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Office of Inspector General



Office of Audit Services

February 2026 | A-02-23-02005

New York Should Improve Its Monitoring of Low-Income Home Energy Assistance Program Subrecipients



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New York Should Improve Its Monitoring of Low-Income Home Energy Assistance Program Subrecipients

Why OIG Did This Audit

- The Low-Income Home Energy Assistance Program (LIHEAP) assists low-income households (participants) in meeting their immediate home energy needs. At the Federal level, LIHEAP is administered by [ACF](#).
- Funding for LIHEAP increased rapidly in response to the COVID-19 pandemic and rising energy prices. Prior OIG work found that States did not always adequately monitor the organizations that administer LIHEAP on their behalf.
- The rapid increase in LIHEAP funding combined with prior audit findings increases the risk of fraud and abuse in LIHEAP. We performed this audit to determine whether New York effectively monitored LIHEAP subrecipients to ensure compliance with Federal and State LIHEAP requirements.

What OIG Found

New York did not effectively monitor its LIHEAP subrecipients to ensure compliance with Federal and State LIHEAP requirements. Specifically, New York made payments for lump-sum transactions that could not be traced to specific expenditures. Of the \$589 million of LIHEAP expenditures included in our audit period, New York could not provide assurance that lump-sum payments for LIHEAP expenses totaling \$197 million for Federal fiscal year 2022 complied with Federal and State requirements.

What OIG Recommends

We made two recommendations to New York, including that it work with its subrecipients to determine the allowability of the \$197 million in lump-sum payments for LIHEAP expenses and return funds for unsupported expenses to the Federal Government, and implement procedures to monitor subrecipient expenses, including lump-sum reimbursements.

New York disagreed with one recommendation and did not indicate concurrence or nonconcurrence with our other recommendation.

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INTRODUCTION

WHY WE DID THIS AUDIT

The Low-Income Home Energy Assistance Program (LIHEAP) assists low-income households in meeting their immediate home energy needs. States may use LIHEAP funds to help low-income households pay for heating and cooling costs, crisis assistance, and weatherization expenses to reduce the need for energy assistance. At the Federal level, the Administration for Children and Families (ACF), Office of Community Services (OCS) administers LIHEAP.

In response to the COVID-19 public health emergency, Congress appropriated \$5.4 billion for LIHEAP through the Coronavirus Aid, Relief, and Economic Security Act and the American Rescue Plan Act. Congress appropriated additional LIHEAP funding of \$100 million per year for 5 years beginning in November 2021 through the Infrastructure Investment and Jobs Act in response to steeply rising energy prices. These funds were in addition to the approximately \$3.7 billion in LIHEAP funds awarded annually to States, Tribes, and territories in Federal fiscal years (FFYs) 2020 through 2022.

Prior Office of Inspector General (OIG) work in this area found that States did not always adequately monitor the organizations that administer LIHEAP on their behalf.¹ The rapid increase in LIHEAP funding combined with prior audit findings increases the risk of fraud and abuse in the LIHEAP. Based on our risk assessment of States that received a large amount of LIHEAP funding or were identified by OCS as being high risk, we selected New York for review.

OBJECTIVE

Our objective was to determine whether the New York State Office of Temporary and Disability Assistance (the State agency) effectively monitored LIHEAP subrecipients to ensure compliance with Federal and State LIHEAP requirements.

BACKGROUND

Low-Income Home Energy Assistance Program

Title XXVI of the Omnibus Budget Reconciliation Act (OBR Act) of 1981 established LIHEAP to assist low-income households, particularly those with the lowest incomes that pay a high proportion of household income for home energy, in meeting their immediate home energy needs. The LIHEAP statute establishes Federal eligibility for households with incomes at or

¹ OIG, [Michigan Did Not Effectively Monitor Home Heating Benefits Provided Under the Low-Income Home Energy Assistance Program \(A-01-22-02502\)](#), Jun. 25, 2025; and [South Carolina Generally Claimed Costs on Behalf of Wateree Community Actions, Inc., That Were in Accordance With the Grants and Applicable Federal Regulations, but Wateree Mismanaged Federal Funds \(A-04-14-04026\)](#), Mar. 25, 2016.

below 150 percent of the Federal poverty level or 60 percent of the State median income,² whichever is higher, although States may set lower limits.

States, Tribes, and territories use LIHEAP funds to help low-income households meet their home energy costs, intervene in crisis situations, and provide low-cost residential weatherization and other cost-effective energy-related home repairs. States receive LIHEAP funds as block grants that provide flexibility when designing and implementing the program.³ Each State is required to update a LIHEAP Model Plan (also known as a State Plan) annually that outlines how the State will operate its LIHEAP. A State either administers LIHEAP or designates subrecipients to administer the program on the State's behalf. States must submit an annual Federal Financial Report (FFR) to ACF that details the amount of LIHEAP funds that were obligated and expended during the year. The State may use up to 10 percent of the LIHEAP funds expended for planning and administering the program.

