

FFY2015

EAPWX State Annual Plan

Background

The Low Income Energy Assistance Program (EAP) transfers a portion of the EAP allocation to the Weatherization Assistance Program (WAP) to deliver services. The *EAPWX Annual Plan* serves as the agreed upon understanding between WAP (Grantee) and EAP (Grantor) for the use of these funds. The *Plan* outlines the use of federal EAPWX funds within the intention, direction and guidance of the statewide program. The *EAPWX Annual Plan* documents WAP internal controls for assessment and assurance. The structure and content is driven by the Office of the Legislative Auditor (OLA) requiring governments to ensure an effective internal control system to enable prudent management of public funds. This plan incorporates Commerce Commissioner and OLA directives to provide reasonable internal controls to safeguard funds against loss or unauthorized use and attain strategic objectives.

The internal controls relate to the organization's leadership, identification and management of risks, design of control procedures and activities, communication and information practices and the monitoring of its performance and effectiveness of the procedures and activities. Internal Controls Framework (ICF) defines internal control as a process designed to provide reasonable assurance for the achievement of objectives in three categories:

1. Effectiveness and efficiency of operations
2. Reliability of financial reporting, and
3. Compliance with applicable laws & regulations

ICF is comprised of five interrelated components supporting the three above categories. The following five components focus on attaining strategic objectives and safeguarding assets against loss or unauthorized use.

1. **Control Environment** refers to management's establishment and maintenance of an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.
2. **Risk Assessment** is the managing of risk by identifying priority activities within the organization for risk assessment. Risks are areas outside of the normal control activities that cannot be covered by normal operations.
3. **Control Activities** relate to the grantee's design and implementation of internal control policies and other control activities as appropriate to processing applications, determining eligibility, and delivering benefits. These control activities include program delivery controls and fiscal controls.
4. **Information & Communication** relates to communicating internal control policies and procedures to staff and stakeholders so they understand what is expected of them and are aware of the scope of their freedom to act in relation to program participants and partners.
5. **Monitoring** relates to evaluations of internal control, such as self-assessment or evaluations of internal procedures and performance.

EAPWX Guidance and Rules

The following are the high level rules and guidance for the use of EAPWX money. The plan reflects compliance with this guidance. This plan applies to all EAPWX funds available at the time the plan and guidance are implemented.

The Requirements for the EAPWX program are:

1. Funds must be used to “provide low-cost residential weatherization and other cost-effective energy-related home repairs;” PL 97-35, Sec. 2605 (b) (1) (c)
 - WAP Service Providers will provide audits and inspections on each dwelling where an audit event is created for which EAPWX funds are spent.
 - At least one cost effective EAPWX funded conservation measure must be in every audit event where EAPWX funds are used for Health and Safety or General Repair measures.
 - EAPWX funds can be used to complete measures included on the MN Department of Commerce’s “Allowed Activities and Measure Type Chart”.
 - Cost-effective energy-related general repairs necessary to allow installation of weatherization materials or to make installation of weatherization materials effective are allowed.
2. Dwelling units must be occupied by EAP income-eligible households at or below 50% of State Median Income or WAP income-eligible at 200% of the federal poverty guideline and have an approved application in eHEAT.
3. Multi Family Dwellings
 - a. EAPWX funding may only be used in multifamily buildings where tenants either directly or by meter pay their own heating bills.
 - b. Tenants must meet EAP eligibility or WAP eligibility requirements.
 - c. Multifamily conservation work using EAPWX funding will be limited to heating systems.
 - d. In a multifamily, where only the minimum of 66% of households meet the EAP or WAP eligibility requirement and the landlord agrees to pay for the work in the remaining units of the dwelling, EAPWX funding may be used.
 - e. Domestic hot water systems in multifamily buildings may only be addressed with EAPWX funding if they are in combination with the heating system, such as a boiler with a domestic hot water side arm.
 - f. Common space in a residential building may be weatherized if all dwelling units are weatherized.
4. Benefit Levels: The EAPWX averages cost per household:
 - a. Audit events
 - Average cost per unit is \$5,000 excluding Health and Safety activities.
 - Average Health and Safety cost per unit is \$1,000.
 - b. Standalone events
 - There is no cost limit for homeowners per event for allowed standalone activities.
 - There is a \$2,000 limit per event for renters for allowed standalone activities.
 - Emergency funds must be used when EAPWX funds are available and ERR funds are not available for life threatening situations such as high levels of Carbon Monoxide (CO) in the flue of the heating system or the domestic water heater is an example of a potentially life-threatening situation.
5. In situations where full weatherization services cannot be provided, EAPWX standalone funds may also be used for allowed activities in non-emergency situations during the entire grant period
6. EAP and WAP Coordination requirements are as follows.
 - a. EAP and WAP Coordination at the State level includes:
 - Annual EAP and WAP planning activities, and development of local Service Provider EAPWX Coordination Plan requirements.
 - Coordination of monitoring to address Service Provider issues identified during either EAP or WAP Service Provider monitoring.
 - Exchange of monitoring reports between EAP and WAP monitors.
 - Coordination of management of complaints, appeals, suspected fraud, service problems, etc.
 - b. EAPWX Coordination Agreement at the Service Provider level will include but is not limited to:

