by the two Energy Assistance Quality Control staff that do not process vendor claims.

There are approximately 333 vendors/landlords who participate in LIHEAP. According to the LIHEAP State Plan, 10% of vendors/landlords will be selected for monitoring. In obtaining a sample, the first step was to randomly select 10% of the vendors. The second step was to determine the number of individuals receiving LIEAP that are served by that vendor. The third step was randomly selecting 10% of the individuals served by that vendor for review. The fourth step was randomly assigning the vendors and corresponding cases to the two quality control staff.

Vendors are sent a letter to inform them of the review and request invoices/verification for the selected claims.

Once the requested information is received, the following procedures are performed:

- 1) Recalculation of the vendor claim is conducted for a chosen sample. The actual invoice is recalculated by multiplying the number of gallons or kilowatt-hours by the rate charged and adding the tax. If invoices are computer generated, a sampling of several clients is completed looking for late fees or other charges that

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are not the actual gas/electric usage. Then the amount billed is matched with the amount paid on the SSLP CLAM screen.

- 2) The service rendered dates are examined to ensure that no fuel deliveries submitted for reimbursement were made prior to the beginning of the heating season.
- 3) The energy rates charged are checked to ensure that LIHEAP customer rates do not exceed the rates charged to non-LIHEAP customers.
- 4) Energy Supplier Vendor Agreement files are checked to ensure there is an agreement on file for the vendor.

All aspects of the vendor review are entered into a Microsoft ACCESS database. Any discrepancies or errors found are discussed with the vendor and vendors are sent a letter summarizing the review results. Once the review of all selected vendors is complete, a Vendor Monitor Summary is prepared that summarizes the results of all the reviews.

**SOUTH DAKOTA INTERNAL CONTROL  
LIHEAP ACCOUNTING AND FISCAL CONTROLS****ATTACHMENT 3**

**PURPOSE:** To determine the accounting and fiscal controls in place to permit proper dispersal of LIHEAP funds, and compliance with federal grant regulations.

**PROCEDURES:** The following controls are in place to:

1. Prevent duplicate payments to individual households: Two controls exist in the system to prevent duplicate payments:
  - a) Individual amounts for claims as shown on the claim are encoded on the system. The system calculates the total amount of claims entered. That amount is manually verified against the total amount of all claims encoded,
  - b) on-line edits disallow payment of the same service on the same service date for the same client.
2. Prevent payments made to vendors who don't have a contract with the state: Every vendor is assigned a vendor number and every client is assigned a client identification number. The computer won't accept a claim from a vendor without a vendor number and won't accept the claim if the client is not assigned to the vendor.
3. Assure the vendor is claiming correct reimbursement and does not receive duplicate payments: To prevent duplicate payments to individual households, edits disallow payment of the same service on the same service date for the same client. The vendor is notified of the amount the client is allowed to use and the client is notified of their grant award. QC specialists review 10% of the vendors that filed claims during the year.
4. Assure an individual household does not receive benefits in excess of the payment matrix established by DSS: After all claims for the heating season have been paid, the JS42 is run to identify cases that appear to have been issued payments in excess of benefits authorized. Each case is investigated and in the event that an overpayment actually occurred, overpayment policies and procedures are followed. The LIHEAP Policies and Procedures Manual states that overpayments made as a result of an agency error will not be collected from the individual. In such case, the overpayment will be paid with general funds.
5. Assure vendor information is properly encoded into system: Each year LIHEAP sends out vendor/landlord applications to those vendors that received reimbursement in the preceding year. To receive payment from LIHEAP, the vendor must fill out an application stating their name, mailing address, and energy rates. When an application is received a vendor number is assigned. The system prevents duplicate vendor numbers from being issued. Vendors that participated in the prior heating season receive a copy of their application while vendors that did not participate in the prior heating season are issued a vendor number, and are sent claim forms, direct deposit forms, and the LIHEAP vendor manual. When the vendor submits claims, they must fill in the assigned vendor number. If the vendor number doesn't agree with the vendor number on the computer system, the system won't allow payment. Additionally, the system

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requires that the vendor number matches the primary vendor programmed for each client before the claim is authorized. The computer system has edits that flag and won't process payment if the client does not have that vendor number as his primary vendor. All payments are made to vendors via direct deposit with the exception of claims received after May 15<sup>th</sup>. Payment on those claims must receive approval from the program administrator prior to a check being issued.

6. Assure claim information is properly encoded into the system: To prevent duplicate payments to individual households, edits disallow payment of the same service on the same service date for the same client. When the remaining assistance balance is zero, claims are denied. Electronic submission of claims occurs from designated vendors. The electronic file goes through a verification process to ensure that the vendor is allowed to bill for that client and that the billing does not exceed the remaining balance for that client. For all vendors not filing electronically, individual amounts for claims as shown on the claim form are encoded on the system. The system calculates the total amount of claims entered. That amount is manually verified against the total amount of all claims on the claim form. The system also checks to see if the client number is assigned to that vendor number. If the client number is not found for that vendor, an error message will appear that needs to be resolved before the claim can be paid. Claims can be voided if they are paid in error and the system maintains the remaining assistance amount by reading the paid claims and deducting the total from the assistance amount. An overpayment report is generated (SS80JS42). This report is followed up on by LIHEAP personnel. The state accounting system coding is included in the SS00 system. Therefore when direct deposits are made, there is no chance that the payment will be written with the incorrect accounting string.
7. Assure that funds are used only for allowed activities: Administrative expenses, such as supplies, are ordered through the state's central purchasing department. Utilities and other direct expenses are billed to Division of Operation and Technology.
8. Assure that funds are not spent in excess of the earmarking percentages: DSS Budget and Finance, monitors all the grant awards and expenditures. They use a spreadsheet that contains the date and amount of each grant and the related maximum amount of grant money that may be spent in any category. All expenditures that have been processed are added to the spreadsheet. An updated copy is sent to LIHEAP monthly.
9. Assure that funds are used during the available period: The EXP spreadsheet is also used to keep track of the period of availability of the grant awards. Remaining funds must be obligated by the beginning of the next federal fiscal year (October 1). Any funds not obligated by October 1, must be designated as carryover and indicated on the LIHEAP Carryover and Reallotment Report. Carryover funds to the next federal fiscal year may not exceed 10% of the prior federal fiscal year's grant award.
10. Assure that no payments are made to subrecipients or vendors that have been suspended or debarred from participation in the program: All grant agreements

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between LIHEAP and the CAP agencies contain a "certification regarding debarment, suspension, ineligibility, and voluntary exclusion" clause certifying that the agency hasn't been excluded from participation in the program. The vendor agreement contains a suspension and debarment clause for the vendors that exceed the \$25,000 procurement limit. These are also checked against the Suspension and Debarment list.

11. Assure that weatherization subrecipients are adequately informed of grant regulations and monitored for program compliance: The grant agreement between LIHEAP and the CAP agencies contains clauses relating to federal, state, and local laws and regulations that must be followed. Each CAP agency is also subject to annual audits. These annual audit reports are received by the Provider Reimbursement and Audit division of DSS. Also, an annual onsite visit of the CAP agencies is conducted by DSS PRA staff. During the visit they will check the agency's records to make sure that they compare to the monthly reports received by LIHEAP. Provider Reimbursement and Audit division of DSS will also review Cash Balance as part of their on-site review.