Administration for Children and Families

During our audit period, ACF's OCS conducted annual onsite and remote compliance monitoring for a sample of State LIHEAP programs. OCS used a criteria-based process to prioritize States based on different measures that included the number and severity of audit findings, the adequacy of States' controls to prevent improper payments, the results from previous compliance monitoring, and the training and monitoring performed by States. Generally, OCS conducted compliance monitoring at each State every 5 to 7 years.

New York's Low-Income Home Energy Assistance Program

In New York, the State agency administers the State's LIHEAP through 58 social services districts (local districts) that are the State agency's subrecipients.⁴ Each subrecipient conducts eligibility determinations for LIHEAP applications in accordance with Federal laws, State regulations, and State guidance. Among other requirements, the subrecipients are responsible for determining eligibility, authorizing benefits, and retaining all original applications, documentation, notices, and forms.

When an individual applies for LIHEAP assistance, the subrecipient enters the application into the State agency's database. The subrecipient is responsible for collecting and maintaining documentation to support participant eligibility and verifying the expenses. There are two methods for paying expenses for LIHEAP services. If the services are provided by a vendor with an agreement signed by the State agency, a statewide financial system generates a voucher and

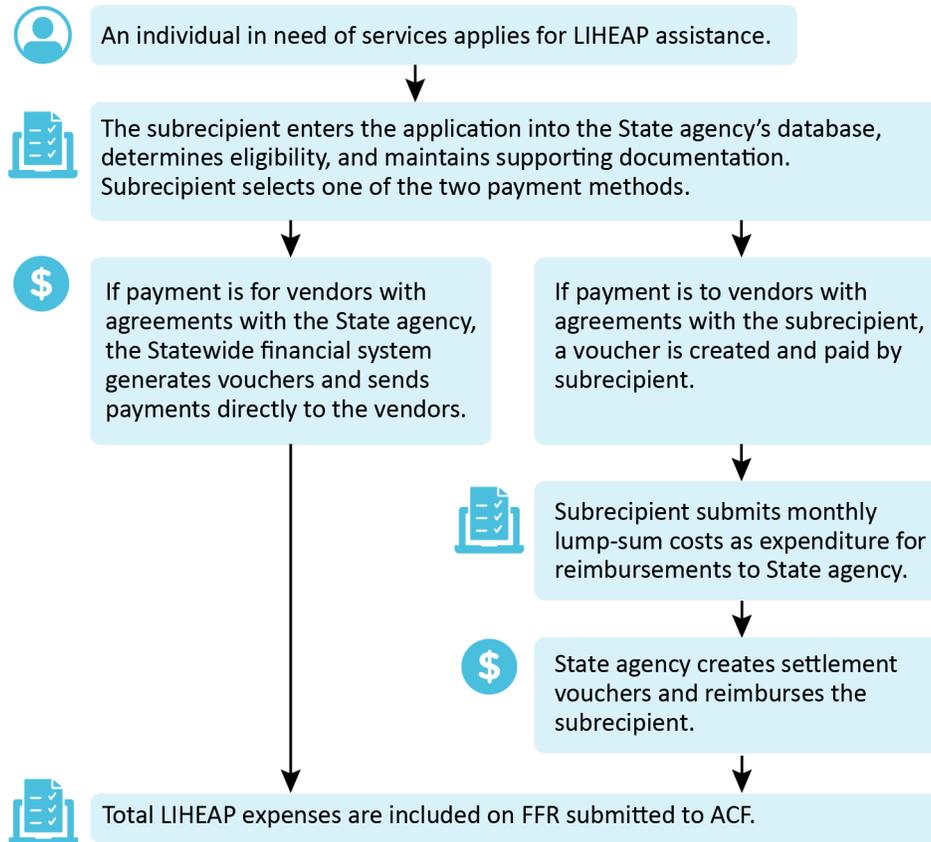
² The LIHEAP Statute is codified at 42 U.S.C. §§ 8621–8630.

³ A block grant is a noncompetitive, formula-based grant mandated by the U.S. Congress. Eligible entities must submit an annual application to demonstrate statutory and regulatory compliance to receive the funding.

⁴ In New York State, each county is considered its own social services district, except the five counties that make up New York City, which are considered a single district.

pays the vendor directly. If the services are provided by a vendor with an agreement signed by the subrecipient, the subrecipient pays the vendor. The State agency reimburses subrecipients on a monthly basis⁵ and total LIHEAP expenses, including the subrecipients' administrative costs to operate the program, are included on the annual FFR submitted to ACF. The figure below illustrates the State agency's process for payment and reporting of LIHEAP expenditures.