- Ensuring life-threatening no heat or heating system emergencies are addressed in a timely manner when ERR funds are not available, per 4b above.
 - Ensuring timely response to ERR or EAPWX referrals.
 - Furnace replacement. This may include cost-sharing to reduce EAPWX and ERR average expenditures.
 - Adherence to EAPWX rules by local Service Provider includes but is not limited to:
 - Creation of the Weatherization Assistant (WA) Audit Event when EAPWX funds pay for one or more conservation measures.
 - Creation of a Weatherization Assistant Standalone Event.
 - Creation of a WAP file that follows WAP rules for documentation and inclusion of forms, bids, invoices, and other paper work as defined by WAP.
 - On-site inspection by WAP Service Provider for all Standalone Events where the combined WAP and ERR cost is equal to or greater than \$500.
 - Coordination of timely responses between EAP and WAP staff.
7. WAP state monitors inspect a minimum of 5% of completed dwellings each EAPWX program year where audit events have been created and EAPWX funds have been used.
 8. Service Providers Final Inspections:
 - a. Service Providers must inspect 100% of Audit Events where EAPWX funds are used.
 - b. Service Providers must inspect all standalone events where the EAPWX fund expenditure is \$500 or more.
 9. EAPWX funds may not be used for Training and Technical Assistance (T&TA), out-of-state travel, purchasing or leasing equipment, software, hardware, or vehicles.
 10. Service and Expenditure Reports will be delivered to grantor as identified in section 4. Communications & Information of the EAPWX *Annual Plan*.
 11. EAPWX funds will be transferred to Commerce WAP by March 1 of the corresponding FFY, so long as 100% of LIHEAP funds have been made available to Commerce EAP and the EAPWX State Plan has been signed. EAPWX funds must be expended by September 30 of the following FFY or be returned to EAP.
 12. The grantee assures EAPWX services are equitably available to all areas of the state.

Adherence to the five ICF interrelated components is demonstrated below.

Control Environment

Instructions: Complete the *EAPWX State Plan* to demonstrate the agency's commitment and competency to provide EAPWX services in compliance with policies and procedures as stated in *State Plans*, the EAPWX Guidance & Rules on page 2 of this document and the *WAP Manual*.