Figure: The State Agency's Process for Payment and Reporting of LIHEAP Expenditures



⁵ Expenses are netted against the State agency advances and the difference is reimbursed to the subrecipient.

The State Agency's Monitoring Process

New York's State Plan describes the State agency's monitoring protocols. These protocols include operational reviews, including reviews of pending applications, participant and vendor complaints, and compliance with heating equipment repair and replacement procedures. The State agency performs these reviews for 5 of the 10 subrecipients with the largest caseloads every other year plus 5 additional subrecipients on a rotating basis.⁶ These reviews do not include monitoring subrecipients' maintenance of supporting documents for expenditures and participants' eligibility or monitoring of lump-sum costs submitted for reimbursement by subrecipients. In addition, the State agency performs vendor payment reviews in which it reviews vendors' compliance with their vendor agreements.⁷

HOW WE CONDUCTED THIS AUDIT

Our audit covered the State agency's expenditures of LIHEAP funds totaling \$589,103,233 from November 2021 through December 2022 (audit period).⁸ Specifically, we reviewed the State agency's processes for monitoring LIHEAP subrecipients' application, eligibility determination, payment, and documentation processes. In addition, we reconciled expenditures from the State agency's FFRs to expenditure totals in its financial management system.

Of the \$589,103,233 of LIHEAP expenditures, \$197,394,162 were lump-sum payments to subrecipients,⁹ \$363,810,691 were for LIHEAP expenses paid directly to vendors, and \$27,898,380 were subrecipient LIHEAP administrative costs. We reviewed a stratified random sample of 100 LIHEAP direct vendor expenses and a nonstatistical sample of the five highest monthly administrative payments to subrecipients.¹⁰

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁶ New York's Detailed Model Plan (LIHEAP) Sections 10.6 and 10.7.

⁷ The State agency's Audit & Quality Improvement Home Energy Assistance Program Audit Plan. The vendor reviews include an examination of financial records, pricing sheets, truck delivery tickets, and copies of accounting statements related to a selected sample of the vendors' participants.

⁸ This amount is more than the \$387,351,657 in LIHEAP funds awarded to the State agency due to negative transactions and transfers between LIHEAP grants and grant periods.

⁹ We requested details on expenditures at the start of—and throughout—our audit. After multiple requests, we were informed that the State agency was unable to timely provide expenditure-level information.

¹⁰ The administrative expenses were subrecipients' indirect costs, salaries, and fringe benefits incurred. These expenses are reported within the total expenditures in the State agency's FFRs.

Appendix A describes our audit scope and methodology, Appendix B describes our statistical sampling methodology, and Appendix C contains the State agency's comments.

FINDING

The State agency did not effectively monitor LIHEAP subrecipients to ensure compliance with Federal and State LIHEAP requirements. We did not identify errors in our stratified random sample from \$363.8 million of expenses directly paid to vendors and the nonstatistical sample from \$27.9 million of administrative LIHEAP costs. However, the State agency could not provide assurance that LIHEAP lump-sum expenditures totaling \$197.4 million complied with Federal and State requirements.

The State agency's monitoring of its LIHEAP subrecipients' compliance with Federal and State requirements was not effective because it did not have procedures to test or monitor lump-sum costs submitted for reimbursement by subrecipients.

THE STATE AGENCY DID NOT EFFECTIVELY MONITOR SUBRECIPIENTS' EXPENDITURES

States are required to certify that they will establish procedures for monitoring LIHEAP expenditures.¹¹ In addition, States must monitor the activities of LIHEAP subrecipients as necessary to ensure that LIHEAP funds are used for authorized purposes in compliance with Federal regulations and the terms and conditions of the subaward.¹² LIHEAP subrecipients must establish appropriate systems and procedures to prevent, detect, and correct waste, fraud, and abuse in LIHEAP-funded activities.¹³

Federal regulations require that fiscal control and accounting procedures must be sufficient to permit the tracing of Federal funds to a level of expenditure adequate to establish that funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.¹⁴

The State agency was not readily able to trace all LIHEAP expenditures reported on its FFRs to specific expenses. These expenses included lump-sum reimbursements based on total expenses reported by subrecipients as well as transfers among LIHEAP grants. The lump-sum reimbursements were submitted to the State agency without supporting details of the specific expenditures comprising the totals. The State agency did not test or monitor the derivation of the lump-sum reimbursements.

¹¹ OBR Act § 2605(b)(10).

¹² 45 CFR § 75.352(d) (applicable through 45 CFR § 75.101(d)(1)).

¹³ 45 CFR § 96.84(c).

¹⁴ 45 CFR § 96.30(a).

We requested lump-sum expenditure details in October 2023. The State agency provided data consisting of several lump-sum amounts. We followed up with a request of the detail of these transactions for our audit purposes. The State agency provided reports that consisted of smaller lump-sum amounts. After multiple requests and discussions, we were informed that the State agency was unable to provide expenditure-level information because individual transactions and related backup documentation are physically located among 58 subrecipients throughout New York, and determining the specific expenses paid with LIHEAP funds would be labor intensive.