1. Control Environment relates to management and employees establishing and maintaining and environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

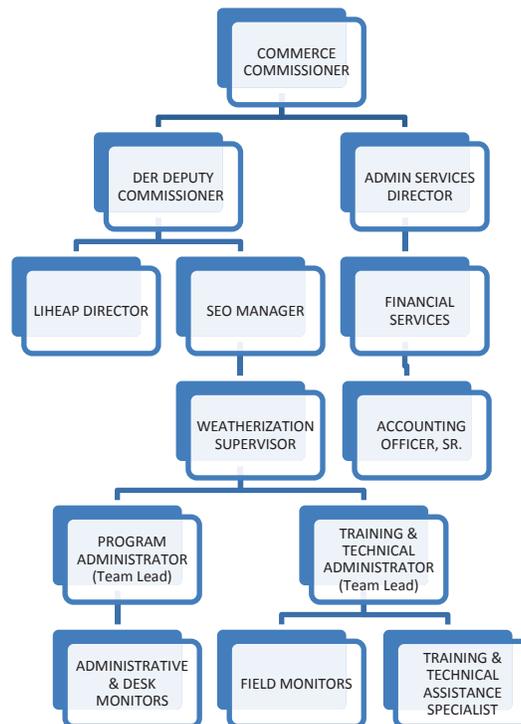
Grantee Organizational Competence

1. **Environment:** As stated in the Weatherization Assistance Program Internal Control – Integrated Framework document, the Department of Commerce is “working to move Minnesota toward a sustainable energy future.” The mission statement goes on to state that Commerce provides information and assistance to “residents, builders, utilities, non-profits, and policy-makers on home improvements, financial assistance, renewable technologies, policy initiatives, and utility regulations.”

The intention or objective of the EAPWX funds, stated in the Weatherization Assistance Program Internal Control – Integrated Framework document, is to *reduce energy costs for low-income households by increasing the energy efficiency of their home while ensuring their health and safety*. This objective pertains to all funds administered by WAP, including EAPWX.

The Weatherization Assistance Program administers funds from a number of sources, including EAPWX funds. The WAP state office mission is applicable for all the funds administered including EAPWX. The state WAP office must assure that:

- a. Eligible households receive the WAP services for which they are eligible under the law and regulations.
 - b. Weatherization work is completed correctly and in accordance with State Plans, program rules, policies, protocols, and building and other relevant codes.
 - c. Program funds are spent in accordance with pertinent laws and rules.
 - d. Documentation that WAP funds are used correctly is accomplished by:
 - On-site inspections of completed WAP work in a percentage of homes completed.
 - Administrative monitoring visits to every Service Provider at least once per year and more often if deemed necessary. .
 - Desk monitoring, including the use of program and fiscal reports submitted to Commerce by Service Providers.
 - Desk monitoring using reports designed at the state level using eHEAT and Weatherization Assistance data.
 - e. Program and fiscal reports provided as required to funders of WAP.
2. EAPWX. EAPWX intentions relate to the organization’s mission are described below:
- a. EAPWX fund monitoring is completed along with monitoring of all other WAP funds. Major problems are reported, discussed, and resolved in consultation with the state Energy Assistance Program. Minor errors are corrected by Service Providers and monitored by the state WAP for possible recurrence. Corrective Action Plans are issued, as needed.
 - b. Use of EAPWX funds are reported to the state Energy Assistance Program.
3. EAPWX funds may be used along with other WAP funds or alone to assist eligible households.
4. **Structure of Authority:** Describe the structure of authority, responsibility, and accountability so appropriate personnel make proper decisions and take necessary actions.



Day-to-day decisions regarding the use/expenditure of all WAP funds including EAPWX are made by the Weatherization Supervisor with input from the weatherization staff. When

problems arise, decision-making activities include the State Energy Office (SEO) Manager and higher authorities as appropriate. Problem-solving involving EAPWX funds will include the state EAP Director.

2. Risk Assessment.

Risk Assessment is the management of risk by the identification of priority activities within the organization for risk assessment, considering areas materially impacting the financial position and results of operations and program (e.g. assets, liabilities, revenues, expenses, materials).

1. Risks Analysis:

Identifying, analyzing, and managing business risks that influence WAP's ability to maintain financial strength, a positive public image, and the overall quality of its products and government services for EAPWX.