The State agency stated that, with limited staffing and resources, compiling the necessary data would take several years.¹⁵ As a result, we were unable to determine whether expenditures totaling \$197 million that the State agency reported on its FFRs complied with Federal and State requirements.

The State agency's monitoring of its LIHEAP subrecipient's compliance with Federal and State requirements should be improved because, while the State agency conducted operational reviews of the LIHEAP program and vendor payment reviews, it did not have procedures to monitor expenses reimbursed to subrecipients. Rather, it solely relied on the subrecipients' lump-sum expenditure totals submitted monthly for reimbursement. Consequently, the State agency was not readily able to trace to expenditure-level details for \$197 million in subrecipient lump-sum payments that the State agency reported on its FFRs.

RECOMMENDATIONS

We recommend that the New York State Office of Temporary and Disability Assistance:

- work with subrecipients to determine the allowability of the \$197 million in lump-sum payments for LIHEAP expenses and return funds for unsupported expenses to the Federal Government and
- implement procedures to monitor subrecipient expenses, including lump-sum reimbursements.

¹⁵ After the completion of our audit fieldwork, the State agency provided a report consisting of LIHEAP participant names with amounts paid, totaling \$140 million. The State agency asserted that this was part of the \$197 million in lump-sum expenditures. We did not review the expenditures for LIHEAP eligibility and allowability.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency disagreed with one recommendation and did not indicate concurrence or nonconcurrence with our other recommendations. In addition, the State agency strongly disagreed with our conclusion that it did not effectively monitor its LIHEAP subrecipients and stated that our draft report failed to consider actions taken by the State agency to update and refine LIHEAP policies or account for the variety of LIHEAP reviews it performs each year. The State agency provided a detailed description of these reviews.

With respect to the first recommendation in the draft report, the State agency provided additional documentation to support payments for which subrecipients did not maintain documentation of eligibility and expenditures.

With respect to our recommendation that the State agency determine the allowability of the \$197 million in lump-sum payments, the State agency maintained that it is confident that all of the lump-sum payments for LIHEAP expenditures can be traced to specific transactions and related supporting documentation. However, the State agency indicated that the collection of this information for every benefit payment made during the audit period would demand considerable resources from the State agency as well as the 58 local districts. The State agency stated that it provided OIG with expenditure-level data for payments totaling \$140 million as well as a thorough explanation about how the remaining \$57 million, which the State agency described as “settlement payments,” were paid to local districts. The State agency offered to provide supporting documentation for a random sample of expenditures.

Regarding our recommendation related to implementing procedures to monitor subrecipient expenditures, the State agency indicated it has robust internal controls to ensure compliance with Federal and State LIHEAP requirements, including policies and procedures to monitor the distribution of LIHEAP benefits and the performance of subrecipients.

The State agency comments are included in their entirety as Appendix C.

OFFICE OF INSPECTOR GENERAL RESPONSE

After reviewing the State agency's comments and additional documentation, we removed one finding and recommendation related to the documentation of certain vendor payments.¹⁶ We maintain that our remaining finding and recommendations, as revised, are valid.

Regarding our recommendation that the State agency determine the allowability of the \$197 million in lump-sum payments, we acknowledge receipt of expenditure-level data for \$140 million of these payments. However, the State agency provided the data after the completion of our field work—more than 18 months after our initial request. Also, the State agency did not reconcile the data to the \$197 million in total lump-sum payments.

Reconciliation is a critical step for ensuring that the results of any sample drawn can be generalized to the entire population with known confidence levels and margins of error. Therefore, we are unable to use the data to select a valid sample of payments to review.

Regarding our recommendation that the State agency implement procedures to monitor subrecipient expenses, the State agency provided detailed descriptions of a variety of annual reviews performed by several of its divisions. During the course of our audit, we requested but were not provided reports detailing the results of these reviews or how those results informed subsequent monitoring activities. Therefore, we were unable to review the effectiveness of those monitoring activities.

¹⁶ The recommendation in the draft report was for the State agency to refund \$9,444,025 to the Federal Government for LIHEAP direct vendor payments that did not comply with documentation requirements (i.e., subrecipients did not maintain screenshots from the State agency's utility web tool for certain benefits or did not maintain documents supporting income eligibility and participant identity). We removed this recommendation and revised the second recommendation in this report based on additional supporting documentation provided by the State agency subsequent to the issuance of our draft report.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered the State agency's monitoring of LIHEAP subrecipients from November 2021 through December 2022 (audit period).