As required by a Department of Commerce mandate, the state WAP office has completed a thorough risk assessment which addresses all known risks. It includes all funding administered by WAP. A copy is available for review at: I:\AD\ICF\WAP ICF

2. Incidents:

Procedures to handle incidents, appeals, complaints, errors and fraud are described here.

a. Appeals/Complaints:

- A three step process begins with the local Service Provider; step two is an appeal to the state WAP office; if necessary, step three is an appeal from the client that is heard by the Office of Administrative Hearing. See WAP Policy Manual, Client Appeals.

b. Service Provider errors are responded to in one or more of the following depending on the specific situation and the seriousness of the problems.

- The most serious or pervasive errors could result in de-funding of Service Provider and repayment of disallowed costs. The EAPWX Grantor is notified of incidents of this nature. If a potential for criminal prosecution fraud is suspected, it is referred to the appropriate authorities.
- Less serious or pervasive errors may include repayment of disallowed costs or simply a correction of errors. Technical assistance training may be required to reduce future problems and assist the Service Provider in returning to full compliance.
- Minor and non-pervasive errors do not include disallowed costs, but do include error correction and technical assistance as needed to assure the error will not be repeated.

c. Client fraud is always investigated and referred to the proper authorities. See WAP Risk Analysis.

d. Incident response includes informal requests for information and guidance by Service Providers. Responses may include but are not limited to:

- Discussion among state WAP staff.
- Responses to specific requests are provided predominantly by phone or email.
- Responses are shared with appropriate state WAP staff.

3. Responses on issues of general concern are shared with all Service Providers.

4. Continuity of Service Planning: Plans to assure continuity of service in the event of interruption of EAPWX services due to natural or man-made disasters or temporary or permanent suspension of contract duties of a service provider are described here.

a. Natural or man-made disasters at Service Provider level.

- Service Providers are responsible for providing alternative work sites and administrative structures for employees to assure that work can continue as soon as possible.
- WAP's Disaster Plan, approved by the U.S. Department of Energy (USDOE) focuses on providing a flow of funds to the Service Provider and defining services that can be provided. The Minnesota WAP Disaster Plan applies to funds, including EAPWX funds, administered by Commerce.

- WAP maintains electronic records (Weatherization Assistant and eHEAT) for all Service Providers. These can be provided to Service Providers in the event local electronic records are damaged or destroyed.
 - b. Temporary suspension of a Service Provider contract. If a Service Provider is temporarily suspended, WAP may contract with one or more alternate Service Providers to perform services for clients in the suspended contract service area.
 - c. Termination of Service Provider contract. WAP will solicit a new temporary or permanent Service Provider or Providers to carry out weatherization activities for clients in the affected service area.
3. **Control Activities:** Control Activities relate to the specific design and implementation of the internal control policies and other control activities.
1. **Policies and Procedure:** Describe the specific rules, policies, and procedures guiding the use of EAPWX funds and how these rules are documented for use by State Staff and Service Providers are presented here.
 - a. All contracts with WAP Service Providers incorporate by reference many other documents pertaining to USDOE and EAPWX funds. This list, which pertains to the use of federal funds, is contained in each WAP contract.
 - b. WAP contracts also mandate:
 - Compliance with the LIHEAP and Weatherization State Plans.
 - Compliance with the state WAP Policy Manual, field guide, and USDOE Weatherization Program Notices.
 - The use of eHEAT and Weatherization Assistant software.
 2. **Budgeting and Allocation:** The processes for budgeting, allocating, and distributing EAPWX funds at the State and Service Provider level are described below.
 - a. The state office retains three and one-half percent of EAPWX admin funds for overall program administration, monitoring and reporting.
 - b. The remaining six and one-half percent of the administrative funds and all program funds are distributed to Service Providers according to the same formula used for DOE funds.
 3. **EAPWX Average:** Procedures to ensure the state-wide average EAPWX expenditure per household is not exceeded by the end of the program year are listed here.
 - a. On a quarterly basis State WAP staff:
 - Review WA data to ascertain the number of completions.
 - Review eHEAT Financial Status Reports (FSR) data to determine the total expenditures statewide.
 - Divide the expenditures by the number of completions to determine the actual average.
 - Discuss the results with any Service Provider where the average does not meet the criteria.
 - Require Service Providers to back excessive costs out of EAPWX funds, if necessary.
 - b. A final review is conducted at program year end to assure that cost averages are not exceeded. Action is taken as necessary.
 4. **Fiscal Transactions:** WAP follows generally accepted fiscal practices including authorized personnel having program specific knowledge and segregation of duties. Describe State and local fiscal transactions use to following guideline to assure this requirement .and how those transactions are assured in terms of:
 - a. At the state level:
 - Proper segregation of duties
 - All WAP funds are audited as required by state and federal fiscal rules and policies and OLA requirements.
 - State program and fiscal staff maintain an on-going dialogue with Service Providers with regards to WAP fiscal concerns. State staff is available to assist Service Providers as needed.

- b. Minnesota's WAP funds, including EAPWX funds, are distributed via a formula that reflects current population distribution and energy conservation needs in Minnesota. The formula encompasses the following factors:
 - US Census data is used to establish numbers and distribution of low-income households across the state.
 - EAPWX utilizes a weighted eligibility income criteria based on EAP Eligibility and USDOE Eligibility (200% of federal poverty and 50% State Median Income).
 - Heating and cooling degree days reflect that Minnesota's climate is an important energy conservation consideration. These degree days vary widely from one end of the state to the other. This information is incorporated into the allocation formula using a weighted heating and cooling degree days based on the Service Providers Territory.
 - WAP acknowledges that low-income household energy bills demand a larger share of their income and that eligible households are disproportionately affected by increasing home energy costs.
- c. Issues below are included in fiscal/administrative monitoring activities by state staff. Issues are addressed as they arise.

5. **Fiscal Controls:** Describe how and who completes the following:

1. Fiscal reporting (including FSR). Service Providers are required to report monthly EAPWX expenditures. Reports are submitted via eHEAT. They are reviewed and accepted or rejected by Commerce fiscal staff. Problems are discussed and resolved with WAP program staff and the Service Provider.
2. Cash Requests. Service Providers submit cash requests as needed to Commerce fiscal staff. Requests are reviewed for reasonableness and approved where appropriate after verification of funds available.
3. Notices of Funds Available (NFA) are created by Commerce fiscal staff at the request of the WAP supervisor. NFAs are generated and then scanned and emailed to the designated representatives of the Service Providers.
4. Closeout Reporting. Service Providers submit final closeout FSRs to Commerce fiscal staff for review and acceptance as appropriate. Discrepancies are discussed among WAP staff and with the Service Provider and resolved as by specific issue.

4. **Communication and Information** relates to communicating the internal control policies and procedures to all staff and stakeholders so they understand both what is expected of them and the scope of their freedom to act in relation to program participants and partners.

1. **Information Dissemination: EAPWX:** Describe how EAPWX policies, procedures and controls are disseminated to the State and local Service Provider personnel to enable effective and efficient administration of the funds. Information is disseminated to Service Providers in the following ways: WAP Policy Manual is available on the Commerce web site.
 - a. The WAP Policy Manual is updated regularly.
 - b. Group emails alert Service Provider staff to upcoming and actual changes to policies and rules.
 - c. The WAP Wire provides additional information as needed.
 - d. The LIHEAP Energizer is forwarded to all local Weatherization coordinators.
 - e. Group and/or individual training and technical assistance activities are provided as needed or requested.
 - f. Minnesota Weatherization Advisory Group (MWAG) meetings provide an informal setting to inform and update Service Providers.
2. **Quarterly reports:** As part of this plan the grantee agrees to provide the grantor information to enable oversight and reports including
 - a. Funding and expenditures and fund balance by EAP federal fiscal year
 - b. Household demographics, households served
 - c. Installed measures
 - d. Mechanical measures