We reviewed the State agency's Notices of Award, LIHEAP regulations, and payment processes, and interviewed State agency staff to understand the monitoring processes and reviewed the results of the State agency's monitoring reviews. We selected a stratified random sample of 100 LIHEAP direct vendor expenses, and, for each expense, we verified the LIHEAP participant's eligibility and reviewed supporting documentation. In addition, we selected a nonstatistical sample of the LIHEAP administrative costs based on materiality to determine if allocable to the LIHEAP.

We did not perform an overall assessment of the State agency's internal control structure. Rather, we limited our review of internal controls to those that were significant to our objective. Specifically, we reviewed those internal controls related to the State agency's monitoring of LIHEAP subrecipients.

We conducted our audit from March 2023 through July 2025.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal requirements, regulations, and guidance;
- interviewed ACF staff to gain an understanding of LIHEAP and OCS's policies and procedures for monitoring of LIHEAP grant funds;
- reviewed the New York LIHEAP State Plan approved by ACF;
- reviewed the State agency's policies and procedures for monitoring and administration of its LIHEAP, including the State agency's monitoring reports and the related corrective actions plans for our audit period;
- reconciled the State agency's expenditure reports to the FFRs for the audit period;
- assessed the reliability of expenditures data reported by reviewing existing information about the data and the system that produced them, and interviewing agency officials knowledgeable about the data;

- created a sampling frame of 400,628 LIHEAP subrecipient expenses paid by the State agency during the audit period, with a value equal or greater than \$100, totaling \$363,810,691 (Appendix B);
- selected a stratified random sample of 100 LIHEAP subrecipient expenses for direct vendor expenses and for each item, we:
 - obtained and reviewed the associated LIHEAP application, eligibility determination, payment, and supporting documentation to determine its allowability; and
 - determined whether the associated LIHEAP payments were correctly calculated;
- reviewed supporting documentation for a nonstatistical sample of 5 subrecipients' LIHEAP administrative costs, totaling \$4,504,935, charged by the State agency to determine if allowable and allocable to the program,¹⁷ and
- discussed the results of our audit with the State agency officials.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for any findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹⁷ From the expense categories that were greater than \$100,000, we reviewed five transactions, which accounted for 16 percent of the subrecipients' total administrative costs.

APPENDIX B: STATISTICAL SAMPLING METHODOLOGY

SAMPLING FRAME

Our sampling frame consisted of 400,628 LIHEAP expenditure transactions that the State agency paid directly to LIHEAP vendors (e.g., electricity, natural gas, oil, and propane providers) and Seneca County¹⁸ (i.e., LIHEAP subrecipient expenses), totaling \$363,810,691. These LIHEAP subrecipient expenses were included in the general ledger provided by the State agency to support its 2022 FFR with journal dates from November 16, 2021, through December 27, 2022, and had a value equal to or greater than \$100.

SAMPLE UNIT

The sample unit was a transaction (i.e., LIHEAP subrecipient expense).

SAMPLE DESIGN AND SAMPLE SIZE

We used a stratified random sample as follows.

Stratum	Dollar Range of Expenses	Number of Expenses in Frame	Frame Dollar Value	Sample Size
1	≥\$100.00 and ≤\$710.00	241,454	\$104,598,312	25
2	>\$710.00 and ≤\$1,651.23	122,505	114,961,852	25
3	>\$1,651.23 and ≤\$5,627.25	30,834	97,836,643	25
4	>\$5,627.25	5,835	46,413,883	25
	Totals	400,628	\$363,810,691¹⁹	100

SOURCE OF THE RANDOM NUMBERS

We generated the random numbers using the OIG, Office of Audit Services (OIG/OAS), statistical software.

METHOD FOR SELECTING SAMPLE ITEMS

We sorted the items in each stratum in ascending order by the unique transaction identifier field (Document Number) and then consecutively numbered the items in each stratum in the

¹⁸ The State agency reached out to the New York State Homes and Community Renewal's Division of Housing & Community Renewal, which confirmed that it was able to provide supporting documentation for Seneca County for our review.

¹⁹ The sum of the stratum frame dollar values did not match the total due to rounding.

sampling frame. After generating the random numbers in accordance with our sample design, we selected the corresponding frame items for review.

ESTIMATION METHODOLOGY

We are not reporting any estimates of unallowable LIHEAP expenses in the sampling frame because no unallowable expenses were found in the sample.

APPENDIX C: STATE AGENCY COMMENTS



KATHY HOCHUL
Governor

BARBARA C. GUINN
Commissioner

RAJNI CHAWLA
Executive Deputy Commissioner

August 11, 2025

Jennifer C. Webb
Regional Inspector General for Audit Services
Office of Inspector General
Jacob Javits Federal Building
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New York, New York 10278

Re: LIHEAP Audit A-02-23-02005

Dear Jennifer C. Webb:

The New York State Office of Temporary and Disability Assistance (OTDA) respectfully submits this response to the Department of Health and Human Services (HHS), Office of Inspector General's (OIG) draft report titled "New York Should Improve Its Monitoring of Low-Income Home Energy Assistance Program Subrecipients" (A-02-23-02005 (July 2025)) (the Report).

Background

OTDA's mission is to help vulnerable New Yorkers meet their essential needs and advance economically by providing opportunities for stable employment, housing, and nutrition. Specific to this report, the Low-Income Home Energy Assistance Program (LIHEAP), is a federally funded program designed to help low-income households with their home energy costs. In New York State, LIHEAP is known as the Home Energy Assistance Program (HEAP) and assists eligible households in meeting the costs of home energy including heating, cooling, and heating equipment clean and tune, repair, and replacement.

In New York, HEAP is a state supervised and locally administered program. OTDA oversees the program and develops the policies under which New York's 58 county-level Social Services Districts (districts) conduct operations. Districts are directly responsible for receiving and processing applications for assistance that are then entered into State systems which utilize numerous edits and controls to ensure compliance with basic program requirements. OTDA is also responsible for federal compliance monitoring and the provision of technical assistance to districts, accomplished through day-to-day interactions and on-site reviews.

OTDA works with the districts to provide policy and program guidance to ensure compliance with all Federal and State requirements for determining eligibility for benefits. The Agency's electronic systems, in conjunction with programmatic monitoring activities, assist in strengthening the accuracy of eligibility determinations made by the districts. OTDA monitors districts' case processing and the application of program rules during annual reviews and

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audits, as well as through ad-hoc reviews and analyses. The Agency's oversight practices and procedures are also audited annually, under the Single Audit Act, by external auditors.

New York State has a long history of fulfilling its State constitutional responsibility to help its neediest families. Currently, HEAP provides assistance to over 1.4 million households annually.

With this background in mind, we would like to respond in detail to some of the specific points made in the Report.

I. The State Agency Did Not Effectively Monitor Subrecipients' Expenditures

The Report, as currently written, states that *"New York did not effectively monitor its LIHEAP subrecipients to ensure compliance with Federal and State LIHEAP requirements. Specifically, New York did not ensure that subrecipients maintained supporting documentation for 7 of 100 sampled LIHEAP direct vendor expenses and made payments for lump-sum transactions that could not be traced to specific expenditures"*. As explained in further detail below (see section II), OTDA disagrees with the Report's underlying finding that the subrecipients did not maintain adequate documentation to support 7 of the 100 sampled vendor payments.

More broadly, OTDA strongly disagrees with the conclusion that New York did not effectively monitor its LIHEAP subrecipients. OTDA has robust internal controls in place to ensure that HEAP expenditures meet both Federal and State requirements. The draft report presents a conclusion without consideration of the many policy directives issued by OTDA to districts each year to provide updates and refine HEAP policies. Additionally, the draft report fails to account for the variety of reviews of HEAP performed by several divisions within OTDA each year, including:

➤ **HEAP Bureau**

The HEAP Bureau conducts reviews of district HEAP operations and compliance with policy. Typically, the Bureau conducts annual reviews of 15 districts each year, selected based on criteria such as the length of time since the last review and whether the district is considered a high-volume district. The scope of the reviews includes timeliness of case processing, correct application certification, correct benefit issuance, emergency resolution, compliance with Heating Equipment Repair and Replacement (HERR) procedures, and compliance with Cooling and Clean & Tune (C&T) procedures. The HEAP Bureau reviews districts' case files which include supporting documentation to ensure applications and benefits are processed accurately and in accordance with NYS HEAP policy and the federally approved LIHEAP State Plan submitted by New York. Findings letters are issued to district Commissioners, which includes a request to complete a Corrective Action Plan (CAP), if necessary. HEAP staff follow up on Corrective Action Plan implementations six months from the time the CAP was approved.

➤ **Audit and Quality Improvement (AQI)**

AQI conducts HEAP monitoring reviews of participating vendors each HEAP season. As part of this review, AQI staff visit select vendors to assess compliance with the terms of their executed Vendor Agreement including an examination of administrative and financial records that support the proper disbursement of HEAP funds. AQI reviews 30 HEAP fuel vendors statewide per HEAP season comprised of approximately 20 HEAP customers per vendor. Additionally, AQI

reviews one utility vendor per season consisting of 45 cases. AQI also performs ad-hoc reviews of specific vendors referred to AQI by the HEAP Bureau.

OTDA is also responsible for the monitoring of HEAP weatherization activities administered by three other NYS agencies and assesses compliance with the executed Memorandum of Understanding (MOU) between OTDA and each agency. Ultimately, the reviews are to assess whether the agency is administering weatherization grants in keeping with the MOU and consists of interviews with key fiscal managers and staff, a review of relevant policies and procedures, and an examination of case records and documentation which supports the expenditures that are being claimed. For each subrecipient agency, AQI examines supporting documentation to ensure all expenses claimed are appropriate, complete, and sufficient.