- e. Average cost per completed unit
- f. State level obligations and expenditures

3. **Weatherization Activity Reporting:** These reports may coincide with the quarterly reports provided to USDOE. Quarterly report due dates are:

a. **Electronic Quarterly Reports** - WAP will provide Quarterly Weatherization EAPWX Fund Statistical Reports on or before the following dates:

Quarter	Months	Report Due date
One	January - March	May 15
Two	April - June	August 15
Three	July - September	November 15
Four	October - December	February 15

b. Federal Poverty Guideline specific data is needed for the “HHS EAP Household Report” as follows:

- Estimates for the “Household Report” are due to the EAP Director on or before August 15.
- Actual numbers from October 1 to September 30 for the “Household Report” are due to the EAP Director on or before December 1.

5. **State Monitoring.** Monitoring relates to separate evaluations of internal control, such as control self-assessments or internal procedures and performance.

1. **Field monitoring:** Describe state monitoring of Service Provider work performance, effectiveness, and use of EAPWX funds in a timely manner along with any other quality or performance monitoring conducted to assess fund activities.

Five percent of the homes using EAPWX funds are inspected. Inspections include review of building shell and/or mechanical work. All inspections will include review of work completed by all funds used in the dwelling. Inspections focus on the quality and appropriateness of work performed and the client’s satisfaction with the work. Reports are provided to Service Providers within thirty days of each monitoring visit. Corrections are required as needed. Service Providers are required to submit report responses detailing the corrections made and the dates completed. Re-inspection is completed by state staff as needed.

As of July 1, 2015, all dwellings will be inspected and monitored in accordance with USDOE’s Standard Work Specifications, as required by USDOE Weatherization Program Notice 15-4.

2. **Administrative monitoring:** Describe formal administrative monitoring process and tools used by the State to examine EAPWX activities, how they are documented, reported, and how findings are documented and resolved to assure future compliance.

Service Providers are monitored at least once a year. Additional visits are completed as necessary. The monitoring process includes:

A detailed monitoring tool covering all phases of fiscal and administrative practice as it pertains to EAPWX funds. The following represent some, but may not represent all of the topics covered in administrative and/or field site visits:

- | | |
|-----------------------------------|--------------------------------|
| Agency General Questions | Equipment Maintenance |
| Client Service | Equipment Purchase/Disposition |
| Employee Safety | Equipment Inventory |
| Weatherization Employees | Vehicle/Equipment Usage |
| Work and Work Flow | Contractor Qualifications |
| Training and Technical Assistance | Fiscal Audit |
| Weatherization Materials | Fiscal Process |

Household File Documentation
Segregation of Duties
Board Oversight

Procurement
Financial Management
Board Review of WAP Activity

- a. Household file reviews cover household eligibility and the presence or absence of all required signatures, forms, and other documentation. File reviews also include procurement-related issues such as bid specifications, bids, and invoices for service provided.
- b. Desk monitoring. Commerce uses reports and queries from Weatherization Assistant and eHEAT to monitor the following:
 - Production goals versus actual completions/service provided
 - FSR expenditures and production/services provided
 - Comparing FSR expenditures to cash requests
 - Cost limits/averages compliance with rules/policies
 - Savings to Investment Ratios (SIR) detail reports
 - Health and Safety measure costs reports
 - General Repair measure cost reports
 - Standalone measure cost reports
 - Energy savings reports
 - Recommended measures reports
 - Work order details

Signatures

Acknowledgement and Certification

The grantee acknowledges the Plan contents for the administration of EAPWX funds and certifies the information provided is accurate to the best of their knowledge.

Grantee Approval	Grantor Approval
Name: Michelle Gransee	Name: John Harvanko
Title: Supervisor, Weatherization Assistance Program	Title: Program Director, Energy Assistance Programs
Signature: <u>Michelle Joyles</u>	Signature: <u>Doug Burns for John Harvanko</u>
Date: <u>3/18/15</u>	Date: <u>3/18/2015</u>