➤ **Bureau of Financial Services (BFS)**

The Bureau of Financial Services conducts monthly and yearly reviews of the claims and supporting documentation submitted by districts to ensure that they are correctly following appropriate policies and procedures for claiming, as well as adherence to OTDA's [Fiscal Reference Manual](#). Specifically, New York City Human Resources Administration is evaluated once every month, whereas other districts are either reviewed once a year or on a rotating basis of every four years, as dictated by the size of the district.

Additionally, the following audits of the HEAP program are conducted by the external auditors:

➤ **State Single Audit**

Annual program expenditures and level of risk, as well as other factors, are reviewed annually and used to determine which OTDA programs will be in scope. The audit is performed according to established and uniformly applied standards set forth in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). The Uniform Guidance includes a systematic test of whether the internal controls adopted by agencies to manage this aid, provide reasonable assurance that assets are safeguarded, and expenditures are appropriate, and that agencies have complied with Federal laws and regulations affecting the use, cash management and reporting of Federal funds by the State and its subrecipients.

➤ **County Single Audits**

The "major programs" are identified in the Uniform Guidance that the Federal Government publishes. The counties are required to audit these programs at least once every 3 years if their spending was over a certain dollar threshold making them "type A." The scope of the County Single audits is different each year, depending on the Uniform Guidance.

II. The State Agency Did Not Review Whether Subrecipients Maintained Supporting Documentation

OTDA disagrees with the conclusions presented in the report that the subrecipients did not maintain adequate documentation to support 7 of the 100 sampled vendor payments (8 errors in total). Specifically,

- Documentation to substantiate the identity of the associated applicant (1 case).

OTDA provided the required documentation to the auditors through an upload to the secure file transfer system (Kiteworks) on March 19, 2025.

- Documentation to support income eligibility (1 case).
OTDA obtained the required documentation and can provide to the auditors upon request.
- Verification of the amounts owed and paid directly to the utility company or fuel supplier on behalf of the participants (6 payments).

All 6 cases in question were for Regular Arrears Supplement (RAS) benefits. OTDA offered RAS benefits for a limited time to assist families with utility arrears accrued during the COVID-19 pandemic. OTDA issued RAS policy guidance to districts via a General Information System (GIS) message on September 23, 2021. A copy of this GIS was supplied to OIG on April 6, 2023.

Instructions in this GIS state: *All electric and/or gas arrears must be verified on the date of application processing using a utility webtool and/or collateral contact with the vendor and must be documented on the RAS Worksheet.*

Either the completed Verification section of the RAS Worksheet contained in district case files, or a screenshot of the utility webtool, documents the amounts owed and paid directly to the utility company. The policies and guidance issued by OTDA to districts, which are compliant with Federal regulations, did not require the district to obtain an invoice from the utility company. In all 6 of the payments in question requiring verification of payment, the district did in fact have an RAS Worksheet on file.

In light of the above, there is no basis for requiring New York State to return any funds related to direct vendor expenses, as all are properly documented.

III. The State Agency's Financial Management Systems Did Not Allow For Tracing of Lump-Sum Reimbursements

The \$197 million in "lump-sum reimbursements" referenced in the report consists of \$140 million in autopayments and \$57 million in reimbursement payments made directly to the districts (referred to by OTDA as "settlement payments"). Autopayments are HEAP benefit payments issued for households that are categorically income eligible. Based on household size, income, and heating type, a household budget is created, and a HEAP benefit is calculated. Payments are issued to vendors for households' primary heating costs, as well as to households whose heating costs are included in their rental agreements. With regard to the autopay population, OTDA provided OIG auditors with expenditure level data for Federal Fiscal Year 2022 (FFY22) via reports uploaded to the secure file-transfer system (Kiteworks) on March 20, 2025. While OTDA is able to trace these payments to specific transactions, the supporting documentation for each transaction is maintained at each of the 58 districts. Though OTDA could collect case level documentation from all 58 districts for every benefit payment made, it was not feasible for OTDA to collect case level documentation from all 58 districts for every benefit payment made during the audit period. The collection of such extensive documentation would not only require a significantly extended timeframe but would also demand considerable resources from both OTDA and districts. Alternatively, OTDA requested

that OIG auditors take a random sample from the reports provided and OTDA would provide supporting back up documentation.

Similarly, for the \$57 million in settlement payments to the districts, while OTDA acknowledges that it was not able to immediately provide a detailed explanation for how such payments made to districts as reimbursement for claims of certain HEAP benefit payments could be “traced” back to the case-level documentation maintained at the districts, OTDA did ultimately provide a thorough explanation and offered to gather the case level documentation for a sample of payments selected by OIG. Again, it was not feasible to collect case level documentation from all 58 districts for all of the applicable benefit payments made during the audit period. OIG never selected the sample of payments.

Conclusion

For the reasons stated above, OTDA disagrees with the conclusions in this report and particularly the recommendation that funding be returned. The data upon which OIG relies to support the recommendation to return funding is both statistically insignificant – only seven of 100 case files were ultimately questioned – and OTDA stands ready with information auditors overlooked demonstrating that New York is in compliance with program documentation requirements.

Moreover, established and comprehensive program reviews have and will continue to enhance program integrity. The return of funding will only serve to harm people OTDA serves, and the recommendation to do so is based on flawed conclusions and not grounded in facts or policy. OTDA respectfully requests that any recommendation to return funding be withdrawn.

IV. Recommendations

As to each recommendation:

- (1) Return \$9,444,025 of funds to the Federal Government for the LIHEAP direct vendor expenses that did not comply with documentation requirements.

OTDA strongly disagrees with the conclusion that New York must return \$9.4 million to the Federal Government. OIG identified a total of 8 errors in 7 sampled payments. OTDA has either already provided the auditors with adequate supporting documentation or has obtained the required documentation and can provide to the auditors upon request. As noted above, for the findings related to the verification of the amounts owed and paid to the utility company or fuel supplier, the performance by the district in determining payment amounts was in full compliance with policies and guidance provided by OTDA, and consistent with Federal guidance, and were previously reviewed by HHS with no recommendations for change.

- (2) Work with subrecipients to determine the allowability of the \$197 million in lump-sum payments for LIHEAP expenses and return funds for unsupported expenses to the Federal Government.

OTDA is committed to ensuring that HEAP expenses meet both Federal and State requirements. Again, as noted above, OTDA has a strong set of internal controls in place to meet this objective and consistently reassesses these internal controls to identify opportunities

for improvement. As a result, OTDA is confident that all of the “lump-sum payments” in question can be traced to the supporting documentation.

- (3) Implement procedures to monitor subrecipient expenses, including lump sum reimbursements, and maintenance of supporting documentation.

OTDA has established and maintained a wide array of robust internal controls to ensure compliance with all Federal and State HEAP requirements. This includes policies and procedures to monitor the distribution of HEAP benefits and the performance of our subrecipients. On an annual basis, we conduct reviews of our subrecipients and contracted HEAP vendors and utility providers. We are routinely in contact with the districts through day-to-day communications and on-site reviews. We continually seek enhancements to our oversight processes and in fact, the HEAP Bureau increased the number of districts reviewed in order to further strengthen the monitoring controls.

If you have questions regarding this response, please do not hesitate to contact Thomas Cooper, OTDA Deputy Commissioner of Audit & Quality Improvement, at (518) 473-4601.

Sincerely,



Barbara C. Guinn
Commissioner

cc: Rajni Chawla
Thomas Cooper
Dawn Jenkins
Stephanie Pizzillo
Peili Moore

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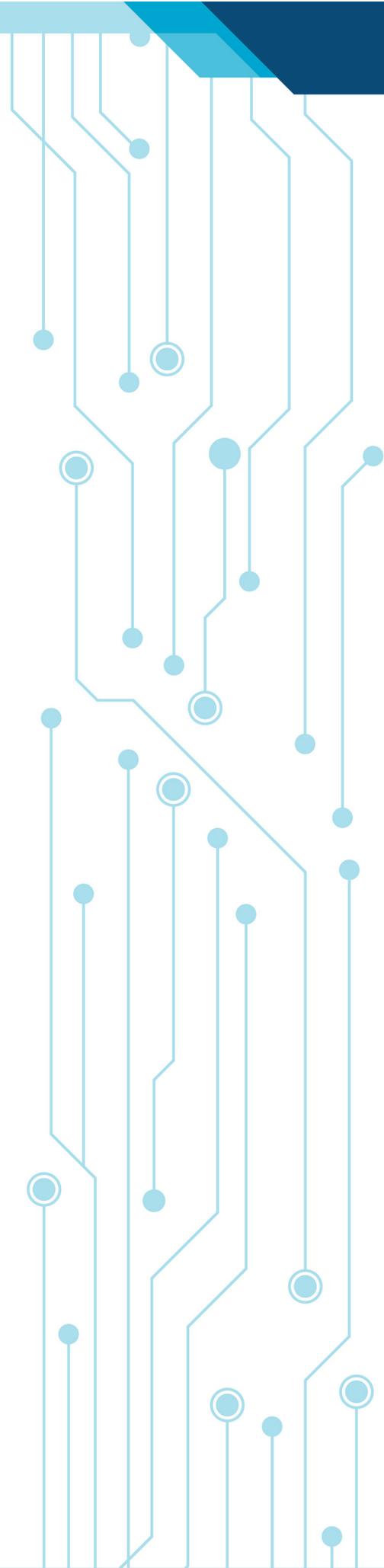
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